



**“New Beginnings” in the
U.S.-ROK Alliance:
Recommendations to U.S. Policymakers**

April 2008

Acknowledgments

The Korea Society and the Walter H. Shorenstein Asia-Pacific Research Center of Stanford University and members of the New Beginnings policy research group express deep appreciation to the Luce Foundation, the William Perry Endowment and the Pantech Fund in Korean Studies (both of Stanford University), to Mr. David Yun, and to Ms. Euni Park for generous financial support.

Among the many people and institutions in Seoul who offered valuable insights to the New Beginnings group members were then President-elect Lee Myung-bak and his senior advisers; Sohn Hak-kyu, the chairman of the main opposition United New Democratic Party; Dr. Han Sung-joo, chairman of the Asan Institute for Policy Studies; Jae-Hyun Hyun, chairman of the Tong Yang Group; Ambassador Keun Park, president of the Korea America Friendship Society; the American Chamber of Commerce in Korea; the U.S. embassy; and U.S. Forces Korea. Nae Young Lee, professor at Korea University and director of the Center for Public Opinion Research at the East Asia Institute, provided insights on South Korean public attitudes based on EAI polling. Ms. Heather Ahn, Korean Studies Program Coordinator, Shorenstein APARC, organized the New Beginnings group visit to Seoul.



New Beginnings group members meet with then President-elect Lee Myung-Bak, February 5, 2008.

“New Beginnings” in the U.S.-ROK Alliance: Recommendations to U.S. Policymakers

After a period of strain and tension during the past decade, the United States and the Republic of Korea (ROK) have a major opportunity to strengthen their alliance and to transform it into a global partnership. In December 2007, South Koreans overwhelmingly elected Lee Myung-bak as their new president. Lee is a pragmatist and a globalist who stresses the primacy of the United States in his country’s foreign and security policy. His five-year tenure will coincide with the entire first term of the next U.S. president. Together, the two new leaders will have the opportunity to seek new beginnings, in an updated and revitalized alliance that is in the vital national interests of both countries. The United States must not miss this opportunity.

South Korea is more important to the United States than ever before. In only two generations, it has emerged from the devastation of war to become a major force in the world economy. Surrounded by a rising China, a more assertive Russia, a Japan seeking to be a “normal” country, and a nuclear North Korea, South Korea also has key roles to play in East Asian strategic affairs.

- South Korea is crucial to the United States’ effort to maintain peace and stability in the region, including encouraging the PRC’s development as a responsible stakeholder in the international community.
- Without the closest U.S.-South Korean cooperation, no effort to ameliorate, much less resolve, the nuclear and other challenges posed by North Korea is likely to succeed.
- South Korea is the world’s thirteenth-largest economy and one of Asia’s most democratic countries. Its economic and political development has made it a model of the virtues of a market economy and democracy—and of alignment with the United States.

South Koreans continue to regard their country, strategically, as being in an exposed position. Led by President Lee, a great majority believes in the utility of special security ties to the United States, as the most distant and disinterested of the major powers that influence their country. President Lee wants to work more closely with the United States, not only in Northeast Asia but also throughout the world.

In this context, the New York-based Korea Society and Stanford University's Walter H. Shorenstein Asia-Pacific Research Center on January 10, 2008 launched a nonpartisan group of former senior U.S. government officials, scholars, and other American experts on Korea. The members of this New Beginnings policy research study group were asked to make recommendations to U.S. presidential candidates, policymakers, and the American public on ways to strengthen U.S.-South Korean relations. In February, the group conferred at Stanford and then traveled to Seoul for intensive discussions with then President-elect Lee and his top foreign policy and security advisers, as well as with the head of the South Korean opposition. The group also met with business people, academic experts, and journalists. This report is the product of these efforts.

South Korea's Increasing Importance to the United States

With the end of the Cold War and the collapse of North Korea's economy in the 1990s, some American observers suggested that the U.S.-ROK alliance was no longer necessary. They argued that the South, economically far superior to the impoverished North, could deter and defeat Northern forces with little U.S. assistance. The United States, meanwhile, could continue to ensure stability in East Asia and advance its national security interests by relying on its alliance with Japan. The large anti-American protests in South Korea in 2002 and widely diverging threat perceptions of North Korea led to serious concern in both countries that the alliance might be headed for a "divorce."

In the past several years, however, South Korea's situation and South Korean attitudes have changed significantly.

First, South Korea remains central to maintaining peace and stability in Northeast Asia, and especially to meeting the challenges that North Korea poses. The events of 9/11 highlighted the risk that terrorists or a rogue state might target an American or allied city with a nuclear device or other weapon of mass destruction (WMD). North Korea tested a long-range ballistic missile in July 2006 and a nuclear weapon in October 2006; it has threatened to transfer nuclear technology to others and may already have sought to do so. The experience of both Democratic and Republican administrations shows how difficult it is to influence North Korea and to convince Pyongyang to pursue a more cooperative path. The United States and South Korea must work together as closely as possible to deal successfully with the challenge that North Korea poses.

Second, South Korea's economic ties are very important to the United States. South Korea is the United States' seventh-largest trading partner. In 2007, two-way trade was nearly \$80 billion—more, for example, than U.S. trade with France or Italy. U.S. imports and exports are more nearly in balance with South Korea than with most other major Asian trading partners. South Korean enterprises have made major investments in the United States. The United States and South Korea last year negotiated a bilateral free-trade agreement (FTA), which is now awaiting ratification by the two countries' legislatures; it would be the United States' largest FTA since NAFTA. Most South Koreans now support the FTA.

Third, people-to-people exchanges and shared values are binding Americans and Koreans ever more closely. Two million people of Korean descent live in the United States; another 750,000 Koreans visit the United States annually. South Korea sends over 100,000 people each year to the United States for study and exchanges, more than any other country. The personal ties developed within business circles and between the two militaries are also important. South Koreans and Americans share many basic values, including democracy, the rule of law, and a market economy. South Korean attitudes toward the United States have improved significantly in recent years; polls today show that two-thirds of South Koreans want closer ties with the United States.



