

**COMPREHENSIVE KOREA-U.S. SECURITY COOPERATION  
UNDER THE NEW GOVERNMENTS IN THE  
GLOBAL FINANCIAL CRISIS**

The 24<sup>th</sup> Annual Conference of  
The Council on US – Korean Security Studies

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**CONFERENCE REPORT**

**By Patrick M. Morgan  
University of California at Irvine**

**EXECUTIVE SUMMARY**

The opening session featured reviews and assessments of the current policies of China, the US, and North Korea. China was depicted as satisfied but somewhat insecure, the regime concerned to enhance its international status and its domestic legitimacy via its accomplishments and determined to avoid major instability on the Korean peninsula. This makes it simultaneously very unhappy with Pyongyang yet very reluctant to impose serious pressure on it. The US is still sorting out its Asia policy but has moved to strengthen its alliances, cooperate with China, and signal its willingness to once again pursue engagement with Pyongyang now that US-ROK positions on the DPRK and other matters are closely aligned. Kim, Jong-il seems to be preparing to reopen the 6 Party Talks (6PT), and American leadership here remains vital given Pyongyang's preoccupation on dealing with the US. The other parties met the North's latest round of intransigence and withdrawal with impressive cohesion. However, the old concerns remain: North Korea is too opaque and its ultimate objectives are unclear. Will the talks really do any good, make any progress? Will the North ever abandon its nuclear weapons program? Do the great powers really want Korean unification?

Optimistic reports about current ROK-US relations were delivered at the conference by American and ROK officials, and often expressed by conference presentations, the exception being that the FTA ratification is on hold due to the recession and politically difficult adjustments will be necessary for US ratification. One participant emphasized that the agreement is now largely a *political* question, another called for steps to bring the interests of the two parties back into alignment politically.

The conference featured clashing views on how dealing with North Korea. Innovative proposals were offered: that the US have a private "Korea Program" established, perhaps by the Carter Center, to facilitate North-South negotiations, agreements, and interactions; that the US finance a Center for Korean Reunification Studies; that Kim, Jong-il be invited to a bilateral meeting at Camp David or the UN,

perhaps with a return visit by Obama. Another suggestion was that the US concentrate on approaching North Korea within a broader regional context, as part of creating a regional security management structure and linked to multilateral approaches to cooperative solutions. This would be a suitable context for the North to relax its security concerns and move toward becoming normal in its international interactions. Related assertions claimed the North will respond, as in the past, to conciliatory gestures, incentives, and attention to its security concerns, sovereignty, and desire for an independent national development. Obama administration engagement efforts were seen as too limited, not as extensive as those mounted for Russia and Iran.

But opponents saw few signs of a sufficient consensus among the great powers or the two Koreas to generate successful steps along these lines, and expressed pessimism about North Korean motives and intentions. The North was said to need isolation as a part of its identity and survival, that it will not undertake real reforms at home having treated from partial ones adopted several years ago. What great-power consensus there is will be eroded once the Talks begin again. China simply does not see North Korea and its nuclear weapons as a threat, is far more concerned about stability on the peninsula than unification, will never force the North to reform and denuclearize. The 6PT are a waste of time; during their operation the North has toughened its domestic policies, tested more missiles, and become a nuclear power, making a bad problem worse.

That debate merged blended into a parallel one on the future of the US-ROK alliance. Officials of the allies called attention to the parties' commitment to developing a "comprehensive security alliance" or "strategic alliance" for cooperation on regional and global problems as much as for defense of the ROK. Many participants saw this as a suitable way to ensure the future relevance and vitality of the alliance. One presentation and related discussions detailed how the ROK can contribute militarily to cooperative global and regional security management by describing the ROK Navy's participation with other navies in meeting the piracy problem off Somalia and in the Gulf of Aden. The need to maintain security of SLOCs was affirmed, particularly for the ROK which is hugely dependent on ocean-going trade, in an age beset by piracy, terrorism, competitions over seabed resources. However, another presentation that carefully reviewed the Dokdo dispute between the ROK and Japan helped participants appreciate the barriers to maritime cooperation, and how intensive disputes over territories situated in or near key sea lanes can be.

An alternative view suggested that stressing bilateral alliance relations may inhibit progress toward a broader multilateral security arrangement and invite a conflict between the allies and China that would divide the region and pose problems for a ROK that badly needs good relations with both the US and China. It was suggested that the region is really looking for alternative new arrangements, not just a refurbishing of old ones.

This debate overlapped with still another, familiar from prior COKUS conferences. Officials' presentations detailed, and strongly defended, allied steps to shift responsibility for defense of the ROK mainly to its armed forces, culminating in a 2012 dissolution of the Combined Forces Command (CFC) and transfer of wartime control of

allied forces (OPCON) to a ROK military commander. Preparations for this were shown to be quite elaborate and described as moving smoothly; the ROK has accepted a number of alliance missions and will soon absorb others while rapidly modernizing its forces. The US is moving USFK away from the DMZ and sharply upgrading their capabilities. It will provide important “bridging” capabilities after the CFC goes as the ROK completes its ambitious military modernization for not only its defense but the responsibilities of a “strategic alliance.” All this reflects the national confidence associated with the ROK’s status as a major developed society and an advanced economy, plus its citizens’ desire for a more balanced alliance.

Opposing this view were assertions that shifting from the CFC to myriads of cooperative arrangements between separate commands will reduce combat effectiveness, that ROK military modernization is seriously underfunded and running well behind schedule, that not all its purchases of new equipment are appropriate – particularly in ballistic missile defense and C4I capabilities. Attention was called to North Korea’s malevolent intent and continuing improvement of its conventional forces and ballistic missiles. Also noted was the opposition of many retired Korean military leaders to these developments. A delay in the OPCON shift was proposed.

A related presentation detailed ROK progress on a blue water navy, particularly in producing modern warships and purchasing advanced technology such as Aegis-style combat capabilities abroad. Also relevant is ROK participation in a wide range of joint naval exercises. But significant shortcomings in the maritime forces were also discussed, as were difficulties associated with interservice rivalries. Fears were expressed that expanded naval cooperation with the US might actually enlarge the naval gap between the allies by restricting the ROK to peripheral roles, something others regarded as overemphasized and manageable. The American experience with fostering “jointness” was suggested as possibly relevant.

The conference had extensive descriptions and analyses of the causes and effects of the global financial crisis as well as current US-ROK economic relations. The crisis was said to be rooted in the “Triffen dilemma” involved in providing sufficient liquidity for the global economic system via the American current account deficit, the rise of “securitization” by bundling into packages of mortgage-backed securities, the vast expansion of “credit default swaps” to provide insurance for corporate bondholders that became totally unsustainable as the crisis developed, the lack of regulation in crucial sectors, and the housing bubble – with the US at the heart of nearly all these deficient practices and China contributing significantly by underconsumption combined with excessive exporting stimulated by pegging the yuan to the dollar. The enormous impact in world finance, trade, investment, and employment was outlined, particularly in the US and the ROK, along with their responses. There were indications that the frozen FTA ratification will require adjustments in the agreement, particularly on the automotive sector, as well as overcoming the protectionist pressures and practices resulting from the financial crisis. There was an interesting debate about the implications of the crisis for economic leadership in East Asia. One view was that the crisis will promote greater economic regionalism, but others noted the barriers to deeper regional cooperation

especially in the China-Japan relationship. Suggestions that the US has lost considerable stature and influence provoked responses that it is still very potent, particularly in being the key to everyone's recovery from the crisis. The suggestion that sorting out the true meaning of the crisis may take a decade or longer was the wisest comment.

The final presentation detailed the robust state of Korean studies and related activities in the US, a remarkable shift from the early decades of the alliance, and noted the absence of American studies programs in the ROK. Participants wondered how important such efforts are in shaping political-security relations between the two societies and expressed hope that ways of assessing this can be found, but no immediate answer to the question seems to be at hand.

## CONFERENCE REPORT

The Conference was cosponsored by:  
The Republic of Korea Ministry of Defense  
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The Council seeks to promote scholarly exchanges and friendly debates on issues related to security and stability on the Korean Peninsula, and on US-ROK relations as well as their relations with neighboring countries. The Council encourages frank and open discussions at its conferences.

### Opening Remarks

**Dr., Huh, Nam sung** (Emeritus, Korean Institute for National Unification - KINU) called the conference to order shortly after 9:00 am and introduced the Co-Chairmen of the Council. Co-Chairman **General Kim, Jae-chang** (Ret.) opened his remarks by recognizing **General Paik, Sun-yup**, first Co-Chairman of the Council, **Dr. Sung** from the Maritime Institute, and **General Han, Joo-soo**. He also recognized representatives of the co-sponsoring organizations and noted the presence of other dignitaries in the audience. He welcomed the American participants who had come so far for the conference. He pointed out that the annual **Security Consultative Meeting** (SCM) had been held in the week before the conference and had focused on North Korea and the North Korean threat. It is necessary to dig more deeply into that threat and a number of other matters and this conference will provide an opportunity to do this.

Co-Chairman **General John Tilelli** (Ret.) also recognized **General Paik** in order to thank him for all he has done for the alliance over its entire existence. He welcomed other dignitaries present at the conference and the students in attendance from Yonsei University. He emphasized that the conference was taking place when things are

changing – in the US, in the ROK, and in Northeast Asia. He expressed hope that the discussions would generate seeds of new ideas so that those ideas can grow. The members need to look around at the people who are attending and take steps to draw them, and others, into the Council's activities. In that way the Council can grow and develop. We have all sorts of major changes occurring, and the conference is being held when it is necessary to shape the role of the alliance for the future. Reviewing the papers, it appears that this will be one of our most intellectually stimulating meetings.

**PANEL ONE (International Politics and Security): THE FINANCIAL CRISIS AND PROSPECTS FOR THE FOUR-POWER RELATIONS ON THE KOREAN PENINSULA**

**CHAIR: Professor Yim, Yong Soon** Dean of the Graduate School at Sungkunkwan University

**PRESENTATIONS:**

**Professor Andrew Scobell** Texas A&M University - a specialist in Chinese military affairs and national security policy

**Professor David Kang** University of Southern California - School of International Relations and the Marshall School of Business; Director of the USC Korean Studies Institute

**Dr. John Endicott** President of Woosong University; a specialist in Korean and Japanese studies, and Asian security studies.

**DISCUSSANTS:**

**Dr. Kim, Kisoo**, Senior Researcher – the Sejong Institute

**Professor Edward Olsen** Emeritus, Naval Postgraduate School

The Chairman indicated he was honored to be in charge of the initial panel of the conference. Recently there have been huge changes in and around the ROK. China is continuing to be a rapidly rising power. The unipolar element in the international system has been significantly eroded by the current financial crisis, although the US is still playing a very significant role. The ROK is no longer a small player in international affairs, and will host the 20 nations economic summit next year. To discuss these and other matters we have a set of fine panelists (which he then introduced).

**Dr. Andrew Scobell,**

“China's Relations With Other Powers on the Korean Peninsula in the Global Financial Crisis”

Dr. Scobell recalled a number of the important events recently for China – severe ice storms, widespread unrest in Tibet, the Taiwan election results, a devastating earthquake, hosting the Olympic Games in August, the onset of the Financial Crisis, and China sending a flotilla to the Gulf of Aden for anti-piracy operations. The government is particularly attentive to developments on its doorstep – Northeast Asia – and especially developments pertaining to Korea, which it regards as the threshold or gateway to China’s political and economic heartland. It fears that instability in Korea could spill over the border. Naturally it wants no outside power controlling Korea, and prefers a divided Korea if an outside power is highly influential there. But a divided Korea has posed many difficulties; North Korea is truculent and unruly, resisting domestic reform and often practicing brinksmanship. It is no longer such an important buffer state given China’s close relations with Seoul. But a unified Korea would pose other challenges so Beijing is in no hurry for unification to take place, something it assumes the ROK will dominate.

Status is very important to China, central to its nationalism and a source of power, with both of those being important for the legitimacy of the regime. Hosting the Olympics was vital in this regard. Beijing wants to be seen as a major global player, strong and respected, which is important in the eyes of its people. Also important is continued rapid economic progress, another key to regime legitimacy in the eyes of its citizens. Ethnic unrest is always very disturbing, but even more so is the prospect of *recession-driven* unrest being added to the thousands of violent protests every year over corruption or pollution, for example. The government is pleased at having weathered the economic storm fairly well, but worries about the weaknesses in the US economic system and the international financial system, and about China’s energy security. It continues to worry about the Taiwan situation, even though relations across the straits have eased, and American involvement in it. It sees good relations with the US as very important but tries to limit American influence in Asia and elsewhere. It remains a rather insecure regime. However, tensions with Japan have eased and relations with Russia remain good, although the latter relationship is shallow – a new book refers to it as an “axis of convenience.”

Beijing is now emphasizing several multilateral endeavors it has helped create, such as the Shanghai Cooperation Council and the Six Party Talks. It has also started a string of cultural entities, the Confucius Institutes, in over 80 countries and regions, designed to raise its profile in that sphere. As for Korea the general political environment has been in flux, with governments recently changing in the ROK, Russia, Japan, and the US, and with hints of a possible leadership transition in North Korea.

China’s relations with the US continue to be in good shape but issues remain: Taiwan, protectionism, weakness in the US financial system, troubles with the dollar. The US remains central to the Six Party Talks China has been working to get restarted. Beijing’s relations with Japan are stable, something both countries have worked hard for. While relations with Russia are good, Russia’s condition, exacerbated by the financial crisis, is cause for concern. Its value as an arms supplier is declining and it is an unreliable source of energy – there is still no pipeline between the two countries started.

While China-ROK economic ties flourish, China is dissatisfied with the economic stagnation in the DPRK, which is sopping up roughly a third of China's foreign aid. The North is China's only formal ally but Beijing tells Pyongyang that it will get no support if it provokes a war with someone. Above all Beijing wants stability on the peninsula, which is why it is so committed to the Six Party Talks. It has worked very hard to make the Talks a success, finding much benefit and status in appearing so influential. Since it can live with a nuclear armed North Korea it thinks the US, as the stronger party, should make the necessary compromises with North Korea in their conflict. But American and Chinese strategies on North Korea are not fully compatible. China wants to proceed cautiously, Washington would prefer more rapid progress. Beijing sees itself as benefiting from being a central player and keeping the US bogged down. In this sense the current situation benefits China – the Talks are a management mechanism for sustaining it. In the long run China would like a unified Korea detached from US influence, with no US troops there or the troops confined to the South.

The complete collapse of the Six Party Talks would therefore be a serious and damaging development for China. It has even been suggesting for some time that the Talks become the basis for a regional security management mechanism. A tranquil neighborhood remains one of its major priorities.

**Professor David Kang, “US Relations With Other Powers on the Korean Peninsula in the Global Financial Crisis”**

His opening remarks concerned his honor at appearing with the Council about which he has heard a good deal. Turning to US relations with other states involved in the financial crisis and the peninsula's problems, he said the Obama administration is rethinking American economic policies, the global American role, and other matters in light of the financial crisis, trying for a clear Asia policy and a clear policy on North Korea. There has been no overall Korean policy review yet, partly because Kurt Campbell became Assistant Secretary at State only recently. Meanwhile, North Korea has conducted a missile test and a second nuclear test, refused to resume the Six Party Talks, and completed development of a uranium enrichment program (it says). US-ROK cooperation has produced more Proliferation Security Initiative patrols and stiffer sanctions on the North. And there is the possibility that a leadership struggle in the North might arise to further complicate matters. Washington is seeking to reassure allies, engage everyone else, and promote traditional principles – mostly eschewing, for the time being, containment rhetoric or other tough talk. Hence the first Secretary of State Clinton visit was to China, Japan, and the ROK. Policy is vague but there are hints the US might consider regional management institutions as a supplement to the alliances.

The administration's emerging Asia policy emphasizes traditional allies while seeking cooperative engagement with countries like China. There are no objections to a rich, strong China as long as it is peaceful and adheres to international norms, which is merely a continuation of the successful Bush approach. While various analysts see China as a rising threat, seven presidents in a row have sought the integration of China into the

international system, seeing China as an opportunity more than a threat. This requires taking a pragmatic approach on human rights, as the US has been doing for some time. The worst alternative for the ROK would be a major US-China conflict and Seoul forced to choose between them, with China continuing – as Dr. Scobell indicated – to see Korea as very important.

While reassuring the allies the administration wants the alliances moved beyond deterring enemies toward cooperation on out-of-area military operations and matters like climate change and energy security. Added is the current emphasis on economic issues. But policy details are still to come, including on the administration's references to new multilateral structures of cooperation. It has expressed interest in trilateral talks on various matters, which could leave out the ROK on them. But US-ROK postures are aligned on issues like energy security, the environment, and climate change.

Economic issues remain paramount, and Northeast Asian governments have been talking about regional currency integration as a way to reduce the role of the dollar as a reserve currency, building on the remarkable pace of integration of those economies. China is now the largest trading partner for virtually everyone in East Asia, and cross investment is growing. South Koreans are the largest block of foreign students in China. Adjustment continues to having two economic giants in the region. But major shifts in Korean-Japanese political relations or Korea-China relations have not occurred and do not seem likely.

