Joint U.S.-Korea Academic Studies

Free Trade & the Future U.S.-ROK Alliance in Time of Change
Managing Northeast Asia's Future: Future Directions for Northeast Asian Regional New Security & Trade Architectures
Divergent Consensus in the Needs of Both Sides of the Coin: A Young Leaders' Perspective
The Future of the U.S.-ROK Alliance

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A POLITICAL ECONOMY APPROACH TO NORTHEAST ASIAN REGIONALISM: FROM A CRISIS MODEL TO A POLITICAL LEADERSHIP MODEL?

Park Jehoon*

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I. Introduction

The last two years have seen a series of changes affecting regionalism in Northeast Asia. One category of changes has been the crises in the areas of economy and security. The first crisis is the global financial crisis that originated in the United States and that was triggered by the U.S. government’s decision to let the Wall Street firm of Lehman Brothers fail.¹

The second crisis was North Korea’s second nuclear test. Korean Central News Agency, the North Korean regime’s official mouthpiece, said: “We have successfully conducted another nuclear test on 25 May as part of the republic’s measures to strengthen its nuclear deterrent.”²

Another category of changes are leadership changes in the region. The first leadership change occurred in South Korea, and the change can be characterized as a more right wing government tilt. In contrast with South Korea is the power transition of the U.S. administration to a more reformist direction. Recently we have seen a dramatic leadership change in the Japanese government through a revolutionary victory against the Liberal Democratic Party, a victory that led to the launch of the Yukio Hatoyama cabinet with a new policy direction symbolized by a new initiative for an East Asian community.

This paper analyzes the impacts of these changes on the direction of regionalism in the region. Section 2 summarizes a recent study of a regional integration index in order to achieve an actual picture of the past and the present of the region in terms of regional integration and comparing the Northeast Asian region with other major regional blocs. Section 3 introduces the models for explaining regionalism in general and Northeast Asian regionalism in particular. Section 4 tries to apply the outcomes of the study and the models to the above changes in order to get at the implications for the future direction of regionalism in the region. Section 5 is in lieu of a conclusion.

II. The Past and the Present

Ahn and Park (2007) constructed a regional integration index (RII) and measured the level of regional integration of each regional community.

¹ Investors had expected a rescue. Just days before, the U.S. Federal Reserve and the U.S. Department of the Treasury had saved Fannie Mae and Freddie Mac, and the investment bank Bear Stearns had also been bailed out six months earlier.
² The KCNA announcement was reported by The Guardian (London) on 25 May 2009.
Regional Integration Index

The RII (Table 1 on the next page) is defined as follows:

\[
\text{RII} = \text{functional integration index} + \text{sociocultural integration index} + \text{political security index} + \text{institutional integration index}
\]

The four sub-indices of RII—that is, functional integration index, sociocultural integration index, political security index, and institutional integration index—are defined as functions of other factors as follows:

Functional integration index \( = F \) (trade, direct investment, financial transactions)

Sociocultural integration index \( = F \) (cultural homogeneity, maturity of civil society, level of information literacy)

Political security index \( = F \) (homogeneity and maturity of politico-economic system, regional structure of political security dynamics, political leadership)

Institutional integration index \( = F \) (cooperation in various fields, regional organizations and trade-related treaties, financial and monetary cooperation)

Three criteria were selected for each sub-index. Thus, 12 specific factors were evaluated. The functional integration index is calculated by gauging the shares of intraregional trade, intraregional foreign direct investment, and intraregional portfolio investment. These factors are important indices that show the degree of intramarket economic integration in terms of trade, investment, and capital transactions.

