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**The United States and South Korea:  
Reinvigorating the Partnership**

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## **U.S.-KOREA RELATIONS FROM KOREA'S PERSPECTIVE: WHERE DO WE GO FROM HERE?**

*Ahn Choong-yong* \*

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- II. Recent Developments in the Bilateral Relationship
- III. Economic Trends and Policies that  
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## I. Introduction

It is my honor and privilege to share with you some personal views on security and economic issues in order to address the theme of this conference before the Honorable George Shultz and other distinguished participants. As I am an economist and a novice on security matters, the view I am going to give you is a very personal one that attempts to place security issues in an economic context.

With the end of World War II, most South Koreans viewed the United States as Korea's most important ally in terms of security and economic relations, and this continues to remain so. Since the early 1960s, Korea has transformed itself from a poverty-stricken economy to a semiadvanced one, exhibiting to the world a compressed economic growth model. Indeed, Korea was able to achieve this miraculous economic performance thanks to the U.S. security umbrella, postwar economic aid by the United States, and the continuing absorption of Korea's exports by the U.S. market at a phenomenal growth rate. During the past half century, Korea's economic development has been accompanied by equally phenomenal political developments.

However, recent changes in the geopolitical and geoeconomic dynamics in East Asia, triggered especially by a rapidly growing China and coupled with generation changes in key political and economic arenas in both countries, demand an adjustment away from vertical donor-recipient bilateral relations, as was observed in the 1950s, 1960s, and 1970s, to a more symmetric and strategic partnership.

## II. Recent Developments in the Bilateral Relationship

Although we have recently experienced a somewhat unusual and thorny period of U.S.-Korea relations stemming from North Korean nuclear issues as well as inter-Korean issues, especially under the Kim Dae-jung administration and the current Roh Moo-hyun administration, inertia is always working to return U.S.-Korea bilateral relations to a desirable state. The U.S.-Korea summit at the Bangkok APEC meeting clearly signaled a turnaround in the lukewarm state of the bilateral relationship. I can see clear signs of positive developments in the security and economic relations between the United States and Korea.

I participated in the recent APEC forum as chair of APEC's Economic Committee for the first seven days and as a member of President Roh's delegation and for the final three days at the Leaders' meeting. On top of regional issues related to trade and investment liberalization and to economic and technology assistance to less-developed members, APEC also addressed security issues that are basic to the original objective of APEC.

Related to today's U.S.-Korea relations, President Bush and President Roh at APEC agreed on the common goal of ensuring that the Korean peninsula is free of nuclear weapons. President Bush promoted a plan whereby five nations—the United States, China, Russia, Japan, and the Republic of Korea—would jointly give North Korea written assurance that North Korea would not be attacked; this would be in exchange for North Korea's promise to dismantle its nuclear program. President Roh also echoed and praised the U.S. efforts by emphasizing that this issue is very critical for further progress in defusing the North Korean nuclear standoff. Against this background, the Korean government approved a troop dispatch to Iraq together with a contribution to reconstruction funds amounting to \$260 million.

Despite the U.S. move to offer a multilateral pledge for nonaggression, North Korea still maintains that the nuclear issue on the Korean peninsula is a matter to be settled between the DPRK and the United States. Although the U.S. President ruled out signing a nonaggression pact with North Korea, he pledged to explore options to provide assurances that the United States had no plan to attack. Here, we can still see a substantial difference in the two sides, but progress has been made toward achieving a negotiated settlement.

Regarding U.S.-Korea security relations, President Bush and President Roh reaffirmed in Bangkok that the North Korean nuclear standoff must be settled through negotiations. At their APEC summit meeting, it was agreed that the United States and the four nations would guarantee they would not attack North Korea in exchange for its dismantling of nuclear weapons. For the first time, the United States agreed to come up with a multilateral written pledge. Although the United States ruled out a pact of nonaggression between the United States and North Korea, the proposal for a written pledge is indeed a very positive development.

