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SEOUL: REGIONAL REALITIES AND GLOBAL AMBITIONS

*by Eric J. Heikkila**

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- II. Seoul as a World City?
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- IV. Conclusions

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I. Background and Introduction

Extensive policy research in Korea has focused on Seoul's desire to be a world city, but these global aspirations appear to have obscured the essential regional context that may be the key to fulfilling this goal. Seoul is certainly already a globally significant city in its own right. It has an extended metropolitan population approaching 20 million and an urban population ranked among the largest in the world (*Table 1*). It has developed strong ties to many parts of the world, including the United States, through trade, investment, tourism, education, and immigration linkages. Moreover, Seoul is the overwhelmingly dominant global nexus for a steadily growing Korean economy that exerts a significant global presence.

Table 1: World's 30 Largest Urban Areas, Ranked by 2000 Population

Rank	Urban area	Population, in millions		
		1990	2000 (est.)	2015 (est.)
1	Tokyo, Japan	25.0	27.9	28.7
2	Bombay, India	12.2	18.1	27.4
3	Sao Paulo, Brazil	14.8	17.8	20.8
4	Shanghai, China	13.5	17.2	23.4
5	New York, United States	16.1	16.6	17.6
6	Mexico City, Mexico	15.1	16.4	18.8
7	Beijing, China	10.9	14.2	19.4
8	Jakarta, Indonesia	9.3	14.1	21.2
9	Lagos, Nigeria	7.7	13.5	24.4
10	Los Angeles, United States	11.5	13.1	14.3
11	Calcutta, India	10.7	12.7	17.6
12	Tianjin, China	9.3	12.4	17.0
13	Seoul, South Korea	10.6	12.3	13.1
14	Karachi, Pakistan	8.0	12.1	20.6
15	Delhi, India	8.2	11.7	17.6
16	Buenos Aires, Argentina	10.6	11.4	12.4
17	Metro Manila, Philippines	8.0	10.8	14.7
18	Cairo, Egypt	8.6	10.7	14.5
19	Osaka, Japan	10.5	10.6	10.6
20	Rio de Janeiro, Brazil	9.5	10.2	11.6
21	Dhaka, Bangladesh	5.9	10.2	19.0
22	Paris, France	9.3	9.6	9.6
23	Istanbul, Turkey	6.5	9.3	12.3
24	Moscow, Russia	9.0	9.3	n.a.
25	Lima, Peru	6.5	8.4	10.5
26	Teheran, Iran	6.4	7.3	10.2
27	London, U.K.	7.3	7.3	n.a.
28	Bangkok, Thailand	5.9	7.3	10.6
29	Chicago, United States	6.8	7.0	n.a.
30	Hyderabad, India	n.a.	6.7	10.7

Source: Scott 2001.

Notwithstanding these considerations, Seoul's ranking within a global hierarchy of world cities is constrained by several factors. First, even a city as large as Seoul can be dwarfed by giants.¹ In the flying-geese formation of world cities, Seoul will for the foreseeable future continue to be outranked by Tokyo in terms of population size, economic strength, technological sophistication, and global linkages.² While Tokyo and, to a much lesser extent, Osaka may continue to provide upper-bound limitations on the extent and scope of Seoul's position in a global hierarchy of cities, Shanghai, Beijing, and Hong Kong will make their presence felt increasingly. Although Shanghai and Beijing do not yet boast per capita income levels comparable with those of Seoul, their hinterland populations are easily a match for Seoul's, as is Hong Kong's. More important, the upward growth potential of China is seemingly unbounded. As the effective conduits of investment capital to China's existing and emerging growth opportunities, China's world-ranking cities will soon eclipse and limit Seoul's global significance. Indeed, the entry of China into the World Trade Organization (WTO) together with the decision to award the 2008 Olympics to Beijing may signify that this emergence has already occurred.

In addition, and in some ways more important, Seoul has been limited historically by its isolation. In part this isolation is attributable to geography and in part it was an intrinsic quality of the collective Korean psyche, with roots that incorporate elements of geography, history, and culture. At first glance, Korea's geography appears to be peninsular, but in fact it is more insular than peninsular. South Korea is an island surrounded by the Yellow Sea to the west, Korea's East Sea to the east, the Korea Strait to the south, and the unfathomable murky waters of the Democratic People's Republic of Korea to the north. In this way the challenges facing Seoul's global positioning bear some striking similarities to those of Taipei, as each seeks to overcome the inherent limitations of its island-bound status. In the case of Seoul, however, geographic isolation was reinforced historically by a deeply isolationist mind-set. In fact, this penchant for isolation is quite understandable and historically has served Korea well owing to Korea's exposed position between the great powers of China and Japan.