On North Korea Washington and Seoul agree, such as on not offering additional concessions, which is good. But only limited options are available in the Six Party Talks. Military action is not a serious option, nor are further concessions to the North. Also ruled out are severe economic sanctions that would hurt the population. That leaves rhetorical criticism, mild sanctions, and diplomacy. The US is complying with the sanctions set out in UN resolutions 1718 and 1874, plus operating its Proliferation Security Initiative to interdict North Korean exports of weapons or nuclear technology. But sanctions have to be combined with a willingness to negotiate – by themselves they won't work. In addition, Russia and China will not support heavy sanctions. China could use heavy sanctions with devastating effect but is actually permitting an increase in exports, including luxury goods, as part of its now accounting for 60-80% of North Korea's foreign trade. Like others, China is trying to apply some pressure without provoking instability and a collapse. Meanwhile, the new Japanese government's approach to the North Korean issue is still to be worked out.

A few concerns. It is not clear whether everyone is in agreement on the ultimate objective. North Korea remains Seoul's first priority but it is a very low priority for the US, making the US only a part-time supplier of leadership. As the issue has dragged on, the North may now have decided that the US and South Korea will never accept the North Korean regime as one they can live with, just as many in Seoul and Washington now believe the North will never give up its nuclear weapons. Plans for a "Grand Bargain" or getting results with just a bit more pressure may be futile; the real problem



may now be how to live with a nuclear North Korea while promoting political change there.

Currently, at least, there seems to be a consensus on engaging with the North while being consistent in punishing its bad behavior. This makes the chances of effective coordination good. Consistency and consensus might still produce some progress.

One neglected factor in studying Northeast Asia is the concern of states with “status.” The field of international politics emphasizes the importance to states of power and wealth, but neglects status. Status is socially given, not available on a unilateral basis, and is inherently hierarchical in character whereas international relations theory things of states as equal in terms of sovereignty. China and North Korea clearly crave greater status. We often talk about hegemony and leadership in ways that have status connotations, unlike analyses stressing unipolarity or dominance. Explaining international politics in East Asia within a balance of power framework often doesn’t work very well, doesn’t explain much. Noting that the US remains dominant in terms of status tells us a good deal more.

Consider Japan. Often talked about as important, but is it really a leader? It has all those territorial disputes; it is not trusted enough to have support for being on the Security Council. It ran a very self-centered foreign aid program. It lacks status. China was a long time leader in Asia, but is not seen as a font of new ideas now. It is important but not in a leadership role, which is one reason why it takes the Six Party Talks, where it is a leader, so seriously. Will China soon become a true leader. It is not clear.

The US is not the unquestioned leader it was. And it has been pushy at times, damaging its reputation. But it is still the true leader in East Asia, the one expected to seriously take everyone’s interests into account. Thus it is important for the US to continue to adapt in its leadership role. The ROK, Japan and others don’t want to have to choose between the US and China in the future.

[Before calling on the next presenter, the Chair indicated that, forced to choose, the ROK would choose the US, and that plenty of governments still follow the lead of the US while China’s followers consist of, maybe, North Korea.]

**Dr. John Endicott, “Korea’s Relations with Four Powers in the Global Financial Crisis”**

In thanking the organizers for the invitation he said he appreciated having been selected as a representative of the *Korean* side. In a brief reference to the last paper and the Chair’s comment, he noted that on China’s Northeast Project his Chinese students stress their nation’s old territorial claims in the area, which may somewhat limit Chinese success in providing leadership!

The period from September 2008 to mid-September 2009 was tumultuous for the world, caught up in the worst financial crisis since the Great Depression. There are signs of progress but it is too soon to wind down the emergency policy steps that have been

taken. It was simultaneously a tumultuous period for all the participants in the Six Party Talks – the North’s withdrawal from the talks, its missile testing, its second nuclear test on May 25, the deterioration in North-South relations, the near isolation of the Kaesong Industrial Zone, and topped off by Kim Jong Il’s health problems leading to treatment but no operation. It is not clear where decision making responsibilities were lodged in the North during his illness, nor whether the North’s brinkmanship was an effort to exploit the global financial crisis. Here is a brief catalog of the positive and negative developments generated by, or in reaction to, the North during this period:

- 9/9 Kim Jong Il fails to appear at an important military parade – *NEUTRAL*
- 9/19 DPRK announces it will restart the Youngbyon reactor – *NEGATIVE*
- 10/11 Secretary Rice takes North Korea off the terrorism list – *POSITIVE*
- 11/ - DPRK closes the border – *NEGATIVE*
- 12/- Last meeting at the Six Party Talks; no agreement on verification; North Korean dismantlement slows down – *NEGATIVE*
- Isolation of Kaesong Industrial Zone intensifies – *NEGATIVE*
- North shuts down Inter-Korean Exchange and Consultation Office – *NEGATIVE*
- 1/30 – North scraps all agreements with the South – *NEGATIVE*
- 3/19 – North hold 2 US journalists for illegal entry – *NEGATIVE*
- 3/25 – Missile launch by the North – *NEGATIVE*
- 3/30 – South Korean arrested at Kaesong for criticizing the North – *NEGATIVE*
- 4/5 – DPRK missile test (launching a satellite). Foreign condemnation leads to:
  - DPRK says it will hold nuclear test – *NEGATIVE*
  - Says it will reprocess uranium from Yongbyon facility – *NEGATIVE*
  - Withdraws from Six Party Talks - *NEGATIVE*
- 4/9 – Kim, Jong Il attends parliament to be reelected – *NEUTRAL*
- 5/15 – DPRK declares Kaesong contracts void – *NEGATIVE*
- 5/23 – Kim, Jong Il sends condolences on Roh, Moo Hyun suicide – *NEUTRAL*
- 5/25 – DPRK tests nuclear device – *NEGATIVE*
- 5/26 – ROK joins PSI – *NEGATIVE*
- DPRK calls this a declaration of war – *NEGATIVE*
- 6 - June – DPRK proposes talks on reopening Kaesong industrial zone – *POSITIVE*
- 6/2 - Kim, Jong Il seems to propose Kim, Jong Un as successor – *NEUTRAL*
- 6/8 – US journalists sentenced to 12 years in jail – *NEGATIVE*
- 6/11 – DPRK demands salaries be quadrupled at Kaesong – *NEGATIVE*
- 6/12 – Security Council imposes tougher sanctions – *NEGATIVE*
- 6/13 – DPRK says any blockade will be an act of war – *NEGATIVE*
- 7/4 – DPRK launches 7 missiles – *NEGATIVE*
- 7/25 – DPRK personal attack on Secretary Clinton – *NEGATIVE*
- 8/4 – Bill Clinton brings home the 2 journalists – *POSITIVE*
- 8/19 – DPRK sends delegation to Kim, Dae Jung funeral – *POSITIVE*
- 8/21 – DPRK Minister Kim, Myong Gil meets with Bill Richardson – *POSITIVE*
- 8/23 – DPRK delegation meets with President Lee and Unification Minister – *POSITIVE*
- 8/24 – Hyundai group returns, traffic with Kaesong normalized – *POSITIVE*
- 8/28 – DPRK resumes family reunions – *POSITIVE*
- 8/29 – DPRK frees ROK fishermen – *POSITIVE*
- 9/5 – Inter-Korean Exchange and Cooperation Office reopens – *POSITIVE*

DPRK says uranium enrichment program is nearly done – *NEGATIVE*  
9/7 – DPRK discharges water into Imjin River killing 6 – *NEGATIVE*  
9/11 – DPRK asks 5% pay raise in Kaesong – *POSITIVE*  
9/14 – US says it is ready for bilateral talks with DPRK – *POSITIVE*

The negative developments clearly outran the positive ones, particularly from September, just after Kim, Jong Il's stroke until the end of June. From July to September positive developments obviously dominated, and if the water discharge was accidental – with DPRK expressing regrets – that may have been a positive development as well. Were the later positive developments due to Kim, Jong Il's recovery? Strengthened Western cohesion? It is hard to say.

South Korea reacted to the North's negative behavior by joining the PSI and securing from the US, at the summit with Obama, a *written* statement on American extended deterrence encompassing its nuclear umbrella. ROK Foreign Minister Yu said it would be "naïve" to think that the North would not target the ROK with nuclear weapons, and clearly the ROK wants the North denuclearized. China clearly expressed its annoyance – denouncing the 2<sup>nd</sup> nuclear test and signing Security Council resolution 1874 as a result. However it also stressed that "the sovereignty, territorial integrity and legitimate security concerns and development interests of the [DPRK] should be respected." It also insisted that "Under no circumstances should there be use of force or threat of use of force."

The impasse with the US over the verification protocol might have been a delaying tactic by the North in anticipation of Obama being elected. Or it may have occurred because Kim, Jong Il was incapacitated, or because of maneuvering over a possible succession. We don't know. In any case the North's harsh behavior for months after that had Washington policy makers exasperated. The atmosphere began to improve with the trip to Pyongyang by President Clinton in early August. Throughout, the US insistence on the North's giving up in nuclear weapons remained unchanged.

Japan continues to stress the abducted Japanese citizens issue, and its relations with the DPRK have been very strained, with some analysts saying this is really why the North pulled out of the Six Party Talks. (One important irritant for the North has been Japan's freeze on shipping heavy oil meant to go to the North until it gets more information on the kidnapped Japanese.). Kim, Jong Il has mishandled the abduction issue, giving Japan more leverage and diminishing the effects of North Korean stress on Japan's misdeeds during the colonial period. However, Japan sees the North Korean nuclear weapons as a grave threat, fears that the North may produce warheads sooner than others expect, severely protested the nuclear test, and strenuously insists on DPRK denuclearization. Some easing of the friction may come about from the emergence of the new Japanese government

Russia joined in condemning North Korea after the 2006 nuclear test and again after the May 2009 test, supporting Resolution 1874. It also announced it was deploying

new missile defenses near the Korean peninsula, supposedly to protect against stray missile tests. Its opposition to North Korean nuclear weapons is clear.

Thus the main effect of the North's intransigence has been to unify the other members of the Six Party Talks, leading to a cohesive response - denuclearization. What triggered the shift in the North's tactics is not clear, nor is it clear whether the second nuclear test gave the North the ability to put nuclear warheads on its missiles. Also unclear is why the North shifted gears again in August 2009. It could be due to:

Russian and Chinese pressure;

the successful 2<sup>nd</sup> nuclear test;

Obama coming into office

Kim's recovery

What is needed now is progress on a limited nuclear weapons free zone and a cooperative security arrangement – a new paradigm for a new century.

### **Discussants**

**Dr. Kim, Kisoo**, a specialist in international political economy, suggested that the papers all made two assumptions – China will continue its fast economic growth, and the current situation will bring major shifts in international economic affairs. Are these really correct? Japan, the ROK, and others now face diminished economic growth prospects. They need new technology to avoid this but have too little in basic research capability to generate it. Instead, they copy. China will face the same problem. So the two assumptions are questionable. A common view is that East Asia saves too much, the US spends too much. As long as this continues it will prevent any huge changes in the international economic system from emerging.

He posed several questions for the presenters. He asked Scobell if China's influence would be different depending on whether the North flourishes or disappears. He asked Kang whether the retreat or absence of the US would eliminate any possibility of major economic cooperation in Northeast Asia. And he asked what Endicott meant by the "cooperative security" mentioned at the end of his presentation. He added that the security and economic frameworks are now very interconnected, for the first time, in East Asia. This implies that all the members of the regional system are very constrained. Finally, he noted the view that China wants US forces to leave and would accept Korean unification. But China's leverage on the entire situation seems to rest on North Korea's existence - how would it retain that leverage if it disappeared? Does China *really* want a unified Korea?

**Dr. Edward Olsen**, a member of the Council for many years, noted that given his emeritus status he no longer had to issue the disclaimer that nothing he said reflected the views of the US government, and that by being seated at the end of the panel he could be seen as either on the far left or the far right. He also indicated that he and Scobell will be trading comments (He was a discussant later on the Olsen paper). The Scobell paper, like the others, skirts the heart of the financial crisis. A number of analysts, Fareed Zakaria for example, see China as benefiting considerably from the crisis. It seems that US-

China relations, and the impact of the crisis, will have major implications for US-ROK and US-North Korea relations. The papers should have looked into this.

The Kang paper offers a good overall discussion, but might have assessed the ROK role in the financial crisis, and the roles of others as well. The Kang assessment of Obama's policies is fine, but is North Korea really a *low priority* for that administration? Is the US really constrained when it comes to providing leadership on the crisis? And what should the US do to coordinate its policies with the other four members of the Six Party Talks. Would a denuclearized North Korea really be better? And what about a nuclearized unified Korea – what would that mean? The ROK might well prefer this, and would that produce a nuclear balance that was better from the American perspective?

The Endicott paper provides a nice framework for analysis. It would be better if it had linked various states' responses to the financial crisis with the situation of each Korea and the prospects for what will come of it. It is worth considering whether various countries, - China, Russia, Japan – are really appropriate “partners” or potential partners for the ROK. Maybe not. The US seems somewhat unique in what it offers the ROK as a partner.

Overall, looking at the postwar history of the West and Germany's impact on it is not a good guide to today. China cannot be seen correctly using this perspective. The potential for Sino-Centrism on China's part is very high. Much depends, obviously, on what it may be like. And the reaction of others to China will strongly affect US leverage with, and its appeal to, many states in East Asia in the future.

## **General Discussion**

**Dr. Hugo Kim**, Council Co-coordinator and Editor of the *International Journal of Korean Studies*, asked Kang and Scobell if there was any linkage or correlation between the North Korean and Iranian issues. Next, the Vice President of the Korea-US Friendship Society, on China having few or many followers, pointed out that US leadership in pressing for democratization has had a huge impact over time on Germany, Japan, the ROK and many others. The trend toward democratization will remain an important factor, and in pushing it the US can remain very influential, remain a great power for years to come. It will also restrict China's chances of becoming the “leader” in East Asia. Consider Franklin Roosevelt's “four freedoms;” they have become deeply entrenched and continue to spread – another American product. Shouldn't factors like these be considered important. Is status all that important [as Kang suggested]? Or is the key a display of leadership and creative ideas?

**Scott Snyder** (Senior Associate at the Asia Foundation and at the Pacific Forum of the Center for Strategic and International Studies) asked Scobell whether the US should be eager to reenter the Six Party Talks. Or are the talks really a barrier to successful nonproliferation because China sees them as a kind of security management for the region? He also asked Kang to explain the security implications of living with a nuclear North Korea in the future.

**Endicott** led off his response by asking whether nuclear weapons can be used? I used to be a nuclear weapons planner, he noted, and I was involved in the Cuban Missile Crisis in 2002 when the US came very close to using nuclear weapons. I and other nuclear planners were asked to call home to say “goodbye” in case we didn’t see our families again. I hope nuclear weapons will never be used but we can’t say for sure. They might have been used against the Revolutionary Guards in the Iraq War – the US apparently considered this possibility and rejected it. A nonstate actor is the most likely user. So then, would North Korea collapse without nuclear weapons? When the Cold War ended the two Koreas signed treaties on keeping the peninsula denuclearized, but then North soon found itself losing leverage internationally and shifted into seeking nuclear weapons. I hope the succession issue and other circumstances such as the need for international support will lead North Korea to trade its nuclear weapons for outside aid in economic recovery, reforestation, etc. This is how the North’s collapse might be forestalled. **Dr. Yim** added that he worried about nonstate actors and nuclear weapons too, noting that we often generate what we have imagined.

**Kang** said that Kim’s comments (about China’s future) were well taken – we can’t just project the present into the future. We can’t do that accurately, as history shows. China certainly did not look like a prospective capitalist, and a rapidly rising power, in the 1960s. The Soviet collapse was not anticipated in the 1970s. Japan did not collapse due to its very serious economic problems. The ROK didn’t collapse either from the same circumstances. China could have serious economic problems and yet do quite well. As for China’s leadership, it is hard to see China as the most stable, most economically valuable, most attractive state to others some 50 years from now. The key is, more likely, how states and societies are able to resolve their continued conflicts.

Olson asked whether a unified nuclear Korea might be better, more stable. Well, as Endicott said, we have to worry about nonstate actors and other flaws in the international system in such a case. As for Iran in comparison with North Korea, the Iran issue seems much tougher. The US and North Korea have at least agreed in principle on certain key things – trading nuclear weapons for normalized relations as one solution. And their conflict has no ethnic or religious dimensions. But Iran resists seeing its nuclear weapons, and its nuclear programs in general, as a problem in any way, and religious and ethnic elements are a big part of the larger conflict. As for Snyder’s question, we are *already* living with a nuclear-armed North Korea. The US really can’t just accept that; we must push for denuclearization, and the ROK and Japan can’t either, so Scott’s point means that I need to rethink all this somewhat.

**Scobell** said that, with regard to China’s growth prospects, everyone is predicting at least a decade more of very fast growth. When China’s stimulus package wears off we might be able to better gauge what its future economic prospects are. China scholars stress China’s inward focus, even now. It is much more focused inward than the democracies are. China’s leaders face huge domestic political challenges, even after having regularized the political succession process. The problems they have with minorities will continue and the world will continue to pressure them on that.

