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PREFACE

The Korea Economic Institute (KEI) in Washington, D.C., in cooperation with the School of International Service (SIS) at American University, also in Washington, D.C., cosponsored an academic symposium at SIS on 20–22 October 2010 on “Tomorrow’s Northeast Asia.” This volume contains the papers that were presented at the symposium and subsequently refined.

The 2010 symposium focused on emerging and future challenges facing Northeast Asia. Papers and discussions fell under five broad topics:

• Prospects for emerging East Asian cooperation and implications for the United States
• The emerging role of South Korea on a global stage
• The future of energy security in Northeast Asia
• Engaging and transforming North Korea’s economy
• Finding room for a six-party solution to North Korea’s nuclear crisis.

The sponsors and authors welcome comments on the material in this volume. This is the 21st in a series of annual academic symposia on Asia-Pacific economic and security issues that bring together leading academics and policy professionals from throughout the region.

Louis W. Goodman Charles L. (Jack) Pritchard
Dean President
School of International Service Korea Economic Institute
American University

December 2010
HISTORY OF KOREA ECONOMIC INSTITUTE
ACADEMIC SYMPOSIA

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Washington, D.C.

2009 East-West Center, Honolulu
Additional partners: Hawaii Pacific University, Pacific Forum CSIS

2008 New York University,
   Center for Japan-U.S. Business & Economic Studies,
   Stern School of Business

2007 University of Southern California, Korean Studies Institute

2006 Harvard University,
   Preventive Defense Project, John F. Kennedy School of Government

2005 University of Washington

2004 College of William & Mary

2003 Stanford University

2002 University of Pennsylvania

2001 University of California–Los Angeles

2000 Johns Hopkins School of Advanced International Studies

1999 George Washington University

1998 Georgetown University

1997 University of Southern California

1996 University of Michigan

1995 University of Chicago

1994 University of California–Berkeley

1993 Princeton University

1992 Columbia University

1991 Indiana University

1990 University of California–San Diego
BRIDGING THE GLOBAL GAP: KOREA’S LEADERSHIP AGENDA FOR THE G-20

Balbina Y. Hwang and Youngji Jo

ABSTRACT
The upcoming G-20 Leaders’ Summit, which will be held in Seoul on 11–12 November is of critical importance to the global economy as the world looks for guidance amid continued global economic uncertainty. Indeed, given the tepid results of the last summit in Toronto, the future relevance of the G-20 itself is at risk if concrete progress cannot be achieved in Seoul. Yet the stakes may be highest for South Korea and President Lee Myung-bak, who has put his personal legacy and the reputation of his country on the line. Despite the risky gamble, as the first non-Western host of the G-20, Korea finds itself in an unprecedented position to seize the mantle of global leadership and propel the G-20 into a new era. Capitalizing on its unique development experience as well as its singular role among the G-20 membership as the middle-power, South Korea can provide exceptional leadership on a global level. Note: This paper was written in October 2010, before the 11–12 November 2010 G-20 summit in Seoul. Thus, the paper was written in future terms although the event has now passed.

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Introduction

The Republic of Korea (ROK, or South Korea), a small country perhaps best known for being surrounded by Asian giants China and Japan and under constant threat from North Korea, finds itself in an unprecedented position in 2010: it has the opportunity to emerge as a global leader as host of the next Group of 20 (G-20) summit. This is an astonishing and unlikely development for a country that 100 years ago was formally annexed by Japan, marking a century of struggle to overcome humiliating defeat.1 Seoul will now be the focus of the world’s attention on November 11–12 as leaders of the G-20 countries gather to discuss challenges facing the global economy.

South Korea’s remarkable development in the past 60 years into a modern, thriving economy with a robust democratic political system makes it uniquely qualified to serve as the natural bridge between the two divergent halves of the members that make up the G-20. With an approximate GDP per capita of $28,000, South Korea is the only G-20 member that occupies the mid-point between the rich, advanced G-7 economies (each with per capitas greater than $30,000) and the remaining developing economies (each is well below $20,000 per capita; see Table 1).

As one of the most successful cases of rapid industrialization combined with robust democratization, the ROK is an obvious model for the developing world. But what models for progress can South Korea offer the G-7, and how can the ROK fulfill a true leadership role and bridge the gap between the two disparate groups? With tepid results at the last G-20 summit in Toronto and ongoing uncertainty about a global economic recovery, expectations for the Seoul summit are exceedingly high, in large part because President Lee Myung-bak of South Korea has seized the mantle of global leadership, declaring before the UN General Assembly in September 2009: “We are striving to become a ‘Global Korea,’ harmonizing our interests with others, and making our well-being also contribute to the prosperity of humanity.”

This paper argues that the ROK can exhibit strong leadership and exploit its unique position at the Seoul summit by specifically targeting the linkages between the inherent strengths of the advanced economies and chronic weaknesses of the developing world. Such a bold and creative agenda would focus on three key areas: (1) promoting greater openness in domestic markets through increased

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1 The Japan-Korea Annexation Treaty was formalized on 22 August 1910, but Japan gained control over the Korean peninsula in force following Japan’s victory in the Russo-Japanese War in 1905 and Russia’s subsequent withdrawal from Korea (Eckert et al. 1990).
participation in a freer global trading system, (2) demonstrating “green growth” as the best model for sustainable economic development, and (3) reinvigorating the development agenda by offering a new model for official development assistance (ODA) that targets assistance to the underdeveloped world toward social and political institution building.

President Lee has already embarked on an ambitious path for his country in each of these three areas through his prioritization of the U.S.-Korea Free Trade Agreement (KORUS FTA), a national green growth agenda, and the reorientation

<table>
<thead>
<tr>
<th>G-20 members</th>
<th>GDP per capita¹ (U.S. dollars)</th>
<th>GDP (per capita rank)</th>
<th>Total economic size in 2009 (billions of U.S. dollars)</th>
<th>GDP rank</th>
<th>Percentage of the global economy</th>
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<td>Global total</td>
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<td>—</td>
<td>69,541</td>
<td>—</td>
<td>100.0</td>
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Sources: International Monetary Fund, World Economic Outlook database, April 2010.
1 GDP calculations are based on purchasing power parity (PPP).
2 The European Union is the 20th member of the G-20 and is represented by the rotating Council presidency and the European Central Bank.
of the nation’s ODA policy. The gathering of leaders in Seoul presents the perfect opportunity to exhibit the successes and challenges of these goals within the Korean context and to lead by proactive example. By articulating a clear agenda that moves beyond the G-20’s focus, which to date has centered almost exclusively on financial reforms and implementation, South Korea will be taking an important step in fulfilling the mission of the G-20, which (according to the 25 September 2009 Leaders’ Statement at the Pittsburgh summit) is to build on past achievements and close cooperation among members to help the world make a successful transition from global recovery to “strong, sustainable, and balanced growth.”