The Significance of Lee Myung-bak's Election

Lee Myung-bak's election reflected voter anxiety over Korea's economic prospects and fatigue with ten years of center-left or "progressive" rule, compounded by incumbent President Roh Moo-hyun's personal unpopularity. Lee defeated progressive candidate Chung Dong-yong 49 percent to 26 percent, by far the largest margin of victory since Korea democratized two decades ago. Lee's victory would have been even greater had not former conservative leader Lee Hoi-chang joined the race in its final weeks, taking 15 percent of the vote.

Economic concerns were central in South Korean voters' minds. Although GDP has grown by 4–5 percent annually in recent years, South Koreans felt squeezed by sharply rising housing and educational costs. They blamed Roh and his administration for a lack of effective countermeasures. Many also felt that Roh focused too much on decades-old historical and ideological issues, and they found his provocative style to be unrepresentative.

As a candidate, Lee responded effectively to popular concerns. Above all, he stressed that he would revitalize the Korean economy. He promised that his approach would be thoroughly "pragmatic," not ideological. Voters believed that Lee, who had been a successful business executive and mayor of Seoul, had the track record to be an effective steward of the economy. Opinion polls showed that voters were concerned about corruption charges that Lee's opponents leveled against him, but that they were much more interested in competent management of the economy.

Politically, candidate Lee was in almost perfect sync with Korean voters. Koreans who identified themselves as progressive (or center-left) fell from a high of 41 percent at the time of Roh's election in 2002 to only 23 percent in December 2007. Unlike the 2002 election, when six out of ten voters in their twenties and thirties supported progressive candidate Roh, conservative candidates this time won absolute majorities among young and old alike.

While the 2007 election was not primarily about foreign policy, Lee's election was facilitated by a significant improvement in South Korean public attitudes toward the United States over the preceding five years. The 2002 presidential election occurred just weeks after a U.S. court-martial acquitted American soldiers on charges of criminal negligence in the killing of two schoolgirls in a traffic accident, prompting large nationwide protests. Koreans had also been offended by President Bush's open skepticism toward President Kim Dae-jung's Sunshine policy, which advocated far-reaching engagement of North Korea. Candidate Roh Moo-hyun won the support of younger Koreans with his pledge to demand an equal relationship with the United States and to continue Kim's North Korea policy.

Soon after Roh's election, however, Korean popular attitudes about foreign policy, and especially about the United States, began to change. President Roh's declining popularity was accompanied by growing skepticism about North Korea's receptiveness to reform. The Bush



Meeting with opposition leader Sohn Hak-kyu,
February 5, 2008

administration's decision to withdraw about one-third of the 37,500 U.S. military personnel in South Korea triggered fears that alliance ties were weakening. Meanwhile, North Korea withdrew from the Nuclear Nonproliferation Treaty (NPT) in 2003 and tested a long-range ballistic missile and a nuclear device in 2006. Disputes with the PRC over ancient historiography and other issues, and a significant increase in Chinese economic ties with North Korea, prompted a more critical focus on China. Relations with Japan also significantly worsened for a time due to disagreement over historical issues.

These events brought about four key changes in South Korea: (1) a significant shift back toward the political center; (2) greater skepticism about North Korea; (3) more wariness of China; and (4) enhanced support for the alliance with the United States, including the continued stationing of U.S. Forces Korea (USFK). The protests against the United States seen in 2002 no longer reflect the reality in South Korea. In a BBC poll late last year of thirty-four countries, South Korea and Portugal were unique in having pluralities that believed that U.S. international influence was positive. South Korean views of North Korea have also changed significantly in recent years—the same BBC poll found 72 percent of South Koreans (and 77 percent of Americans) hold a negative attitude toward North Korea.

Of course, this does not mean that South Koreans, especially younger people, are uncritically supportive of the United States. They believe that a strong alliance with the United States can be in their country's interests, but that the key is the substance of U.S. policy. South Koreans will support a U.S. policy that promotes stability, peace, prosperity, and democratic values in East Asia. They also want to feel that they are respected, full partners in the alliance with the United States.

Lee Myung-bak: The Person, the President

Lee Myung-bak's life story is so compelling that it has been the subject of not one but two dramatic TV programs in South Korea. Born in 1941 to an impoverished family, Lee knew deprivation and humiliation as a child. His mother, a Christian, taught him that hard work was a virtue. Later, Lee, himself a Christian, wrote a book about this remarkable woman, entitled simply *Mother*. An elder of the Somang (Hope) Presbyterian Church in Seoul, he has written another book entitled *Prayerful Leadership*.

Lee's family was too poor to send him to high school, but a dedicated teacher saw promise in the boy and made it possible for him to attend evening classes on a scholarship. Even though Lee worked days to support himself and his family, he was the top student in his school. He later won admission to Korea University, a premier institution of higher learning in Seoul, where he supported himself by hauling garbage in the mornings.

As a young man, Lee successfully ran for a top position on the university's student council. Like most student leaders, he participated in protests against normalization of relations with Japan, Korea's colonial ruler from 1910 to 1945. He was jailed for six months for his involvement in these protests, and, on graduation, found that he had apparently been blacklisted from employment. Audaciously, Lee wrote a letter to the president's office, arguing that Korea could not succeed if young people were not allowed to prove themselves.

In the event, the Hyundai Company hired Lee in 1965. Today Korea's second-largest conglomerate, Hyundai then employed fewer than one hundred people. Lee's talent and drive stood out. In only twelve years, he became head of Hyundai Engineering and Construction, managing massive building projects in Korea, the Middle East, and throughout the world.