Would China's influence in Korea decline after unification? Sure. But North Korea is a huge headache. If it went away China could concentrate on a number of other important things. While its investment in North Korea might be lost in a unification, what really worries China is the *process* of any unification; it wants that to operate in keeping with its interests. As for how other major powers feel about Korean unification. Japan would probably accept it while Russia is less predictable. On comparing the Iran and North Korean cases, the US clearly has trouble dealing with both at the same time. Snyder asked whether the Six Party Talks are worth pursuing for the US. As an existing mechanism for interaction the Talks are important, but the US should also readily use other avenues – bilateral talks, for example. It would not work for the US to just abandon the talks.

The Chair then entertained additional questions. A Korean member of the audience said that the unspoken assumption seemed to be that North Korea will collapse. What if it doesn't? What do we do then? If North Korea were to pursue a Chinese and now Vietnamese road to reform can we foresee a US-North Korean deal? The North seems to need nuclear weapons and also negotiations with others – is this viable? Then a Korean analyst who lives in Japan said that North Korea will not give up its nuclear weapons, so the US will have to insist on no nuclear exports from the North instead. He asked Kang if this would work as a solution to the conflict. As for the North's future, several specialists in Japan see little basis for unification. They reject expectations of a North Korea implosion and see more fragmentation in the ROK than the North. Is there anything to this point of view? Is the ROK fundamentally shaky? And if the North did collapse, what kind of political system for a unified Korea would be best?

A retired Korean military officer pointed out that his generation was *dedicated* to unification. He put several questions to Kang. The Korea of old was quite hierarchical; couldn't it be so again? North Korea is certainly very hierarchical. Next, won't China continue to see North Korean nuclear weapons as a buffer for China, continuing its old conception of Korea? In other words, isn't an Asian perspective on Asia's 5000 years of history important to introduce into the discussion?

**Scobell** applauded the last speaker's point – Asian history remains very influential today in the region. As for North Korea, China is not opposed to unification under the right arrangements. If the North stabilized effectively then China might indeed see it as a valuable buffer, but conventional wisdom is often wrong, as we know. North Korea looks stable now, but things could change. **Yim** noted that Willy Brandt visited the ROK at one point and predicted Korean unification would come before German unification!. Two years later Germany was unified. Prediction is difficult to do well.

**Endicott** said that North Koreans, like others, often ask what the US really wants. In fact, they sometimes say they would follow a respected leader like a "dutiful younger brother" – a classic Confucian notion. **Kang** said that his money was still on North Korea collapsing. ROK students used to be ignorant about North Korea; now they sympathize with it but readily appreciate it is not better than the ROK. How do countries

in East Asia see the North? They view it differently than those in the West and we need to be sensitive to this. **Yim** added that ROK young people see the need to team up with China more than the US. It will not be easy to fit the alliance and the emergence of China together. The US is dominant in high technology; its cultural influences will be important, as will other factors. China will not readily catch up in all the areas which are important for being a leader.

**Yim**, as the Chair, then expressed appreciation to the panelists, especially for coming so far to participate in the conference. With that the conference was adjourned for lunch.

**LUNCHEON ADDRESS:** Mark Tokola, Deputy Chief of Mission, U.S. Embassy

The luncheon was hosted by **General Han, Chul-soo**, President of the Korean American Friendship Society (KAFS) and **Mr. Bhang, Hyong Nam**, Director of the Hwajeong Peace Foundation and Peace 21, major co-sponsors of the conference. **General Tilelli** introduced Mr. Tokola for his address. He has served over 30 years in the State Department and holds the rank of Minister Counselor in the Foreign Service. He has served in Mongolia, London, the Netherlands, at the EU, and in Iceland, as well as at the US embassy in Baghdad working with Ambassador Crocker and General Petreus. He exemplifies how selective the US is in who it sends to the embassy in Seoul.

**Mr. Tokola** said it was a privilege to speak to the conference, to people who have been devoted to the alliance for years. The alliance has never been stronger than it is today. It is good to see its mission now extending beyond security to economic, cultural, and other matters, reflecting the breadth of the US-ROK relationship

Defense, development and diplomacy (the 3 Ds) are the legs of our alliance stool, each being vital to pursuit of the others. Defense is obviously important. Next year will be the 60<sup>th</sup> anniversary of the outbreak of the Korean War. The threat from North Korea continues – the alliance has successfully maintained the peace for 55 years now. It created the environment for the huge political and economic success of the ROK. Secretary of Defense Gates was just in Korea last week for the Security Consultative Meeting.

Our relationship has also long rested on other matters. One was US foreign aid. Some people think that it was the most successful US aid program ever. Thus another component of the relationship is economic. Most of the success here is due to the Korean people. There is also a diplomatic component – a relationship going back to the 19<sup>th</sup> century. The US saw Korea as a partner even in the 1880s; it was the first Western power to establish diplomatic relations with Korea. More recently, the US supported Korea's emergence as a major nation. The ROK joined the UN in 1992 as a part of this, and now a former ROK Foreign Minister is the UN Secretary General! The US and the ROK continue to work together for demilitarization and the end of the Armistice arrangements on the peninsula. And our cooperation continues to grow on a global scale on the basis of the 3 Ds.



The meeting of President Obama and President Lee in June stressed that people-to-people interactions have done much to cement US-Korean ties, and these interactions are now much broader and more numerous. Some examples can illustrate this. There are some one and a half million Korean-Americans, many of whom are significant community leaders. Korean students are the largest bloc of foreign students in the US. Korean travel to the US is easier than ever due to the visa waiver program. There are now something like a billion visits a year between the two nations.

The economic dimension is very important. US aid ended early in the 1980s, and Korea is now a mature economy - the 7<sup>th</sup> largest US trade partner with annual trade at \$83 billion. The negotiations on the Free Trade Agreement have been concluded and it will be the largest US free trade agreement when ratified. The Obama administration is doing a review, soliciting views, in preparation for seeking ratification. Both presidents strongly endorse the FTA. It is natural that the ROK has a growing economic role in the world and the FTA is part of this, as is Korea's holding the G-20 economic summit meeting next year. That meeting that will be critical for global economic management and reform.

ROK contributions to the Iraq and Afghanistan situations reflect the US involvement in those areas. In 2002-7 a ROK military/engineering/medical unit served in Iraq and there is now a ROK unit at Bagram air base. The ROK has provided some \$60 million in aid to Afghanistan and another \$30 million is coming. ROK forces are now helping protect ships in the Gulf of Aden. US-ROK cooperation will soon reach beyond the globe – plans now being discussed call for their collaboration on space and aeronautics matters.

There are a number of basic challenges for the alliance today and in the future. One is the peninsula. Our goal is that the peninsula must be “whole, free, and at peace.” US objectives include peaceful unification, denuclearization, and a better life for the Korean people. President Obama is particularly stressing the Six Party Talks, to pursue peaceful denuclearization. The US is willing to engage the North Koreans, even bilaterally within the Six Party Talks framework. North Korea must meet the commitments it made in 2005 – to return to the NPT, to return to the IAEA, to denuclearize – and must return to the talks to start on this. The path is open.

The two presidents have stressed strengthening the alliance in the future. President Obama will return to Korea in a few weeks to push ahead on this. There are daunting challenges to be confronted. Cooperation will be vital and President Obama is emphasizing cooperation and friendship in our relationship.

He concluded by thanking the organizers for the invitation to speak and wished the participants good luck with the conference. **General Tilleli** expressed deep appreciation to Mr. Tokola on behalf of the participants and organizers. The meeting adjourned, to return for the second panel at 2:00 pm.

**PANEL II: (Inter-Korean Relations) : PROSPECTS FOR US AND KOREAN NEW POLICIES TOWARD NORTH KOREA**

**CHAIR: Dr. Jung, Il-hwa, Visiting Professor, Daejin University**

**PRESENTATIONS:**

**Professor Edward A. Olsen** Emeritus, Naval Postgraduate School; a well-known Korea and Japan specialist and one of the earliest Council members

**Professor Park, Tae-woo** Visiting Professor, National Chengchi University, Republic of China; former politician, diplomat, NGO activist, and still a poet

**Professor Kim, Hong Nack** West Virginia University; Chairman of the Board of the International Council on Korean Studies.

**DISCUSSANTS:**

**Dr. Cheon, Seong-whun** Senior Researcher, Korea Institute of National Unification

**Professor Andrew Scobell** Texas A&M University

The Chair called the conference to order to introduce the distinguished members of the panel.

**Professor Edward Olsen, “US Policies Toward North Korea Under the Obama Government”**

Dr. Olson opened by suggesting ways North Korea may have regarded Obama the candidate, based on various major elements of its domestic system plus its experience with the past presidents becoming more conciliatory toward the DPRK over their terms in office. The North Koreans were bound to think that Obama could be quite hawkish, or much more conciliatory, or at first hawkish and then persuaded to be conciliatory. They probably would have preferred a contest between a libertarian and a liberal anti-war candidate: either would have sought to cut American involvement with the peninsula. More realistically, they would have wanted Bill Richardson as a candidate given his experience with North Korean affairs. A ticket of a change-oriented Obama and Richardson would have held considerable appeal. During the campaign Obama did not make Korean issues central, and Pyongyang was slow to even acknowledge his victory. Richardson having to withdraw as Commerce Secretary designate probably bothered the North.

Early administration overtures - willingness to conduct a bilateral dialogue, normalize relations, and sign a permanent peace treaty - were rejected while the North conducted a nuclear test and missile tests and seized two American journalists. Its brinkmanship hardened US positions, the US seeing the North as reckless and moving to strengthen relations with the ROK. North Korea was also seen as behind the large cyber attack on the US (evidence now suggests it came from the Middle East). When Stephen Bosworth was named senior State Department official on North Korea but only in a part-time position, there was concern among Korean affairs specialists that it was a sign of how little attention Korean problems were going to get. North Korea escalated its brinkmanship through the late spring and into the summer, charging that the administration was following the same course as its predecessor.

The administration response was to expand consultations with Japan and Korea, including extensive dialogue with Lee, Myung-bak that led to Obama insisting the US would no longer reward North Korean belligerency. The administration expanded tracking of North Korean ships that might have illicit materials, and increased coordination with other countries concerned about DPRK policies. Secretary of State Clinton was strongly critical of the DPRK at the ARF meeting in July, provoking a very harsh reaction. But things began to turn around with President Clinton's visit to the North in August to bring back the two journalists. Pyongyang set about trying to ease the close US-ROK link by moving to improve relations with the South. The death of Kim, Dae-jung provided a platform for further efforts to smooth out North-South relations and the high-level delegation to the funeral had several meetings with top ROK leaders. Soon family reunion visits resumed, four ROK fishermen were released, and North-South economic relations improved. Kim, Jong-il expressed a desire for talks with the US about a peace treaty and, later, about discussing the nuclear issue.

There are two broad contexts within which policy toward North Korea might be conducted quite differently. The most negative and pessimistic one would arise if the US suffered a deepening of the recession while several other countries experienced rapid economic and military progress, leading to a sharp decline in Americans' confidence and in their willingness to continue as a great power. Or the US could suffer failure in its anti-terrorism efforts and in other wars, again with a resulting loss of confidence and public support. Then the US would spend little time on devising policy options for dealing with North Korea. Neither context seems likely to materialize so the implications need not be discussed, although North Korea might suffer from a sharp decline in US power because it could no longer use brinkmanship in the same fashion nor hope to extract major economic assistance from the US.

A number of suggestions are floating around about what the US should be doing. Ted Galen Carpenter (Cato Institute) suggested that the administration try to persuade China to pursue regime change in the North. But that calls for a level of concern about the North the administration is unlikely to have, and for Chinese confidence that a new government would turn out to be much better which they are unlikely to have. Stephen Solarz and Michael O'Hanlon (Brookings) called for the US to work with China on economic sanctions that bring the North face-to-face with economic disaster if it does not

denuclearize. But this will seem too risky to Beijing, and would escalate China's influence in Northeast Asia to an uncomfortable level from an American perspective. Mark Manyin and Mary Beth Nikitin (Congressional Research Service), Leon Sigal (Social Science Research Council) and Tae-Hwan Kwak (former president of KINU) have urged constructive engagement. But Doug Bandow (Cato Institute), Edward Luttwak (CSIS), and Ivan Eland of the Independence Institute all suggest that the North is unlikely to do more than manipulate engagement efforts, that it should be confronted with a much tougher approach. The administration does not want to take the risks in such an approach and has opted for moderate efforts at engagement.

The administration should consider three other policy options that are innovative and would require some boldness. Thus far its approach has been too cautiously pragmatic. Obama should consider asking the Carter Center to set up a "Korea Program" in its "Waging Peace" section with government funding to facilitate negotiation of a peace treaty, normalized diplomatic relations, and additional presidential diplomacy. Conferences could be held on US-DPRK issues for North Korean officials and scholars to interact with American and ROK participants, and the Center could involve North Koreans in meetings with American academic centers for East Asian studies. The government should also consider funding establishment of a US Center for Korean Reunification Studies as a think tank or university institute, in DC or a city with a large Korean-American population. The Center could conduct research, hold conferences, publish research studies and host visiting scholars, among other things. It might become an advocate for a nuclearized unified Korea as helping establish, perhaps in connection with a nuclearized Japan, a stabilizing strategic balance in Northeast Asia.

Whether these institutions are created the administration should escalate diplomatic efforts. It might invite Kim, Jong-il for a bilateral meeting, perhaps at Camp David or maybe the UN. And Obama should consider a trip to North Korea, followed by meetings with Chinese, ROK, and Japanese leaders to review all this will effect the region and the world. The US should aim to make the relationship with the North politically special. This would enhance prospects for peaceful relations, Koreans reconciling their differences, and a United Korea with a special relationship with the US.

**Professor Park, Tae-woo**, "Prospects for Inter-Korean Relations: With Much Focus on North Korea's Nuclear Brinkmanship"

**Dr. Park** laid out a series of difficult questions. How will North Korea react to the external pressures it is facing? Will its brinkmanship lead to improved or worsened North-South relations? Can the North survive the current economic globalization and interdependence by its hard-line survivalist tactics? Can it survive the global financial crisis and find ways to blend into the world economy? If the North accepts President Lee's proposal to trade nuclear weapons for major assistance it would have to be reformed to fit into the world economy, but is this possible?

After earlier renouncing the Six Party Talks the North now wants to return to them, if preliminary talks with the US are satisfactory. The North should not miss the

opportunity provided by President Lee's proposal of a Grand Bargain, a "one shot deal" that would provide security assurances and major economic assistance. Japan and the US support this, but whether the North will abandon its nuclear weapons is not clear. The North should adopt the logic of a normal state, moving to follow the steps taken by China while dropping its nuclear weapons. This means getting beyond simply trying to work with the US.

The North's nuclear weapons are a great threat and burden to South Korea. The new Defense Minister has said that if the North started preparations to use them the ROK could mount a preemptive attack, in consultation with the US, and that the extended American nuclear deterrence encompasses such a preemptive strike. President Lee told the Council on Foreign Relations in New York in September that while unification is important, it is more important to have peaceful relations on the peninsula, that the economic gap between the two Koreas is too great for unification. The main issue to deal with now is nuclear weapons. The North's other WMD and its human rights violations, among other issues, can be dealt with later.

Is this Grand Bargain possible to implement? Judging by its past behavior the North will prefer direct talks with the US aimed ultimately at a peace treaty and the removal of US troops from the peninsula, talks excluding the ROK. Meanwhile it claims its uranium enrichment program is in final development and that it is producing more plutonium. It behaves as if nuclear weapons are its only option to offset the power of the ROK, the dominant position of the US, and the pressures from the international community. Dismantling all this would allow the DPRK to imitate the PRC's opening up to the outside world 30 years ago, but can the North give up its nuclear establishment under complete verification? There is little chance it will ever be recognized as a nuclear state, Kim, Jong Il is not well, and Kim, Jong-un is an unknown. Problems of starvation at home and the maintenance of regime stability have helped move Kim, Jong Il to indicate he is ready once more for negotiations, bilateral and multilateral. Still, chances of real moderation from the North seem slim. The regime's basic policies – military first and Juche (self-reliance) focus on strengthening the military and sustaining regime survival, not real reform. And as long as different ideologies divide the peninsula North Korean demilitarization seems impossible. Radical system reform and restructuring is necessary, as is opening up to the South, but both would betray the basic underpinnings of the regime established by Kim, Il Sung. Economic realities suggest embracing Seoul and Tokyo, but political, security, and national identity concerns reject that. A democratic South Korea with enormous economic power poses a fundamental challenge to the North; moving toward reform and the South would challenge its existence.

In line with Habermas' contention that a legitimation crisis is an identity crisis, and that a legitimation crisis defines the limit beyond which a system can no longer resolve its problems without abandoning its political identity, nuclear weapons are being used in the North to strengthen regime legitimacy and resist the crisis of a gradual erosion of the national identity. Maintaining the tension between the two Koreas and brinkmanship are protecting the national identity favorable to the continuation of Kim family's rule. From a realist perspective the North is rationally pursuing the national

interest of protecting its system, which is why liberalist approaches, including a role for NGOs, have had so little effect. The North's approach, resting on its nuclear weapons capabilities, has appeal at all four levels of analysis. It provides leverage against the US and other major powers at the system level, including in negotiations; at the state level it pressures the South toward more concessions, it can bolster democratic centralism in legitimizing the regime and the Kim family political succession and, at the individual level, facilitates the eventual transfer of power to Kim, Jong-un. Its impact is enhanced by lack of trust among the regime's great-power opponents.