The sociocultural index measures cultural homogeneity (whether history, religion, language, or ethnicity is commonly shared), average maturity level of civil society, and the level of information literacy. Cultural homogeneity perceived by citizens of member countries is a pivotal factor in regional integration. Moreover, when a civil society is established, regional integration may be advanced in terms of formal aspects such as law and institutions, when citizens actively participate in politics and nongovernmental organization activities, and when government operating according to law is established. Expanding information literacy enables free communication between individuals within the region and is therefore conducive to regional integration. Thus, information
Table 1: Regional Integration Indexes

<table>
<thead>
<tr>
<th>Factors</th>
<th>Functional integration index</th>
<th>Socio-cultural index</th>
<th>Politico-security index</th>
<th>Institutional integration index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Intragovernmental trade</td>
<td>Interregional foreign direct investment</td>
<td>Intragovernmental portfolio investment</td>
<td>Average</td>
</tr>
<tr>
<td>ASEAN</td>
<td>1985</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>EU</td>
<td>1948</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1952</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>MERCOSUR</td>
<td>1986</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1995</td>
<td>2</td>
<td>(1)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>NAFTA</td>
<td>1986</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>1994</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>5</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>NEA</td>
<td>1981</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>


Note: RII = Regional Integration Index; ASEAN = Association of Southeast Asian Nations; EU = European Union; MERCOSUR = customs union in the Southern Cone of South America; NAFTA = North American Free Trade Area; NEA = Northeast Asia.
literacy is used as an index to gauge the level of understanding among member countries.

The political security index is measured by homogeneity and maturity of the political-economic system, regional structure of political security dynamics, and political leadership. Homogeneity and similar levels of maturity of political-economic systems may facilitate regional integration. Furthermore, the regional structure of political security dynamics is a catalyst for achieving regional integration. When common crises or threats exist, incumbent nations pursue regional integration to address the common concern. The European Union (EU) and the Association of Southeast Asian Nations (ASEAN) were such cases. In contrast, factors such as historical or territorial disputes hamper regional integration. Regional competition for hegemony also hampers regional integration. Countries may strive for regional integration to eliminate the negative effects of such competition. The role of the United States, which commands the global political-economic structure, may benefit or hinder integration depending on the circumstances. In the case of the EU, the United States played a positive role in achieving regional integration.

The institutional integration index is calculated by advances in cooperation in various fields, the existence of regional organizations and treaties related to trade and investment, and financial and monetary cooperation. Cooperation starts as a common enterprise in numerous fields such as political security, economy, society, and culture. It may then progress from a conference of member countries’ officials to ministerial meetings and summits. Regional organizations and treaties related to trade and investment refer to organizations established to address common regional issues and official treaties between nations, such as investment treaties and free trade agreements (FTAs). Financial and monetary cooperation are measures of the level of cooperation in financial and monetary policies, such as exchange rate cooperation and common currency usage (see Table 2 for facilitators of integration as well as problem areas).

The research aimed to measure the 12 criteria to suggest the degree of integration in each regional community. Those criteria consist of both quantitative and qualitative data. Many of the 12 criteria were treated as qualitative because data were unattainable in many instances. Each category is scored on a scale of 1 to 5, with a higher score meaning higher achievement.
Comparison with Other Blocs and Implications

Northeast Asia has several facilitators in the aspect of socio-culture. The homogeneity of culture, the maturity of civil society, and the development of digitalization are the facilitators of regional integration. Functional integration, especially the shares of intraregional trade and intraregional foreign direct investment, are not low despite the fact that there is no formal regional integration body. The homogeneity and maturity of political economic systems are increasing steadily along with political leadership. A comparison of the situation of Northeast Asia in 2005 with initial conditions in other integrated bodies shows that Northeast Asia (with a ranking of 2.58) is more highly integrated than ASEAN (2.25), the EU (2.08), and the North American Free Trade Area (NAFTA, 2.58); and it is much better than MERCOSUR (1.83). However, when the development stage is compared, Northeast Asia (2.33) is a little bit lower than ASEAN (2.92), EU (2.84), and NAFTA (3.17), and it is almost the same as MERCOSUR (2.50).

Even though the political-security factor should play an active role for Northeast Asian regional integration, it seems that a longer time is required to enhance the homogeneity of the political-economic system among China, Japan, and Korea. Also the maturity of the Chinese political-economic system cannot be realized in the short run.

