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U.S. AND ROK POLICY OPTIONS
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CULTURAL INTEGRATION BETWEEN THE UNITED STATES AND KOREA: LOOKING BEYOND THE FREE TRADE AGREEMENT

Mo Jongryn *

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I. Introduction

It may be premature right now to talk about post–free trade agreement (FTA) relations between the United States and Korea. The U.S.-Korea FTA still has some way to go before it becomes a reality. One of the biggest hurdles in the immediate future is to ensure its ratification by both the Korean National Assembly and the U.S. Congress.

But the present cannot be separated from the future. Legislators and the public in both countries are not likely to throw their weight behind the U.S.-Korea FTA (KORUSFTA) unless they know, and are convinced, of the future the trade agreement will deliver.

Both sides also have to ensure that they do not become complacent after the KORUSFTA is signed into law. After all, managing a bilateral economic relationship is a lot like riding a bicycle. If you do not keep pedaling, the bicycle will stop and you run the risk of being thrown off course. Similarly, in the absence of a strong post-FTA vision, U.S.-Korea economic relations are likely to recede in importance or, worse, be relegated to the back burner.

Hence, it is important to begin post-FTA discussions. The debate will include not only reassessments of economic relations in both Seoul and Washington, but also the overall goals of the U.S.-Korea alliance. I contend that the new goal of U.S.-ROK economic relations should be to support a new “comprehensive alliance” between United States and Korea. I also argue that under the comprehensive alliance, the two countries should aim at “cultural integration,” which is the highest possible level of economic integration without political integration.

II. Where We Have Been, Where We Are Now

Given the momentous changes that lie ahead, it would be helpful to examine the history of economic relations between the United States and Korea. One defining characteristic of the relationship is that it has never remained constant. In fact, since the 1960s it has undergone changes on several dimensions.

One important dimension of change is the structure of trade. As Noland (2004, 100) puts it:

The economic relationship between the United States and South Korea, characterized by increasing intraindustry trade, increasing services trade, expanding intercorporate penetration, and growing FDI, appears to be evolving toward something more like the relationships that the United States maintains with most other rich OECD countries.
The second dimension is the level of trade friction. Most observers would agree that since the early 2000s, the U.S.-ROK trade relationship has not been as contentious as it was in the 1980s and 1990s. Noland (2004) attributes this decline in the intensity of disputes to economic liberalization in South Korea (particularly reforms undertaken in the aftermath of the 1997 economic crisis), the formation of the World Trade Organization (WTO which gives the two countries a multilateral mechanism through which to resolve their disputes), and “the declining relative importance of the two countries in each other’s global relationships.” With the rise of China, economic relations with Beijing are taking center stage in the trade policies of both Washington and Seoul.

This change in the level and balance of economic interdependence has a direct bearing on the third dimension of the U.S.-ROK economic relationship: the fact that South Korea is still far more economically dependent on the United States than the United States is on South Korea. But in at least one area—merchandise trade—South Korea is becoming less dependent. In 2003, China surpassed the United States as the ROK’s largest export market and in 2004 as its largest trading partner.

The last—and perhaps most important—dimension of the U.S.-ROK economic relationship is in the area of institutionalization. The launch of the KORUSFTA negotiations in February 2006 was a clear signal that the United States and South Korea had decided to formalize the process of offering exclusive trade preferences to each other. Prior to that, the two countries had only committed themselves to a principle of nondiscrimination.

While the first three dimensions are shaped largely by economic forces, the last dimension is the outcome of deliberate policy choices. Seen in that light, any major changes in the post-FTA economic relationship are likely to emanate from this institutional dimension.

When thinking about possible alternative institutional arrangements, some observers find it instructive to examine the case of European integration. Within the European Union, several stages of economic integration exist. These range from the least to the most integrated—FTA, customs union, monetary union, common market, and economic and monetary union. Hence, if the United States and South Korea were to adopt the European model, the next logical step after the FTA would be the establishment of a customs union.

But what is logical for the Europeans may not be so for the United States and South Korea. First, an economic union may make sense for countries with a strong commitment to regional economic integration, but not so for those countries that are oceans apart. Second, even a customs union will result in a significant loss of sovereignty
in trade policy because member countries must coordinate their trade policies toward third countries. Neither the United States nor South Korea is ready or willing to surrender that sovereignty.