**Background of the G-20**

The Group of 20 finance ministers and central bank governors was established in 1999, partly in response to the Asian financial crisis in 1997 as well as the growing recognition that the existing G-7 structure was inadequate for accommodating core issues of global economic governance without participation by the key emerging-market economies. The G-20 was thus envisioned to be a forum for the key industrialized and developing economies to systematically discuss the most pressing issues in the global economy.\(^2\)

The G-20, however, did not gain global prominence until 2008, when in the aftermath of the global financial crisis, the meetings were elevated to a leaders’ level summit. Since then, the four summits of G-20 leaders (held in Washington on 14–15 November 2008, in London on 2–3 April 2009, in Pittsburgh on 24–25 September 2009, and in Toronto on 26–27 June 2010) have established the G-20 as the premier forum for international economic coordination and financial governance. The G-20 did so in large part by coordinating one of the largest macroeconomic stimulus programs in history and mobilizing unprecedented financing through the International Monetary Fund (IMF) and multilateral development banks. These actions were successful in preventing the global economy from slipping into a much deeper recession. Just as significant, the G-20 signaled robust commitment to financial regulatory reform, allowing financial markets and national economies to regain confidence at a crucial time.

For example, at the Washington summit in November 2008 in the aftermath of the collapse of Lehman Brothers, financial regulation was the focus of 39 out of the 47 action points. In London in April 2009, G-20 leaders committed to

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2 The inaugural meeting of the G-20 took place in Berlin on 15–16 December 1999 and was hosted by the German and Canadian finance ministers.
pursuing several important measures, including extending the scope and power of the Financial Stability Board, which brings together global supervisors to set rules for markets and banks. Thus, although the Washington, Pittsburgh, and London summits in 2008 and 2009 directly addressed financial crises and achieved several breakthroughs in financial regulation, as the urgency of a global crisis now abates, there is a sense of depletion in momentum as pressure builds to shift the G-20 from crisis to management mode. This was evident in the most recent Toronto summit, which was deemed disappointing for deferring difficult issues to a later date and producing few tangible results. In Toronto leaders deemphasized financial regulation, climate change, and trade, and they returned to the traditional debates of the G-7, focusing primarily on the degree of fiscal stimulus needed primarily by the advanced economies.

As Mahani Zainal Abidin (2010) observes, “ironically, the G-20’s success in preventing a downward spiral of the global economy may well have diminished its own effectiveness,” particularly as the burdens required by national governments become greater. Contributing to these collective action problems is the realization that structural differences throughout the global financial industry may be creating a reluctance to abdicate formal powers to supranational bodies such as the committees that meet at the Bank for International Settlements in Basel, Switzerland.

The lasting legacy of the first Leaders’ Summit in Washington, D.C., in 2008, is that it marked the official recognition by the G-7 nations of the transformation in the distribution of global economic weight, a de facto trend already accepted in economic practice. Goldman Sachs in a 2003 report predicted that by 2040 the economies of Brazil, Russia, India, and China (BRICs) and Mexico—all members of the G-20—will collectively have a larger economic output than the G-7 (Wilson and Purushothaman 2003). The inclusion of the BRICs as well as Mexico and Turkey has enhanced the G-20’s legitimacy, as the members collectively comprise 80 percent of the global economy. But being more inclusive by acknowledging “financial multipolarity” also makes global financial regulatory harmonization a far more complex task, particularly in the wake of a global financial crisis. As Rottier and Véron (2010) argue, it is easier to harmonize regulations when one country or one bloc already dominates. Moreover, economic size and presence alone do not readily translate into proactive membership; China and India, despite their growing weight in the global economy, have yet to exhibit any leadership in the G-20 session.

3 See “About G-20,” at www.g20.org/about_what_is_g20.aspx.
Finally, despite capturing a more balanced representation of the global economy, the G-20 still faces skepticism from the rest of the world that such an exclusive grouping can properly account for the interests of nonmember countries, particularly undeveloped economies. Prioritization of financial issues over topics such as poverty and sustainable development during previous summits has only reinforced this view among the vast majority of developing and less-developed countries that view themselves excluded from the process.

Thus, the G-20 itself is at a critical crossroads. The Seoul summit will be known as either the turning point at which the G-20 becomes the decisive platform for addressing a number of pressing global issues or a summit that marks its future irrelevance as merely another photo opportunity and shoptalk for foreign leaders. The global financial crisis in late 2008 forged an unprecedented consensus and level of coordination in the G-20, allowing for the creation of an ambitious Framework for Strong, Sustainable, and Balanced Growth during the Pittsburgh summit in 2009 as the common goal. A year later, the tepid results at the Toronto summit now make concrete progress in Seoul essential, not only for turning around the global economy but for ensuring future cooperation on global challenges. Thus, Korea’s leadership as host will be crucial.

**Korea: Middle Power as Global Leader?**

When the G-20 summit convenes in Seoul on 11 November, the stakes will be high not just for the organization itself but for the participating world leaders. All economies are struggling with uncertain economic growth, and many will undergo changes in political leadership in 2012: the United States, China, Russia, Korea, and France, among others. With many of the leaders confronted by an increasingly restless and dissatisfied public at home, the chance to earn high marks abroad by furthering national goals can offer some relief from their embattled political positions. Such conditions not only embolden the likelihood of resistance to address common goals but also increase the tendency to lower expectations so as to “avoid promising too much and delivering too little.”

Faced with growing uncertainty about what, if anything, the G-20 can accomplish, the stakes could not be higher for host country South Korea and its president, Lee Myung-bak, who has tied his personal legacy and indeed that of  

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4 Mui Pong Goh (2010) even argues that rather than “promising too much and delivering too little. . . . It is far better to free leaders from the pressure of finding new policies for each summit.” He further argues that “the easy phase of G-20 summity has now run its course. The time is right to recalibrate expectations. If they are set too high, the fledging forum will be guaranteed failures, since such expectations cannot be met.”
his entire country to the success of the G-20. If the 1988 Seoul Olympics was South Korea’s debut on the international stage, then the Seoul G-20 summit is the equivalent of the country’s opportunity to star in the leading role in front of a standing-room-only global audience. Lee was quoted in the *Financial Times* on 25 June 2010 as boldly stating that “the world can be split into two groups: One group sets global rules, the other follows. South Korea has successfully transformed itself from a passive follower into an active agenda-setter.”

Inherent in such a view is the acceptance of greater international responsibilities. Seoul’s speedy response to the earthquake in Haiti was South Korea’s largest relief effort to date for an international disaster and an important example of its commitment to shoring up its growing geopolitical stature. In addition, the ROK has joined the Proliferation Security Initiative, an international cooperative effort to combat proliferation of weapons of mass destruction; sent a ship to fight pirates off the coast of Somalia; and is expanding its contributions to peacekeeping operations (PKO), all in recognition that, as one of the world’s top ten exporting nations, it has a stake in contributing to international security, keeping sea lanes open, and ensuring stability in regions outside Asia.