As it turns outward in its orientation, Seoul is still encumbered by a problematic past. Brutal colonization by Japan, civil war, a painful ideological divide, and a subsequent unforgiving military rule are all within living memory. It is only the current generation that has experienced some relief from this grim legacy, as democratic rule and a corresponding focus on the quality of life in Seoul and its hinterlands become central

1. Consider, too, the case of Tianjin—another very large city that is almost eclipsed by Beijing and Shanghai.

2. The flying-geese analogy as applied to the Korean economy is a contentious one, as we shall discuss below. See, in particular, Bernard and Ravenhill (1995).

concerns of rulers and ruled alike. To its credit, Seoul has increasingly embraced a global agenda. Hosting the 1988 Olympics and the 2002 World Cup are symbolic of this orientation, as are Korea's entry to the WTO, its membership in the elite economic club of the Organization for Economic Cooperation and Development (OECD), and its steady integration into the world economy.

There have been missteps along the way, most notably with respect to the financial crisis that impacted much of the region in 1997 and early 1998. This phenomenon exposed certain weaknesses in Seoul's approach to global markets. In part, these weaknesses were attributable to financial leveraging and an undue emphasis on global market share rather than underlying principles of economic soundness. More fundamentally, they were a reflection of the enduring legacy of Korea's *chaebol*—economic dinosaurs caught foraging in an environment to which they had only partially adapted.

Such is the background and context for Seoul's global aspirations. Korea has been emerging from an isolationist past, historically hunkered down between the dominant influences of China and Japan. Ironically, we now find Seoul's global stature confined and limited by these same dominant influences. A proper understanding of this setting points to a regional orientation for Seoul's global development aspirations. This strategy calls for a change in orientation designed to convert the factors that now limit Seoul's relative position in a global hierarchy of cities into factors that will instead contribute significantly to Seoul's world-city aspirations.

In shorthand and following the work of Choe (1995, 498–519) and others, we refer to this as a Beseto strategy to underline the global significance of the Beijing-Seoul-Tokyo region in which Seoul is geographically centered. Notwithstanding these scholars' contributions, however, the reality is that the potential benefits accruing to Seoul as a centrally situated node within the Beseto region remain largely unrealized in practice.

II. Seoul as a World City?

World Cities

The world-city concept is rooted in a recognition of cities embedded within a global network of trade, investment, information, and population flows and a corresponding recognition that not all cities are equally positioned within this network. The highest-ranking cities within this global hierarchy are those that serve as the decisive command-and-control nodes influencing and directing these economic flows. The functions of global cities accord with those described by Saskia Sassen (1991):

- Highly concentrated command posts;
- Key locations for finance and specialized service firms;
- Site of production, including production of innovation; and
- Markets for the products and innovations produced.

An emphasis is placed on the supporting institutions, socioeconomic structures, production technologies, global connectivity, and knowledge bases that are requisite features of a world city. The more successful cities are those in which these factors converge and that are able to insert and assert themselves advantageously into global flows of investment, trade, and information. The successful cities are those that become select locations for firms and for individuals who incorporate and embody the emerging global order and who are both drawn by and contribute to the stature of their host cities.

World-city status, however that status might be defined and measured, is no automatic blessing for all those who may reside within its perimeter. Castells (1994), Keil (1998), and others have emphasized that dualism and marginality are intrinsic features of the internal structure of world cities, even as those same cities represent core functions in the context of global core-periphery relations. Many of the world's most dominant cities are marked by squalid conditions for a goodly portion of their denizens, and some would argue that this is an inevitable by-product of the processes driving urban development in the new world order. This is a serious criticism that cannot be dismissed casually, and it calls for careful consideration of how global imperatives and local agendas are to be reconciled in the specific spatial and socioeconomic context of Seoul. Such consideration, however, lies outside the immediate purview of this paper, which assumes for the sake of analysis that world-city aspirations are indeed consistent with Seoul's local development objectives.