The leaders and ministers put antiterrorism, along with trade and investment liberalization and facilitation (TILF) issues, at the top of their agenda. The Leaders' Declaration clearly indicates that antiterrorism and TILF go hand in hand. A specific action agenda incorporated the proposed Man-Portable Air Defense System (MANPADS) and Container Safety Initiative (CSI), both proposed by the United States, aiming at controlling the production of weapons of mass destruction (WMD) that target commercial aircraft and marine containers.

APEC economic leaders, including these same four powers, agreed that transnational terrorism and the proliferation of WMD pose direct and profound challenges to APEC's vision of free, open, and prosperous economies. They agreed to dedicate APEC not only to advancing the prosperity of our economies but also to the complementary mission of ensuring security.

They agreed to work to dismantle completely the transnational terrorist groups, eliminate the severe damage caused by the proliferation of WMD and their means of delivery, strengthen joint efforts to curb terrorist threats, and use MANPADS against international aviation. In sum, four points out of seven listed in the Bangkok Declaration were related to antiterrorism and the elimination of WMD. This multilateral agreement within APEC is likely to create peer pressure with respect to North Korea's nuclear behavior.

In early October 2003, I had the opportunity to visit North Korea along with 1,100 visitors from South Korea to attend the opening ceremony of the Pyongyang Ryu Kyung sports complex built by the late Chairman Chung Ju-young of the Hyundai group. It was the first time such a large group of South Korean visitors had crossed the demilitarized zone line since the armistice agreement. While staying four days in Pyongyang, I was very much impressed with North Korea's desire to embark seriously upon inter-Korean economic cooperation projects. Specifically, North Koreans expressed a keen interest in developing their proposed Kaesong industrial special zone.

My thoughts after recently traveling to North Korea are that Washington needs to specify what the United States would be willing to do if the North genuinely committed itself to discarding its nuclear weapons ambitions. North Korea appears to be determined to adopt a gradual open door policy, having initiated a series of economic reforms effective July 2002. However, the White House insisted that linking any deals to specific compensation would be giving in to North Korea's nuclear blackmail. However, we need to recognize that any military action would lead to catastrophic consequences for hundreds of thousands of Koreans and even people in neighboring countries. It appears that Washington's new approach deserves strong support from APEC leaders.

### **III. Economic Trends and Policies That Will Affect the Relationship**

On the economic side, APEC economies appear to be entering an era of free trade agreements (FTAs) in a WTO-consistent framework. APEC economies account for about half of the \$8 trillion in annual global trade and are speeding up efforts to negotiate a web of FTAs after the failure of WTO talks in Cancun, Mexico.

On 20 October 2003, during the APEC meeting, President Roh and Japan's Prime Minister Koizumi agreed on concluding a free trade pact between the two countries by 2005. They began official negotiations to cut tariffs on \$45 billion of two-way trade and lower other barriers to commerce. About 45 percent of Korea's exports compete directly with Japanese shipments. South Korea's exports of machinery, steel, and

other goods to Japan totaled \$15.1 billion in 2002, while Japan exported goods worth \$29.9 billion to Korea.

Given the ongoing FTA negotiations between and among APEC member economies, Korea's FTA road map also includes the U.S.-Korea FTA with a medium- to long-term horizon. At present, Korea's internal disputes over FTAs are fueled by relentless opposition from the farm sector. However, President Roh is determined to push forward the ratification of the Korea-Chile FTA in the National Assembly by enacting an FTA structural adjustment bill.

Expanding free trade area within APEC provides a new opportunity to renew the economic partnership between the United States and Korea. The two countries have experienced a chronic trade deficit with Japan. Korea could become a springboard for the United States to penetrate the Japanese market when a Korea-Japan FTA becomes effective.