But the outcome of the Seoul summit and the year-long G-20 presidency will be the greatest test of Lee’s diplomatic gamble. As the galvanizing effect of the global crisis fades, Seoul needs to keep the group’s momentum going. As one observer noted in the *Financial Times* on 17 March 2010: “Just hosting the G20 is not going to be enough to elevate Korea’s position in the world. Korea has to get consensus by the end of the talks.” Skepticism abounds about South Korea’s ability to provide crucial leadership on the global scale. As a small country surrounded by great powers—a shrimp among whales—Korea (both before and after division) is a country more used to falling victim to great-power machinations than one able to maintain independent control over its own destiny, much less affect the actions of others.

Indeed, a common supposition about Korea is that certain immutable traits—that it is a small, relatively weak power sitting at the intersection of interests among the major military and economic powers in the region—have caused a loss of independence. As such, this logic concludes that Korean policy decisions are thus reactive to the exigencies of external situations thrust upon Korea rather

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5 The ROK has pledged more than $16 million in aid and committed a PKO unit of 240 personnel for deployment to that Haiti. It also plans to share with the UN the estimated $25 million cost for the PKO deployment (Jung 2010). In addition to official aid, a South Korean clothing manufacturer signed an agreement with U.S. and Haitian officials on 20 September 2010 to build garment factories in Haiti that will eventually employ 10,000 people in the quake-ravaged nation (Katz 2010).
than proactive in any fashion. According to this capabilities-based argument, the only way Korean—notably applicable to both South and North Korea—foreign policy formation becomes more proactive is with a corresponding elevation of Korea’s status and power in the regional hierarchy. As such, it can be argued that South Korea has achieved this kind of middle-power status by raising its relative regional stature through rapid economic development and modernization. Notably, the ROK remains relatively small to both China and Japan, given their respective growths in economic power; nevertheless, the absolute rise of South Korea’s economic development firmly establishes the ROK within the ranks of a global middle-power status.

Yet, the astonishing characteristic of South Korea’s modern success story is less about its record-breaking accomplishments in the realms of economic and political development and far more about how it did so by breaking dramatically with the trajectory of its history. Situated in the geographic crosshairs of great powers in East Asia, the Korean peninsula occupies strategically valuable real estate and has suffered the consequences, enduring some 900 or more foreign invasions throughout its 1,300 years of unified history. As such, Korea (before its division in 1947) had long been known as a country where foreigners were met with mistrust and dispatched as quickly as possible back to their foreign lands (Cumings 1997, 87): “to those who knocked at its gates,” Koreans said in effect, “we have nothing and we need nothing. Please go away.” Appropriately dubbed the “Hermit Kingdom” long before the moniker was applied to North Korea, Koreans often had to resort to force to repel foreigners who were viewed as “invaders.” But by the turn of the 20th century a trickle of foreign influence soon became a tide that could not be turned away until Korea was engulfed completely, ultimately losing its sovereignty to Japan in 1910.

After liberation, occupation (by the United States in the South and the Soviet Union in the North), division, and war, South Korea was desperately dependent on external assistance not only for its economic survival and development but also to ensure its security. While the ROK’s economic miracle was famously built on an export-led growth model that relied heavily on the largesse of the international trading system, South Korea’s domestic economy remained tightly closed and protectionist for decades, propelled by hypernationalistic tendencies that reflected its historical aversion to all things foreign.

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6 Balbina Hwang (2005) makes the argument that this is an incomplete characterization of Korea’s strategic choices given the intervening variable of strategic culture, which not only allows for but has provided both Koreas the ability to carve out unique foreign policies independent of exogenous variables.
The national narrative of humiliation at the hands of foreigners was revived in late 1997 in the aftermath of the Asian financial crisis when the IMF bailed out the South Korean economy with an unprecedented $57 billion loan; at the time the crisis even became known in Korea as the “IMF crisis,” and resentment of foreigners ran high. Periodic surges of public anger and nationalistic demonstrations against foreigners and their perceived unfair treatment of Korea continue to perpetuate perceptions abroad that Koreans remain suspicious if not outright hostile to foreigners; these include anti-American demonstrations in 2002 and protests against the opening of the domestic market to U.S. beef in 2008.

So it is surprising indeed that despite the endurance of South Korea’s nationalist and protectionist tendencies, Lee Myung-bak has enthusiastically embraced the notion of a “Global Korea” and launched national strategies not only to propel the ROK’s global presence but to open South Korean doors to the world. In actuality, although the contours of Lee’s Global Korea strategy are new and innovative, its principles are based on the steady evolution of a national strategy of globalization, or segyehwa, first formulated nearly two decades earlier in 1994 by the then president, Kim Young-sam. Notably it was adapted in various ways by subsequent leaders, Kim Dae-jung and Roh Moo-hyun, reaching a new level of robust vision and implementation strategies under Lee.

The fortuitous coincidence of a newly elevated role for the G-20 and the ROK’s presidency of the group in 2010 has meant that playing host is the ideal forum for South Korea to test-launch its new role as a global leader. It can do so by capitalizing on its characteristics as a middle power that puts Korea in a unique position among the G-20 to bridge the gap between the advanced economies and the developing ones. These characteristics stem from South Korea’s successful development experience that, although unique in many ways, still provides demonstrative lessons for emulation by developing and underdeveloped economies.

As the first non-G-7 and non-Western country to host a G-20 Leaders’ Summit, the significance of this fact is more profound than mere symbolism. With the urgency of the global economic crisis that dominated the first three summits waning, Seoul will be the leaders’ first opportunity at the G-20 meetings to speak to a broader global audience, which thus far has focused primarily on the large economies and their respective roles. It is thus not only an opportune time to

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7 For a more in-depth discussion on segyehwa, see Hwang (2005, chap. 3), which argues that although at first glance segyehwa seemed to be a radical policy shift for Korea, in fact it is a logical and continuous extension of Korean strategic behavior when understood through the prism of Korea’s unique strategic culture of “nationalistic survival.”
reenergize momentum within the G-20 but perhaps necessary if its relevance to the rest of the world is to be maintained. After all, the global economy recovered from the worst of the crisis in great part owing to the forceful actions of the G-20 in 2009, but the momentum of recovery was driven largely by the Asian economies. In fact, one outcome of the crisis may be the inexorable shifting of economic influence from the richest Western powers toward Asia and Latin America, where the economies have weathered the recession better than the economies of the United States, Europe, and Japan. As one European finance official observed in the New York Times on 11 October 2010, “We have come to the end of the model where seven advanced economies can make decisions for the world without the emerging countries.”

Yet, the rising influence of the non-G-7 countries is contributing to increased disarray among G-20 members, as evidenced by the discouraging conclusion to the recent annual meeting of the IMF in Washington on 8–10 October 2010. This highly anticipated meeting that brought together finance ministers and central bankers ended with no resolution of a brewing currency battle primarily between the United States and China, which is threatening to become a full-fledged war that could spill over into battles over trade. Not only did the meetings not result in any substantive agreements, but they produced brinkmanship on proposed reforms to the IMF, jeopardizing further the spirit of coordination and cooperation cultivated during the postcrisis G-20 summits. Several finance ministers in attendance expressed their despair at the intransigence of both sides (the United States and China) and see little likelihood of a resolution of the deep divisions over policy. As one participant observed in the Financial Times on 11 October 2010: “A once promising global response has now been replaced by inadequately coordinated national economic policies and growing frictions among countries.”