Managing the DPRK threat is a major task, and there is still no consensus among members of the Six Party Talks about how to do it. The US and China, in particular, continue to disagree. Thus China continues its aid and agrees to help build a new bridge over the Yalu, violating the UN Resolution 1874 limiting aid to humanitarian and developmental purposes. This is more evidence of a flaw in US policy - assuming that the PRC will truly cooperate on North Korea. The US needs to abandon this assumption. China does not see the North as a threat the way the US does - denuclearization is a lesser issue to Beijing, which has no fear the North's nuclear weapons will be used against it. Washington hates the brutal, totalitarian regime but Beijing can live with it as long as it is under China's influence. Beijing feels that the North's nuclear weapons are ultimately due to the misguided American policies which need to be changed; it hopes the Obama administration will at least talk with the North. It fears a unified Korea under US influence as a strong influence for institutional reform and democracy in China itself.

Enhancing the US-ROK alliance is supposedly the way to get Beijing to put pressure on the North; China is the key. But China's nationalist, and traditional, orientation toward the North as a big brother continues to clash with international community norms and expectations.

President Lee was ready from the start to talk with the North, but used tough rhetoric to build up support from conservative elements in the country first. However, the North's response was bellicose. The ROK proposal requires an end to the North's nuclear weapons program before the South would fully support it economically, and insists on suitable reciprocity by the North along the way. The North responded that it has to discuss the nuclear issue with the US, the South is not involved. Thus any breakthrough in North-South relations based on resolving the nuclear issue is quite unlikely. It seems better to work on "low politics" matters so as to reduce tensions and perhaps institutionalize the peace process. The Keohane-Nye concept of "complex interdependence" will, as Young Whan Kihl suggests, continue to apply, and may best be exploited in low politics activities along the lines of what has worked in Europe's functionalist integration experience. This means transforming the character of North-South relations, fostering an interdependence wherein the parties see themselves as partners in rivalry and cooperation rather than sworn enemies, in a positive-sum, no longer zero-sum, game.

The Gaesong complex is a good test case, with improved relations in interdependence being sought through the use of multiple channels, an absence of

hierarchy among issues, and non-use of force. Recent events have set back cooperation in Gaesong, the North's political calculations interrupting economic cooperation. The South, in frustration, threatened to shut the complex down which must have made the North very uncomfortable in coming on top of its closing tourism ventures that provide important revenues.

The North needs better relations with the US but would be wise to include the ROK in this. The ROK must press ahead on changing the relationship for the better, rather than just pressure. The tough line of President Lee only drew harsh responses from the DPRK, making it difficult to get back to more normal relations. Engagement should focus on four areas: political and security dialogue, economic cooperation, socio-religious cooperation, and humanitarian issues and exchanges.

Korean presidents from Park, Chung-hee on have sought to move away from the danger of confrontation but have failed for several reasons:  
Deep animosities built up over almost 60 years;  
Officials not always being honest with each other;  
The legitimacy issue – it is hard for each side to acknowledge the other's right to exist;  
There have been many North-South dialogues, culminating in the agreements of 1991 on reconciliation, cooperation, and denuclearization, but they have not generated peace and security. The North has often refused to talk to the South, has emphasized nuclear weapons, has sought to get a security guarantee from the US and exclude the South from the process. The engagement efforts of Kim, Dae Jung and Roh Moo Hyun aimed at conciliation and cooperation. President Lee proposes a "Grand Bargain," another step in the right direction. But it is unclear when the North will be confident enough to accept it.

**Professor Hong Nack Kim**, "Territorial Dispute on Dokto/Takesima Between Korean and Japan: Inter-Korean Perspectives"

The paper is a detailed review and analysis of the territorial dispute over Dokdo island between Japan and the ROK, traced back to the San Francisco Peace Treaty in 1951 with Japan, though the dispute is much older, and to the US policies that shaped the treaty. Professor Kim analysis began by noting that Japan annexed Dokto in 1905, which Koreans rejected on the basis of many centuries of ruling the island which Japan had previously accepted. Japan was taking advantage of the weakness of Korea. During World War II the allies agreed that Korea should again be independent and the many islands associated with it that Japan had taken over be returned. When the US established the occupation headed by General MacArthur it proceeded as if Dokto was a Korean island. With Korean independence in 1948 the US transferred jurisdiction over Dokto, like the rest of Korea, to the ROK.

Japan protested but at first this had no effect. However, the US was also just beginning to develop the peace treaty with Japan. Early drafts of the treaty had Japan renouncing control over various islands including Dokto. But the State Department wanted to reconsider the draft treaty because the emergence of the Cold War was making Japan of growing importance. New drafts of the treaty did not change the situation with

regard to Dokto, but in late 1949 William Sebald, Political Advisor to MacArthur, asserted that Dokto should go to Japan. This ignored the history of the island and was contrary to past US findings, but Sebald was pro-Japanese and had been lobbied hard by the Japanese government on who should control Dokto. His view reflected Japan's rising strategic importance in the wake of the Communist triumph in China, and Korea was seen as having little strategic importance in that context.

When John Foster Dulles, as a State Department consultant, was given responsibility for drafting the peace treaty in 1950, the context soon was dominated by the Korean War, making Japan even more strategically important to the US. Eventually it seemed most politically sensible for the US to make no mention of some islands in contention between Japan and Korea in the treaty. At first Dulles seemed to accept Korean complaints that the islands really belonged to Korea, but in August 1951 Dean Rusk, Assistant Secretary of State for Far Eastern Affairs, decided that Dokto, at least, should belong to Japan – in line with the Sebald view not the prior findings of the State Department. The Treaty as signed reflected the earlier decision to avoid the Dokto controversy by not mentioning the island and its ownership. Both Japan and Korea claimed the Treaty strengthened their claims.

Shortly thereafter Korea announced by proclamation that Dokto was within its territory. After all the Peace Treaty did not give Japan control so Dokto, not mentioned in the Treaty, could be considered one of the several hundred minor offshore islands and three larger ones that were turned over to Korea under the Treaty, many of which not listed by name.

Japan protested early in 1952 that Dokto was shown as Japanese old maps, that it was not mentioned as going to Korea under the Peace Treaty, and that the US had indicated it saw the island as Japan's by asking Japan's permission to use it as a bombing range. Korea responded that Japan had simply seized the island in 2005 without asking, that the 1945 surrender documents had declared all such islands as freed from Japan's control, that the Peace Treaty had not named numerous islands which it placed in Korean hands so Dokto's not being mentioned did not imply it was Japanese at all, and that the US had terminated bombing on Dokto when Korea objected and requested that it stop. When Japan asked for US support, Secretary of State Dulles, in December 1953, declined and said the Peace Treaty could not be interpreted as supporting the Japanese claim. He urged Japan to seek a ruling by the World Court, something Korea resisted as unnecessary. The US has remained neutral on the dispute ever since.

Thus the dispute arose because of the ambiguous way the US dealt with ownership of the island from 1945 to 1953. In 1954 the ROK stationed a garrison there and eventually built a lighthouse. The Korean government felt then that it lacked the legal expertise to confront Japan in the World Court, but that is not so now and Korea's claim to the island is far superior.

## **Discussants**



**Dr. Cheon, Seong – whun**, is a member of policy advisory committees for the Ministry of Unification, the Ministry of National Defense, and the ROK Parliament. He described Professor Park's paper as excellent. US ambiguity on the North Korean situation has been problematic. There are two major issues. One is an unusual security dilemma the ROK faces, between changing international circumstances and Cold War-era perceptions: the US uses the former perspective and the ROK is employing the latter. The US position is more flexible, adaptable, but the ROK still faces the North Korean threat, now more asymmetric in nature. What do the presenters think about this? What can the ROK do? Park notes that Chinese and American views are important to the ROK but they have different priorities – China puts North Korea's security ahead of other things. Can we live with North Korea? Or can we successfully pressure China to shift its position?

Since the early 1990s US-ROK cooperation has mostly been good on North Korea but there have been exceptions. North Korea eventually violated the Agreed Framework but the US didn't tell the ROK about that for several years and pressed ahead with its engagement policy. It did something similar in the following decade. Both cases resulted from a "legacy frenzy" in US administrations.

**Dr. Andrew Scobell** felt Kim's paper was good. The US being ambivalent is not surprising – it often is. Olsen's paper is very comprehensive and contains thoughtful policy proposals. The idea of developing a Korean Program at the Carter Center is very good. It might scare the North, however. But inviting the North Korean leader to the US would be fine. One wonders what sequence would be appropriate – a high level North Korean visit to the ROK first? No major reform should be expected in North Korea until there is a regime change and a post-totalitarian phase - a totalitarian regime needs an enemy to justify militarism and repression.

### **General Discussion**

A **Dr. Chee**, said the Kim paper was fine but had one omission. [Kim insisted that the subject was covered in the paper after all.] **Dr. Terrence Roehrig** (US Naval War College) wondered if Japan sees Dokto as linked to its other territorial disputes so it must uphold its position or lose ground in the others.

**Olsen** agreed that North Korea might not like the idea of a Korean Program at the Carter Center, but might think differently if the Program facilitated exchanges between the two Koreas. **Park** said that the best option for the ROK would be to enhance the alliance and delay the plan for the OPCON shift so as to keep the alliance strong. **Kim** agreed with Roehrig that Japan is worried about other disputes in dealing with Dokto. He urged that Japan not inflame the issue; that would only harm Japan-Korea relations.

At that point the time had expired and the panel came to a close.

**PANEL III: (National Security) THE US-KOREA SECURITY ALLIANCE  
UNDER THE OBAMA ADMINISTRATION**

**CHAIR: General John H. Tilelli, jr.** Council Co-Chair

**PRESENTATIONS:**

**Professor Hong, Kyudok** (Sookmyung Women's University)

**Professor Mel Gurtov** (Portland State University)

**Professor Bruce E. Bechtol, Jr.** US Marine Corps Command and Staff  
College

**DISCUSSANTS**

**Professor Terence J. Roehrig** (US Naval War College)

**Dr. Lee, Choon Kun** (Visiting Research Fellow – Korean Institute for National  
Unification)

**Dr. Hong, Kyudok** “The US-Korean Comprehensive Security Alliance Under the MB  
Government”

After the Chair introduced the panel members **Dr. Hong** began his paper by saying that the US and ROK had failed to block the recent North Korean violations of previous agreements but at least President Obama now knows what the Pyongyang regime is like and is better prepared to cope with it. Some preliminary talks with North Korea are going on in New York today, though not all that well apparently. President Lee supports the Obama position, which is a two-track approach.

The North Korean violations – the nuclear test, enriching uranium – indicate that Kim, Jong-il and his security planners are determined to maintain the status quo. Kim, Jong Il thinks the US will not seriously retaliate over any violations – it is involved in two wars and its allies are not eager to use force. He expects the US to compromise before the next election, and wants the US to focus on the nonproliferation issue. This will allow him to drive a hard bargain, splitting the US and the ROK in the process. He will push hard for the removal of US troops from Korea, reiterate that all US nuclear weapons equipped ships be withdrawn from the pacific, and call for an end to extended deterrence for the ROK, confident he can handle things as long as China still prefers the status quo. He has his own two-track policy, easing up in recent weeks with talk of negotiations again. In negotiations he expects to gain from indirectly holding the status of a nuclear power, and hold bilateral talks that isolate the ROK and make it nervous about a possible deal behind its back.

When the bilateral talks occur, the North will probably argue that its nuclear weapons are for defensive purposes only, threatening the US only if it persists in its hostile policy. It will ask about a peace agreement, and say it will commit to denuclearization eventually. It will insist that sanctions be lifted before negotiations start. It will expect negotiations to open splits among the other five parties, arouse disputes domestically about how to deal with the North, and make President Lee more vulnerable politically.

President Lee is eager to thaw relations with the North. His Grand Bargain proposal is new, though the general ROK view is that a real improvement in relations with the North can and must be made only with extreme caution, that resolutions 1874 and 1718 must continue in operation until the North's compliance is verified, that denuclearization is still required, and that nonproliferation and denuclearization cannot be dealt with separately. At the same time he has agreed to create a "comprehensive security alliance" with the US, seeking to work closely with President Obama. Needed is clarification as to what he means by such an alliance. Also needed is a road map for North Korea after Kim, Jong-il (and maybe for other underdeveloped areas in Northeast Asia as well). President Lee must also persuade Koreans to make sacrifices so as to gain respect from the US, dispensing with the image of the "weak, helpless, suffering Korea." This is also needed to raise Korea's prestige abroad. Lee must also find a rationale for a more active Korea globally, and its activism will require a context of positive, cooperative US-China relations

Fortunately, President Obama agrees with the ROK on how to deal with the North, while there is no consensus on whether crippling sanctions would be useful. As for strengthening the alliance here are ten relevant points:

- 1) Korea needs a strategic plan, updated strategic documents, on how it will help the US deal with global and regional challenges. Sending forces to Afghanistan is a good step in the right direction.
- 2) Details about the planned ROK contributions should be laid out
- 3) A nuclear planning group should be formed to operationalize the US extended nuclear deterrence announced in June
- 4) The allies need specific measures to protect the alliance from domestic politics, from the many frictions and sore spots that exist. Fortunately the allies agree now on dealing with the North, and the North's provocations have helped dampen friction between them.
- 5) The US needs to concentrate on reassuring Koreans who are nervous that the US nuclear deterrent will fray as the US pursues nuclear disarmament
- 6) South Koreans worry the US will accept the North's nuclear weapons in exchange for a promise that its nuclear technology will not be exported, and want reassurance the US remains committed to denuclearization.
- 7) The alliance needs a well designed plan, an updated CONPLAN 5029, for Kim, Jong Il's health problems and a possible succession crisis, plus coordination with Japan and China.

- 8) The ROK must be encouraged to support Australia and Japan in managing the NPT Review Conference next year and strengthen its ability to promote safeguards and only peaceful uses of nuclear energy.
- 9) ROK – US joint security operations need expansion, and Seoul should try to convince China to participate in such activities as PSI.
- 10) Working with Australia and Japan, US-ROK regional peace operations can help build Korea's new partnership with the US

Needed is a new rationale for the alliance, with the allies displaying a strong capacity for joint planning and increasing their cooperation across the board., including plans for Seoul to make a major contribution to regional stability and development, plans with a focus much larger than just Korea.

**Dr. Mel Gurtov** “The US-Korea Comprehensive Security Alliance Under the Obama Government”

**Professor Gurtov**, editor in chief of *Asian Perspective* and an author of 20 books, noted that this was his first chance to participate in a Council conference, and that his paper was quite different from the other two. The US-ROK relationship has always been typical of a great power patron – junior partner client relationship, the US interfering in the ROK's internal affairs, the ROK periodically manipulating the US for its own purposes. Divergence between the two, always present, continues today. But the alliance is fundamentally strong.: the Obama administration wants it stronger; some issues have been resolved, the FTA will eventually be ratified, there is agreement on how to deal with North Korea, anti-American sentiment is down,, etc. The Lee administration seeks to restore its priority of turn it into a “strategic alliance.” Lee also seeks to give Korea a global mission and vision. How closely the allies can work on regional and global issues is not clear and the details of Lee's conception of the strategic alliance have yet to appear. Where does the alliance go from here? Analysts like Victor Cha want it to support US objectives beyond East Asia. But is a stronger bilateral relationship better, or should the emphasis be on regional multilateralism, on getting a regional security arrangement?

The Obama administration promised greater reliance on diplomacy, engagement with enemies and rivals, respect for international law and organizations, and embracing multilateralism. On North Korea these are not evident yet. There is little engagement, no meeting with leaders of the North, a lack of patience with the North, little use of private diplomacy, no vow to end hostile intent between the two countries. Instead the administration has focused on security reassurances to allies, war games with the ROK, and interdiction proposals for North Korea vessels. Willingness to go for elimination of nuclear weapons has not been matched by a new approach to the North – its nuclear weapons are simply condemned, North Korea is said to be a grave threat for having them - confrontation rather than engagement. It would be better to understand the North's nuclear program as a search for a minimum deterrent in the face of US threats. And on multilateralism the US is still pushing security bilateralism even while working on the Six Party Talks renewal

Serious engagement means taking the North's objectives seriously: regime survival, international legitimacy, self-determined development. This would call for diplomacy, a search for agreement. This is not impossible; the US has gotten agreement on a number of occasions, including some substantial moves toward denuclearization. Simply treating the North as an aggressive rogue state neglects the many possible explanations for its international posture and provocative acts.

One can look at US-ROK relations as a bilateral effort, or situate it within a multilateral context. We can look at security as requiring the alliance or as requiring a "common security." We could be complacent about a lot of what is on display in Northeast Asia – good US-China relations, the solid alliance, decent China-Japan relations. Or we could try some innovative thinking. For instance, not thinking about the alliance within concern about integrating China into the security architecture of the region, thus focusing on more than deterrence of North Korea. What we need is a good regional security arrangement. Here are some suggestions as to what we can do.