III. Economic Relations under a Comprehensive Alliance

Clearly, the economic integration theory does not provide an attractive post-FTA vision for the United States and Korea. But before the two countries look toward other alternatives, it would be constructive to examine how the two governments define the KORUSFTA.

As soon as the United States and South Korea started FTA negotiations, they began to promote the idea of a comprehensive alliance. The motivation for this new concept is rather simple. The United States and Korea already have a decades-old security alliance. With an FTA thrown in, the alliance could cover not only traditional security cooperation but also economic collaboration.

But, despite the grand-sounding term, the concept of comprehensive alliance needs a lot more clarity if it is to steer and guide future U.S.-ROK economic relations. Under the current crude version, the United States and South Korea might as well declare their mission accomplished. After all, all they have to do is to manage their FTA successfully because nothing beyond the FTA is imagined or expected.

The notion of comprehensive alliance also needs greater clarity in the security arena. A new alliance doctrine should, at the very least, stipulate the primary objectives of the alliance as well as the roles and responsibilities of each partner. So far, however, proponents of the comprehensive alliance have not been able to accomplish this very basic goal.

It will be very unfortunate if the United States and South Korea do not seize the historic opportunity of the signing of the KORUSFTA to rearticulate and reformulate their alliance relationship. Since the agreement was signed, the FTA has boosted overall U.S.-ROK relations. Public support for the FTA has also risen sharply. Since the agreement was signed, the percentage of Koreans in favor of the agreement has increased (Figure 1).

Furthermore, there is also evidence that the KORUSFTA has significantly reduced the level of anti-U.S. sentiment in Korea. The proportion of people with favorable attitudes toward the United States surged from 31.3 percent in July 2006 to 50.6 percent in June 2007 (Figure 2).
Figure 1: Level of Public Support in Korea for a U.S.-Korea Free Trade Agreement, 2006–07, percentage

Source: Korea Society Opinion Institute (KSOI) regular public opinion surveys, reported in Munhwa (daily newspaper), 16 March 2007 and 28 April 2007.

Figure 2: Koreans’ Attitudes toward the United States, 2002–07, percentage

Given the enormous literature on the U.S.-ROK security alliance and East Asian security, refining the idea of a U.S.-ROK comprehensive alliance would not be such a formidable intellectual challenge. To me at least, the United States and South Korea share similar long-term security challenges, namely in the rise of China and the simmering rivalry between Japan and China (Rozman 2007). Both therefore share a common outlook and a vital interest in maintaining a current balance of power in the region.

Because no other country can play the role of balancer, the United States must continue to perform that role. Apart from China and Japan, other East Asian countries must persuade the United States to remain engaged in East Asia—partly to balance against China and partly to mediate between China and Japan. Most South Koreans are aware that their country does not have what it takes to play the role of independent balancer. This leaves them with little choice but to support the United States as primary balancer. Indeed, this clear division of labor in the balancing equation should be the overarching principle of the new comprehensive alliance between the United States and South Korea.

If the formation of a comprehensive alliance is of paramount importance to Washington and Seoul, both sides should take additional steps to firmly integrate their future economic relationship into their comprehensive alliance structure. As I suggested earlier, a successful comprehensive alliance requires that the two economies be culturally integrated.

IV. What Is Cultural Integration?

The concept of cultural integration in the context of a bilateral economic relationship must be unfamiliar to most readers. By cultural integration, I mean the convergence of the economic and political systems of two countries. In most aspects, South Korean democracy and its market economy are already closer to the Western liberal model than any other East Asian country, but because competition among East Asia nations has taken on cultural dimensions (that is, Western liberalism versus authoritarian capitalism, and Samuel Huntington’s civilizational conflicts pitting Confucian and Slavic civilizations against Western civilization), the comprehensive alliance between the United States and South Korea should also have a cultural basis. This means that the economic systems of the United States and South Korea should converge much more rapidly in the post-FTA period.

This convergence process will be greatly facilitated by the successful implementation of the proposed KORUSFTA. As the FTA opens traditionally domestically oriented sectors such as service industries and investment, the Korean economy will become
more open and competitive. This will encourage Korean firms and businesspeople to adopt global best practices, which tend to be mostly American.