Seoul: Global Perspective

Population size is neither a necessary nor a sufficient condition for world-city status,³ but it is certainly a positive correlate. On the production side, large populations may be indicative of a substantial labor force and producer markets; on the consumption side, large populations may represent significant consumer markets. Certainly in terms of sheer numbers of inhabitants Seoul registers on any global roster, it usually ranks in the top 10 to 15 urbanized areas. Beyond population counts, however, Seoul drops in significance despite its notable primacy within Korea itself. For example, the \$115

3. Two useful examples are Tianjin and Vancouver. Tianjin is very large but is on few if any world-city lists; Vancouver is an order of magnitude smaller but much more global in outlook, orientation, and function.

billion⁴ in 1998 stock market capitalization in Korea is dwarfed by comparison with figures for the United Kingdom (\$1,996 billion), Japan (\$2,216.7 billion), and the United States (\$11,308.8 billion) (World Bank 2000).

A recent study by the International Institute for Management Development, cited by S. Kim (2000) indicates poor international rankings for Korea with respect to a broad range of competitive criteria. Of 47 countries surveyed, Korea in 1999 ranked 38th in world competitiveness, 43rd in macroeconomic criteria, 40th in globalization, 37th in government policies, 41st in financial performance, 30th in infrastructure provision, 42nd in management, 28th in science and technology, and 31st in human resources. Although these figures are for Korea as a whole, they necessarily reflect on Seoul as well, especially in light of Seoul's dominant position in the Korean economy.

A more direct comparison of Seoul with other world cities is cited by Sir Peter Hall (2001, 59–77) who recently reviewed 27 separate studies of world cities. In all, more than 15 cities are cited as examples of first-tier cities by at least one of those 27 studies. New York, Tokyo, and London appear in almost all the listings; Seoul appears in none.

One of the more interesting rankings of world cities is by Loughborough University's Globalization and World Cities (GaWC) study group and network. This group of scholars has created an inventory of world cities that is based on an assessment of four categories of producer services: accountancy, advertising, banking, and law (Beaverstock et al. 1999, 445–58). Each of 122 cities examined is given a score for each of those four producer subsectors; a score of 3 indicates a prime center, 2 a major center, and 1 a minor center. The results provide a range of scores from 1 through 12, with the latter representing the highest degree of world city-ness (GaWC 2004).

Four basic categories of world cities emerge from the Loughborough group's analysis. The first tier—alpha world cities—includes London, Paris, New York, and Tokyo, all with perfect scores of 12. It also includes Chicago, Frankfurt, Hong Kong, Los Angeles, Milan, and Singapore with high scores of 10. Seoul, with a score of 7, ranks low in the second tier of world cities—the beta tier—alongside Moscow and behind higher-ranked beta cities such as Zurich, Brussels, Mexico City, and San Francisco. As a beta world city, Seoul does rank ahead of a host of third-tier gamma world cities, which include Osaka (6), Jakarta (6), Amsterdam (6), Boston (6), Beijing (5), and Shanghai (4). The fourth tier of world cities comprises those with ratings of 3 or less and includes Mumbai (Bombay), Rio de Janeiro, and Rotterdam.

4. All dollar amounts are in U.S. dollars.

Although the Loughborough University group's ranking does entail a certain thoroughness, there are some problems associated with it. Most important, it fails to capture the dynamism and growth potential in China, and the rankings for Beijing and Shanghai seriously underestimate the enormous importance of these cities from a global perspective. It may be true that one can obtain more reliable producer services in Toronto or Zurich than in Beijing or Shanghai, but any international corporation seeking to make a major economic play in the twenty-first century would willingly forgo Zurich and Toronto for the Chinese cities.

Perhaps most instructive for Seoul—especially in the context of the main theme of this paper—are the cases of Hong Kong and Singapore. These are cities that have excellent producer services (both are alpha world cities with ranks of 10) and whose hinterlands are located in transborder growth areas.⁵ Each is, in effect, an island of globality situated in a less-developed context, and both have carved out niches as cities with specialized regional knowledge. Investors seeking to do business anywhere in Southeast Asia are well advised to locate in Singapore, where global standards are translated into the particularities of the regional setting. Hong Kong (and, increasingly, Shanghai) provides a similar function with respect to much of China. Seoul could do likewise for northeast Asia.