The administration, and the ROK, can endorse engagement with North Korea as the core US policy, renew security guarantees to the North, say that regime change is not an option. (The Clinton trip to the North was good.) It could end the name-calling and gratuitous insults toward the North. Then focus on how to provide the North with more security and legitimacy, setting aside its desire to be considered a nuclear power. Next, the administration may have had to link aid to the North to a return of the Six Party Talks for political reasons, but it should start talking about US and others readiness to contribute to North Korean development - people in the North must be uneasy about its rising dependence on China. The North particularly needs help on energy.

The US should creatively respond to President Lee's call for a "global Korea." This is not entirely a new idea and the allies should push for a regional security dialogue, multilateral cooperation on environmental or other matters, etc. However, *the US should resist turning the alliance into a strategic partnership*. This may lead to the ROK manipulating the US for its purposes. An example is the ROK desire for a task force on a Korean plan to augment the spent fuel from its nuclear power reactors; another is ROK contributions in Afghanistan to secure a tough US line on North Korea. In addition, the alliance as a strategic partnership risks getting both parties into unsupportable adventures like Afghanistan. Such activities will always arouse the ally's public to resist, to be wary of following the US too closely. Alliance vitality is fine now. It can be sustained by plenty of other steps: more use of multilateralism, strategic reassurances, improved communications, ratification of the FTA, sales of military equipment, etc.

The US should avoid anything, like closer US-ROK ties, that risk redividing East Asia. China's cooperation is immensely important and should not be threatened, and it is important to Korea too. The idea of Korea as bringing some balance via its relations with China and the US is not all that bad – Korea needs good relations with both. The "responsible stakeholder" approach to China is outdated. Korea is best served by a friendly, mutually beneficial relationship with China. The US and China can cooperate readily by respecting each others interests and concerns.

Finally, the US must do everything possible to be on the positive side of Korean nationalism – keeping to the OPCON turnover schedule, ratifying the FTA, etc. It can draw down its forces as the ROK grows stronger. There are other ways to keep Korea secure than a large, expensive foreign military presence, nuclear deterrence, etc. “...we have to recognize the inadequacies of bilateral alliances in an age of limited resources, the appeal of multilateralism in Asia, generational change in Korea, and ever-present nationalist sensitivities in the Korean body politic.” All over the region leaders are looking for new arrangements. The US should focus more on building a regional security formula – if the North won’t participate try doing it with the other five parties. The US has been leery of multilateralism in East Asia in the past, acceding to it grudgingly at times. It has limitations, particularly Asian versions of it, but creative things have been done with it in the region

The US also needs to recognize ROK policy independence, especially on China. Let the ROK advocate cooperation in the region. The US should bring its relations with the ROK in line with a firm commitment to engagement – discouraging it from provocative war games and speculation about regime change or political succession in the North. US extended deterrence should be explicitly *nonnuclear* while the US presses for a nuclear free zone in Northeast Asia. In these ways, the allies would cooperate on how to make a new North Korean leadership more secure and willing to join the modern world.

**Dr. Bruce Bechtol** “Prospects For the CFC, OPCON, and Contingency Plan: Problems and Remedies”

**Dr. Bruce Bechtol**, a member of the Boards of Directors of the International Council on Korean Studies and the Council on US-Korean Security Studies, began by noting that President Lee has called for Korean unification under a liberal democracy, facing up to what will be a hugely expensive and complicated situation after unification. The ROK also has to continue maintaining military capabilities to offset the North Korean threat in the midst of big changes in the alliance. The transformation of the ROK armed forces is underway and signs are appearing of the two-command arrangement that is due to replace the Combined Forces Command (CFC) by 2012. There are serious weaknesses in this plan, weaknesses very dangerous for Korean security.

The plan is to cut 180,000 of the ROK’s forces before full acquisition of the modern capabilities to offset that loss. The plan will not offset the North’s nuclear and missile threats. It does not provide the proper measures to make the OPCON turnover suitable – there are hints that the planned date for fully upgrading ROK forces will be moved back to 2025. The North’s threat is real:

The world’s fifth largest military

A nuclear capability;

Missiles - over 600 Scuds and 200 No Dongs that can reach all of the ROK and Japan;

A strong asymmetric war capability – over 100,000, maybe up to 180,000;

Deployment of some 70% of the North’s forces within 90 miles of the DMZ

Increased numbers of long-range artillery that can target Seoul, some with chemical weapons.

The North Korean threat has not declined, it has evolved.

The ROK is buying inadequate PAC-2 Patriot antiballistic missile systems, leaving the US with the only decent antiballistic missile system in the country, the PAC-III Patriots. The South also buying PAC-IIIs - to be available by 2012. Japanese efforts are much further along: a two-tier missile defense system, close integration on missile defense with the US, strong missile defense systems at sea. The recent North Korean missile tests have provoked more discussion about all this in the ROK, with some calls for it to join the US system like Japan has. Instead the ROK is working on its own missile defense capabilities but they will not be adequate.

Another Korean shortcoming is inadequate effort to develop a robust C4I system. Without it ROK forces cannot do adequate counterbattery operations against DPRK artillery, a mission recently turned over to the South by the US which requires new guns the ROK has yet to acquire. Internal communications equipment for ROK artillery systems is obsolete. The ROK is trying to expand its surveillance with purchases of American drones, but in the meantime it depends on the US for all its strategic information and much of its tactical battlefield information. The C4I (Command, Control, Communications, Intelligence) deficiencies will hamper responses to the special operations (SOP) forces threat the North poses. As for the South's SOP forces, they are well trained but the South lacks the transport to rapidly move them.

Next, it seems certain the ROK cannot pay on schedule for the modernization that is necessary. Rising prices for fuel and food have already led to cuts in military exercises, flight training, the use of tactical vehicles in training, etc. The service period for conscripts has been cut significantly, reportedly because President Roh wanted this to enhance his political support. Budget shortfalls will mean major adjustments to Defense Reform 2020 – pushing off the completion date, cutting what were already inadequate procurement goals. So the troop reduction plans are being slowed. Defense budget request submissions are down significantly. The Ministry of Defense recently asked for a 3.8% increase when 7.9% was appropriate.

The transfer to two separate wartime commands, to be effective by April 12, 2012, has received wide criticism from retired ROK military officers who think that is too soon, and some Korean analysts and National Assembly members agree. But American officials – Ambassador Vershbow, General Sharp - are insisting on adhering to the schedule. This is a big mistake. The most important concern is loss of unity of command. That will very likely reduce coordination between the two forces, resulting in higher casualties in a war. It could lead to declining Congressional and public support for keeping US forces in Korea, and a lower estimate of ROK capabilities by the North.

The plan is that in wartime there will be two separate commands – Korea Command (KORCOM) for the US and Joint Forces Command (KJFC) for South Korea. Now, under the CFC, there are common commands, most run by South Korean officers,

that blend the two forces; after the change each military force will be organized to report to a separate National Command Authority and fight separately. Coordination will be through boards, committees, centers, etc. The US will provide various capabilities after the change – strong air and naval support, probably intelligence – until the ROK military is fully upgraded. And in an era of budget shortfalls, planned adjustments of US forces in Korea may be delayed as well as construction of new facilities is lagging.

As opposed to an attack, North Korea also poses a threat to collapse, and planning for this is equally important. The OPLAN 5029 for contingencies was changed by the Roh Administration into a CONPLAN, a much less detailed contingency plan, because the old plan “could be a serious obstacle to exercising Korea’s sovereignty.” This was done with little advance consultation with the US. The Lee administration would like to go back to an OPLAN, as would Defense Secretary Gates. The goal would be to consider how to control the North’s nuclear and missile facilities, identify the ports and airfields that would be used by allied forces, and plan in detail for everything from a North Korean attack to major instability or even a civil war in the North. Lack of a CFC will make such planning more difficult. Talking with China about all this would be valuable. Apparently the US and China had very preliminary, very quiet, discussions in the fall of 2008, which is a step in the right direction

Ultimately there are four basic kinds of cooperation needed to improve the situation. One is *closer technological cooperation* to upgrade the forces. A second is *closer intellectual cooperation* on a combined doctrine, training, and education. The third is *closer ideological cooperation* via a commitment to democracy, human rights, and market economies, and the fourth, maybe the most important, is a *fiscal commitment* to support all the other steps. The US must continue to assist the ROK during the military transformation there, and perhaps by somewhat delaying the termination of the CFC as well.

## **Discussants**

**Dr. Lee, Choon-kun** is Vice President of the Center for Free Enterprise. He summarized his comments as basically agreeing with the Bechtol critique, agreeing with the Hong paper, and agreeing much having with the Gurtov paper. On the Gurtov paper, the emphasis on dialogue mechanisms is very good, as many political scientists would agree. But the Six Party Talks are of little utility. If the other five would cooperate we could fix the problem. But after 7 years of talks North Korea has had two nuclear tests, several missile tests, etc. If the talks continue the North may end up with 100 nuclear weapons and missiles that can reach Portland! We need a new approach. Supposedly, if the US makes a serious effort to reach out to North Korea, it will reform. But the North is an awful state run by an awful leader – is this a reliable partner to work with on security management?

North Korea insists that its insecurity is due to the presence of US forces in South Korea and the alliance. But would eliminating those forces to get the North to denuclearize be realistic? That would mean sacrificing the ROK. The OPCON shift is a



bad idea. US forces are vital for the defense of the ROK. Gurtov talks about how the ROK could serve as a manager of sorts in the US-China balance, it lacks the necessary military capabilities. And if it had them the US might well suspend the alliance; how could this balancing be done then?

**Professor Terrence Roehrig**, has a new book coming out – *South Korea Since 1980: Democratization, Economic Struggle, and Nuclear Crisis*. His initial reaction was that the three papers cover a lot of ground and are thought provoking. One question they raise about North Korean denuclearization is how likely is this to occur? It is hard to be optimistic, and if it doesn't occur what do we do? How does this affect the alliance? Even verification of any agreement is likely to be very hard. The Hong paper refers to Obama's choices being complicated by the North's harsh behavior; actually, the reverse is true. When North Korea is more accommodating, coordination among the other parties is more difficult. As for the alliance, the convergence of the allies' interests is the key to strengthening it.

The Gurtov paper makes a number of good points, such as on avoiding a new Cold War and especially on the need for a regional security framework. However, this is an old idea. How do we get there? The Bechtol paper is very detailed and thorough, and raises serious issues. Maybe delaying the OPCON shift would be good. All three papers note the need for more contingency planning and I agree. But dialogue in advance on this is vital to prevent the emergence of serious problems. Finally, a question for all the panelists: down the road, what should the ROK's priorities be on security matters?

**Gurtov** initiated panel members' responses. On the need for a dialogue on regional security and a mechanism for this, the dialogue must be much broader than on the issues in the Six Party Talks. A truly regional focus is needed - the reference to the North Korean nuclear problem by itself is therefore inaccurate. The problem is the presence of nuclear weapons in Northeast Asia. On the regime change issue, while the US can hope that it occurs, it cannot be the objective or else having a dialogue with North Korea will not work. And a real dialogue with the North is needed, not just for problems states such as Iran, Syria, etc. As Bill Perry says, North Korea sees the US as a serious threat and the leaders who feel that way will not just go away.

On South Korea having a balancing role, I don't mean a balance between the US and China, but about Korea working to keep its relations with the US and China healthy simultaneously to better serve the interests of Korea. It is about having a more balanced relationship with both China and the US. On Roehrig's question about whether the North will really abandon its nuclear weapons, I can't say. But it is still necessary to keep pressing on the policies I propose. Nuclear weapons don't boost North Korea's security at all. It wants regime survival, independent development, recognition and, as David Kang suggests, prestige or status. Nuclear weapons really don't help with these things, don't even shift the basic strategic situation.

**Bechtol** insisted that ROK analysts understand the North Korean armed forces capabilities. Most people in the US don't. They pay attention to the North's nuclear

weapons but it is the rest of the North's forces that constitute the real threat. As for Roehrig's question about ROK priorities, the first priority is C4I. The second is to buy the right *numbers*, not just a few pieces, of the right equipment.

**Hong** noted Roehrig's comment about how important it is that US and ROK interests converge. Any such convergence will not last without a new common approach to the alliance. This must start with a common agenda for the future. Thus if the ROK sends forces to Afghanistan it is necessary to find the right way to be of assistance, one that fits ROK capabilities. Hopefully the ROK can then help the US deal with the situation there. As for the concern about verification and how to get the North to halt its nuclear weapons program, there is no clear answer. We need to maintain our military capabilities and continue talking with each other, while being patient in dealing with the North.

### **General Discussion**

This part of the panel was opened by a **Professor Hong** (in Education at Korea University) noting how Gurtov said the US can *hope* for regime change. Will the US accept a divided Korea forever? Wouldn't the best option be severe sanctions on the North? Then he asked Hong about his suggesting that US-Japan-Korea cooperation on DPRK reconstruction and development would be important, as would possible Russian and Chinese participation. But is this to keep two Koreas going forever? **Gurtov** replied that he favored unification, but it doesn't have the full support of the great powers. China has basically a two-Koreas policy, and for as long as possible. As Scobell pointed out, the real problem is how the end of the regime might come about. Some paths could be very dangerous. Thus engagement is the best way to encourage unification and help the North wither away. **Hong** added that we must address North Korea as a larger issue. We need a vision for the future that includes a positive role for North Korea whether it keeps or eliminates nuclear weapons.

A professor from Seoul National University asked Gurtov whether the Six Party Talks weren't actually enough. After all the 2005 deal covered a lot of the issues. Isn't that a good venue, or would a bilateral one be better? **Gurtov** replied that this was correct – the Six Party Talks covered many things and have been useful. But making the *talks* a security dialogue mechanism is not necessary - what's needed is to get a dialogue started in some fashion. Roehrig asked, in his remarks, how we get to such a dialogue. The answer is mainly by putting a lot of effort into it – slowly building the trust and consensus needed. Then the agenda can be broadened.

**Dr. Park, Tae-woo** asked Bechtol if it wasn't the case that if the US and China pursue North Korean denuclearization and the ROK is not involved, wouldn't the ROK be quite unhappy? **Gurtov** said he agreed that it would. **Hong Nak Kim** then noted that North Korea wants to drop the Six Party Talks and nullify certain agreements. While bilateral talks might be all right wouldn't dropping the Talks allow it to cancel some earlier agreements as well? **Gurtov** answered that this is a good question. Clearly the North wants bilateral talks, seeing the best route to its security as running through

Washington. But we may be able to have both kinds of talks; we are likely to return to both kinds soon. A presidential visit might be a good idea, as Olsen suggested in his paper. Recognition of the North would also be a good idea. **General Kim, Jae-chang** then asked Gurtov to define North Korean security. He also asked if North Korean nuclear weapons were aimed at anyone other than the ROK. What is the North Korean aim in new talks? Food, investments...? Are the North Korean serious? If so, what do they want to get? **Gurtov** cited three North Korean goals: regime survival, independent development, and international legitimacy. Its nuclear weapons are a response to threats to those goals. North Korea wants the US to pay attention! That's not irrational. North Korea sees no one as trustworthy, thus nuclear weapons become its ultimate resort.

**Dick Nanto** (Congressional Research Service), said that in Beijing he had asked some officials if China would interdict a plane going to North Korea with a cargo that violated the current sanctions. The answer was yes. Yet China has stopped putting out data on its exports to North Korea! So, do sanctions really have any effect on the North, such as by inducing it to return to the Six Party Talks? **Hong** said China would not seriously press North Korea. It is necessary for others to do that, and to keep up the Six Party Talks. **Dr. Lee** added that one goal of the North is to unify the peninsula, and its nuclear weapons are meant to help with this. **Gurtov** said if that is their purpose it has already been lost – the nuclear weapons are not having that effect.

This brought a very lively discussion to its end.

#### **DINNER: HOSTED BY ROK MINISTER OF DEFENSE KIM, TAE-YOUNG**

After a series of toasts to the Council **General Kim, Jae-chang** introduced the speaker for the evening. The Minister of Defense could not come, expressed his regret, and sent one of his favorite colleagues in his place, **General (elect) Kwon, Oh-Sung**. General Kwon was at the head of his class as a cadet and is now in charge of both Policy Planning and Defense Planning in the Ministry.

In opening his remarks General Kwon pointed out that the room was full of senior officers and it was an honor to be surrounded by such distinguished guests. The topic this evening is the realization of the alliance vision of its future. It is a great honor to be asked to address this topic and thanks are due to the organizers for the invitation. Cooperation in the alliance is a very timely issue, as are the steps being taken on this and on developing a “strategic alliance.”

What does the alliance mean to us? It beats with the heart of the ROK. It was created in 1954 after some 37,000 Americans were killed in the Korean War, and has been a guarantee of stability ever since. It protects the Korean peninsula, the peace of Northeast Asia, and the world. It is in operation right at this moment, something to be truly thankful for. An “alliance for the 21<sup>st</sup> century” was proclaimed in June in a vision statement by both presidents. Our governments will actively strengthen it in light of future demands. It will be a value alliance, a trust alliance, and a peace establishing alliance.