Lee left Hyundai in 1992 to embark on a career in public service, winning election to the National Assembly on the conservative ticket. He was re-elected four years later but resigned due to campaign finance violations. During this period he spent a year at George Washington University in Washington, D.C., further improving his English-speaking ability. In 2002, Lee was elected mayor of Seoul, South Korea's capital city with a population of



over ten million. He developed a reputation as a can-do politician, beautifying the city and rationalizing its mass transit system, accomplishments that set the stage for his successful run for the presidency in 2007.

As president, Lee is focused on reforming and revitalizing the South Korean economy. He has pledged to implement reforms that, within ten years, would raise the GDP growth rate from the current 4–5 percent to 7 percent, boost South Korean per capita incomes to \$40,000, and make South Korea the world's seventh-largest economy. Lee plans to increase domestic and foreign investment in Korea through deregulation, privatization, tax cuts, and an improved labor environment. He stresses the need for South Korea to become more globalized, and he strongly supports ratification of the U.S.-ROK FTA.

In foreign policy, Lee places top priority on the alliance with the United States. He also wishes to maintain good, balanced relations with Korea's neighbors, Japan, China, and Russia. Lee favors improved relations with North Korea, too, but has criticized his predecessors' approach. Specifically, he says he is willing to provide large-scale economic assistance to the North only *after* it abandons its nuclear weapons program and he has pointedly criticized human rights abuses in North Korea. Lee favors continued food and other humanitarian aid to the people of North Korea, but as of April 2008 the details of that policy were still being developed. He is willing to meet North Korean leader Kim Jong-Il "frequently" for substantive talks, but the North's negative reaction to Lee's new approach to North-South relations has rendered uncertain the prospects of such talks.

Politically, President Lee faces a number of challenges. Above all, South Koreans will judge him on his success in revitalizing the economy and creating jobs. Achieving a 7 percent economic growth rate will be difficult, given increasing food and energy prices, the downturn in the U.S. economy, global financial uncertainty, and the maturity of the Korean economy. In addition, North Korea has already begun to raise tensions on the peninsula in response to Lee's new, tougher policy. Lee must also deal with continuing regional and generational divides within South Korea; indeed, he has rivals within his own conservative camp that threaten his base of support. While his party won a majority in the National Assembly election on April 9, Lee will need to seek an accommodation with disaffected conservatives within and outside his party to fully realize his policy agenda. And although the center-left emerged from the election much diminished, it will remain a significant factor in domestic politics, one that Lee must always take into account.

Toward a Global Partnership

South Korea's new administration comes into office determined to restore the security alliance with the United States to its previous position as the centerpiece of South Korean foreign and security policy. But President Lee's foreign policy goals go beyond a desire to revitalize the U.S. alliance. Building on the efforts of previous South Korean administrations, extending back to President Roh Tae Woo (1988–1993) but also including the Kim Dae-jung and Roh Moo-hyun governments, President Lee intends to project Korea's own global role.

"We want real globalization, not paper, catch-phrase globalization," one adviser to President Lee told the New Beginnings group. As he explained it, the elements of a "real" global role would include increasing Korea's official development assistance (ODA) to OECD levels (that is, from a current 0.3 percent of the budget to 1.2 percent, within five years); creating a Korean-style "Peace Corps" of 100,000–150,000 young people for overseas service; organizing a 1,000-person standby PKO force; and becoming engaged on transnational issues such as preventing the spread of pandemic diseases and providing humanitarian relief. The Lee administration also emphasizes South Korea's Asian diplomacy, beginning with building a cooperative relationship with Japan (including trilateral security

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cooperation with the United States), an upgraded partnership with China, and more robust relationships with Australia, India, and central Asia.

Beneath the Lee administration's confident and ambitious rhetoric is an undertone that should not be missed. Koreans are increasingly unsettled by the uncertain strategic future of the region, including North Korea's possession of nuclear weapons, the impact of a rising China, perceptions of a militarily stronger Japan, the continuing Sino-Japanese rivalry, and Russia's more strident foreign policy. In large part, these uncertainties prompt South Koreans' desire to re-emphasize the centrality of their security alliance with the United States. Americans need to be sensitive to those concerns and perceptions, even if we do not necessarily share all of them.

President Lee's desire to "globalize" his country and revitalize relations with the United States offers an important opportunity to develop the alliance into a true partnership engaged in worldwide cooperation. For most of its sixty-year history, South Korea had not reached the level of economic and political development to achieve such an ambition. Today Korea has not only the capability but also the will to do so.

It appears likely that Presidents Bush and Lee this year will issue a joint statement outlining their vision of a global U.S.-South Korea partnership based on shared interests and values. While

actions speak louder than words, words do matter. Such a joint statement should identify areas for expanded cooperation and mobilize officials of both governments to meet the two presidents' goals. On both sides, political will is vital to ensure the implementation of such a partnership. If the vision represented by a joint statement is to be sustainable, it should represent a consensus of what is desirable and



Meeting with Korean alliance experts, February 4, 2008

practical in terms of expanded cooperation, not only between the two governments but also within each country. Over-reaching or ignoring political realities in either country would likely prove to be counterproductive in the long run.

Both the United States and South Korea will need to make adjustments to realize a global alliance. The United States must include South Korea more fully in its foreign policy consultations, as befits the country's status as a major ally and leading global economy. South Korea, for its part, needs to move beyond lingering feelings of being a victim of foreign powers.

Some South Koreans suspect that the United States regards the concept of a global partnership as a means of pressing their country to support and pay for U.S. foreign policy, like it or not. Thus, there was a public quarrel between the two governments in 2005 over "strategic flexibility"—the U.S. use of USFK for purposes other than the immediate defense of South Korea. (The disagreement was finally put to rest in 2006 with a statement by the United States that it "respects the ROK position that it shall not be involved in a regional conflict in Northeast Asia against the will of the Korean people.") The U.S. government needs to take South Korean interests and concerns fully into account. For their part, South Korean leaders need to take responsibility for explaining and defending the alliance to their own citizens, a critical task that only they can do effectively and that, at times in the past, they have failed to do.