Table 2: Comparison of Integration Facilitators and Bottlenecks

<table>
<thead>
<tr>
<th>Facilitators</th>
<th>ASEAN</th>
<th>EU</th>
<th>MERCOSUR</th>
<th>NAFTA</th>
<th>NEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-cultural factor</td>
<td>Functional factor</td>
<td>Political-security factor</td>
<td>Social-cultural factor</td>
<td>Social-cultural factor</td>
<td></td>
</tr>
<tr>
<td>Political-security factor</td>
<td>Social-cultural factor</td>
<td>Social-cultural factor</td>
<td>Functional factor</td>
<td>Functional factor (relatively)</td>
<td></td>
</tr>
<tr>
<td>Institutional factor</td>
<td>Institution factor</td>
<td>Institutional factor</td>
<td>Political-security factor</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Scores on the Regional Integration Index of 3 points or more than 3 points in 2005 are classified as facilitators. ASEAN = Association of Southeast Asian Nations; EU = European Union; MERCOSUR = customs union in the Southern Cone of South America; NAFTA = North American Free Trade Area; NEA = Northeast Asia.
Therefore, the most important factor for Northeast Asian regional integration is the political leadership and initiative of regional leaders for pursuing regional integration on the basis of the recognition of necessity and significance of Northeast Asian regional integration.

The degree of functional integration in Northeast Asia is low compared with the EU and NAFTA, but it is almost the same as that of the early EU or ASEAN and MERCOSUR, which have already been forming FTAs. Therefore, the functional factor could work as a facilitator. How to develop the functional integration so that it matures to institutional integration will be a key factor.

III. Models for Regional Integration in Northeast Asia

Theories and Models in General

Historically there have been two models from which economic integration might proceed. The first is a trade-oriented (or market-oriented) model, which is based on traditional regionalism or the European Economic Community (EEC) model. This model is also based on the neoclassical functional approach. The second model is an industry-oriented (or planning-oriented) model, which is based on the European Coal and Steel Community (ECSC) model. The second model is based on an institutional approach and emphasizes the role of institutions for economic integration together with the role of human will in institution building. Recently a third model has emerged. That is a financial sector-oriented model, which is based on the new regionalism growing out of the East Asian crisis model.

In the field of politics and security, there are two different approaches. The first is an ideological approach, where we may see the left, right, and center wings, or conservatism and radicalism. The second approach is the triad of constructivism, liberalism, and realism based on the theories of international relations. Constructivism involves perspectives adopted from sociology. It is believed that the ideational structures mediate how actors perceive, construct, and reproduce the institutional and material structures. Liberalism is a perspective adopted from economics. Liberals assign greater importance to international institutions as a basis for sustaining cooperative state behavior and mitigating the effects of anarchy. Finally, realism maintains a traditional perspective of political science, especially the centrality and objective character of the material distribution of capabilities (Katzenstein and Sil 2004, 8–19).

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3 This section is based on a revision of Park, Pempel, and Roland (2008, chap. 10).
In a comprehensive effort to combine all three approaches, one could call for an interdisciplinary summary of regional integration theories. In **Figure 1**, the top angle depicts political sociology or socio-political science, especially constructivism. The angle on the lower right depicts social economics, especially the Weberian approach (Max Weber). The angle on the lower left depicts political economy (Marxism) or political economics (liberalism). Realism belongs to the traditional realm of political science. In the traditional category of economics, the ECSC model and the EEC model explain the typical integration through economic processes.

Academic legacies can be traced to two great thoughts of capitalism: One is Marxism, especially historical materialism or economic determinism. The other is the ideas of Max Weber. Weber’s main question is “Why did only the West develop capitalist systems?” He explains this by citing Protestantism, which in turn is rooted in the philosophy that the superstructure determines the economy.

**Figure 2** shows a Marxian model for regional integration based on the interdisciplinary summary. This is a long-term model for economic integration where
markets directly influence state, society, and institutions, although the state and the society also exert weak influence over institutions. The market is considered to be the strongest force and player in the model. It takes a rather long time for institutions to emerge, which is consistent with the arguments of the evolutionary view in the “new institutional economics.” This model explains relatively well the EEC model and the EU model since 1970s.

**Figure 3** shows a Weberian model for regional integration based on the interdisciplinary summary. This is a short-term model for security cooperation, where the state directly influences official institutions. In this regard, political leadership or humans will play a critical role in building official institutions. This model explains relatively well the early EU model, ECSC model, or the financial sector-oriented model.