As a value alliance it will uphold our shared basic values in facing political, economic, environmental and other threats. Those shared values will enlarge its scope, increase the allies' ties, and broaden their cooperation. As a trust alliance it will reflect how trust is the basis of any alliance. The alliance has strong guarantees involving trust in extended deterrence and in support during contingencies. And as a peace establishing alliance it will foster peace and stability. This is now being extended to piracy, terrorism, drugs, and other problems. Peace is the ultimate goal.

Realization of the alliance's future vision will require concrete action, the execution of specific tasks:

Maintaining the highest vigilance against North Korea

Preventing a North Korean miscalculation by maintaining overwhelming deterrence

Denuclearizing North Korea. Nuclear weapons are a direct threat to the peninsula, the world, and the nonproliferation regime

Implementing the OPCON transfer. The concern about this is well known, but the transfer is inevitable, very valuable for the alliance, and we must prepare for it.

Deterrence will not suffer as a result of the transfer.

Maintaining stable conditions for US forces in:

Concluding the USFK relocation

Transforming the alliance for stabilizing Northeast Asia

Cooperating on terrorism, maritime security, etc.

Cooperating on security with the neighbors

Increasing ROK military aid to the international community, thereby

Contributing more to world peace

Further developing the alliance and creating an elite armed forces via participation in peacekeeping

The last fifty years has displayed the successful US-ROK relationship as a model alliance. It must now continue to develop. The financial crisis helps us realize how important it remains today and we will do all we can to strengthen it.

I wish General Kim and General Tilelli continued wisdom, success, and health!

**General Kim** expressed the participants' and the Council's appreciation and best regards to Minister of Defense Kim, and their pleasure at the presentation of General Kwan

#### **PANEL IV: (Maritime Cooperation) COMPREHENSIVE MARITIME COOPERATION FOR PEACE AND SECURITY IN THE SEA LANES**

**CHAIR: Vice Admiral Yun, Yon (Senior researcher at the Korea Institute for Maritime Strategy and former Commander of the ROK Fleet)**

#### **PRESENTATIONS**

**Professor Chung, Sam-man** ROK Naval War College

**Professor Terence J. Roehrig** US Naval War College

## **DISCUSSANTS**

**Professor Bruce E. Bechtol, Jr.** (US Marine Command and Staff College)

**Dr. Kim, Choong-nam** (Visiting Fellow, Sejong Institute)

The Chair welcomed everyone to the second day of the conference and its opening panel. After introducing the panel members he turned things over to the first presenter.

**Dr. Chung, Sam-man** “ROK – US Cooperation for SLOC Security and Counter-Piracy”

**Dr. Chung**, a captain in the ROK Navy and former naval attaché in Washington, began by pointing out the importance of the seas and the sea lanes of communication (SLOCs). The world’s dependence on the seas for trade, fishing, etc. has risen substantially. Important SLOCs for East Asia run through narrow straits near Taiwan, between Taiwan and the Philippines, and in the Strait of Malacca. Threats arise today from terrorism, piracy, the drug trade, refugee flows, maritime territorial disputes, disputes over natural resources at sea, and states’ efforts to manage their coastal waters and extended economic zones. Piracy, which occurs mainly within states’ territorial waters poses threats of ships being boarded and seized, of environmental damage including from pollution if a ship is damaged, and loss of life. Pirates are increasingly well equipped with fast boats, modest radar systems, machine guns, grenades, and mortars, and are increasingly well organized and financed also. Incentives for piracy in East Asia and related areas include the massive sea traffic, the common use on ships of skeleton crews, a vast number of islands to use for bases, concealment, etc., financial and intelligence support from syndicates and corrupt officials, and the effects of the economic downturn.

A map of East Asia with the proper data would show a very high rate of growth heavily based on trade that goes mostly by sea. It would show a high rate of increase in that trade recently. It would show the sea lanes as central to that trade and their vulnerability. Maritime terrorism can take the form of the attack on the USS Cole in 2000, so there is fear of suicide attacks. Also possible is seizure of ships for a subsequent terrorist attack, for ransom, or for smuggling, as well as piracy being pursued to finance terrorist activities. Of particular concern is that 2/3rds of the world’s liquefied natural gas passes through the Malacca Straits; a suicide attack there could devastate the surrounding area physically and economically. Contamination in the South China Sea, for example is already bad but damage to tankers from terrorism or piracy that leads to accidents could greatly increase it. Military confrontations are also possible as states in the region continue enhancing their naval capabilities.

How to protect against such threats? Some possibilities:

- Use existing international organizations
- Cover the sea lanes better by patrols, planes, satellites
- Have exchanges of information about the threats
- Promote confidence-building measures
- Develop interoperability in control efforts, through standard operating procedures
- Expand transparency among the states involved
- Take action to reduce the risks.

Efforts to neutralize these threats include the Regional Cooperation Agreement on Combating Piracy and Armed Robbery Against Ships in Asia (ReCAAP) which encompasses all ASEAN nations except Indonesia and Malaysia, and also Korea, Japan, China, India, Bangladesh, and Sri Lanka. Indonesia and Singapore coordinate surveillance and patrols in the Malacca Straits and related areas. A Regional Piracy Center in Kuala Lumpur provides information clearance services, as does ReCAAP. Openness and transparency are enhanced by those states belonging to the UN Convention on the Law of the Sea. Needed are more maritime confidence and security-building measures among states in the region.

Beyond East Asia threats arise in and around the Gulf of Aden, through which more than 20,000 ships pass annually, with Somalia's coastline having become a haven for pirates that operate there and in the Gulf. Attacks are up significantly in the past two years. Naval protection measures rest on understanding that pirates are motivated by commercial motives so they tend to be risk averse, seeking either to seize a cargo or seize the crew for ransom. Any vigorous naval protection can deter a good deal of piracy just by raising the cost of doing business. In the Gulf of Aden-Somalia area naval protection consists of:

Direct escorting – used for special targets, like nuclear waste transports or a ship known to be targeted. Expensive, it is used sparingly

Sea lane protection – shipping is channeled into sea lanes or corridors patrolled intensively by naval ships and planes, with covering forces outside the lanes to provide early warning for ships and conduct deterrence or delaying efforts against pirates. The Gulf of Aden has several designated sea lanes.

Convoys – a powerful recourse providing maximum protection for a large number of vessels with a limited number of naval ships

Attacking pirate bases – the best solution but few states will accept such attacks, there are problems of collateral damage, and most pirates are technically civilians and thus not normally to be treated like enemy combatants. Some naval vessels carry law enforcement officials for this reason.

The Combined Maritime Forces operation, a coalition of 23 nations (a “coalition of the willing”), established Combined Task Force 151 early in 2009 in the region, set up by the US 5<sup>th</sup> Fleet based in Bahrain, to curb piracy in the Gulf, the Arabian Sea, the Indian Ocean, and the Red Sea – alongside Task Force 150 that combats smuggling and other maritime hazards and Task Force 152 that patrols the Gulf of Aden. Some other anti-piracy elements in the area are not members of the Coalition, raising problems of interoperability and coordination. This is partly due to countries being embarrassed by

shortfalls in finances and capabilities, or by a desire to hide military deficiencies by not participating in cooperative activities.

A Korean unit for anti-piracy operations off Somalia has recently been activated, using Djibouti for its logistical and other needs. The area is vital to Korea since 70% of its crude oil comes through there from the Middle East. About 500 Korean ships pass through the Indian Ocean annually, carrying about 26% of Korea's maritime cargo, with many vulnerable because of their slow speed. The core of the naval unit is a KDX-11 destroyer operating with the Combined Maritime Force alongside ships from the US, the major European navies, Italy, Russia, and India. (Japan, China and Turkey are about to send ships.). It has various missiles, inflatable speedboats and two helicopters. The unit has already conducted six operations to drive pirates away from ships, including a North Korean ship. One suspected pirate vessel has been seized and a joint operation with the US recovered an Egyptian ship that had been seized. Nevertheless seizures of Korean ships have occurred this year.

Korea must do more to contribute to international security not least because, as a top presidential assistant has said, its development was assisted considerably by that community. Work is proceeding on legislation to make sending forces abroad easier and quicker. But overseas activities can also contribute to enhancing US-ROK relations via ROK participation in US-led operations under the Combined Task Force. Using a vessel like the KDX-destroyer is necessary because helicopters are vital for responding to threats quickly over such a large region. Korean participation also is a shift from its prior tendency to free ride; as one of the world's major economic powers it has a right and a duty to be involved in such international operations.

We need to recognize that the Somalia problem is not just a naval problem. Piracy may provides \$30 million a year or more It arises from woeful economic conditions, exacerbated now by the financial crisis, in that part of the world, an area where unemployment for young men is rising. Water shortages and severe droughts add to Somalia's problems, producing many refugees, because the national government has limited control in the semi-autonomous region mainly responsible for the piracy. Government there is riddled with corruption; the area has no legitimate economy and operates by smuggling. Obviously, naval operations will not really solve the problem. Attacking the pirates is a "whack-a-mole" game – hit one and another pops up. Economic assistance to Somalia is what is really needed.

The Chair, as a retired admiral, indicated his pleasure that the Korean navy is involved in the Gulf region.

**Professor Terrence J. Roehrig, Jr.** "Global Cooperation For Maritime Peace and Security: The Role of the ROK and the US"

**Dr. Roehrig**, past president of the Association of Korean Political Studies, thanked the Council co-chairs and Hugo Kim for inviting him to participate, and found it nice to see so many people who had visited the Naval War College. He emphasized that

the alliance naval dimension has developed significantly, with scant attention being paid to it, and has the potential to grow considerably more, especially in a “strategic alliance” active well outside the peninsula and its surrounding waters. Korean leaders understand the need for this and US Defense Secretary Gates says that the US seeks to broaden the alliances to handle challenges at the regional and global level.

Alliances come in formal arrangements codified by treaties, and in informal even ad hoc arrangements. They can be offensive or defensive in orientation. All sorts of power distributions among members are found. Stronger states may protect weaker ones because they want to keep them out from under the influence of another state, or to benefit from the weaker member’s valuable resources, or location, or symbolic value. Shifts in the power or other capabilities of subordinate members can provoke uncomfortable changes or, alternatively, strengthen the relationship by a better balancing of the burdens. Shifts in the capabilities of the great-power member or members can also be uncomfortable. Common threat perceptions usually make parties enter an alliance; when those perceptions diverge the alliance is often in trouble unless new threats emerge or complementary threat perceptions are still operating and keep the alliance healthy.

Applying this to the US-ROK alliance, we see a major change in its security environment in the past 10-15 years, including increased ROK interest in the maritime environment, and vast improvement in ROK military capabilities including the early phase of developing a blue-water navy. In 2001 President Kim, Dae-jung announced an effort to build a strategic mobile fleet of this sort. This is now part of the military transformation sought in the Defense Reform 2020 that will cut military manpower significantly and promote military modernization. In 2008 President Lee reaffirmed this commitment - a blue-water navy to protect Korea’s maritime sovereignty, dealing with the maritime aspects of the North Korean threat while and reflecting the ROK dependence on imports and especially exports amidst threats from piracy, WMD proliferation, and illegal fishing. plus the ROK need for maritime-based ballistic missile defense. The ROK must also hedge against possible contingencies associated with further Chinese and Japanese military progress. The result is a phenomenal naval building program by the world’s leader in shipbuilding.

The ROK navy has 170 ships and subs, including :

- 46 principal combat vessels
- 12 submarines
- 78 patrol and coastal ships
- 10 mine warfare ships
- 24 support vessels

The development program for a blue water navy in the past decade began with the KXD-1 light destroyer, moved on to the KDX-II (commissioned in 2003) with stealth capabilities and advanced weapons systems, and now to KDX destroyers with advanced torpedo and missile systems and very sophisticated anti-air and anti-missile defense systems (Aegis). Korea plans call for at least 8 of these ships including a model that can be sold abroad. The ROK has commissioned the first of several new amphibious assault ships, for which it will have to acquire the helicopters, one of which will also handle



vertical takeoff planes making it a small aircraft carrier. Similar improvements involve new high speed patrol boats for coastal duties with advanced Aegis-style combat capabilities with missiles, systems able to handle many different kinds of targets simultaneously. It is also developing a new line of frigates. The ROK's chief naval weakness is in submarines but it is working with Germany on development and production of new ones. Some ROK subs have already had major successes in fleet exercises with the US Navy in simulated sinking of major warships.

In addition to the changes now taking place in US forces in Korea, the US is pursuing development of a common vision for future development of the alliance, outlined in the June 2009 Obama-Lee "Joint Vision for the Alliance" which stresses meeting global military and nonmilitary challenges. For some time, in concepts like the "1000 ship navy" and documents like "A Cooperative Strategy for 21<sup>st</sup> Century Seapower" (2007) or the International Seapower Symposium (2009) hosted by the US for over 100 countries, the US Navy has promoted greater maritime cooperation to meet disasters, threats, and crises.

The US Pacific Fleet has enormous capabilities including five carrier strike groups, 180 ships, and 1400 aircraft. It participates in numerous exercises with the ROK, particular through the 7<sup>th</sup> Fleet portion of the Pacific Fleet. These include Key Resolve/Foal Eagle which tests the ability of US forces to rapidly aid the ROK (known for years as Team Spirit). The latest such exercise, after 18 months of planning, led to a new OPLAN designed with transfer of the wartime OPCON to the ROK in 2012 in mind. Other joint naval exercises include Ulchi Guardian Freedom, and RIMPAC (with many participants besides the ROK). South Korea is moving to join the Proliferation Security Initiative as well and is participating in anti-piracy actions in the Gulf of Aden within the US-led Combined Task Force. There are reports of possible US-ROK patrols in the Indian Ocean to come.

US-ROK cooperation extends to ship design and parallel purchases of advanced weapons systems, increasing the interoperability of their forces. This is particularly true in Aegis system ships, and will eventually extend to ROK purchases of the SM-6 missile with over-the-horizon capabilities – the missile having its own Bruce radar guidance system.

The cooperation will grow and three areas need special attention now. One is further South Korean training for participating in the PSI. Another is ROK upgrading to meeting the Special Operations Forces threat posed by the DPRK, a mission the ROK will take on in 2012. And the ROK needs to continue address its submarine deficiencies. Obviously, the budget situation is of concern with respect to meeting these needs. The ROK needs to carefully assess its maritime priorities and their relationship to other military needs, and in doing so interservice rivalries must be minimized.

Rising ROK-US maritime cooperation will requires a common maritime strategic vision and a common strategy to organize their respective contributions. This should include planning for the possible collapse of North Korea, plus interaction with China to

reassure Beijing that it is not a target of that cooperation. Attention must also be given to the rising growth and improvement in naval forces all over the region which could lead to increased suspicions, tensions, rivalries and counterbalancing activities. Finally, greater US-Japan-ROK maritime cooperation is also needed. This means overcoming the tensions involved in the Dokdo dispute and the legacy of the past.

## DISCUSSANTS

**Bruce Bechtol** complimented Chung on a great presentation. One additional point worth noting: the history of piracy shows that weak or failing states are the usual source. Question: when we return to dynamic economic growth will this incite naval competition and tension in the East Asian region? Another question: how do we get the piracy to stop? By the use of aid, as the paper suggested? That didn't work out well in Somalia earlier. The paper is very good in its emphasis on the ROK commerce as inviting great concern about security. The US and ROK should obviously work to halt piracy – it is in their interest. The question is, who's interest is in promoting piracy?

On the Roehrig paper, there is obviously a question as to where the ROK navy should be going. The involvement of various states in the PSI is quite impressive, and it is now a global matter. In late 2005 US Special Operations forces launched an attack in Somalia and then the US turned to the Ethiopians to halt the Islamic fundamentalist effort to seize the country. The Ethiopians asked for US funds to pay for this, then bought weapons from North Korea with the money! This is not really in our interest. Question: where does the North's maritime threat fall on the alliance's priority list. On the future of the Korean navy, it is a highly resource-intensive organization, very costly. Its landing craft are in short supply and more are needed, and the new ones need much better C2 (Command and Control) capabilities. The lack of decent antiballistic missiles is a serious problem. The ROK is not keeping up with Japan on this, but doing so will be expensive. In interoperability with the US, there is none in missile defense. As for China, Scobell's new book has a chapter by Woertzel reporting that Chinese naval officials agree that planning for a North Korean collapse is important..

Assessing the Roehrig paper, **Professor Park, In-hwi**, a specialist in international security, US foreign policy, and Northeast Asia asked how many alliance partners compare with the ROK. Its military capabilities have increased significantly over the life of the alliance. The rationale for further improvements lies in new threats – the US and ROK have broadened the alliance's purview, expanding its threat perception. The revised Defense Reform 2020 project calls for a smaller army and greater navy and air force capabilities. In this connection Roehrig cites:

The North Korean threat;

ROK economic dependence on trade and the SLOCs, etc.

New considerations in the global security environment such as piracy.

His assessment of ROK naval capabilities is quite good. Then his review of the implications of what has been happened mentions the PSI, the North Korean threat, etc.