We, the New Beginnings policy research study group, believe that the U.S.-ROK alliance will remain at the heart of the bilateral relationship, because it serves the vital security interests of both countries. Alliance management, however, has not always been smooth and will require continued effort by both countries. South Koreans, like Americans, are not always united on policies toward countries such as North Korea and China, or on issues such as free trade and globalization. For example, some Koreans suspect that, in the interest of reaching an accommodation with North Korea, the United States might accept less than full verification of that regime's abandonment of nuclear weapons. Other Koreans believe that United States policy toward North Korea's nuclear program is not sufficiently patient and flexible. Many Koreans are concerned about possible abandonment by a United States preoccupied with other regions; others fear entrapment in U.S. foreign and security policies that they oppose. These are difficult but understandable divisions, and the United States needs to adopt policies toward the Korean Peninsula that take into account these divergent views.

RECOMMENDATIONS: For a Global Partnership

President Lee has said that Korean foreign policy and the U.S.-ROK alliance should be interest-based. We welcome that approach and encourage a dialogue that would begin to define our common global interests more clearly. As President Lee suggested, these could begin with energy and the environment, where both countries have a strong interest in promoting energy efficiency in parallel with the Kyoto dialogue on climate change. These discussions could also include a strategic approach to development assistance, coordinating the distribution of U.S. and Korean ODA in sensitive areas such as Afghanistan, Pakistan, and Southeast Asia.

We should take seriously South Korean concerns about the uncertain future of their neighborhood. The United States needs to give increased emphasis to the foreign ministerial strategic dialogue it initiated with South Korea in 2006. The dialogue should focus on the broad strategic environment and the possibilities for common approaches to regional and global security and other issues. The aim should be to build the U.S.-ROK alliance into a global partnership whose common interests include but go beyond the deterrence of potential North Korean aggression. At the same time, the United States and South Korea should not lose sight of the fact that, for the foreseeable future, working to resolve the North Korea problem will remain their most immediate and difficult joint task.

We share the new Korean administration's commitment to reviving trilateral coordination with Japan, not only regarding North Korea but, perhaps more importantly, as a broader dialogue on issues such as energy, climate, and development. U.S.-ROK and U.S.-Japan security cooperation are also appropriate subjects for this kind of trilateral consultation, since the security of all three is closely linked.

American leaders must also be aware that the national division of Korea is a profound, long-term political factor in South Korea. For the people of Korea, it goes to the heart of their identity as individuals and as a nation. U.S. policymakers must avoid making South Koreans feel forced to choose between their support for the alliance and their national identity. American leaders also need to consider the continuing, serious political divisions within South Korea on these issues. While working closely with the Lee administration, the United States should maintain a sincere dialogue with the South Korean opposition.

Progress made in the next months must continue into the new American administration. The next American president should seek President Lee's agreement to establish a bilateral group of distinguished American and Korean citizens to study further ways in which the U.S.-ROK alliance can be strengthened. Based in part on their recommendations, the two presidents should issue a new joint statement detailing their own partnership and vision for the alliance's future.



Transforming U.S.-South Korean Security Relations

We believe that most adjustments to alliance arrangements in recent years have strengthened the long-term foundation for the U.S. military presence in South Korea. The changes include a revision of the Status of Forces Agreement and agreements to move USFK headquarters out of the capital city of Seoul and the U.S. Second Infantry Division from near the Demilitarized Zone (DMZ) to Pyeongtaek south of the Han River. USFK personnel are scheduled to decline to 25,000 by the end of 2008. Consolidation and rationalization will greatly reduce the number of U.S. bases, thereby improving efficiency and reducing irritants to host communities. Furthermore, wartime operational control (OPCON) of Korean forces will revert to South Korea on April 17, 2012, and simultaneously, the U.S.-led Combined Forces Command will be replaced by a liaison arrangement between U.S. and South Korean commands. These changes take into account the continuing enhancement of ROK military capabilities, and Korean popular desires for a full partnership with the United States.

Within South Korea, the process and politics of reaching agreement on these alliance adjustments have raised concerns that the new administrations in Seoul and Washington can usefully address. For example, many South Korean conservatives feared that some of the changes signaled that the United States was beginning to abandon its security commitment to their country. They felt that President Roh did not sufficiently appreciate the alliance and that the United States was responding by reducing its commitments to South Korea. They are also seriously concerned that the United States is preoccupied with the Middle East and other regions and is not paying full attention to East Asia.

Conservative political and military circles in South Korea remain uneasy about the U.S.-ROK agreement to return wartime OPCON to South Korea in 2012. These groups launched a very public campaign against the decision, assailing the Roh administration for pursuing what they characterized as a left-wing nationalist agenda at the cost of Korean security. The inner circle of the Lee administration, however, takes a pragmatic approach to the issue. “We will be very careful in raising the issue,” a senior advisor to the president told the New Beginnings group. That may be less a matter of conviction than a reflection of the fact that the Bush administration and USFK oppose revisiting the basic decision.

Instead, the Lee administration will likely ask to open discussion, within the existing security consultative mechanism, of two subsidiary but crucial issues—the conditions for the command transfer and joint contingency planning. In particular, Korean security officials want to discuss the sensitive issue of joint U.S.-ROK operations in the event of a collapse of political order in North Korea. Behind both of these issues lies a deeper strategic debate in Korea over how to respond to the long-term challenge, and what some even regard as a threat, from China.