Figure 2 could be said to be a natural flow model. In this case, competition induces cooperation, and then cooperation again induces integration or institutionalization. This further explains traditional economic cooperation. Figure
could be called a reverse-flow model, where competition or conflict induces crisis, and then crisis induces cooperation or institutions. This explains security cooperation or financial regionalism. The reality, however, is that only the combination of these two models allows us to understand the complexities under which regionalism is moving forward.

**Possible Models of Regional Integration in Northeast Asia**

Generally speaking, the Weberian model is more applicable to Northeast Asia because of the need to formulate driving forces for the institutionalization of regional integration in Northeast Asia, given the fact that the level of functional integration is not low when it is compared with the level of EU cooperation in the early period of integration. However, the Weberian model alone is not sufficient to establish a unique model for regional integration in Northeast Asia. Based on the above discussion, we may consider the following set of possible models for Northeast Asia in the state sector.\(^4\)

**Strong state.** In Northeast Asia there has been a long tradition of a strong state and a developmental state. Such a tradition has created political and economic institutions to guarantee state intervention. This implies that in Northeast Asia

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\(^4\) In addition to the state, we could set up models for the society and the market sector; see Chapter 10 of Park, Pempel, and Roland (2008).
“the state still matters in economic development—how it matters has changed considerably” (Wong 2004, 357). In this context “regulatory regionalism” is suggested for Northeast Asia. It is different from the European model of regional governance. The European model is accompanied by regional institution building with the objectives of sovereignty constraint or sovereignty pooling. Regulatory regionalism, however, pursues closer integration through common national regulation and policy coordination, which carry fewer negative connotations for sovereignty and regime autonomy (Higgott 2005, 35–36).

**Crisis model.** We may prefer and anticipate a natural flow model or a gradual model for regional integration in Northeast Asia. We should, however, consider and prepare for the possibilities of a big bang. The North Korean nuclear crisis could play a double role in regional integration. It is easy to understand that the current crisis is an evident barrier against regional integration. From a different angle, however, the crisis could be a catalyst for regional integration in that the procedure (the six-party talks) for resolving the current crisis could become the forum for reinforcing broader regional integration. The crisis model could be related to a reverse-flow model or Weberian model. We may also call this a reduced or compressed integration model.

**Political leadership model.** The crisis model could lead to an appreciation of how political leadership plays a critical role, considering the fact that state power is still stronger than market power and societal power in Northeast Asia, and strong political leadership is essential in order to resolve the current crises in the region. European experiences, especially those of Jean Monnet (1976), teach us that “genuine integration leadership” comes from the strong conviction for uniting people as well as for ideologically unbiased and politically neutral leadership. Note, however, that Monnet’s political leadership model for institution building through sudden change is distinguished from the evolutionary arguments of the new institutional economics of D. North (1990).

**IV. Applications to Recent Changes**

Hatoyama (2009) pointed out the paradox: “I would suggest that the issues which stand in the way of regional integration can only really be resolved through the process of moving toward greater regional integration.” Han Sung-joo (2009) stresses the relationship between crises and political leadership:

...Regional community is at once both the end-result of peace and reconciliation among its members and the facilitator of future harmony among them. But a threshold has to be
crossed before a happy, mutually reinforcing process can begin. Overcoming past grievances and present and future disputes will take leadership and political will, which unfortunately are lacking in East Asia, and Northeast Asia in particular.

The above regional integration index approach confirms that in Northeast Asia stronger political leadership is needed, considering the fact that the functional integration in the region is relatively mature. Also, crises could play a positive role or a stimulus for regional integration. Therefore, we need stronger political leadership and a certain degree of common crises. What kind of implications can we derive from applying to recent changes the results of the RII approach and the two models for regional integration in Northeast Asia?

**Crises**

According to the crisis model and contrary to conventional beliefs, crises could contribute to the enhancement of regional integration. With regard to Northeast Asian regionalism, two crises should be mentioned. One is the global financial crisis, and the other is North Korea’s nuclear test.