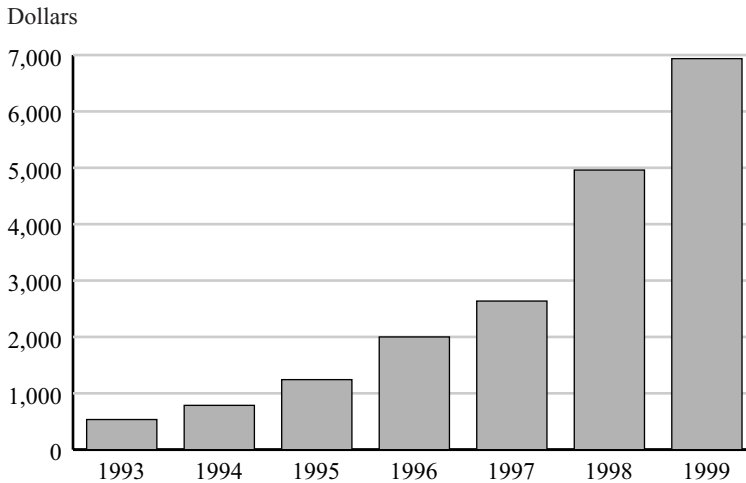
Ironically, recent reports indicate that South Korea is planning to build a kind of Hong Kong—but on Jeju island. The plan is to spend \$3.6 billion over nine years to transform Jeju into a “wide-open ‘free international city’ that [the Korean government] hopes will surpass Hong Kong or Singapore” (Kirk 2001). This reported plan demonstrates a profound lack of understanding about how South Korea might pose a challenge to Hong Kong or Singapore. In fact, the proposal symbolizes quite vividly the deep-rooted tendencies of Korea to hold foreign influences at arm's length, in this case by confining them to an island removed from the Korean mainland. Not only does the Jeju proposal promise to place an additional financial burden on an economy that is still recovering from financial crisis, it is also a perfect example of the self-limiting mind-set that sometimes continues to characterize South Korea's cultural and political perspectives.

By other measures, however, Seoul and Korea are opening at an impressive pace. Data compiled by Yun (2000) show that net foreign direct investment (FDI) into Korea has leaped by an order of magnitude in just six years, from \$535.1 million in 1993 to \$6,936.4 million in 1999 (see *Figure 1*). In another recent survey of trends, Cai (2001) found that the U.S. share of FDI into South Korea fell dramatically from 49.2 percent of the total during 1981–85 to just 25.3 percent during 1986–96. In

5. Miami, which is ranked as a 4 by the Loughborough group, provides a similar function with respect to its transborder hinterland in Latin America.

contrast, Japan's share of FDI in Korea maintained a steady 30 percent in both periods (see *Table 2*). Thus, while FDI is rising rapidly in Korea, the U.S. share is diminishing as Japan's share is holding steady and other countries' shares are rising. This reflects a growing regionalization of trade, an important development.⁶

Figure 1: Net FDI into South Korea, in millions of dollars



Source: Yun 2000, based on data from Ministry of Commerce, Industry, and Energy (MOCIE).
Note: 1999 figures are cumulative FDI inflows from January to September extrapolated through the remainder of the year.

Table 2: FDI Inflows to South Korea from Japan and the United States, 1981–85 and 1986–96

	World total		From Japan		From the United States	
	1981–85	1986–96	1981–85	1986–96	1981–85	1986–96
In millions of dollars	666	11,069	202	3,344	328	2,797
Percentage of total	100	100	30.3	30.2	49.2	25.3

Sources: Cai 2000 from 1993 OECD data for 1981–85; OECD 1998 for 1986–96.

6. More recent data from Korea's Ministry of Commerce, Industry, and Energy for the years 2001–2003 are less clear on this point, possibly reflecting trade impacts of the Asian economic crisis. Trends during 2001–2003 do not seem stable, however, so it might be fair to exclude the period to explain the openness of Seoul and South Korea.

Another measure of openness is the number of foreign residents. As of the year 2002, 287,923 foreigners resided in Korea (KNSO 2004) and, of these, 73,228 resided in Seoul (Seoul 2004). Japanese citizens and U.S. citizens accounted for 7,559 and 16,342, respectively, of the Seoul total. Chinese added 22,535 to Seoul's total. These numbers are small relative to Seoul's size, especially one considers that a sizable portion of the U.S. residents are on military duty and therefore are not specifically drawn to Seoul for its world city-ness.

Seoul: Regional Perspective

Of more specific interest for the purposes of this paper is Seoul's (and, by extension, Korea's) position in a regional context. Of course, the boundaries for the relevant region are themselves open to interpretation, and several alternatives have gained some currency:

- **Yellow Sea economic (or regional) cooperation zone:** includes the Korean peninsula, southwest Japan, and northeast China (Marton et al. 1994; Friedmann 2001, 119–36). Friedmann projects that this transborder subregion will have a population base of 350 million by 2010.
- **Bohai economic zone:** centered more tightly on the Bohai Sea rim; excludes Japan altogether (Marton et al. 1994, Friedmann 2001, 119–36).
- **Beseto region:** a more expansive 1,500 km strip stretching from Beijing (Be) beyond Seoul (Se) to Tokyo (To) (Choe 1995, 498–519; Kim W. 2000, 94–102). Beseto is conceived as a massive urban corridor encompassing 100 million urban denizens as well as a hinterland of 600 million.
- **Specific transboundary project areas:** for example, the Tumen River project of which the United Nations Development Program was at one time a strong proponent (Marton et al. 1994).