Some in the Lee administration, and in the Ministry of National Defense in particular, believe that the linkage between the timing of the final transfer of command and the military balance and threat assessment on the peninsula were not adequately discussed. They wish to establish, at least in principle, that the date for the transfer could be postponed if both sides determine that the security situation and the need to deter an ongoing threat from North Korea require such a change. Some South Koreans believe that the transfer of wartime OPCON should not proceed as scheduled in 2012 if North Korea has not verifiably abandoned its nuclear weapons by then, since South Korea, having foresworn nuclear weapons, must rely on the U.S. nuclear umbrella. As a senior Korean military leader put it to the New Beginnings group, “The timeline should have flexibility . . . [using a] conditions-based method to change the timeline.”

Nevertheless, even most Koreans who oppose the wartime OPCON transfer acknowledge that South Korea will have the capacity, with U.S. support, to carry out its command responsibility. There is sufficient time, they admit, for the South Korean military to gain the necessary knowledge and capabilities from its USFK counterparts to ensure command continuity. There may, however, be a marginal reduction in the ability to develop and sustain some military capabilities.

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The more significant concern among South Korean military and security officials, including some of those serving as advisers to the incoming Lee administration, is the need to maintain the USFK to deter any potential outside forces that might intervene in a crisis on the Korean Peninsula. In the conversations conducted by the New Beginnings group in South Korea, anxiety about China was repeatedly expressed. One senior security leader argued that a U.S. presence and continued U.S. wartime OPCON were essential over the long term “to deter Chinese intervention” in Korean Peninsula affairs.

More important than the fighting in a potential war, several Korean security experts argued, is how U.S. and Korean forces would coordinate for various contingencies of regime collapse or implosion in North Korea, as envisaged in Operations Plan (OPLAN) 5029. For such a scenario, they told the New Beginnings group, the two governments should discuss in detail the roles and missions of both forces in establishing order, securing North Korea’s WMD, and dealing with a possible economic and humanitarian crisis. There is awareness of the sensitivity—not only internationally but also domestically within South Korea—of how to respond to possible Chinese intervention and about the role U.S. forces might play in securing a collapsing North Korea. Indeed, out of concern that such discussion might both abridge South Korean sovereignty and provoke North Korea, the Roh administration aborted talks on joint contingency planning for this situation.

The Lee administration takes a different view and is apparently eager to engage in such contingency planning, including conducting a thorough review of the basic joint war plan, OPLAN 5027. There is a perception that the discussion of this issue did not adequately consider how command relations will work after the Combined Forces Command no longer exists. South Korean security experts asked: Who will control forces? Who should be in the driver’s seat? Will there be a parallel or an integrated command?



RECOMMENDATIONS: U.S.-South Korean Security Relations

We share the reluctance of the Bush administration and senior U.S. military leaders to reopen the fundamental decision to transfer wartime OPCON to the Koreans. This decision has been under discussion since the Roh Tae Woo administration, and it reflects South Koreans’ widespread desire to take principal responsibility for defending their nation. It places American forces in the role they play with other key allies—committed to come to the defense of our partner, but in a supporting role. That said, to ensure that both sides are satisfied that such talks will not diminish the deterrence of potential North Korean aggression, the New Beginnings group believe the United States should respond positively to any request from the South Koreans to discuss conditions related to the transfer.

The New Beginnings group further supports a review of the main war plan, OPLAN 5027, under the leadership of the two new administrations. The United States should also respond positively to a South Korea request to develop a North Korean collapse contingency plan, or OPLAN 5029.

The United States should intensify its efforts, in cooperation with the South Korean government, to ensure that implementation of USFK relocation and consolidation plans, now seriously behind schedule, is accelerated. Congress should increase its support for the relatively small U.S. portion of the costs of implementing these plans.

Congress should pass pending legislation that would upgrade South Korea’s status for Foreign Military Sales and support South Korea’s efforts to acquire more advanced military capabilities.

The New Beginnings group recommends that the United States conduct regular, joint consultations with South Korea and other allies in East Asia to determine whether security conditions warrant changes in our respective force levels, and, if so, in what direction.

Developing a Post-Sunshine Policy for North Korea

The Lee Myung-bak administration is determined to pursue a fresh approach to relations with North Korea. Does this augur a reversal of the basic strategy of engagement with the North? Or is it merely an adjustment of that policy? Before answering these questions, it is important to understand the evolution of the engagement strategy over the past ten years, during the administrations of Kim Dae-jung and Roh Moo-hyun.

Kim Dae-jung's Sunshine policy was premised on the belief that opening up the North through economic, social, and cultural exchanges would promote a gradual, Chinese-style reform process, as opposed to an East German-style "hard landing." The overwhelming majority of South Koreans feared the latter scenario could undermine their economic success, and even threaten the stability of their democracy. While the public face of the Sunshine policy was a gentle path toward convergence and eventual unification, privately many South Korean strategists saw it as a long-term policy aimed at achieving unification on largely South Korean terms. In the meantime, its supporters believed, such engagement would significantly lessen the risk of armed conflict on the peninsula.

The high point of the Sunshine policy was the North-South summit in June 2000 between Kim Dae-jung and Kim Jong-Il, which was followed by broader intergovernmental contacts, including between military officials. It set the framework for the initiation of family and other exchanges, the establishment of a South Korean tourism resort at Mt. Geumgang and an industrial park at Gaesong (both inside North Korea), and a dramatic increase in cross-border travel, particularly from South to North. Initially, because it coincided with the Clinton administration's own engagement with North Korea—culminating in a North Korean missile launch moratorium and Secretary of State Albright's visit to Pyongyang in fall 2000—the Sunshine policy was not a source of tension in the U.S.-ROK alliance.

The advent of the Bush administration opened up cracks between the U.S. and South Korean approaches to North Korea. As became clear from the first meeting between Presidents George W. Bush and Kim Dae-jung in March 2001, the United States would no longer offer unreserved support for Kim's engagement strategy with the North. After 9/11, concern about a possible attack on the United States by terrorist groups or rogue states prompted President Bush to include North Korea as part of an "axis of evil" in his January 2002 State of the Union address. President Bush also made no secret of his personal antipathy for Kim Jong-Il, owing to his failure to feed his own people and his regime's human rights abuses.