**Global financial crisis.** The financial crisis started from the bankruptcy of Lehman Brothers in September 2008. As the first organized global effort for resolving the crisis, a summit of the Group of Twenty (G-20) was held in Washington, D.C., on 15 November 2008. World leaders (Group of Twenty 2008) agreed on “the common principles for reform of financial markets” such as strengthening transparency and accountability, enhancing sound regulation, promoting integrity in financial markets, reinforcing international cooperation, and reforming international financial institutions. Immediately afterward a regional effort took place in Northeast Asia: the December 2008 trilateral Korea-China-Japan summit.

This trilateral summit was held on 13 December in Fukuoka, Japan. Lee Myung-bak, president of Korea; Taro Aso, prime minister of Japan; and Wen Jiabao, prime minister of China focused their talks on how their countries could help Asia—and the world—get out of the looming recession.

Since 1999, a trilateral summit has been successfully held almost every year. The December 2008 trilateral summit was exceptionally significant in terms of its historic meaning and timing. First, this was the first trilateral summit to be held independently from other multilateral occasions. Prior to this summit,
all eight rounds of the trilateral summit had taken place in Southeast Asia, at the annual A SEAN Plus Three summit; that is, cooperation among Korea, China, and Japan had been discussed as part of cooperation within the A SEAN framework.5

Since 2004, South Korea has persistently claimed the need to hold separate trilateral summits regularly. Meanwhile, numerous obstacles such as historic disputes stood in the way of doing so. The global financial crisis became a stimulus for realizing this initiative. Korea’s proposal to hold the Korea-China-Japan financial summit to address the global financial challenges was timely, indeed. As the three countries hold almost half of the world’s foreign currency reserves, trilateral cooperation in the finance sector especially will help not only East Asia but the rest of the world as well. In this sense, it was expected that trilateral cooperation could promote prosperity and stability in not only East Asia but the world as a whole.

The three countries issued a “Joint Statement for Tripartite Partnership,” which sets forth the direction and basic principles for trilateral cooperation in the years to come. In particular, the three leaders noted the importance of the Korea-China-Japan summit and specified in the joint statement that it would be held regularly in one of the three countries. In addition, the three leaders endorsed an action plan for promoting trilateral cooperation, in which they agreed to launch a Trilateral Cooperation Cyber-Secretariat in 2009 to deal with secretariat affairs of trilateral meetings and consultations.

More important, the Korea Times on 14 December 2008 reported that the three leaders concurred on the necessity for tripartite cooperation in efficiently dealing with the global financial situation. They made a commitment to implement the declaration of the summit on financial markets and the world economy, including the action plan to implement principles for reform. They also agreed to work with A SEAN members to expedite the process of multilateralization as part of the Chiang Mai Initiative. Korea may be the most immediate beneficiary of the tripartite summit meeting, which endorsed Seoul’s currency-swap deals with Tokyo and Beijing, totaling $60 billion. Prime Minister A so’s proposal to expand the $80 billion swap fund, if realized, would open the door wider for Asian economic cooperation.

5 These three countries account for one-fourth of the world’s population and for one-fifth of the world’s economy, with Japan ranking second, China fourth, and Korea thirteenth in terms of GDP in 2007. Some economic forecasts indicate that the three economies may even account for one-third of the global economy in the next two decades.
On 10 October 2009 the three leaders met again in Beijing for the second tri-
lateral summit not connected with ASEAN. Korea’s Blue House (Chong Wa Dae) reported on its Web site that they adopted a joint statement on sustainable development in order to pursue balanced development in the economy and the environment together. They also agreed on several projects: opening a Korea-China-Japan cooperative cyber office to coordinate a future conference schedule and other duties; expanding youth exchanges in colleges and fields of art as well as in other sectors; launching the first-ever Korea-China-Japan business summit in Beijing for businesspeople of all three nations to come together and discuss trade and investment; strengthening cooperation in the aviation sector, addressing issues like air traffic control and implementation of next-generation air navigation systems; and establishing a ministerial level cooperative body for management of water resources.

Since 1999, the three countries have achieved the adoption of the Joint Declaration on Korea-China-Japan Cooperation in 2003, the Action Strategy in 2004, and the Action Plan in 2008. These early agreements laid the groundwork for Korea, China, and Japan to present the basic principles and direction for trilateral cooperation (Yu 2009).