It is not clear whether the proposed FTA can provide a sufficiently strong economic basis for supporting a U.S.-Korea comprehensive alliance. The last hurdle before the convergence of economic systems is likely to be in the areas of business and regulatory culture. As long as Korean organizational culture remains exclusionary vis-à-vis foreigners and domestic minorities, the Korean economic system will not be truly open and inclusive. Neither will it be able to take advantage of foreign talent or corporate partners to help it maintain its competitive edge.

One important mechanism of exclusion in Korea is language. Foreign workers and firms will always be at a disadvantage in Korea as long as Korean firms and governments continue to conduct their business in Korean only. This would not be a problem if Korea were big enough or important enough to induce foreign workers and partners to learn the Korean language. Although some foreigners have been willing to invest time and effort in learning Korean, the reality is that the vast majority of foreign residents or firms in Seoul do not find it worthwhile to do so. Korea must therefore attempt to make English a widely used business language in the country.

English proficiency is important to Korea not only in attracting foreign direct investment and foreign talent but also in allowing service industries to become more globally competitive. With few exceptions, most top service jobs in consulting, investment banking, and legal services require strong English communication skills.

English education may not be directly related to trade policy. Indirectly, however, trade policy can have a significant impact on the quality of English education in Korea. If, for example, education markets are opened to foreign schools and colleges as a result of a trade agreement, Korean students can take better advantage of quality English-based programs. Right now, the Korean government keeps foreign schools from the Korean market by refusing to accredit them for Korean students.

Broadcasting is another sector in which foreign investors can contribute to the popular acceptance of the English language. If the broadcasting sector were fully opened, Korean consumers would have more choices and variety in English-based films, music, and TV programs. Currently the Korean government limits the amount of international broadcasting through a number of protectionist measures against foreign investment, dubbing, local advertisements, and content quotas.

In general, the lifting of restrictions on the importation of cultural products such as films and cartoons will contribute positively to English education in Korea. Foreign languages are embodied in foreign cultural products, so it is not possible to appreciate
the products without understanding their language. Availability of foreign cultural products also raises the general level of interest in foreign languages.

V. What Will It Take to Achieve Cultural Integration?

A call for a comprehensive alliance and cultural integration between the United States and South Korea will sound hollow if the two countries are unable to ratify their FTA proposal. So the first step toward building a comprehensive alliance is for the two countries to complete the FTA ratification as soon as possible.

But even if the United States and South Korea ratify the proposed FTA, it is uncertain whether they will reach an agreement on the principles of a comprehensive alliance. Both countries will have to make major changes in strategic thinking.

Last, it will take a significant reduction in Korean nationalism to support cultural integration between the United States and South Korea.

Ratification of the KORUSFTA

The KORUSFTA will not take effect until it is ratified by the legislatures of both the ROK and the United States. The Korean National Assembly will deliberate on the ratification bill during its regular session beginning on 3 September 2007; this session will last for 100 days. As promised, the Roh Moo-hyun administration submitted its ratification bill on 9 September, at the beginning of the regular session. The Committee on Unification, Foreign Relations, and Trade (CUFRT) will soon begin deliberations. Normally, bills are first referred to the CUFRT’s Subcommittee on Bill Deliberations. Thereafter, CUFRT will submit its final report to the plenary session for a vote. Other committees, such as the Committee on Agriculture, may submit opinions to CUFRT. There is no deadline for bill reporting or final voting.

The ratification bill faces significant opposition in the National Assembly. Most legislative members have adopted a wait-and-see approach to the upcoming National Assembly showdown. About 50 members (out of 299) have indicated clear opposition to the FTA agreement, while 70 members have come out in favor; the remaining 180 members are officially undecided.

The Democratic Labor Party is the only party with a clear position on the issue. It will be interesting to see whether the Grand National Party will announce an official party line or whether it will leave the decision to individual legislators. Members of the new ruling party, the United New Democratic Party, will be divided—those close to President Roh will throw their support behind the bill while others are likely to oppose it on
ideological grounds. In light of the two important impending elections—the December 2007 presidential election and the April 2008 general election—many legislators prefer not to take a position on such a politically controversial issue.