The Roh administration came into office after the December 2002 election vowing to maintain Kim's engagement strategy while correcting its defects, which had included a secret, massive South Korean payment to North Korea just before the 2000 summit. Transparency and reciprocity were to be the new watchwords in Roh's revision of the Sunshine policy. Roh's version had little chance of success. Two months before his election, the United States confronted North Korea over its suspected covert uranium enrichment program. That led to the collapse of the U.S.-North Korea Agreed Framework (which had capped North Korea's production of plutonium from 1994 until 2002) and to North Korea's withdrawal from the NPT in the winter of 2002–2003. With the United States having occupied Afghanistan and heading into war with Iraq in spring 2003, the Roh administration mistakenly but genuinely feared that the Bush administration was preparing to use force in order to carry out a policy of regime change in North Korea. Roh's initial decision to dispatch Korean forces to Iraq after the U.S. overthrow of Saddam Hussein was motivated primarily by his desire to maintain leverage over the United States' North Korea policy.

Roh's fear of U.S. military action on the Korean Peninsula was overdrawn, reflecting mutual mistrust and inadequate policy coordination between the two countries. The reluctance of the Bush administration during its first term to engage in direct negotiations with North Korea intensified South Korean apprehensions and prompted closer coordination with China, rather than with the United States and Japan.

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Policy coordination between the United States and South Korea has improved in the last two years, after the United States intensified its diplomatic efforts toward North Korea. But a second North-South summit, convened in October 2007, and Roh's commitments for a new round of large-scale investment projects in the North reflected his desire to lock in the engagement strategy for the next Korean government.

The Lee administration has outlined a policy to North Korea—"Vision 3000"—that combines elements of the engagement policy of the past decade with a significant shift in both priorities and approach. While Lee and his aides emphasize their pragmatism, in contrast to what they saw as the Roh administration's ideological bias, Lee is clearly more skeptical than his predecessors of North Korean intentions. The Lee administration has already signaled a greater willingness to talk tough to Pyongyang on issues such as human rights and military-to-military relations, and to hold firm on issues of symbolic importance, such as the insistence that the South Korean soccer team be able to display the South Korean flag and play their national anthem at an international soccer competition in Pyongyang. More significantly, the new administration appears eager to closely coordinate its policy approach with the United States.

Lee's "Vision 3000" approach to the North has three core principles:

- **"Strategic Reciprocity"**—President Lee calls for carrying out a program of full-scale economic assistance and investment to provide North Koreans with an annual per capita income of \$3,000 *if* the North first abandons its nuclear weapons. Lee and his senior aides indicated to the New Beginnings group that they would likely continue humanitarian aid even without denuclearization, if the North requested it.
- **Economic Viability**—President Lee has stipulated that inter-Korean economic cooperation projects must be judged on their economic value and financial viability, and have the support of the South Korean people. This signals a much less sympathetic view, even of existing projects such as Mt. Geumgang and Gaesong, which depend on South Korean government subsidies.
- **Shifting Priorities**—In perhaps the clearest departure from his predecessor, President Lee identifies the restoration of a robust U.S.-ROK alliance as his top priority and argues that inter-Korean relations can only develop if the alliance remains strong. His abortive proposal to dissolve the Unification Ministry, putting most of its functions within the Ministry of Foreign Affairs and Trade, signaled that inter-Korean relations would no longer be the centerpiece of South Korean policy. Though he backed away from the proposal in the face of considerable opposition (including from within his administration), the view behind it has not changed. Central responsibility for the North Korean issue seems now to reside in the Ministry of Foreign Affairs and Trade, which should facilitate policy coordination with the United States.

There is a danger that the United States and South Korea will again diverge over how to handle the North—a persistent past occurrence in the alliance, due to internal divisions in each country and changes of administrations. The United States and South Korea need to establish the best possible consultative mechanisms to avoid such a problem in the future. While the new South Korean administration appears keen to stay on the same page as the United States in dealing with North Korea, many in Seoul are not optimistic that the current diplomatic process will yield a decision by North Korea to give up its nuclear weapons. Indeed, the Lee government seems prepared that this may not happen within the next five years.

As of mid-April 2008, it was not clear that the Lee administration had fully thought through how it would deal with a harsh North Korean response to its new policy approach. Indeed, North Korean words and deeds in reaction to the new South Korean government have

already raised tensions on the peninsula. Much of the North's ire has been directed personally at the new president. The situation, if prolonged and especially if it worsens, could escalate tension and undermine investor confidence. That would hurt Lee's plans to increase economic growth and promote South Korea's global economic and diplomatic presence. Nevertheless, the Lee administration seems in favor of maintaining the status quo represented by the Six-Party Talks and the existing level of North-South exchanges, unless and until North Korea denuclearizes.

Only recently elected, the Lee administration is of course still developing and refining its North Korea policy. It will have to work within the broad consensus of support for engagement of North Korea, even as it seeks to address what many South Koreans considered to be deficiencies in earlier versions of engagement. It will not be any easy task.

RECOMMENDATIONS: Cooperation on North Korea Policy

The Korean election has brought the United States and South Korea into essential agreement, for the first time in seven years, on the central question of how to deal with North Korea and its nuclear aspirations. Communication between senior officials of the two governments has also significantly improved. Of course differences may still arise, particularly if the diplomatic process with North Korea runs into serious trouble. The two governments need to create a much deeper level of policy discussion and coordination, including revival of trilateral coordination with Japan, to address the policy challenges that North Korea poses.

It is essential that the two governments, along with Japan, begin to hold discussions that go beyond the immediate pressing issues of nuclear negotiations to include planning for a long-term peace regime on the peninsula. A common understanding of the goals and methods of engagement with the North must be forged, and how both governments should act in concert to promote greater opening to the outside and market reforms. Strategically, the transformation of North Korea is a shared goal, along with preventing nuclear proliferation and maintaining security on the peninsula.