In this paper, the regional context includes Korea, north China, northeast China, and all of Japan. North China here includes Liaoning, Jilin, and Heilongjian provinces as well as Beijing, Tianjin, Hebei, Shangdong, Shanxi, and Henan (Chang and Kim 1994). These boundaries are not strict, nor does the logic of the analysis depend on them critically. They are, however, useful as a guide. They do correspond generally to the Beseto corridor; therefore the main argument in this paper will be called the Beseto strategy.

More broadly, South Korea can be viewed in the regional context of Northeast Asia, including Japan, Taiwan, Hong Kong, and China. Within these parameters, intraregional

trade has become much more closely bound over the past decade or more, as shown in **Table 3** adapted from Cai (2001). For example, South Korea's exports to the United States fell from 35.6 percent of total South Korean exports in 1985 to 15.8 percent in 1997. During the same period, in contrast, South Korean exports to Northeast Asia rose from 20.8 percent to 32.7 percent of South Korea's total exports. Similar shifts characterize the shares of exports from Japan, Taiwan, and Hong Kong as the Northeast Asian economies become more tightly linked. Imports show a similar trend, albeit less pronounced.

Table 3: Exports and Imports of Selected Northeast Asian Economies, 1985 and 1997 (percentage of country total)

	Japan		South Korea		Taiwan		Hong Kong		China	
	1985	1997	1985	1997	1985	1997	1985	1997	1985	1997
Exports to Northeast Asia	17.7	24.4	20.8	32.7	21.0	38.8	34.4	44.9	48.0	48.2
Exports to the United States	37.6	28.1	35.6	15.8	57.9	27.6	30.8	21.8	8.5	17.9
Imports from Northeast Asia	11.4	21.0	26.8	28.4	29.7	35.2	61.1	63.6	46.5	47.3
Imports from the United States	20.0	22.4	21.0	20.7	23.4	17.8	9.5	7.8	12.1	11.5

Source: Cai 2000, Table 2, based on International Monetary Fund data.

In the context of these regional flows within Northeast Asia, South Korea remains a relatively minor force. This is evident, in particular, from the perspective of FDI into China. The emerging China market is already enormous, and the growth increment is a dominant share of the world's economic growth. If China is powerfully significant on a global scale, it must be all the more so from the perspective of South Korea. And yet, as seen in **Table 4**, South Korea scarcely registers as a source of FDI into China. Hong Kong is of course the major source, comprising over 50 percent of the total in 1998; this confounds the accounting somewhat because Hong Kong is a collection point for financial capital from abroad seeking investment opportunities in China.⁷

7. Of course, Hong Kong's role as an entrepôt for investors seeking entrée to China is in sharp contrast to Seoul's role—and that is precisely the point of my argument.

Table 4 : Realized FDI Inflows into China by Major Investors, 1998

	Billions of dollars	Percentage of total
Total	267.5	100.0
Hong Kong	138.7	51.9
Japan	21.7	8.1
United States	21.4	8.0
Taiwan	21.4	8.0
Singapore	12.1	4.5
South Korea	7.3	2.7
Other	44.9	16.8

Source: Cai 2000.

Japan, the United States, and Taiwan account for an additional 8 percent each, while Singapore (with a population that is a fraction of Korea's) contributes 4.5 percent of the total. South Korea is next at 2.7 percent.

One might argue that Singapore has advantages over South Korea for accessing the China market because of common cultural and linguistic ties. This argument overlooks several considerations, however. Although many Singaporeans do speak Mandarin, most do so as a second language, after English. Singapore is also at a distinct disadvantage geographically, with a location relatively far removed from China; Korea is an immediate neighbor. Moreover, the culture shock for Singaporean investors to China has been well documented,⁸ as Singaporean standards are closely modeled after British and U.S. practices. In many ways, South Korean culture has retained its Confucian roots more resolutely than has Singapore. Finally, Northeast China is home to almost 2 million ethnic Koreans,⁹ which is half the population of Singapore.