According to the Korea Times of 7 October 2009, the total amount of trade among the three countries quadrupled during the past decade from approximately $130 billion to $520 billion in 2008, while exchanges among people from the three countries doubled from 6.6 million to 14.3 million. Between 1999 and 2008 the sum of the GDP of the three countries doubled, to account for one-sixth of the world’s total, while the sum of foreign exchange reserves has increased sixfold, representing half of the world’s total.

Foreign Minister Yu Myung-hwan of South Korea expected that the summit would also represent a significant opportunity to newly assert the willingness for cooperation among the three countries, in particular as the new Japanese government was emphasizing “Asia First” (Yu 2009).

A road map for the creation of an East Asian community has not yet been achieved. Nonetheless, it is believed that the summit was an important stage that demonstrated the role of the three nations in contributing to peace and prosperity not only in the region but elsewhere in the world. Therefore, it could be said that the global financial crisis also contributed indirectly to Northeast...
Asian regionalism by increasing the roles of the three countries, especially in the platform of the G-20 as it replaced the Group of Eight. The voice of China increased notably at the G-20. South Korea could also enjoy the position of a middle power.

North Korea’s nuclear test. On 9 October 2006 North Korea conducted its first nuclear test. Less than three years later, on 25 May 2009, North Korea risked further international isolation after it claimed to have successfully tested a nuclear weapon as powerful as the atomic bomb that destroyed Hiroshima. The test came less than two months after the North enraged the United States and its allies by test-firing a long-range ballistic missile. Recently the South Korean government announced a “Grand Bargain” policy for North Korea’s nuclear issue, which has gained support from other countries in the six-party talks. The nuclear crisis has been a stimulus for making countries of the region gather and cooperate together.

Leadership Changes

There have been some time lags in leadership changes in Northeast Asia. South Korea was the first one, contrasting with the United States and Japan in terms of the direction of change from the left toward the right.

South Korea. Choi (2009) argues that the administration of President Roh Moo-hyun appeared to have expected that China would elevate South Korea to the position of a balancer in Northeast Asia. As they observed China’s attempt to incorporate a part of ancient Korea's history into its own, however, South Koreans came to realize that China was no different from other ascending powers: mindful of wielding its newly gained power for its own national interests (Snyder 2009, 95–96).

On 25 February 2008, during his inaugural address, President Lee Myung-bak declared that Korea is now on the “path to an advanced nation.” To achieve this task, he called on the nation to move beyond the “age of ideology” and to enter the “age of pragmatism,” with practical wisdom charting the course through the tides of globalization. He also said he would seek to strengthen ties with the United States and other major allies. He vowed to help North Korea if the communist country abandons its nuclear weapons.7

If the Roh administration focused on a Northeast Asia tilted toward China, the Lee Myung-bak government is emphasizing the U.S.-ROK alliance ex-

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7 See the Korea Herald, 26 February 2009.
panding the economic cooperation toward East Asia by declaring a “New Asia Initiative.”

When he visited Jakarta, Indonesia, on 8 May 2009, President Lee announced the establishment of a New Asia Initiative. Under the initiative, Korea will play a central role in representing the interest of Asian nations in the international arena. The program also envisages Korea concluding FTAs with all Asian countries and establishing a green growth belt in the Asian-Pacific region. If realized, President Lee’s diplomatic initiative will boost Korea’s status and role in the Southeast Asian and South Pacific regions also. President Lee stressed the diplomacy of attaching importance to Asian nations based on Korea’s diplomacy toward its four major neighboring countries: the United States, China, Japan, and Russia.

United States. The global financial crisis contributed to the leadership change in the United States. In his inaugural address on 20 January 2009, President Barack Obama mentioned some points that are relevant to the topic of this paper. Regarding the nuclear issue, Obama stressed: “With old friends and former foes, we will work tirelessly to lessen the nuclear threat, and roll back the specter of a warming planet.” He also declared the necessity for change, saying that “the world has changed, and we must change with it.” And yet he emphasized the responsibility of the United States. “What is required of us now is a new era of responsibility—a recognition, on the part of every American, that we have duties to ourselves, our nation and the world, duties that we do not grudgingly accept but rather seize gladly, firm in the knowledge that there is nothing so satisfying to the spirit, so defining of our character, than giving our all to a difficult task.”