Nevertheless, the final outcome in the National Assembly is likely to resemble the experience of the Uruguay Round, that is, most legislators will vote for the FTA bill after winning large side payments for their constituents. One reason for such optimism is that the Roh Moo-hyun government will fight hard to safeguard the FTA—one of its most important achievements. Moreover, South Koreans also recognize that the country needs an FTA with the United States more than the other way round. Hence, it is hard to imagine South Korean legislators rejecting the FTA bill right from the start. In fact, they may even try to ratify the FTA bill early so as to put pressure on the U.S. Congress, as it would be politically costly for the U.S. Congress to reject the agreement once it had been ratified by the South Korean legislature.

The FTA will face an even bigger challenge in the United States Congress. Democrats are already opposed to the approval of the FTA because of its automobile import provisions, and the Senate has demanded better access to the Korean beef market as a condition for ratification. As is the case in Korea, a successful FTA ratification will depend largely on the commitment of the incumbent administration. South Korea can certainly help iron out the glitches by making unilateral concessions in automobiles and beef, which is not at all an unlikely prospect. South Korea should also do a better job of explaining the strategic importance of the KORUSFTA to the U.S. public and Congress.

**Strategic Reassessments in Seoul and Washington**

Under the current environment, South Korea will find it an uphill battle to convince the U.S. Congress of its commitment to the U.S.-Korea comprehensive alliance. Since the early 2000s, the two countries have been at loggerheads over how best to respond to North Korea’s nuclear weapons. The U.S. decision to withdraw and redeploy troops in South Korea so as to increase its strategic flexibility has also generated repeated tensions between the two allies. Seoul also does not seem to share Washington’s strategic priorities in the region. It has shown a reluctance to collaborate with the United States on missile defense, counterproliferation, intelligence sharing, and the facilitation of U.S. regional defense (Pollack 2007a, 2007b).

There is little doubt that South Korea is in the middle of a serious strategic identity crisis (Mo 2007). One indication is the instability of public opinion, which has fluctuated widely between pro-Chinese and pro-U.S. sentiments and between support for alliance and support for independence. This crisis may have begun with the 2002 election of Roh Moo-hyun on a wave of anti-Americanism. After taking office, Roh stirred
nationalistic passions by proposing to assume the role of balancer in the Northeast Asian region and promising to achieve a self-reliant defense. This situation was not helped by the fact that South Koreans have generally been self-absorbed, and they appear interested only in problems on the Korean peninsula.

There is, however, evidence that “normalcy” is returning to South Korean politics. Conservatism is gaining popularity and anti-Americanism is clearly receding. There is also a good chance that the Grand National Party, the conservative main opposition party, will reclaim the presidency in December 2007. The Roh Moo-hyun administration has also matured over time. After all, this Roh government initiated the historic KORUSFTA and also held its ground against strong opposition by its main constituencies, mainly labor unions and farmers.

Note that South Korea’s infatuation with China has ended. China itself is responsible for its declining soft power in Korea. The key turning point was the Chinese attempt to incorporate the history of an old Korean kingdom, Koguryo, into Chinese history—a move that challenged the integrity of South Korean history. An increasing number of disputes with the Chinese government involving Korean businesses in China has also made South Koreans much more cautious about the influence of China in the region.

Even so, it will be hard to redirect U.S. strategic priorities to South Korea. The Bush administration, in particular, seems determined to rely on Japan and Australia as key U.S. allies in the region. There is no indication that South Korea’s strategic status will be elevated in the United States anytime soon.

As in Korea, a presidential election will soon be held in the United States. If history is any indication, a new U.S. government, especially one led by Democrats, is likely to adopt a very different East Asian policy. Historically the East Asian policy of the United States has been influenced by which school of thought—the China school or the Japan school—held greater sway among those in power. If the China school comes out on top in the next U.S. administration, less emphasis will be give to the U.S.-Japan alliance. Even though a possible downgrading of the U.S.-Japan relationship does not automatically translate into a stronger U.S.-Korean alliance, it will certainly allow the United States to explore other security arrangements with Korea, including a U.S.-Korea comprehensive alliance.

As the political problems of the ruling Liberal Democratic Party (LDP) government in Japan continue, public support for the U.S.-Japan alliance itself is also likely to weaken. If the LDP fails to build a strong domestic coalition, U.S. confidence in the stability and reliability of the Japanese government will be badly shaken. This may prompt the U.S. government to reconsider its exclusive reliance on Japan as America’s
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regional partner (Zielenziger 2007). Already there are signs of strain in the U.S.-Japan alliance, such as the unpopularity of the Iraq war among Japanese voters and the disagreements between the two governments over the handling of the North Korean nuclear crisis.