III. Strategic Development of Regional Links

Beseto strategy

The Beseto strategy advocated here calls for positioning Seoul as the primary locus for economic, trade, cultural, and social interactions in Northeast Asia. As recently as 25 years ago, such a strategy would not have been viable or even thinkable. At that time, the Cold War had not yet ended, China was in the final throes of Maoism and

8. Singapore's senior minister, Lee Kuan Yew, is quite frank about the problems of differing cultural and business practices that face Singaporean investors in China (Lee 2000).

9. Residing in China are 2,043,578 ethnic Koreans, and 660,214 ethnic Koreans reside in Japan. Together these people account for 48 percent of all ethnic Koreans who reside in foreign countries (*People's Korea* 1999).

had not yet opened its doors to foreign investment or interchange, South Korea was still under rule of a military dictatorship, and the newly industrialized economies of Northeast Asia were preoccupied with assembling export-oriented industrial structures targeted primarily at U.S. import markets.

In what is a very short time span from historical and developmental perspectives, all of that has changed. China has now been formally admitted into the WTO and has generated levels and rates of economic growth that draw investments on a global scale. South Korea is well on its way toward establishing a deeply entrenched open and democratic society that is as strong or stronger than any in the region. Moreover, South Korea is now two generations removed, rather than only one, from the direct experience of military rule by Japan. Another important change in the region is the end of the worldwide Cold War although, ironically, it lingers on in full force perhaps only on the Korean peninsula. Finally, the concept of Northeast Asia as a region has taken on real and practical meaning as evidenced through trade and other interactive flows.¹⁰ Thus, the regional context for Seoul's development strategy has changed fundamentally.

Other authors have argued in favor of a regionally based development strategy for Seoul. Ahn and Ohn (1999), for example, have called for Seoul to position itself as a "network center" for Northeast Asia. They conclude that this strategy is best implemented through the intensive spatial development of an international business town, a spatially and legally distinctive "free city" with special legislative and administrative structures geared to an international business clientele that will be attracted to Seoul by this development. Although the underlying objective and regional emphasis are fine, several problems come to mind:

- First, Ahn and Ohn state that "it is necessary to establish a hinterland market in which Seoul can exercise its *exclusive* influence. . . ."¹¹ In fact, however, it is only through exercising joint influence within the region that Seoul can nurture the kinds of relationships that will allow a meaningful regional identity to take form. An emphasis on exclusivity merely returns to the old paradigm of narrowly construed and noncooperative interests. That is precisely contrary to the approach advocated here.
- Second, Ahn and Ohn, assuming that foreigners are necessarily attracted to "a livable and enjoyable urban environment. . . which is similar to their own

10. Rimmer (1999, 39) points out that "[a]s there is no firm basis for Northeast Asia in politics it should not be automatically considered as an analytical concept."

11. Author's emphasis.

country,” argue in favor of creating a distinctive international business town in the vicinity of Seoul. This assumption must be carefully reconsidered. The international business elite whom they are targeting will be attracted by the best that Seoul has to offer; if they were looking for conditions similar to those in their own countries, they would simply stay at home. The assumption that foreigners want to replicate life at home is counterproductive in two respects: it reflects a lack of confidence and pride in Korean culture, and it underestimates the capacity of foreigners to appreciate the finer aspects of Korean culture.

- Third, and in my opinion the most fundamentally flawed aspect of the Ahn and Ohn proposal for an international business town, is their stated assumption that “it can be an excellent way of overcoming xenophobia by centralizing foreign businesses and their lifestyles in a specific zone.” It is absolutely wrong to think that the best way to overcome cultural barriers is to enclose foreigners in a gilded ghetto. Their proposal is reminiscent of the proposal to create a so-called open city on Jeju island. Far from addressing the problem of how to create a more welcoming environment for foreigners in Korea, these proposals are instead an expression of the xenophobia that they purport to address.

The reason that Hong Kong, for example, is so successful in attracting foreigners of all types is that the Cantonese there have developed a refined and sophisticated lifestyle for themselves, and they have invited foreigners to share it with them. The same is true of Singapore, Bangkok, and (more recently) Shanghai. In the case of Seoul, and Korea more generally, an increasingly refined and sophisticated lifestyle is in place, but it is not especially open to foreigners; and these proposals to isolate foreigners are most revealing of that fact. In fact, all three of the points mentioned above are premised upon an exclusivity and a closedness that belie their stated intention. It is a self-defeating strategy.