Korea's idea of becoming a regional business hub in Northeast Asia includes a national innovation center, research and development (R&D) clustering, and related product development together with inducing R&D-intensive multilateral corporations into Korea along with logistics and financial hubs. Broadly speaking, Korea's business-hub concept is designed to respond hand in hand to the changes in the newly emerging economic and political order in Northeast Asia in the era of globalism and regionalism taking place simultaneously. Korea should upgrade its industrial structure to meet challenges from both Japan and China. In this regard, Korea should develop a formidable service sector as a new source of economic growth and export activities. Japan's industrial competence, especially in parts and components, has never been challenged by Korea. Furthermore, China at present enjoys an absolute advantage in space technology and wages compared with South Korea. China's wage level is roughly 10 percent of Korea's in the industrial sector.

Korea is now rushing to develop next-generation industries that will ensure sustainable growth in the years to come. These industries include semiconductors, flat-panel displays, high-end intelligent eco-friendly cars, digital broadcasting systems, biotechnology products, and financial activities. Korea needs to develop a new engine of growth in a rapidly globalizing world economy.

To exploit the gigantic market looming in East Asia and Korea's becoming a regional business hub in Northeast Asia, a strategic alliance between the United States and Korea in science and technology is in order. The United States and Korea can work together to develop new products in a win-win manner. The bilateral partnership is likely to strengthen existing ties between the two countries on top of the security linkage.

The U.S.-Korea relationship is often viewed in a bilateral context. China has become the number-one trading partner for Korea, replacing the United States this year; Korea continues to register a trade surplus of more than \$10 billion with China. China's rapid emergence economically as well as politically in East Asia, the shift of Japan to a "normal state," and Russia's continued interest in its Far East—as expressed by its desire to connect the trans-Siberian railway (TSR) and the trans-Korea railway (TKR) and to jointly develop Siberian natural gas—enable us to view the U.S.-Korea relationship in terms of a complex four-power geopolitical equation. A number of Koreans, especially Korea's young generation, tend to see the role of the United States exclusively in terms of bilateral relations with the United States rather than a four-power equation. The prevalence of the belief in the importance of U.S.-Korea bilateral security and economic relations, expressed as pro-Americanism in a massive rally in Seoul in the fall of 2003, has never made it into the media's headlines. So, anti-Americanism in Korea is perceived far greater than life size.

#### **IV. Conclusion**

In 1880, following the Korea-Japan trade pact in 1876 and when Korea's Yi dynasty was in its twilight and the country was trying to emerge from isolation, Korea's emissary Kim Hong-jip and his delegation visited Japan for about a month to settle bilateral trade issues between Korea and Japan. The Korean diplomat realized the implications of the Korean peninsula's being surrounded by the four powers. He approached Ching dynasty diplomats in Tokyo to formulate a survival strategy for Korea because China, an immediate neighbor, was regarded as strategically important. Two Chinese diplomats, Ha Yeo-jang and Hwang Jun-han, advised Kim Hong-jip to "maintain friendly relations with China," link with Japan, and also link with the United States. Russia, not mentioned explicitly, at that time was a major threat to China. The Chinese diplomats apparently suggested that Korea should support the Chinese policy to contain Russian expansionism. Here we can see that the strategic importance of U.S.-Korea bilateral relations was recognized as early as 1880.

In many respects, history is repeating itself. Korea's survival and development strategy in the twenty-first century depends on how Korea positions itself among the complex four-power equations. No matter the angle from which you view it, the U.S.-Korea relationship remains the most important one and lies at the core of Korea's multilateral relations. This is because we—the United States and Korea—share the values of democracy and market economy, and, most important, respect for human creativity. Economically, Korea has to realize a knowledge-based economy to enter the ranks of the advanced nations, escaping from the \$10,000 per capita GDP trap that has persisted over the past eight years or so. In due time, Korea should emulate and benchmark the most innovative creativity in the world, that is, the creativity that is available in the United States.

In conclusion, to answer the question brought before us—Where do we go from here?—I repeat the title of this very symposium: the U.S. and Korea partnership must be reinvigorated.