**Korean Nationalism and Cultural Integration**

Although not apparent on the surface, Korean nationalism is in serious trouble. First, Korean collectivism, which underlies nationalism, is in rapid decline. Like their Western counterparts, younger Koreans have become more individualistic, assertive, and postmodern. One symbol of this is their rejection of the traditional Korean family system. Younger Koreans sometimes do not marry, and when they do, they choose not to have children. As a result, Korea now has the lowest birth rate and the highest divorce rate among member countries of the Organization for Economic Cooperation and Development. Job turnover is also frequent, as younger Koreans do not feel the need to show much loyalty to their companies.

Second, nationalism itself is weakening. Compared with the older generation, younger Koreans are much more willing to study or seek employment overseas. They are also more open to international marriages; in 2006, 11.9 percent of all marriages were international marriages (KNSO 2006). Unlike their parents and grandparents, younger consumers are not inhibited about buying foreign imports. In fact, doing so has even acquired a certain prestige among some younger consumers.

Third, the younger generation is becoming increasingly multilingual. An obsession with English education among Korean parents is legendary. Children’s English education begins at an early age and in private tutoring academies. As a result, South Korea boasts a $15.6 billion English tutoring industry (Cho 2007). Each year, tens of thousands of families, clearly unsatisfied with the standard of English education in Korea, send their children abroad with the sole purpose of exposing them to an English-speaking environment. During the past five years, Chinese has emerged as another popular foreign language. The emergence has forced Korean children to add Chinese—in addition to English and their native Korean—to their language curriculum.

**VI. An Agenda for Cultural Integration**

Changes in Korean society suggest that it will be only a matter of time before those in mainstream Korean society will begin to possess the values and language ability necessary to support the cultural integration between the United States and South Korea. The problem is that Korea may not be able to afford to wait for this to happen naturally. In fact, at the current pace, the transition to an open market economy may
take far too long. First, younger Koreans have shown themselves vulnerable to nationalistic mobilizations. In 2002, for example, they reacted emotionally to the accidental death of two girls in a traffic accident involving a U.S. military vehicle. Although younger Koreans may seem individualistic, they are nonetheless highly susceptible to nationalistic fervor. Second, the spread of multilingualism may be a phenomenon that is mainly confined to the elites. The rest of the society may be falling behind. This English gap has become one of the main sources of income inequality in the country.

Hence, conscious efforts to promote the cultural integration of Korean and U.S. societies must continue. After completing their FTA, therefore, the United States and South Korea must place cultural integration at the top of their trade agendas. Trade issues pertinent to cultural integration are education services, broadcasting services, and popular-culture industries. Thus, future renegotiations of the KORUSFTA should aim at further liberation of these culture-related sectors in Korea.

To turn the idea of a culturally integrated United States and Korea into a reality, policymakers in the two countries should also start a serious media and public relations campaign to invent and build a new common cultural identity. In Europe, European professionals in Brussels used such campaigns to support and develop a European identity. A new bilateral identity between United States and South Korea should be based on common values of democracy, free market economics, and globalization.

VII. Conclusion

It was in 1991 when the idea of a U.S.-Korea FTA was first proposed at a Hoover Institution conference (Mo and Myers 1993). At that time, a U.S.-Korea FTA was proposed as a technical solution, that is, an institutional solution to the management of trade disputes. It has taken 15 years for the idea of a U.S.-Korea FTA to come to fruition.

But the KORUSFTA in 2006 turned out to be more than a technical solution for the United States and South Korea. South Korea, for one, pursued an FTA so as to liberalize its domestic service sectors as well as strengthen the country’s strained alliance with the United States.

To move forward, it is necessary for the KORUSFTA to transform its rationale into one that is aimed squarely at the future. I argue that the KORUSFTA gives the United States and South Korea a historic opportunity to develop a truly comprehensive alliance. Under this comprehensive alliance, the two countries will work together to maintain a balance of power in the Northeast Asian region, and they will do that on
the basis of cultural integration (a shared organizational culture of openness) as well as common national interests.

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