Others take a more conventional, business-minded approach to creating conditions conducive to attracting foreigners and foreign investment into Seoul. For example, at the recent inaugural meeting of the Seoul International Business Advisory Council, Joan Baron (2001) provided a succinct summary of Seoul’s strong points as a place to do business and also provided some helpful suggestions about improving middle-management attitudes and increasing the inflow of foreign television and other programming. Likewise Lee Ki-ho, former President Kim Dae-jung’s senior secretary for economic affairs, acknowledged a number of issues pertaining to the business environment for foreigners in Seoul and outlined a range of measures that address these concerns quite directly.¹²

12. The issue of transparency in business practices remains key; a recent study indicates that only 20 firms listed in Korea maintain transparent business practices (Lee 2001).

While these steps are important and certainly should be pursued vigorously, they fail to address the development of Seoul within a regional context. Although her complimentary and almost flattering remarks pointed to the positive aspects of doing business in Seoul, Joan Baron said nothing about how advantageous it is to be in Seoul for gaining information, insights, or access to Northeast Asia. It is impossible to imagine that her counterparts in Hong Kong and Singapore would neglect to make such an observation about their respective regions. In fact, the primary reason to locate in Hong Kong or Singapore (in addition to being able to enjoy the sophisticated lifestyles that are indigenous to those cities) is access to the economic, political, social, and cultural intelligence that can be gained regarding those cities' respective regions. The same is not yet true of Korea. Many go to Korea to learn about Korea, but few go to Korea to learn about Northeast Asia.

Kim Won-bae (2001) writes that “[i]f Seoul repositions itself towards Northeast Asia and transforms it into a business and cultural center of the larger economic region, it can become a regional or world city. . . . The lack of a global mind and weak institutional capacity are the two most important factors that inhibit Seoul to become a global city.” I could not agree more fully, and the recommendations below are made with that specific point in mind.

Policy Implications for Seoul

How can Seoul enhance its position as a world city? Several possibilities are suggested here.

Promote economic cooperation within the Beseto region. Data reviewed above indicate that the progressive formation of economic linkages is already well under way within the Beseto region, but these can and should be accelerated. The WTO provides a framework for promoting freer trade, while SEATO and NAFTA provide examples of more regionally based trade zones that may be instructive for Beseto. The study undertaken initially by Park (1995) should be expanded and updated periodically to disseminate current information on trade potential within the region, and such work may be usefully set within a more general theoretical context of regionalization and industrial hierarchies as described by Bernard and Ravenhill (1995) and others. Korea-based business, trade, and professional organizations and associations of all kinds should be encouraged to initiate the development of institutional ties to their counterparts throughout Beseto. Steps should be taken to promote the creation of special investment funds and other vehicles, so that Seoul becomes a staging ground for international financial capital seeking productive investment opportunities in the Beseto region.

Seoul should also capitalize more fully on the potential of the Incheon International Airport, which should be recast more specifically as a regional feeder for Beseto. Every effort should be made to work out agreements that encourage airlines to route international traffic to Beseto through Incheon. Again, the cases of Hong Kong and Singapore are instructive. Many international travelers with destinations in China and Southeast Asia move into and out of those regions through these hub cities. The attractions of the Singapore and Hong Kong airports are several:

- The airports themselves are pleasant and efficient,¹³
- It is easy to access the city from the airport even for relatively short stopovers,
- Feeder routes internationally and within the region are extensive, and
- These advantages are reinforced by major airline alliances (such as the Star Alliance network that links United Airlines, Singapore International Airlines, and several others) that connect there.

Incheon International Airport is quite pleasant and efficient, but access to the city is not quick and easy. The last two points above are decisions that ultimately lie with the airlines themselves although airlines do respond to incentives.

Promote Seoul as a knowledge center for the region. The most critical deficiency that Seoul must address in becoming a true world-class city centered in the Beseto region is the creation and dissemination of knowledge—for the region and of the region. Again, this is in marked contrast to Hong Kong and Singapore, which are excellent centers of knowledge creation and dissemination for their respective regions. This is not to say that Seoul lacks such knowledge. In fact, it is my contention that the latent knowledge of China and Japan that exists in Korea is extensive and deeply rooted, but it is not generally accessible. So long as this remains true, no other measures will be sufficient to lift Seoul's status in the region beyond that of a provincial center.