Thus, with the IMF falling short of facilitating international financial coordination, expectations of securing a robust global economic recovery are diminishing, making the revival of the G-20’s focus and collective commitment to cooperation during the Seoul summit ever more critical. This will be no small feat for the ROK as the currency dispute threatens to overshadow the ongoing agenda items from previous summits related to financial sector reform issues, such as the Basel III Capital Accords and the newly expanded Financial Stability Board. Paul Martin, the former Canadian prime minister who helped energize the G-20 in 1998, was reported in the Financial Times of 11 October 2010 as saying he believes that “the exchange rate issue is important but it would be a tragedy if the [Seoul] G-20 were to be hijacked by currencies as the [recent IMF] meetings were.” One critical reason why is that it risks the G-20’s domination by the larg-
est powers while marginalizing middle-sized economies, a frustration already being felt by those caught in the middle of the U.S.-Chinese standoff.

Yet with Europe and Japan largely remaining passive to U.S. entreaties to join U.S. pressure on China regarding its undervalued currency, it is precisely a middle power such as South Korea that may be in the best position to provide leadership toward a workable resolution. As the first Asian nation to head the G-20, the ROK is in a unique position to effectively bridge the gap between the developed Western nations of the G-20 and the others. Because Korea shares historical sensitivities with China about falling victim to foreign domination, it understands that U.S. or Western attempts to demand currency appreciation are likely to be rejected in large part simply because bowing to Western pressure is an unacceptable political humiliation for Beijing. Thus, South Korean officials are steering the debate toward issues such as enlarging domestic markets, which ultimately achieve the same goals without specifically demanding that Beijing revalue its currency.

South Korea is able to credibly hold hands and sustain dialogue with both China and the United States, as the former’s critical trading partner and latter’s long-time military ally, particularly at a time of heightened political tension between Beijing and Washington. Moreover, with Japan in political and economic turmoil and its relations with China reaching new heights of tension over territorial disputes, even as its alliance with the United States experiences uncertainty, South Korea can credibly play the role of mediator among the three major powers as the only other Asian economy other than China recovering quickly from the global downturn.

South Korea’s other distinction—as an extraordinarily successful graduate of development aid and foreign financial assistance—also makes it particularly well qualified to serve not only as a role model for the lesser-developed economies as recipients of financial assistance but also as an effective communicator between them and the rich nations and donor institutions. More than a decade after the IMF’s controversial role in responding to the Asian financial crisis in 1997–98, many Asian countries remain understandably wary of engaging the IMF and have kept their distance from the Fund. As Barry Eichengreen (2010) describes, “the relationship between the IMF and the G-20 nations is both symbiotic and

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8 Notably, French president Nicolas Sarkozy—the next to chair the G-20 in 2011—announced a proposal for a currency accord to be addressed at the G-20 summit, making this one of the key agenda items for the Paris G-20 summit in 2011. Whether or not this is a ploy to garner political capital, it does offer an opportunity to defuse the level of tension and defer the issue for the time being, for better or for worse; see “France Pushes for Currency Accord,” Financial Times, 2–3 October 2010; and “Sarkozy to Seek G-20 Talk on Yuan,” Wall Street Journal, 2–3 October 2010.
conflicted,” and the result has been that during the most recent crisis not a single fast-growing Asian country borrowed from the IMF, in large part owing to the unpleasant stigma leftover from the 1997 crisis. Eichengreen notes further that successive South Korean governments, in particular, have seen “approaching the fund as political suicide,” given the domestic political reaction to the bail-out conditions imposed during the financial crisis. As such, “no matter what the circumstances, South Korean leaders would rather jump off a cliff before negotiating even the most generous credit line with the IMF.” It is particularly admirable, therefore, that the current Lee Myung-bak government has taken the lead in G-20 discussions on reforming the IMF’s mandate.

Seoul has done so, for example, by taking the lead in discussions with the IMF to create a new emergency loan program geared toward Asia that would be made available to troubled economies during a financial crisis. Details of the program are expected to be complete in time for the November summit. The new program, as reported in the Wall Street Journal of 20 June 2010, is dubbed the “systemic liquidity facility,” would make loans available to groups of countries, and it provides the IMF with tools to rebuild ties with Asian nations that are still resentful of the IMF’s heavy-handed role during the Asian financial crisis. South Korea’s painful but crucial experience with the IMF in the late 1990s provides important lessons for how to overcome the stigma of accepting IMF bailouts. Such work is a critical component of Seoul’s efforts to fulfill its leadership role in the G-20 by working on two of the specific mandates: crisis prevention and crisis management.

Finally, it is not just South Korea’s economic success that puts it in a singular position to bridge the developed Western G-20 members with the rest of the Group, but South Korea’s unique role as one of the most vibrant democracies in Asia. While it is practically an article of faith that the leadership of the big global institutions must accommodate non-Western emerging powers, Jorge Castaneda (2010), a former foreign minister of Mexico, warns against bringing in such new players as the BRICs into global leadership organizations. He argues that their inclusion threatens the very principles and practices of democracy, free trade, nuclear nonproliferation, nonproliferation, environmentalism, and international justice that such institutions—and most of their current leadership—seek to spread: “At best they are regional powers that pack a minuscule international punch; at worst, they are neophytes whose participation in international institutions may undermine progress toward a stronger international legal order.”

Indeed, the recent currency battle has brought to the forefront the difficulty of securing international cooperation once the bloom of urgency spurred by crisis
has started to fade. As Eswar Prasad observed in the *Financial Times* on 11 October 2010, “China’s aggressive pushback against criticism of its currency policy by shifting the line of attack towards loose monetary policies and rising public debt in advanced economies reflects its growing assertiveness and strong resistance to international pressure.” And the divergence between the mounting anxieties over Chinese policy and the cautious official response at the IMF meetings raises valid concerns about the potentially disruptive effects that an economically and politically diverse membership can have on an organization meant to establish leadership standards for the global community. Thus, South Korea’s leadership role at the next summit becomes ever more critical because the ROK offers tangible proof of a non-Western country capable of evolving into a flourishing, dynamic democracy that still retains Asian characteristics; in this regard South Korea can be an effective leader and serve as the natural bridge between the West and the rest.