Pempel (2008, 576) criticizes the Bush administration in its approaches to foreign policy and to Asia, saying that it “differed considerably from prior administrations in the depth of its partisanship…. At the same time,… there is every reason to hope that a new Obama administration will actually begin to roll back some of the most negative policies of the past eight years.”

President Lee and President Obama held their first mini summit on 2 April 2009 in London. The official Web site of Korea’s Blue House reported that President Obama stressed that the Korea-U.S. alliance and the countries’ friendship have continuously strengthened and that the alliance would be strengthened even more for the duration of his presidency. The leaders said they would seek both pressure and dialogue in dealing with North Korea through the six-party talks
and the UN Security Council. President Obama said he understood Lee’s efforts for the Korea-U.S. FTA and added that he also had a strong will to advance the FTA talks. President Lee said that the so-called KORUS FTA is significant not only economically but also in terms of the bilateral alliance.

Japan. Last September, the people of Japan voted for a big change, not simply of a party but a whole system (Economist 2009). Japan’s leadership change has a direct implication for Northeast Asian regionalism. Prime Minister Hatoyama (2009) distinguished his own government from his predecessors’ in declaring his foreign policy thrust will move from the U.S. alliance to a pro-Asian-neighbors policy, most symbolically the creation of an East Asian community:

Another national goal that emerges from the concept of fraternity is the creation of an East Asian community. Of course, Japan-U.S. Security Pact will continue to be the cornerstone of Japanese diplomatic policy. Unquestionably, the Japan-U.S. relationship is an important pillar of our diplomacy. However, at the same time, we must not forget our identity as a nation located in Asia. I believe that the East Asian region, which is showing increasing vitality in its economic growth and even closer mutual ties, must be recognized as Japan’s basic sphere of being.

Hatoyama (2009) went further, suggesting his own solution for the global financial crisis:

Our response to the recent global financial crisis should not be simply to provide the kind of limited support measures previously employed by the IMF and the World Bank. Rather, we should be working toward a possible idea of the future common Asian currency. Establishing a common Asian currency will likely take more than 10 years. For such a single currency to bring about political integration will surely take longer still. Due to the seriousness of the ongoing global economic crisis, some people may wonder why I am taking the time to discuss this seemingly extraneous topic. However, I believe that the more chaotic, unclear and uncertain the problems we face, the higher and greater are the goals to which politicians should lead the people.
V. Future Directions and Concluding Remarks

**U.S. Role**

Han (2009) raises a significant question as to the role of the United States toward East Asian regionalism: “The United States, although neither a member of ASEAN Plus Three nor the EAS, and perhaps because it isn’t, used to have more misgivings than blessings toward an East Asian grouping.” Regarding the recent position of United States, Han states, “rather than expressing opposition, it has decided to do something about it—like working in FTAs with such countries as Singapore and South Korea.”

Han (2009) was correct when he pointed out that “the fact that the United States is linked to East Asia through APEC should be a good reason to welcome the emergence of an East Asian community, not a ground to have misgivings.”

**South Korea’s Role**

Choi (2009) stresses a middle-power policy of South Korea: “On the part of the U.S. government, South Korea is a key component of its East Asian policy. In fact, the lack of U.S. interests in regional initiatives led to the decline of its influence in East Asia.” Therefore “the U.S. needs to find a regional institutional structure to complement its bilateral alliance system. The rising China requires sustained and constructive engagement of the United States, and China feels more comfortable in a regional than a bilateral setting with the United States. In this connection KORUS FTA must be ratified at the earliest possible moment.”

Note that South Korea’s role should be a mediator or a coordinator rather than a balancer, stressing universal values like human rights, environment, democracy, and market economy as essential multilateral norms for the region. One problem is the lack of clarity about what kind of East Asia South Korea envisions in its regional schemes.

**Northeast Asian Way**

The “ASEAN way,” which stresses informal, sovereignty-based, consensus-oriented decision-making (Khong and Nesadurai 2007, 32–39), is standing in the way of building a genuinely institutionalized East Asia.