The latent knowledge about the region that is not far beneath the surface in Seoul is encouraging from the perspective of building toward an effective Beseto strategy. Seoul should be a magnet attracting an international class of scholars focusing on all aspects of the economic, geographic, cultural, business, urbanization, and political dimensions of the Beseto region. Seoul is already renowned for a number of research institutes, including the Seoul Development Institute, the Korea Research Institute for Human Settlements, and a host of others. The presence of these many research institutes in Seoul is one of the most attractive comparative features of Seoul on an

13. Singapore easily outperforms Hong Kong in terms of immigration processing.

international basis.¹⁴ They reflect well on the central importance that Korean culture places on scholarship and knowledge, and they represent an innovative and effective means of harnessing high-quality scholarly research for practical ends. However, most if not all of these institutes are rather inward-looking, perhaps reflecting their mandates as institutions specifically affiliated with Korean national or local governments. At present, no single city anywhere stands out as a center of knowledge for Northeast Asia. Seoul is uniquely positioned to assume this distinction. In many ways the heavy global onus on Tokyo and Beijing almost precludes their being able to focus on Beseto. That leaves Seoul. Seoul is in many ways—economically, geographically, culturally, politically, and even linguistically¹⁵—a middle ground between the Chinese and Japanese polarities present within Beseto.

Long-term policies

It is useful at this point to underline the importance of peace on the Korean peninsula and emphasize its relation to a Beseto strategy for Seoul's development as a world-class city. The relation works both ways. As terrorist violence and military activity are on the rise throughout the world, one is reminded that the Cold War divide endures on the Korean peninsula and that still no peace has been concluded between the North and the South. Seoul is at the northern verge of South Korea, and if overt military hostilities were to resume Seoul would no doubt be heavily impacted. Any foreign business making a responsible corporate location decision will have to take this circumstance into account.

Substantial progress toward peace on the peninsula and an opening up of the North would provide a tremendous boost to the region's prospects. Peace, open exchange, and possible reunification would bridge those now unfathomable murky waters of North Korea; peace would create a bridge to northeast China, the Russian Far East, and Mongolia. Moreover, it could position South Korea to serve as the eastern terminus for transcontinental overland transportation links traversing Asia en route to Europe.

A Beseto strategy is both sustained by and potentially supportive of peace on the peninsula. An economically vital Beseto region that displays cooperative engagement among South Korea, China, and Japan will help to diffuse the obsolete Cold War bipolarity that underpins the North-South division of the Korean peninsula. Russia's participation would make this diffusion even more complete. An isolated and closed

14. When I describe the Seoul Development Institute to my colleagues in Los Angeles, I ask them to imagine having a RAND Corporation affiliated directly with the city of Los Angeles. They are envious.

15. The Korean language takes a Chinese-derived vocabulary and superimposes it on a grammatical structure similar to Japan's. Nearly 70 percent of the Korean and Japanese vocabularies are derived from Chinese characters.

North Korea poses a geographic and political barrier to Russia's full participation in the region, and thus Russia has some incentive to encourage North Korea to open up further. All of this would be for the better.

IV. Conclusions

South Korea has been described as being in a "nutcracker situation" (Ahn and Ohn 1999), squeezed from two directions simultaneously. On one side, Korea struggles to compete with Japan's high-end technology and advanced industrialization, while from the other side it is squeezed by the competitive pressures of the very low-wage cost structures in China. As it tries to compete with Japan through lower costs, it is outflanked by China; and, as it tries to compete with China through technological innovation, it is outflanked by Japan. As China continues to advance in terms of its technology and industrialization and as Japan finds more ways to reduce production costs, South Korea is in danger of being squeezed from both sides, especially as Japan's FDI into China grows. Certainly, this situation does pose a dilemma for Seoul as it seeks to find a viable Northeast Asian niche for itself in the global marketplace.

Seoul should apply the fundamental zen principle in martial arts of leveraging opposing forces to one's own advantage. By maintaining its own balance in the middle and by moving swiftly and surely, Seoul can guide and combine these competitive forces to build a thriving Beseto region centered on Seoul. Japan has an abundant accumulation of financial capital that is mired in low-yield investments. It has an aging population and prohibitively high wages and, since the Plaza Accord of July 1985, has been systematically searching for investment opportunities abroad. Meanwhile, China's massive population is thirsting for capital investments that might help raise productivity and income levels. It does not take special insight to see how these latent forces might be combined. The only question is whether Seoul has the wherewithal to step into the middle without getting squished.

To do so requires three essential elements:

- An entrepreneurial spirit and courage that allows old molds to be broken and new forms to take their place;
- A deep regional knowledge that enables both the recognition of opportunities as well as the ability to follow through; and, most important,
- The trust and goodwill of Seoul's erstwhile regional partners, without whom Beseto has no meaning.

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