**A Leadership Agenda for Seoul**

It is clear that South Korea is eminently qualified to demonstrate its leadership role in November at the G-20 summit, but the tasks that lie ahead present sobering challenges. Not only will the Seoul summit need to continue the work largely left incomplete in Toronto by ensuring that previous agreements and commitments are implemented, but the G-20 will need to address mid- and long-term issues that will soon arise in postcrisis economic management. As such, while most of the emphasis has been on a range of specific financial issues, with the currency issue looming large, the focus in Seoul will need to shift to a vision for the future instead of concentrating solely on the critical issues of crisis management that had captured the attention of G-20 leaders until now. In other words, Seoul must articulate and launch a credible program for the goal of a “strong, sustainable, and balanced growth” that was articulated at the Pittsburgh summit. As host of the summit, the ROK can do so by presenting an agenda that focuses on promoting development of three key areas: a freer global trading system, green growth, and reorientation of ODA programs. By putting the spotlight on these three specific issues, South Korea can offer a concrete, long-term vision that is inclusive beyond the G-20 membership and initiate action plans for the future.

**Reviving the Trade Agenda**

As the world’s ninth-largest trading country (*Table 2*), with more than 60 percent of its domestic economy dependent on trade—ranking it sixth in the world—there
is no doubt that South Korea’s powerhouse economy has been fueled largely by its vigorous interaction with the global economy. Thus, unsurprisingly, the ROK is keenly interested in sustaining the G-20’s commitment to resisting protectionism.

### Table 2: Trade Performance of Members of the Group of 20 (2009)

<table>
<thead>
<tr>
<th>G-20 members</th>
<th>U.S. dollars (billions)</th>
<th>National rank</th>
<th>Trade as percentage of national economy</th>
<th>National rank</th>
<th>Trade as percentage of global trade volume</th>
<th>National rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>115</td>
<td>20</td>
<td>19.7</td>
<td>17</td>
<td>0.3</td>
<td>20</td>
</tr>
<tr>
<td>Australia</td>
<td>401</td>
<td>13</td>
<td>47.1</td>
<td>9</td>
<td>1.1</td>
<td>13</td>
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<tr>
<td>Brazil</td>
<td>355</td>
<td>15</td>
<td>17.6</td>
<td>19</td>
<td>0.9</td>
<td>15</td>
</tr>
<tr>
<td>Canada</td>
<td>788</td>
<td>10</td>
<td>61.5</td>
<td>3</td>
<td>2.1</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>2,447</td>
<td>4</td>
<td>27.9</td>
<td>14</td>
<td>6.5</td>
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</tr>
<tr>
<td>France</td>
<td>1,281</td>
<td>6</td>
<td>60.8</td>
<td>5</td>
<td>3.4</td>
<td>6</td>
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<tr>
<td>Germany</td>
<td>2,587</td>
<td>3</td>
<td>92.2</td>
<td>1</td>
<td>6.8</td>
<td>3</td>
</tr>
<tr>
<td>India</td>
<td>583</td>
<td>12</td>
<td>16.5</td>
<td>20</td>
<td>1.5</td>
<td>12</td>
</tr>
<tr>
<td>Indonesia</td>
<td>245</td>
<td>18</td>
<td>25.5</td>
<td>15</td>
<td>0.6</td>
<td>18</td>
</tr>
<tr>
<td>Italy</td>
<td>1,030</td>
<td>8</td>
<td>59.2</td>
<td>7</td>
<td>2.7</td>
<td>8</td>
</tr>
<tr>
<td>Japan</td>
<td>1,324</td>
<td>5</td>
<td>31.8</td>
<td>11</td>
<td>3.5</td>
<td>5</td>
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<tr>
<td>Korea (Republic of)</td>
<td>825</td>
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<td>60.5</td>
<td>6</td>
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<td>9</td>
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<tr>
<td>Mexico</td>
<td>272</td>
<td>17</td>
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<td>18</td>
<td>0.7</td>
<td>17</td>
</tr>
<tr>
<td>Russia</td>
<td>599</td>
<td>11</td>
<td>28.4</td>
<td>13</td>
<td>1.6</td>
<td>11</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>363</td>
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<td>61.3</td>
<td>4</td>
<td>1.0</td>
<td>14</td>
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<tr>
<td>South Africa</td>
<td>159</td>
<td>19</td>
<td>31.5</td>
<td>12</td>
<td>0.4</td>
<td>19</td>
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<tr>
<td>Turkey</td>
<td>294</td>
<td>16</td>
<td>33.4</td>
<td>10</td>
<td>0.8</td>
<td>16</td>
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<tr>
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<td>European Union²</td>
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<td>1</td>
<td>77.1</td>
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<tr>
<td>G-20 total³</td>
<td>23,691</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>62.7</td>
<td>—</td>
</tr>
<tr>
<td>Global total</td>
<td>37,780ₐ</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit, database, 2009; and World Trade Organization, database, 2009.

1 Total trade volume was calculated from WTO statistics: total exports and imports of commercial services and merchandise.

2 EIU data for the EU are for 20 of 27 EU member countries: excluded from the total data are Cyprus, Estonia, Latvia, Lithuania, Luxembourg, Malta, and Slovenia.

3 G-20 total trade volume calculated by: total trade volume of G-20 except the EU ($18,423 billion), then adding the EU volume minus those of France, Germany, Italy, and UK to prevent double counting ($5,268 billion).
Mindful of the devastating lessons of history, the G-20’s prioritization of a free trade agenda was evident from the very early days of the global economic crisis, arising from the fear that protectionist sentiments would be quickly unleashed. In Washington in November 2008, the G-20 leaders recognized the “critical importance of rejecting protectionism” in the midst of the financial crisis and agreed not to exacerbate deepening economic problems through beggar-thy-neighbor trade restrictions (White House 2008). Accordingly, the first four summits produced declarations addressing two specific trade actions: a so-called standstill on new protectionism and a mandate to complete the Doha Round of multilateral trade negotiations. The G-20 commitment was clear and comprehensive: leaders agreed to “refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports” through 2013.9 While many G-20 countries did not fully abide with the strict parameters of the pledge, Jeffrey Schott observes that, nonetheless, the G-20 trade standstill substantially limited the imposition of new protectionist measures during this critical period.10

But on the Doha round, Schott notes, the G-20’s record of accomplishment has been unsatisfactory. While the leaders committed during of their summits “to seek an ambitious and balanced conclusion to the Doha Development Round,” specifying a deadline to do so in 2010 at the Pittsburgh summit in September 2009, “sadly, these were empty words,” according to Schott (2010), who argues further that establishing deadlines is a useless gesture unless accompanied by new instructions to respective trade negotiators for substantial progress. But the Doha round in Geneva in March 2010 concluded at an impasse and along with it any opportunity for concluding the round in 2010.

Despite these disappointing results, most believe that trade is unlikely to be a priority issue in Seoul, given the attention that must be paid to the unfinished agenda items from Toronto and urgency of resolving the more recent currency dispute. Yet, it is clear that unless the leaders consciously devote attention and political capital to the trade agenda, the Doha Round may be nearly impossible to revive, seriously damaging the multilateral trading system as countries experience continued roadblocks to economic recovery and domestic political pressure for retaliatory trade measure mounts at home. Thus, the ROK’s leadership

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9 The pledge articulated first in the Washington Declaration and again verbatim in the subsequent London Declaration (4 February 2009) and Pittsburgh Declaration (25 September 2009) specified that the “standstill on new protectionism would be in effect through the end of 2010.” At the Toronto summit on 27 June 2010 the leaders agreed to renew and extend the standstill for a “further three years, until the end of 2013.”

role here is clear: it must urge the leaders to rededicate their priorities toward advancing the Doha Round, but this time press for concrete pledges producing actionable progress during the negotiations with a renewed and firm deadline for completion.