This suggests the following questions:

If we need to set new priorities won't interservice rivalry be a major problem? If the US has that problem too, what lessons can Korea draw from the American experience? Next, if China's rise is important to ROK-US maritime cooperation, doesn't this mean China is important to Northeast Asian security in general? Next, the imbalance in US-ROK sea power is clear. But cooperation on maritime security may *deepen* the imbalance. What should be done about this?

As for the Chung paper, it stresses the security of SLOCs. The current debate about sending troops far from home shows that many Koreans object to such actions. Increasing Korea's global participation will therefore be difficult. Can such a tough debate be avoided? What rationale for the overseas participation should be used? Next, will tackling piracy actually enlarge the ROK's independence military operations capabilities as the paper claims? Finally, another ROK-US summit is due next June. The presidents agree broadly on the future of the alliance. We need to publicize the future of wartime naval cooperation to help sell this.

Discussant, **Dr. Kim, Choong Nam**, author of a distinguished study of Korean presidents, indicated that when he was working at the East-West Center (until recently) he learned a lot about the importance of naval forces. Roehrig notes that there will be some delay in the ROK naval buildup, but not that this was due to a clash between the Blue House and the Ministry of Defense. The government's spending is up but its focus is on short term political benefits, not the Navy. Korea has often depended on outsiders for security, and today the ROK spends less than Israel and other nations on its defense. Are its decision makers ready to do their part for national security? The ROK needs a strategy for security based on a national consensus. After all, it is surrounded by three great powers. It is vital to look ahead to 2012 and beyond, because Korea is very dependent on maritime matters. It is a very large country in trade, shipbuilding, etc. and it wants a larger role in world affairs. But it has been free riding on the United States. A major naval buildup to correct this will require a strong political and public commitment. On piracy, Park stresses that it is primarily a business fostered in failed states. If so, Korea can do more to provide aid to Somalia.

With respect to the Chung paper, a huge jump in Korea's oil consumption is coming. Thus the importance of the economic dimension of the alliance will continue to rise. 87% of the world's energy reserves are beneath the seabed. What is the role for the Navy in protection our maritime energy resources? The US is concerned about protecting SLOCs so it is active in the Gulf of Aden, but others are doing even more. Is there any chance of greater US-ROK maritime cooperation in the Indian Ocean or the Strait of Malacca? He closed by saying that the CINC of the Pacific Command recently met with the Chinese and suggested that the US handle Pacific affairs east of Hawaii and the Chinese handle the rest. This is important, and Japan is not ignorant about it.

In responding, **Professor Chung** said: "did the US ask for a ROK unit to be sent to the Indian Ocean – I don't know." As alliances go their's should be wiser now, so its cooperation should also be wiser. In theory, it was best that the ROK sent a ship to the Gulf of Aden area. As for Bechtol's question about who's interest drives piracy, it is

hard to see anyone having such an interest; only the terrorists would seem to benefit from promoting it. In general terms sending the ROK navy to other regions is new but makes sense because the ROK's huge trade needs naval protection. And the ROK should act in line with international law in suppressing threats. On the question of whether ROK participation with others can boost its overall naval capabilities, yes it can. It can improve interoperability and broaden the rationale for the navy. On the role of the Navy in ROK security, Korea's reliance on sea trade is growing and only the navy can defend the resulting ROK national interest. US-ROK naval cooperation is not aimed at China; China can be invited to join in it. As to the role of a much more mobile fleet, I leave this to the admiral.

The admiral in question, the Chair of the panel, said that developing a strategic fleet is important. With regard to ballistic missile defense, one can have high and low tier missile defenses, and the ROK navy is focused on low tier defenses for political reasons [China's objections to missile defense].

On the question about the dynamics and effects of economic growth, **Roehrig** pointed out that there are competing theories. One says international politics is always very competitive; the other that it is being made steadily more peaceful by economic development and globalization. I side with the latter view; rising economic ties will help mitigate international conflict. But not every conflict will disappear so hedging is needed in various regions. On priorities for Korean maritime forces, the North Korean threat is no. 1, but several others are important. Several comments referred to Korean interservice rivalry, a standard topic in theories of bureaucratic politics. More "jointness" [required inter-service interactions] is now required in the US armed forces due to the Goldwater-Nichols Act, and this has helped ease interservice rivalry. Another key is having a national strategy and deriving weapons and forces from it.

Chung is right about the importance of the ROK maritime force, and also about involving the Chinese about US-ROK cooperation and plans. Nevertheless, hedging against China's rise is called for. There were two suggestions that expanded ROK-US cooperation could increase the imbalance in ROK and US forces; it is not clear to me how this would come about. Comments about the priorities in ROK naval expansion were interesting. Ballistic missile defense seems the most immediate need. Another important concern is the submarine threat. Finally, the question raised about trilateral (US, ROK, Japan) cooperation is very good. The US has tried hard to promote it but it is tough to bring off. All we can do is continue to work on it.

## **General Discussion**

**Ambassador Park**, a retired naval officer, offered two comments. First, we are just starting on naval cooperation and a major naval buildup (I worked on this for some 35 years). There is a great deal more to do. More war games and other scenarios are needed to help with the planning. [Here he cited the US Naval War College war room as a very important capability] And cooperation to deal with piracy is very important. Second. Roehrig is correct on the need for a joint strategy. The goal is deterrence but

Seoul is not paying enough attention to it. The Navy's contribution to the alliance must be boosted, and cooperative ties with the US on this are vital. So is better interservice collaboration. The US has made progress on this, but the ROK has not.

**General Tilelli** said that the conference has been talking about defensive missiles and this really requires good C3. What efforts are being made on naval ballistic missile defense for the ROK so as to fit in with the US and Japanese on this? **Chang** asked for an assessment of the navy's capabilities for dealing with the North Korean special forces threat. Are they good enough? **Olsen** wondered how the ROK assesses the neighbors' shipbuilding and naval shipbuilding capabilities, and the implications of this comparison for naval cooperation in the region?

**Hugo Kim** noted that planning is usually limited by one's budget. Then he asked whether the ROK is this providing sufficient support for the Navy? Or should support be expanded, and if so, by how much? **Mr. Soo Kun Ai** from the Orea Energy Company said that while he was not a scholar or an officer, he had been involved with many military projects. His impression was that the people at the conference were real experts, people who have made important contributions over the years. Budget problems remain but overall the ROK is doing comparatively well – in infrastructure, education, etc. By comparison North Korea is in bad shape. An inter-Korean summit will come next year, boosting the ROK stock market and provide an economic uplift. A trade surplus is coming too, and foreign investment will rise. In short, we have a lot of good news coming. Maybe a conference and organization like this needs more sponsors and a broader focus. Do you need more support? If so, I can help.

Responses from the panelists to this array of comments and questions started with **Professor Chung**. The ROK Navy is seeking to develop plans to deal with North Korea. As for the defense budget, the larger the better. The Chair added that the ROK Navy, with the US, is developing joint ballistic missile defense assets for the future. **Tilelli** said that was a decent answer to his question. **Roehrig** called Ambassador's remarks very important. The point about the need for dialogue is very good – the dialogue is just getting started. On people-to-people contacts, this will be very important too. On Olsen's question, there is rising interest in Chinese naval construction. It is not a big issue yet but it may well be.

In closing the Chair felt that the discussion had been very good.

### **LUNCHEON: Hosted by Mr. Chung, Eui-sung, Chairman of the Korea Institute for Maritime Strategy**

After introducing several dignitaries attending the luncheon **General Tilelli** introduced the luncheon speaker, the **Commander of the Combined Forces Command General Walter Sharp**. He said General Sharp asked for a short introduction and here it is: he is a distinguished warrior, a compassionate leader of soldiers, a strategic thinker, and a leader who's decisions are in the best interest of the US-ROK alliance.

**General Sharp** offered his thanks for the opportunity to appear before this distinguished group and noted that he would be giving a personal speech. The topics will be the ROK-US alliance today, the OPCON transfer, and the future of the alliance. ON THE ALLIANCE TODAY: there are 28,500 US servicepeople here in defense of the ROK. And they are here *indefinitely*. All are authorized to stay two to three years and bring their families and infrastructure for this is being constructed. Some 3000 families are already here and there will be close to 5000 by the end of 2010. Eventually we expect some 14,000 families.

We collaborate much more now with the commander of the Korean joint staff, and his aides, and work to have a clear common picture on both sides, with synchronized data bases on North Korea, good interoperability, and integrated C4I. The alliance is stronger now. There is closer cooperation with the embassy and ROK diplomats too, so that military and diplomatic views are better synchronized. Hard work is going into war plans. The level of detail is good, better now than in the past. Huge military exercises are being held twice a year and this will continue indefinitely.

The alliance is regionally engaged with Japan, Australia, and others. This takes place on humanitarian aid, for example. The US is proud to work with global ROK forces in the Gulf of Aden, in Iraq, etc. The Mutual Defense Treaty is the basis of ROK security, but a global alliance of the US and the ROK can be built on it. I am proud of this alliance and of the military progress the ROK is making.

ON THE OPCON TRANSITION: it will put the US in a position of supporting the ROK military. There will be no change in the US commitment, just in the command relationship. It does not mean relying on an *independent* ROK military and command, the US forces will remain. How will this be established? First, in terms of plans there will be one top, bilevel, plan, a bilateral plan. The army forces, navy forces, air forces will each also have one plan. Our countries will agree on the missions, tasks, resources, etc. involved. The last Security Consultative Meeting settled what are to be the enduring US capabilities in Korea, and the bridge capabilities the US will supply until the ROK is ready to supply them on its own. The SCM also decided that the definitions pertaining to those capabilities to be supplied by the US will be refined during the next year. Some of those capabilities are obvious:

nuclear weapons

extended deterrence forces

airborne assets

intelligence

nuclear weapons elimination

bridging capabilities in C2. ROK C2 capabilities will not be ready by 2012 so US C2 will remain, as will bridging capabilities for certain missions and tasks. A second version of the broad plan for capabilities has been used in recent military exercises, which in turn have been based on the anticipated North Korean threat as of 2012. On this basis we are doing comparative force assessments.

ON ORGANIZATIONAL MATTERS: we have agreed on the following

Ground Command – this is already lead by a ROK commander

Air Command – this will be a combined command, reporting to a ROK chairman

Naval Command – will be led by a ROK commander

WMD elimination – will report to me

Forcible marine landing – will report to me (given US special capabilities in this area and the previous one)

There will be 26 coordinating ROK-US centers and cells at various levels, and we will coordinate and collaborate seamlessly. In processes and systems, the daily battle rhythm will be worked out in exercises in the air, sea, and land commands. The Security Consultative Meetings and the CCM process will continue. Stress is being placed on computer interoperability and this should improve in the future. This will be more than synchronization – a single data base will be used by both sides.

How do we get there by April 17, 2012? A key task force on this, and many subunits, has already been working for over a year and will continue doing so. The effort is constantly briefed to the top level commanders to check on implementation. Military exercises are being conducted on the basis of the anticipated 2012 plans. There is a certification process as well – I report at each Security Consultative Meeting on the progress being made. The process looks at the alliance, the theater commands, and the lower command levels. The criteria pertain to the ability to implement the war fighting plans. For tackling problems that are uncovered, I and my ROK counterpart do a quarterly review of the progress being made.

As to why the OPCON transition is important, the main responsibility of any government is protection of its citizens. The ROK will be ready to assume this responsibility by 2012. ROK officers will necessarily be better at this, being natives, born and bred. The transition will send the right message: that the ROK military is so strong the US is putting its forces under ROK control. Delay would send the wrong message, that the Korean military is not ready for that responsibility. However, the US is not leaving. We are showing this with our preparations and our facilities for staying.

**ON THE FUTURE OF THE ALLIANCE:** The mutual defense treaty remains the cornerstone of the alliance. We will continue working with people in this region to help protect them. The alliance will retain its defense posture and its deterrence threat. The US will demonstrate its commitment to the alliance through the presence of its forces, its facilities, its exercises, and its provision of extended nuclear deterrence. But the alliance is going to adapting to conditions. Our number one priority is deterrence, always, but the allies can do other things in the future. This is the essence of the plan to create a comprehensive strategic alliance of regional and global scope. We can use American forces in Korea to regionally engage, and globally deploy, and then return them to the ROK. We can be transparent about these efforts and work closely with our friends. Global deployments, if necessary, will be made possible by the normalization of tours (2-3 years in duration) we have begun to establish. We can get away from USFK going outside for some contingency and not returning.

The alliance remains as strong and relevant as ever. As President Lee has said, we are developing and implementing a 21<sup>st</sup> century version of the alliance. The ROK appreciates the rise of new security threats and that ROK forces must do more to meet them. The *alliance* must do more. Thus it is an exciting time, with the alliance being able to contribute to peace here, regionally, and globally.

**General Tilleli** thanked General Sharp for addressing the issues that now face the alliance. There was time for a number of questions as well. **Professor Chung, Il-wha** Said: as commander of UN forces aren't you charged with eliminating North Korean forces so as to bring about unification? Will this assignment change? **General Sharp** replied that he is not the commander of the 8<sup>th</sup> army. As UN commander my responsibility is to maintain the alliance. In a war I would command the Combined Forces Command and my UN duty would be to integrate the various forces that would come to help. After the CFC ends, I would still handle integrating the forces coming to fight the war.

**Dr. Ryoo, Jae-kap**, Co-cordinator of the Council, said that what the General had described is good. But 2012 is too soon for the change to the joint commands. It would be much better to make the change after denuclearization of the North, and an end to the North Korean missiles and its surprise attack capabilities. Isn't there some way to put off this step? **General Sharp** insisted that there is a very detailed plan with the future North Korean threat in mind, and we have the necessary capabilities for handling that threat in 2012. The US will continue to provide nuclear weapons protection after 2012. The question of our readiness to fight is regularly reevaluated on many levels. And the total cluster of our promises and capabilities constitutes a really strong deterrence statement. We can fix any deficiencies in the 2½ years. We will have an alliance – not just the ROK's capabilities – with which to confront North Korea in 2012.

A Korean member of the audience said that the psychological effects of the shift in 2012 will be substantial, disturbing. The General said this will be outweighed by the continuation of the alliance and by Korean leadership. Deterrence and defense will remain our number one task and the ultimate goal will still be unification. **Professor Song** asked about the possibility of Chinese intervention in the event of a North Korean collapse. How can we prevent this? Should we hold trilateral talks about plans for a collapse? The General indicated he could not speculate on any specific scenario. All states should bring pressure to bear on North Korea on denuclearization, on its being more responsible. The last Security Council resolution calls for moving that way. That is what the US and the ROK are seeking

**General Sharp** offered his thanks for having the opportunity to speak to the Council, and **General Tilleli** again thanked him for coming.

## **PANEL V: (Economic and Social-Cultural Affairs) KOREA-US ECONOMIC AND SOCIO-CULTURAL COOPERATION IN THE GLOBAL FINANCIAL CRISIS**



**CHAIR: Dr. Soon Paik Senior Economic Analyst, US Department of Labor**

**PRESENTATIONS**

**Professor Yun, Chang-hyun** University of Seoul

**Dr. Dick Nanto** US Congressional Research Service

**Professor Choi, Won-mog** Ewha Woman's University

**Professor John I. Goulde** Sweet Briar College

**DISCUSSANTS**

**Dr. Hugo Wheegook Kim**, President – East-West Research Institute,  
Washington, DC

**Dr. Hwang, Wui-gak** Professor Emeritus, Korea University

**Mr. Scott A. Snyder**, Senior Fellow and Director, Asia Foundation

The Chair opened the panel, after the excellent lunch, by calling on everyone to wake up, that a very good panel was about to start!

**Professor Yun, Chang-hyun** “The Impact of the Global Financial Crisis on Regional Economic Integration”

It was nice to hear from **Professor Yun** that the worst seems to be over in the financial crisis, but not that it will take a long time for a full recovery. It will generate many discussions about changes needed, and one of the alternatives is greater East Asian economic integration.

The crisis was caused by a number of problems. Since creation of the Bretton Woods system in 1944, the dollar has been a “vehicle” currency. (China wants Special Drawing Rights distributed by the IMF to be a new vehicle currency now). A vehicle currency must be from a sound economy. But it should also have high liquidity, which requires that the economy run current account deficits which, over time, erode the soundness of its currency – the “Triffen dilemma” named for the economist who first described it. The US trade deficit ran over \$800B a year from 2000 on. In recent years, with China and India massively exporting cheap goods prices in developed countries stabilized and interest rates dropped. This produced a “goldilocks economy” (a fairy tale) of high growth with stable prices. But high growth meant large borrowing because of low interest rates, which expanded the money supply and that drove up the price of nontradeable goods. This is why real estate, among other things, rose so rapidly in price, fueling speculation and the eventual bursting of the real estate bubble.

Another problem was securitization. Commercial banks collect money and make loans, evaluating borrowers carefully. Financial markets provide for the buying and selling of stocks and bonds, among other things. Securitization is used to give liquidity to loans made – the rights to the returns from loans are sold in bundles, to investors as “mortgage backed securities.” This means that if there are problems with the mortgages then not only are banks affected but financial markets as well.