Boosting Economic Cooperation

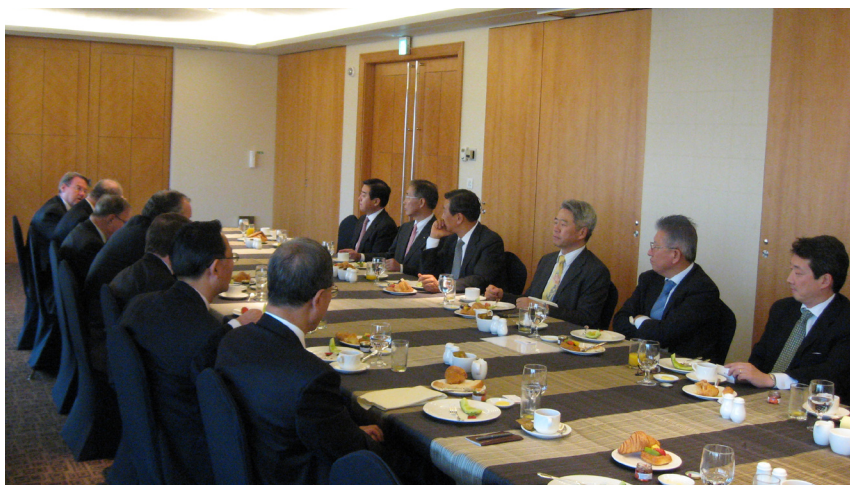
The main item on the agenda of U.S.-South Korean economic and trade relations is the U.S.-Korea Free Trade Agreement (KORUS FTA). Initiated on the Korean side by President Roh Moo-hyun's center-left government, the KORUS FTA was signed in 2007 but neither the U.S. nor the Korean legislature has ratified it, due to concerns in a few economic sectors in both countries.

The KORUS FTA may be the most important agreement between the United States and South Korea since the Mutual Defense Treaty, signed in 1953. It would be the United States' biggest FTA since NAFTA, and Korea's biggest FTA to date. While laying the basis for significantly expanded bilateral trade, the KORUS FTA would broaden and deepen the overall U.S.-South Korean relationship. In addition, it would bolster United States' strategic standing, both in South Korea and in East Asia as a whole.

The KORUS FTA is a comprehensive trade agreement that will remove virtually all barriers to trade and investment between the United States and South Korea. Tariffs will be eliminated on 94 percent of all manufactured goods within three years; the agreement also addresses a broad range of non-tariff issues such as services, intellectual property rights, investor protection, and regulatory transparency. According to estimates by the U.S. International Trade Commission (USITC), tariff reductions on goods as a result of the KORUS FTA would increase the U.S. gross domestic product by \$10–12 billion—significantly more than any other FTA negotiated since Trade Promotion Authority legislation was passed in 2002.

Annual U.S. merchandise exports to South Korea would grow by \$10–11 billion, while South Korean merchandise exports to the United States would increase by \$6–7 billion. Much of the increase in South Korean exports would come at the expense of third-country suppliers rather than domestic U.S. producers. USITC also predicted that U.S. exports of services would increase.

South Korean economists have vigorously promoted the KORUS FTA, even though their own calculations, like those of U.S. officials, show that the United States will likely benefit more than South Korea in terms of increased exports from tariff reductions (since Korean tariffs are currently significantly higher than U.S. tariffs). They believe that the greatest benefits to Korea will be in exposing South Korean companies more fully to the extremely competitive U.S. economy, in attracting more foreign investment to South Korea, and in creating new



Meeting with South Korean business leaders, February 5, 2008

service sector jobs for South Korean graduates. They confidently foresee Koreans rising to the challenge, enhancing their productivity and ultimately competing more effectively in third-country markets around the world.

Lee Myung-bak's main goal as president is to revitalize the Korean economy, and he believes that the KORUS FTA is an important way to do

so. He also regards the KORUS FTA as a precedent that will facilitate South Korea's negotiation of similarly comprehensive, high-standards FTAs with other major trading partners, including the EU, China, and Japan. Finally, Lee believes that the KORUS FTA will strengthen overall bilateral relations with the United States as South Korea's top strategic partner.

President Lee supports early ratification of the KORUS FTA by the Korean legislature, and most Korean politicians and citizens also approve of the FTA. Politicians in all major parties, however, have been reluctant to take up the issue before elections for the National Assembly on April 9, 2008. South Koreans also understand that the U.S. Congress itself will not take up ratification of the KORUS FTA until South Korea has fully resumed imports of American beef, which have been largely suspended since a case of BSE (mad cow disease) was discovered in the U.S. herd in 2003. In coming months, however, South Korea appears very likely to ratify the KORUS FTA and to resume imports of American beef.

Another sensitive issue for KORUS FTA ratification by the U.S. Congress will be automobiles. South Korea currently runs a significant trade surplus in bilateral autos trade with the United States, and while the FTA contains many provisions designed to open the Korean auto market, some in the U.S. auto industry have argued against FTA ratification. If in-country production as well as trade is included, however, U.S. auto firms account for about 10 percent of the Korean auto market, roughly twice the share that Korean auto firms have in the United States.

Some of President Lee's public statements about deregulating Korea's conglomerates—especially his support for allowing conglomerates to play a larger role in the banking and financial sectors—have raised concerns at home and abroad. While these conglomerates are Korea's leading companies, and an important source of investment, they tend to be

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family-controlled, and ownership and management relationships are often less than fully transparent. The Korean government should ensure that foreign companies enjoy equal access to the Korean market, and, in that regard, that Korean business practices continue to be made more transparent and government regulation more predictable and consistent. American business people also remain concerned about occasionally nationalistic sentiment in South Korea toward foreign direct investment (FDI).