South Korea’s credibility in promoting the trade agenda extends beyond its functional role as host to the G-20 summit, and it should take full advantage of its own experiences. Undoubtedly trade liberalization has been a major contributor to Asia’s rapid economic growth and development in recent decades. As Takashi Omori (2010), chairman of the Economic Committee of the Asia-Pacific Economic Cooperation (APEC) notes, “this is why APEC which has placed a special emphasis on regional economic integration, [and] is pursuing a strategy towards common growth that it describes as ‘balanced, inclusive, sustainable, innovative, and secure.’” This is a lesson the G-20 members ought to know well, as they collectively account for more than 60 percent of the total volume of global trade (Table 2). By recommitting themselves to promoting the trade agenda, G-20 leaders can expand the regional successes of APEC to the global arena. As Lee Myung-bak (2010) affirmed at the Shangri-La Dialogue in June: “Through APEC, Asia has strived to achieve closer cooperation and integration with its members and partners. Working toward the aim of liberalizing trade and investments by 2020 . . . Asia has grown and become close together. And now, Asia must take on more responsibilities as part of a global family.”

The ROK can also lead the momentum toward the free trade agenda at the G-20 through bold example, namely its ambitious efforts to negotiate free trade agreements (FTAs) with the two largest world economies: the United States and the European Union.11 These accomplishments were nothing short of extraordinary: they not only established historical precedence, but they were pursued and achieved despite adverse environmental conditions. In the case of the KORUS FTA, the then South Korean president, Roh Moo-hyun, astonishingly concluded the ROK’s most significant trade agreement with the United States during one of the most difficult and tense periods in the half century of the alliance and a heightened period of Korean mistrust of the U.S. government in Washington. And the EU FTA was concluded on 10 September 2010 in spite of European doubts about a robust economic recovery and heightened domestic pressures toward protectionism.

11 The KORUS FTA with the United States was concluded on 30 June 2007, and the EU FTA was concluded on 10 September 2010. To date, neither has been ratified by either the ROK National Assembly or the U.S. Congress and the EU Parliament, respectively.
It is clear that the ROK has seized the leadership initiative in the G-20 on FTAs, having actively engaged in negotiations with over 50 countries. Notably, the ROK has either concluded or is in the process of currently negotiating or considering an FTA with every member of the G-20 (Table 3). Korean initiative on forging FTAs has been particularly important, especially vis-à-vis the United States, which has been decidedly lackluster in following through with implementation of the agreement that requires ratification by the U.S. Congress. President Barack Obama inherited the completed KORUS FTA when he assumed office in January 2009 but was known to be highly skeptical of FTAs. He began his administration with the virtual absence of a positive trade policy but has recently focused on trade as a critical component of job growth in the United States. The turning point was during the Toronto G-20 summit in June 2010, as reported in the Korea Herald on 27 June 2010, when President Lee Myung-bak achieved arguably one of the only successful outcomes on the sidelines of the leader’s meeting by gaining Obama’s first public endorsement of KORUS. Since then, the Obama administration has highlighted the critical role of trade as an antidote for the anemic U.S. economy, and he has now established a goal of doubling U.S. exports over five years and has called on Congress to ratify KORUS as well as two other outstanding FTAs with Colombia and Panama. The administration, as reported in the New York Times on 15 September 2010, has also explicitly linked FTAs as crucial to the success of the president’s National Export Initiative.

At a time of renewed concerns about the possibility of a trade war following on the heels of the currency dispute, South Korea has a unique platform during the Seoul summit from which to preach the importance of pushing forward a free trade agenda in spite of an unfavorable environment. If the United States can deliver on its promise to push for ratification of KORUS, the ROK can spearhead the positive momentum for broader trade liberalization through its exemplary accomplishments.

**Green Growth**

The G-20 countries account for 66 percent of the world’s population and 80 percent of the global GDP, produce 80 percent of the world’s global greenhouse gas emissions, and command much of the world’s annual $150–$250 billion fossil fuel subsidies (UNEP 2009). In recognition of the tremendous impact of climate change and the relevant role of G-20 members, leaders during the Pittsburgh summit in pledged in their 25 September 2009 Leaders’ Statement to enhance global climate change initiatives and negotiations, improve energy security, phase out fossil fuel subsidies, and reduce the economic vulnerability of the world’s poor. These are sweeping and ambitious goals, to be certain, but...
<table>
<thead>
<tr>
<th>Country or region</th>
<th>Type of agreement</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agreements with G-20 members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>FTA w/Mercosur¹</td>
<td>Under consideration</td>
</tr>
<tr>
<td>Australia</td>
<td>FTA</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>Brazil</td>
<td>FTA w/Mercosur¹</td>
<td>Under consideration</td>
</tr>
<tr>
<td>Canada</td>
<td>FTA</td>
<td>Under consideration</td>
</tr>
<tr>
<td>China</td>
<td>FTA</td>
<td>Under consideration</td>
</tr>
<tr>
<td>France</td>
<td>FTA w/EU</td>
<td>Concluded</td>
</tr>
<tr>
<td>Germany</td>
<td>FTA w/EU</td>
<td>Concluded</td>
</tr>
<tr>
<td>India</td>
<td>Comprehensive economic partnership agreement (CEPA)</td>
<td>In effect</td>
</tr>
<tr>
<td>Indonesia</td>
<td>FTA w ASEAN²</td>
<td>In effect</td>
</tr>
<tr>
<td>Italy</td>
<td>FTA w/ EU</td>
<td>Concluded</td>
</tr>
<tr>
<td>Japan</td>
<td>FTA</td>
<td>Under consideration</td>
</tr>
<tr>
<td>Mexico</td>
<td>FTA</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>Russia</td>
<td>Bilateral economic partnership agreement (BEPA)</td>
<td>Under consideration</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>FTA w/GCC³</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>South Africa</td>
<td>FTA w/SACU⁴</td>
<td>Under consideration</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Turkey</td>
<td>FTA</td>
<td>Under negotiation</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>FTA w/ EU</td>
<td>Concluded</td>
</tr>
<tr>
<td>United States</td>
<td>FTA</td>
<td>Concluded</td>
</tr>
<tr>
<td>European Union</td>
<td>FTA</td>
<td>Concluded</td>
</tr>
<tr>
<td><strong>Agreements with non-G-20 members</strong></td>
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<td></td>
</tr>
<tr>
<td>Chile</td>
<td>FTA</td>
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</tr>
<tr>
<td>China-Japan</td>
<td>FTA</td>
<td>Under consideration</td>
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<td>Colombia</td>
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<td>EFTA⁵</td>
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</tr>
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<td>New Zealand</td>
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<td>Peru</td>
<td>FTA</td>
<td>Concluded, not yet ratified</td>
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<tr>
<td>Singapore</td>
<td>FTA</td>
<td>In effect</td>
</tr>
</tbody>
</table>


1 Mercosur (Southern Common Market): Argentina, Brazil, Paraguay, Uruguay.
2 ASEAN (Association of Southeast Asian Nations): Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, Vietnam.
3 GCC (Gulf Cooperation Council): Bahrain, Kuwait, Oman, Qatar, United Arab Emirates, Saudi Arabia.
4 SACU (Southern African Customs Union): South Africa, Botswana, Lesotho, Swaziland, Namibia.
5 EFTA (European Free Trade Association): Iceland, Norway, Switzerland, Lichtenstein.
faced with the immediacy of the global financial crisis, the leaders’ primary focus at Pittsburgh was tackling more urgent tasks.