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8 This section is a revised version of pp.163-164, Chapter 10 of Park, Pempel, and Roland(2008).
Moreover, the lack of effective implementation made defection and cheating costless (Khong & Nesadurai 2007, 69). Regional institutions like ASEAN and ARF have largely remained a “talk-shop” without meaningful accomplishments. This ASEAN way is presiding over not just Southeast Asia but also the Asia-Pacific region as well as Northeast Asia (Choi 2009). Therefore we need, so to speak, a new “Northeast Asian way.”

In the case of the EU, the six countries of the ECSC became the core. Since then other countries from western Europe have become members of the EU, and now almost all of the transition countries of eastern Europe are expected to join. We also may say that the Conference on Security and Cooperation in Europe (CSCE, established in 1975) or the Organization for Security and Cooperation in Europe (OSCE, 1994) played the role of thresholds for institutional integration in Europe. In Northeast Asia, a Korea-Japan FTA or a Korea-China FTA could be the core of such economic integration. After this would happen, China or Japan might well desire to join the integration process. The six-party talks should be developed into, for instance, a “Conference on Security Cooperation in Northeast Asia (CSCNA),” which would be a Northeast Asian version of CSCE or OSCE. A Korea-U.S. FTA could be a catalyst for economic integration in Northeast Asia.

At least in the security aspect, the crucial role of the United States is inevitable. To effectively manage a rising China, the United States should change its existing policies toward Northeast Asia to become more active as a participant or at least to accept regionalism in Northeast Asia. Active involvement by the United States in Asian regional integration is essential. Otherwise the United States should encourage and embrace the region’s emerging integration as part of its own new grand world design. Hence, instead of the “ASEAN way,” a Northeast Asian way: that is, a Korea-Japan core (or Korea-China core) plus a CSCNA threshold plus a U.S. catalyst approach.

**Dichotomy**

Morrison (2009) suggested three different conceptions of the region with regard to assessing the U.S. role—an East Asian region, a trans-Pacific or Asia-Pacific region congruent with the Asia-Pacific Economic Cooperation (APEC), and a North Pacific region. According to Morrison, “the North Pacific has hardly any identity as an international region. The one existing multilateral intergovernmental process is the Six Party Talks.” He added that “there have also been proposals for G-2s and G-3s of North Pacific countries, but for the purpose of
promoting bilateral or trilateral cooperation, and not with the purpose of developing a sense of North Pacific cooperation as a whole.”

Han (2009) raises a question of how and to what extent the United States can and should be engaged in the East Asian regionalism movement. Considering all of those factors related to regionalism in Northeast Asia in particular, or East Asia in general, I would like to suggest first that we need to recognize a dichotomy between economy and security. Economically, the United States should allow a coalition or a bloc among East Asian countries. APEC is sufficient for U.S. engagement in East Asian economic affairs. Regarding security issues, however, the United States should actively participate, particularly in Northeast Asia through, for example, the framework of the six-party talks. Without the United States any security arrangement cannot be feasible in the region.

*A New Concept of Community*

Japan and Indonesia are arguing for the concept of an expanded East Asia Community (with a capital C, which means an expanded large community of the total of 16 member countries). This would lead to an East Asia summit including more member countries like India, Australia, and New Zealand. China prefers an enhanced form of ASEAN Plus Three (community with a small c, which means a small community of the original 13 member countries of ASEAN Plus Three), which would work as an independent regional bloc. Most ASEAN countries want to maintain the current framework of ASEAN Plus Three, in which China, Japan, and South Korea would join as annexations.

Finally, Han’s (2009) evaluation is worthy of quoting to understand the current state of East Asian regionalism:

>The East Asian Summit, as it has turned out, is an addition to the ASEAN + 3 summit which was launched in 1997, neither a replacement nor evolution from it as originally envisaged. Furthermore, the old dilemma that has been dogging the promoters of East Asian community still remains: How do we define its relationship with the Asia-Pacific regionalism, presumably embodied in APEC, which holds its own summit meetings annually?

Therefore, this paper concludes by saying that we need to develop a new concept for a community, neither an expanded East Asia community nor an en-
hanced form of ASEAN Plus Three. This new concept should be the Asia Economic Community Forum, www.aecforum.net, where all Asian countries are participating. This can become the moving force to lead regional community building in Asia.

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