Another problem involved “credit default swaps.” This involves those who hold corporate bonds being able to turn to a third party to provide a guarantee, for a fee, of getting back their money if the bond sellers default. Not a bad idea, perhaps, but the amount of this grew enormously – the total coverage provided reached some \$65 trillion, far more than could be paid when trouble arose.

The effects of the crisis in East Asia were a sharp drop in exports and industrial production (by double digits), and a drop in consumption and investment. This led to huge flights of capital – some \$50B from the ROK, about half of that coming in one month. Naturally stock markets plummeted, 50% on average. Currencies were sharply devalued. All this reflected the heavy dependence of East Asian economies on exports due to their export-led growth strategies, such as in information technology components are exported to China to produce finished products which are then exported out of the region. With the huge American current account deficits East Asian economies, especially China’s, have developed large current account surpluses producing a huge “global imbalance” that will be painful to fix. With the surpluses, savings are high and consumption is low.

Solutions start with trying to boost intra-regional trade in East Asia, especially to reduce dependence on the US. Perhaps there should be an AMF as well as the IMF, and an ACU like the ECU. But developing an EAFTA continues to be hard – China and Japan compete for leadership of it. Some smaller FTAs have been developed but not a region-wide one. Negotiations have stalled on FTAs among Japan, China, and Korea. The East Asian countries should try to reduce their current account surpluses. And regional economic integration would forestall beggar-thy-neighbor recovery policies. China has been a superstar during the crisis but its rise may produce too much resentment in the region. Financial markets in the region should be integrated and one or more vehicle currencies should be developed.

**Dr. Dick S. Nanto** “The Global Financial Crisis and US-Korea Trade and Investment: A Perspective”

**Dr. Nanto** works primarily on US trade and financial relations with Asia. After noting how much the ROK had changed since his first visit in the 1970s, he began his presentation by pointing out that the crisis caused a sharp drop in international trade, some 14% for the developed economies, and equal or greater drops in foreign direct investment. In the first phase of the crisis, authorities were mainly trying to figure out how serious the situation was, containing it, and rescuing major financial institutions. The second or “panic” phase saw huge drops in interest rates by national banks, caused

by the crisis, cuts by the national banks, and in the US the huge inflow of investments seeking a haven as well.

Drawing on lessons from past crises, dealing with toxic assets and restoring the health of banks and other financial institutions became a major objective, leading to massive spending and guarantees. Even so, over 100 banks in the US failed in the first year. The Bank of Korea provided cash and guarantees, and entered into currency swaps to borrow billions from the US, China, and Japan central banks. After the Asian financial crisis in 1997, Asian countries had built sought to build huge currency reserves for protection which they then invested in the US. They are now trying to hold on to and augment those reserves - Korea lost some \$60B but now has it all back! This is making it harder for the US to ease its trade deficit, get more balance in its macroeconomy, and further liberalize trade.

The influx of investment, the unregulated hedge fund industry, the housing bubble, the mortgage backed securities and derivative guarantees, and the lack of macro-regulation produced a perfect storm of a financial crisis. Relatively quickly, about 1/3 of the world's wealth disappeared. As economic growth slumped economies received large fiscal stimulus funds: US - \$787B; China \$585B; EU \$256B; Japan \$396B; Mexico \$54B; and Korea \$52.5B - and over \$2 trillion globally, although not all of this was new money. Korea for example has a package equal to 6.1% of the GNP. It cut the consumption tax by 70% and taxes on new cars. It purchased vessels to keep the shipbuilding industry going. Nevertheless, unemployment rates have steadily risen, manufacturing outputs have slumped - in Korea by 25%.

Since the US caused the crisis, many want the US to pay. But the US is recovering, in part because that is indispensable for others to do the same. Calls for regulation have led to insistence on international cooperation, since regulation can't work if businesses just shift to less regulated countries. Hence the G-20 summits in the US, London and soon to be held in Canada and then Korea. Equally important are efforts to resist protectionist and other competition-distorting measures. This is difficult and it seems Korea will be pressured to do a good deal which will incite political reactions abroad. There are Buy America provisions in the US fiscal stimulus package, plus the a postponed ratification of the FTA. State capitalism has been growing in many places, even the US. Much of this is not extreme but there are many avenues for increased protectionism within the WTO rules - higher tariffs, anti-dumping actions. A protectionism cycle may have started, which is a big current concern

Korea has adopted a great many trade and investment measures; examples include:

70% cut in the individual consumption tax, and tax cuts on new cars

\$3B fund to buy ships and lease them back

Reduction in work permits for unskilled/semiskilled foreigners by almost 70,000

Further development of 9 service industries with good prospects for job creation and value added production

American measures have included:

the “Buy America provision  
tighter requirements on hiring foreigners for those using some bailout funds  
higher tariffs on lumber imports from Canada  
export subsidies for many dairy products  
The outlook for the FTA is grim – the US may take up other pending FTAs but even that is not certain. All such matters have been essentially frozen during the health care debate. The recession also stokes pressures from labor, to which Democrats are particularly receptive.

Major currencies have seesawed, as have imports and exports. The dollar was up at first, then declined and US imports began to drop significantly. But Korea did much better on trade because of a substantial drop in the Won – 56% at one point. This contributed greatly to Korea’s getting through the financial crisis. Sales of Korean cars in the US held up fairly well, in part due to the Won devaluation. There were also very severe drops in world stock markets. All this is evidence of the interdependence of the world economy. With over \$12T in daily international financial flows, markets move in parallel.

**Professor Choi, Won-mog** “The Global Financial Crisis and the Future of the KORUS FTA: Delay Ratification or Restore a Balance of Interest?”

The paper by **Professor Choi, Won-mog** begins by praising FTAs and linking them to “aggressive legalism” in which states use detailed international legal rules to settle trade disputes and manage what they regard as unreasonable trade practices. This is reflected in the burgeoning of FTAs as part of “aggressive,” as opposed to traditional, “regionalism.” The US-ROK FTA displays a great deal of aggressive regionalism, having confronted a large range of traditional trade disputes head on.

The largest problem was the automobile trade imbalance. Cars are a leading Korean export – the industry is heavily oriented toward sales abroad, roughly two-thirds of its production. Sales to the US were over 700,000 in 2005, while sales of US cars in Korea were 5,500. US firms cite the taxes on larger vehicles, the acquisition/registration taxes, many other taxes on American cars, higher tariffs, and the like. The FTA calls for cuts in the taxes and tariffs, in exchange for the US elimination of its low taxes on Korean cars and its 25% tariff on Korean trucks. Korea agreed not to use higher emission standards on US vehicles than California’s. If a dispute panel finds a violation, an immediate tariff can be applied until the violation is corrected, called a “snap-back mechanism.” There are also provisions for more transparency in technical regulations.

Both parties agreed to prohibit unethical business practices in the trade in pharmaceuticals and medical devices. There are provisions for greater protection of intellectual property rights, such as limiting photocopying of books on university campuses in Korea. There are cautious restrictions in the practice of producing goods for export not in one’s country but somewhere else.

Now the agreement confronts the changed situation caused by the severe problems of the American automobile industry. US critics worry that lower truck tariff will greatly damage US truck sales, that there will be no real improvement in US car exports to Korea, and that the snap-back mechanism does not apply to trucks. The administration is apt to seek revisions in the provisions on automobiles.

On beef, the parties agreed to certain voluntary export restrictions, preventing exports to Korea from cattle over 30 months old. But Korea has already passed a Livestock Act with provisions Canada has rejected. If the WTO sees this as illegal, then US beef producers will react as well.

Korea is trying to use aggressive regionalism, in part, to promote reform of its internal economy. Exports have been doing well while the national growth rate is stagnating at about 4%, so the Korean problem is really internal. But efforts to expose the economy to greater international competition to drive reforms have not succeeded, partly because of exemptions in the FTAs Korea has signed. The US-ROK FTA is less troubled by this and better for stimulating reform. But US opponents want changes in the automobile provisions and the trade remedy provisions, and see a possibility that China can circumvent US anti-dumping orders by sending steel to Korea for minimal reprocessing before exporting it to the US. They also cite Korean noncompliance with ILO labor standards. Various “benchmarks” that will be part of the Columbia FTA will be sought for a revised Korea FTA.

What should Korea do – renew negotiations, wait to see what the US does? The best option is to accept some moderate US demands, maybe by side agreements to the FTA rather than amending it, particularly on automobiles. The market for beef should be opened further. Something can be worked out on the outward processing problem, which is mainly related to Korean production at Kaesong. Korea will want the right to take greater emergency measures in economic crises to deal with problems.

It will be important to identify mutually acceptable concessions and work out how to exchange them. A mutual balance of interests in the FTA must be reestablished as the basis for a successful agreement.

**Professor John Goulde** “The Future of Socio-Cultural Relations Between Korea and the United States”

**Professor Goulde** reported on findings of a study on US-ROK cultural interactions he has been conducting, gathering information from numerous organizations in the US in 2007-9. The responses have been slow and relatively limited, so this is a preliminary report. Naturally, much of this activity will be adjusted due to the financial crisis so the findings will change as well.

Three decades ago, few Americans had heard of Korea and fewer than 40,000 Koreans were living there. There were few programs for studying Korea or Korean. This has changed dramatically. Korea is now an OECD member, with one of the world’s

largest economies. Over a million Koreans live in the US. Many have been very successful in business, education, and government. Korean brands have great name recognition, Korean restaurants and food products are widespread, and Koreans are the 7<sup>th</sup> largest immigrant group in the US. Study of Korean literature, arts, and language can be carried on at over 55 universities and colleges – Korean studies is stronger in the US than anywhere else. (There is no American studies program in a Korean university.) The International Association for Korean Language Educators, now the American Association of Teachers of Korean, has expanded from less than 100 in 1995 to over 400 today. Once only two high school teachers were members; now it has 49.

Funding for post-graduate research on Korea is available from the Social Science Research Council, the Committee on Korean Studies, the Association for Asian Studies, the Korean Political Science Association, the Center for International Education Exchange, and the Fulbright Program. Fulbright having provided over 1800 grants since 1954. Many nonprofit organizations offer public service programs about Korea, such as: The Korean Economic Institute – provides policy papers, special reports, a newsletter; sponsors conferences, seminars, roundtables.

The Korea Society sponsors trips to Korea, week-long seminars for New York social science teachers, a large scholarship program for summer stints in Korea, and public lectures on Korea

The Korean Art Society promotes appreciation of Korean art

The Korea Foundation has funded numerous programs to support Korean Studies in universities, and provided special study opportunities for secondary school teachers. Major collections of Korean Art can be found around the US, with numerous exhibitions each year. The US Naval Command has a traveling exhibition on the Korean War. There are some 550,000 US tourists a year going to Korea, stimulated recently by the right to visit for 90 days without a visa, the appeal of Korea for medical tourism, and better marketing of Korea on tourism in recent years. Korean tourist visits to the US are steadily rising – over 807,000 in 2007, one stimulus being the Visa Waiver Program. Film festivals on Korean films are common and publication of books about Korea in English has increased dramatically in the past two decades.

## **DISCUSSANTS**

**Hugo Kim** pointed out how the Yun paper proposes the East Asian countries develop FTAs, leading to regional economic integration. The global trade imbalance should have automatically adjusted naturally in open economies. But China has blocked this by pegging the Yuan to the dollar, and others have also interfered with market mechanisms. This is actually a partial cause of the financial crisis. The global trade imbalance, discussed in the paper, is not sustainable, and China's treatment of its currency is not sustainable either. As for building a regional trade arrangement, if trade partners are strategically competing no such structure is possible.

With regard to economic leadership is China really rising? Is the US slipping?  
No. The US economy will be strong in the next three years, and US economic leadership

will remain. There is no other leader like it in sight. The US GDP was \$14.4T in 2008, China's only \$4T+ . In terms of purchasing parity the US average income was \$47,000 and China's was \$6,000. Leadership transition from the US to China will take a century, not a decade.

The Nanto paper is very good, with valuable statistics and graphs. He notes the Korean currency swap with the US which was a wise step. The existence of the US-ROK alliance helped here – the US provided some unusual favors. As for the FTA, the ratification is delayed because it is not a high priority on the US agenda, especially since it will reduce US tax revenue, a sensitive subject now.

**Dr. Hwang, Eui-gak** said that the Chang paper was quite good. He suggests that to increase intra-regional demand economic integration be pursued, while noting the Japan-China conflict that will make progress slow. Clearly, that integration seems decades away. The paper supports revaluation of the Yuan and the Won. What will the world economy look like after this, and after this crisis? What should East Asia do? As for the Nanto paper, why was the US a haven in the crisis? It was because of the drop in US imports and the pulling back of American overseas investment. On the Choi paper, the FTA agreement seems full of stumbling blocks. The agreement should be based entirely on comparative advantage, with suitable economic restructuring. Can Korea really comply with US demands enough to save the US automobile industry? Finally, on the Goulde paper, I once worked in the Korean Foundation program, bringing foreigners to Korea. With what effect? – I thought. How do cultural and other exchanges affect relations among countries. We need better analytical frameworks on this. Can Goulde provide one?

In this very interesting panel, **Scott Snyder** indicated, each paper has made a contribution. But it is a tough subject. It is difficult to see how economic and cultural or other relations affect *security* relations. Each paper grapples in some way with this problem. Opinion on the financial crisis will probably shift considerably in the next 5-10 years so the subject will have to be revisited.

The Yun and Nanto papers are quite complementary. Here are several comments/questions on Yun's paper. First on the global imbalance, how is the US-China relationship affecting China's geopolitics? Why, for instance, is China's leverage as a creditor so limited? Next, what are the implications if the US is no longer the market of last resort for East Asia? And can China and the rest of East Asia really delink themselves from the US. Is there any viable alternative to the dollar? How is regional economic integration being shaped by East Asian economic relations. Finally, will any political arrangements strongly affect economic flows?

The Nanto paper is great on the American response to the crisis. An important question is the extent to which the policy responses generate other problems. The Choi paper offers a fine and extensive treatment of the FTA issue technically. However, the FTA is now a sizeable *political* issue. The real question is whether a political deal can be made to save it.

The Goulde paper is certainly interesting. We might consider comparing Korean and Japan studies. Has its later development affected the status of Korean Studies in the US in comparison with Japanese studies? Next, as the paper points out indirectly, Korean studies is very disproportionately reliant on ROK funding. Why? Why is there not better funding from US sources? The rise of second generation Korean-Americans will certainly raise demand for Korean studies and things Korean but will it be good for funding Korean-relations programs? Finally, after so much progress has been made what should the Korea Foundation's strategy be now?

Leading off the responses of the panelists, **Dr. Yun** said that in US-China relations the normal creditor-debtor relationship doesn't apply. Why? If China sells Treasury bonds, much of the Treasury bond holdings of China will drop in value. China says there should be a shift to SDRs but that is an empty threat. China really doesn't want rebalancing and doesn't want a revalued Yuan. As for the idea of having an AMF it could be useful even though the US doesn't like it. The US is now focused on its own economy getting money so an AMF could usefully supplement the IMF, which was not so in the Asian financial crisis. Ren min bi is the only regional currency these days and it can't replace the dollar.

**Nanto** wondered if we are headed for a double-dip recession, as Kim suggested. Maybe. But things look all right now. There is lots of good news, and I am cautiously optimistic. During the crisis Korea's foreign exchange position needed backing; the currency swaps were vital, otherwise an AMF would have been necessary. On the US being a haven, this was because it was *relatively* safer. The US has run such a big deficit for so long that any new program much be paid for, paid to China in effect. This is hard to do. China now has a huge problem in holding so much US debt.

**Choi** said that it would be ideal to use the principle of comparative advantage in many international economic management efforts, but in a crisis politics intervenes and plays a big role instead. On the FTA, is renegotiation possible? We have to try. **Goulde** reported that the Korea Foundation is shifting its focus to Europe, and will do no more investing in the US. Korean Foundation investments have had an impact on high school textbooks and high school magazines. On the effect of various programs, the long term effect of visitors going to Korea is that they learn a little. The long-term effect on Korea is unclear – it is too soon to say. It should help tourism. On Korean studies in comparison with Japan studies, Korean studies in Japan are more productive – there is more need for them. Japan and Korean studies are about client states the US wanted to develop and how they have turned out.

At that point, 4:00 pm, the conference panels came to a close.

## **CLOSING REMARKS**

**General Tilelli** was deliberately brief. He thanked the paper writers, the discussants, and other participants. The conference was very exciting, featuring lively



discussions – the best conference we have had in my association with the Council. He praised the audience. It has been a major learning experience. The Council needs to foster new members in order to help both the ROK and the US to better grasp the issues and find solutions. It will be hard for the US side to meet the standard set by this conference in 2010!

**General Kim** thanked the conference organizers, particularly **Hugo Kim and Dr. Ryoo, Jae-kap**, for all their hard work and had them stand for a round of well-deserved applause. He added his and the Council's great appreciation for the sponsors. He thanked the rapporteur. He noted the presence of the President of Chosun University and thanked him for joining us. He closed by stating that the meeting will help in building a stable regional order.

Rapporteur

Patrick Morgan  
University of California, Irvine