As such, to date the G-20 has yet to address climate change in any concrete fashion; neither has it facilitated negotiations toward a new global agreement on climate since the failure at Copenhagen to achieve a credible replacement for the Kyoto Protocol that is due to expire in 2012. Because the most crucial countries of the global climate negotiations are also members of the G-20—namely, the United States, the EU, China, India, and Brazil—the Seoul summit will be an opportune forum to forge substantial progress toward a future agreement, particularly because it will be on the eve of the next global climate summit in Mexico in December 2010.

While there is always the danger of the G-20 Leaders’ Summit taking on too many issues and thereby risking diluting the focus on priority issues, there is no doubt that addressing climate change directly addresses the larger global challenges identified in previous summits. Focusing on green growth as a priority development strategy not only directly engages critical issues of climate change but does so in ways that provide solutions to stagnant economic growth and development. Such an approach has been endorsed by the United Nations Environment Program (UNEP 2009), which has called for a Global Green New Deal that would not only revive the global economy but also boost employment while simultaneously accelerating the fights against climate change, environmental degradation, and poverty.

South Korea can provide a key leadership role to the G-20 by offering its own green growth vision as one particular development model. As the world’s tenth-largest emitter of greenhouse gases and the seventh-largest oil consumer, the nation is almost 85 percent reliant on fossil fuels to meet its energy demands, and thus climate change issues remain a key national priority.12

As such, on 15 August 2008—the 60th anniversary of the founding of the ROK—Lee Myung-bak proclaimed “low-carbon green growth” as a national vision for the next 60 years to address climate issues. It was a prophetic step that

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12 Although the UNEP’s report on the ROK (UNEP 2010) states that the country is “97 percent dependent on fossil fuel imports out of their total energy demand,” this seems to be an incorrect statement, as it refers to the reliance on imports as a source for total fossil fuel needs and not to the percentage of total energy demand. In fact, the ROK government’s Korea Energy Management Corporation (KEMCO, at www.kemco.or.kr/new_eng/pg02/pg02040400.asp) reports that in 2007 Korea’s total energy consumption consisted of fossil fuels (25.2 percent coal, 44.6 percent oil, 14.7 percent liquefied natural gas [LNG]) for a total of 84.5 percent. The remaining portions of energy consumption were provided by 13 percent nuclear, 0.5 percent hydroelectric, and 2 percent other.
would evolve in just a few months’ time as the global financial crisis ensued. By early 2009, countries around the world shepherded by the leadership of the G-20 announced economic stimulus packages to tackle effects of the global financial crisis. The Korean government joined this undertaking by announcing on 6 January 2009 a “green new deal” as a part of a national economic stimulus package but one that also incorporated the core elements of the low-carbon green growth: it included a $38.5 billion investment plan for nine key green projects to be made between 2009 and 2012. The aim was to create 956,000 new jobs in the green sector, according to the “Progress Report 2008–2009” issued by the Presidential Committee on Green Growth on 28 January 2010.

In November 2009, Lee Myung-bak expanded this strategy further by announcing that Korea had unilaterally set a goal to reduce the nation’s greenhouse gas emissions by 30 percent, a target far below the 2020 “business as usual (BAU) scenario” established by the International Energy Agency, which represents a 4 percent reduction from 2005 levels. And, although technically classified as a “developing country” and therefore not required to make emissions reductions, South Korea is proactively establishing a leadership example for its fellow non-Annex I countries by voluntarily adopting the highest-level target recommended by the Intergovernmental Panel on Climate Change (IPCC). A long-term support structure for green growth is another key aspect of South Korea’s national strategy and was the catalyst for Lee Myung-bak’s announcement on 17 December 2009 at the Copenhagen summit on climate change that the ROK would create a Global Green Growth Institute (GGGI).  

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13 The BAU scenario is based on the International Energy Agency’s CO₂ emission growth rates for 2005 to 2030, and accounts for all policies enacted through midyear 2009. ROK figures are from UNEP (2010).

14 The IPCC is the leading body for the assessment of climate change; it was established by the UNEP and the World Meteorological Organization to provide the world with a clear scientific view on the current state of climate change and its potential environmental and socioeconomic consequences. Non-Annex I parties primarily comprise developing countries. Certain groups of developing countries are recognized by the IPCC as being especially vulnerable to the adverse impacts of climate change, including countries with low-lying coastal areas and those prone to desertification and drought. IPCC (2007) provides the required emission reduction ranges in Annex I (developed) countries and non-Annex I (developing) countries. The ROK’s voluntary emission reduction plans reported in Hankyoreh (2009).

15 Established in May 2010 in Seoul, the GGGI is a globally represented, nonprofit institute dedicated to the promotion of economic growth and development while reducing carbon emissions, increasing sustainability, and strengthening climate resilience. It currently conducts several projects in partner countries through program development, implementation, capacity building, best-practice sharing, and the provision of grants to local institutions. See the GGGI Web site, www.gggi.org/menu01/m1_2.php, for more information.
The actions undertaken by the ROK under the rubric of “green growth” clearly illustrate the country’s leadership on tackling issues of climate change. South Korea has unilaterally and aggressively targeted cuts in emissions even though it is technically classified as a developing country under the rules and therefore does not have applicable binding emission caps. Even beyond the green fiscal stimulus packages, the ROK appears to be making a significant shift in reorienting its economy toward a long-term strategy for green growth. In July 2009, the country adopted a Five-year Green Growth Plan (2009–13) to serve as a medium-term implementation plan for the “low-carbon, green growth” vision announced in 2009 (UNEP 2010). Over the long term, in order to promote regional development and cooperation, South Korea also initiated the East Asia Climate Partnership, through which it has pledged $200 million to assist developing countries in the region to address climate change (ESCAP 2010).

Given the globally stalled momentum on achieving substantive progress on climate change, the ROK has a unique opportunity to use its leadership platform during the G-20 in Seoul to present its national green growth development plan as one practical model for contributing to the group’s mandate to achieve “strong, sustainable, and balanced growth.”

**Leading the Development Agenda**

The global economic crisis and subsequent recessions in the advanced economies caused annual growth in developing countries to fall from an average of about 7 percent to 1.6 percent in 2009 (World Bank 2010). The result has been a sudden and significant increase in poverty in developing countries. According to the UN (2010) in its Millennium Development Goals (MDG) report:

> ... an estimated 64 million more people will be living in extreme poverty in 2010 (with an additional 53 million more by 2015) than would have been the case without the crisis. Furthermore, loss in economic growth potential implies that 1.2 million more children under the age of five may die between 2009 and 2015 (the MDG target year) than would have been the case had the crisis not occurred.

Such serious impacts on human development and poverty caused by the global economic crisis are not confined to low-income countries. According to the World Bank (2010, 6), “A large part of the rise in poverty occurred in middle-income countries, which still account for about two-thirds of the world’s poor people. . . . Nine G-20 members are middle-income developing countries that . . . are home
to 54 percent of the world’s extreme poor. . . . Many of the middle-income countries [including some that are members of the G-20] are still a considerable way from achieving some of the MDGs."

As much as the global economic crisis—originating from the developed world—disproportionately affected the developing world, it is this region along with emerging markets that play an increasingly growing role in contributing to growth in the global economy. Since 2000, they have accounted for more than 40 percent of the increase in demand for imports. And they are currently leading the recovery in global trade, with their demand for imports increasing at twice the rate of high-income countries. Given the sluggish recovery of most of the advanced economies, it is the developing countries that possess greater potential for economic growth. The World Bank estimates that growth in developing countries is recovering on average at 6 percent in 2010, twice the rate of rich countries.

Yet, even as the weight of the global economy has shifted undeniably away from the West toward Asia and the developing world, there is a renewed focus on how the increased diversity of the G-20 can adequately address the needs and interests of the majority of countries not represented in the group. South Korea has built up expectations that it will bring fresh impetus to substantive discussions on international development, seeking to address Africa in particular, which, as reported in the Financial Times of 25 June 2010, South Korean officials have described as “the greatest global imbalance.” It is precisely for the lesser-developed economies not represented at the G-20 that South Korea’s leadership may provide the most profound hope.

South Korea is certainly a well-known model for its development experience, having grown from poverty levels with GDP per capita hovering around $100 in the 1960s—on par with Ghana at the time—to today’s per capita income edging toward $30,000. Proof of rapid and successful development was highlighted in December 2009, when the ROK became an official member of the Development Assistance Committee of the Organization for Economic Cooperation and Development. Lee Myung-bak (2010) noted:

In just one generation, the ROK has become a country that gives from a country that received. In just one generation, we are now in a position to provide help to those in need. . . . A young boy who once stood in line to receive used clothes from foreign missionaries now stands before you as President of the Republic of Korea. I know what it is like to be in want. I have benefited from other
people’s compassion and so I know more than others what kind of help should be given to those in need.

Far beyond the clichéd expressions of rhetoric, South Korea’s developmental experience offers a concrete model to many in the developing world. As one ambassador from an African country so eloquently explained, “It is extremely meaningful for Africa to have the ROK host the next G-20 summit because it is the next best thing to being there ourselves. Korea is not just preaching the lessons of development but it actually lived it, and is a shining example of success.” Yet, it is not just the mere fact of successful development that makes South Korea a compelling model for the underdeveloped world. South Korean officials insist that it is not trying to export its own growth model, which was forged principally through a military dictatorship and protectionist policies to promote infant industries. The ROK is the first to recognize that had it followed World Bank directives and other Western advice, it would arguably have been less successful; indeed South Korea’s development of steel and ship-building industries—two of its most successful endeavors—were pursued in direct contravention of explicit instructions to not do so by the World Bank.

Thus, the ROK is helping to create new development models that shift the world away from targeting final goals such as clean water and hospitals. Instead the focus is on building vital intermediary goals such as education and infrastructure, which not only fuel growth but will sustain it over the long-term. South Korea’s leadership on development may be most effective through knowledge sharing, thus emphasizing the importance of providing technical assistance as laying the groundwork for building social infrastructures and capacity development.

In 2004, for example the ROK Ministry of Strategy and Finance and the Korea Development Institute launched the Knowledge Sharing Program to provide South Korea’s development partners with research and policy consultations based on its development experience and expertise. The assistance programs contributed to developing and strengthening the capacity of human resources in developing countries. Such practical and technical assistance combined with education and training programs focused on creating institutional foundations can go a long way toward contributing to “sustained and balanced growth,” reported the Korea Times on 23 July 2010).

South Korea can provide vital leadership on the development agenda during the Seoul summit by emphasizing ideas of permanence, showing that development is different from aid and that development requires long-term commitments.
This is a message that has great resonance with the developing world. As the African ambassador observed:

The Korean perspective on development is correct. The rich countries of the world should not view giving aid and handouts to poor countries as finite acts of compassion or moral responsibility. We don’t want you to tell us what to do with your aid. We want you to ask us what we need, then commit to a framework where our partnership can thrive and develop.

And as Lee Myung-bak (2010) declared: “The Korean people who have been through wars and destitution are now prepared to contribute to global peace and prosperity. . . . We are ready to do our part.” There is no clearer acknowledgement that in order to become a truly “global Korea” and to live up ever-increasing expectations as a respected member of the international community, South Korea must seize this unique opportunity for leadership and make a lasting contribution to global development.

**Conclusion**

2010 is proving to be a momentous year on the Korean peninsula: even as North Korea exhibits in grandiose fashion its commitment to hold to the strict confines of its traditional rule via hereditary succession, South Korea is diverging radically by proving to the world on the global stage how far it has come since losing independence to Japan a century earlier. As the first Asian and non-G-7 host of the G-20 Leaders’ Summit, South Korea will prove in November that it is one of “the only countries to have transformed itself from a passive follower to an active agenda setter,” noted the Financial Times on 25 June 2010.

The ROK could not be presented with a more opportune time or unique forum in which to exhibit its leadership than the G-20 Leaders’ Summit. The G-20 collectively has already accomplished much by bringing a disparate group of countries together and coordinating policy responses during the height of a global economic crisis, averting a worldwide depression. But even as “the G-20 represents a more promising and legitimate architecture for cooperation than has existed for many years” (Sakong 2010), its work is far from complete and serious questions remain about its ability to address current and future challenges. Disappointing results in Toronto left much work still to be done, and recent developments such as a growing currency dispute raise even more questions about future international cooperation. Finally, with the global economic recovery still
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vulnerable, the world is at critical juncture in transitioning to a fully functional and effective global framework for economic governance.

Yet South Korea possesses three significant agenda items that it can present as focal points to exhibit its unique brand of leadership to the global audience. As argued throughout this paper, by targeting the linkages between the inherent strengths of the advanced economies and chronic weaknesses of the developing world, and by presenting itself as the natural bridge between the two, the ROK can provide exceptional guidance to the G-20 in achieving its goal of “strong, sustainable, and balanced growth.”

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