RECOMMENDATIONS: KORUS FTA and Economic Cooperation

The New Beginnings group strongly urge Congress to ratify the KORUS FTA without further delay. We are confident that it will benefit the peoples of both countries, although a few sectors in each country may need adjustment assistance from their government. The FTA will also broaden and deepen the U.S.-ROK alliance, and enhance the strategic situation of both countries in East Asia.

United States failure to ratify the KORUS FTA would constitute a major setback for the U.S.-South Korea partnership. It would represent foregone trade and investment opportunities for U.S. businesses, and would weaken the competitive position of U.S. producers, as South Korea proceeded to negotiate other FTAs granting preferential access to competing suppliers, such as the European Union and Japan. U.S. failure to ratify the KORUS FTA would inevitably damage U.S.-ROK relations over the long term and be widely interpreted by the international community as reflecting a general weakening of American self-confidence and engagement, in East Asia and around the globe.

Promoting People-to-People Ties and Shared Values

Korea's phenomenally rapid economic, political, and cultural development is contributing to ever-closer people-to-people ties with the United States, and enhancing mutual understanding. Koreans and Americans are united in their belief in the importance of democracy and the market economy. Increasingly, they share similar concerns about regional and global issues. More can be done, however, to strengthen people-to-people ties.

As noted earlier, two million people of Korean descent live in the United States, and three-quarters of a million Koreans visit the United States annually. The United States embassy in Seoul issues about half a million new visas each year, making it the State Department's largest single visa-issuing post. Most of the visas are issued to South Koreans who simply want to tour the United States or visit family members. While U.S. consular officials have made extraordinary efforts to facilitate the application process, the cost and inconvenience to South Koreans of obtaining a tourist visa to the United States remain considerable. Americans have long been allowed to tour South Korea without a visa; the lack of reciprocity has left Koreans feeling disrespected by their American allies.

With strong support from the American Chamber of Commerce in Korea, which foresees significant trade benefits for the United States, the U.S. and Korean governments have been working together to include Korea in the U.S. Visa Waiver Program (VWP). Established in 1986, the VWP allows citizens in twenty-seven countries, among them Singapore, Brunei, and Slovenia, to travel to the United States for tourism or business for stays of 90 days or less without obtaining a visa. In 2007, President Bush publicly expressed his support for South Korea's inclusion in the VWP, and South Korea appears likely to be included in 2008 or 2009, after certain technical and legal issues have been resolved.

Korean tourism to the United States is big business in itself. In 2006, over 750,000 Koreans visited the United States. They spent an estimated \$2.8 billion. There is, however, much room for further growth in the market for Korean tourism to the United States, as



evidenced by the fact that nearly 12,000,000 South Koreans traveled abroad in 2006. Korean tourism abroad will continue to increase, and the United States should aim for a larger slice of the larger pie. Inclusion in the VWP will make a major contribution.

Educational ties are one of the most important aspects of U.S.-South Korean relations. In fiscal year 2006, over 135,265 South Korean students and exchange visitors entered the United States, almost twice as many as the next-biggest sending countries, China and India. Perhaps even more impressive: half of Korean professors teaching in South Korea today received their graduate training in the United States. This educational exchange is not only of significant economic benefit to the United States; it enhances Korean understanding and appreciation of the United States. President Lee strongly advocates increasing Koreans' English-speaking ability in a globalized world—he has called for a \$4.2 billion boost in spending to expand English-language training in South Korean schools from 2010. This will offer further opportunities for U.S.-Korean educational exchanges in the teaching of English as a foreign language.

Security ties, critically important in themselves, are also another major component of people-to-people relations. About 3,000,000 Americans have served with U.S. forces in Korea since 1950, including 28,500 currently stationed there. South Koreans continue to appreciate the sacrifice of 34,000 American lives to help defend their freedom in the Korean War. In turn, more than 300,000 South Korean military personnel supported the U.S.-led effort in Vietnam—by far the largest foreign contingent after the United States—and nearly 5,000 of them lost their lives. More recently, South Korea dispatched 6,000 of its forces to Iraq, making it the third-largest foreign force after the United States and the United Kingdom. While small protests about USFK make media headlines, the much larger story is the positive interaction and friendships formed between millions of U.S. and South Korean military personnel and communities over decades of shared sacrifice in Korea and abroad.

More can be done to use security relationships to enhance mutual understanding. In recent years, USFK leaders have worked hard to improve relations between their bases and host communities. They have encouraged USFK personnel to engage in volunteer programs, such as supporting orphanages and assisting with environmental clean-ups. They have dealt strictly with misbehavior affecting local communities. USFK Commander General B. B. Bell has proposed that the current one-year tour of most USFK personnel be extended to three years and that, as in Europe, most U.S. military personnel assigned to Korea be allowed to have their families join them. (Currently, only about 10 percent of USFK personnel are accompanied by their families.) The result would be higher morale and increased readiness of American forces. It would also be an opportunity for American military families on such extended tours to learn more about Korea and deepen friendships with the country's people. With cooperation from the South Korean government, family members could make a significant contribution to President Lee's goal of increasing South Korea's English-language skills.



Meeting with the American Chamber of Commerce in Seoul, February 4, 2008

In other sectors, the ties between Americans and South Koreans are also close. This is particularly true of co-religionists. Over one-quarter of South Koreans are Christians, and American missionaries played a leading role in building the Christian community in Korea after the two countries established diplomatic relations in 1882. Today Christians like Lee Myung-bak play a leading role in Korean society, and South Korea is second only to the United States in the number of missionaries it sends abroad. Korean Buddhist missionaries are also enriching the spiritual knowledge and experience of Americans and the peoples of other countries.

RECOMMENDATIONS: People-to-People Ties and Shared Values

The United States should redouble its efforts to make South Korea a member of the VWP as soon as possible. To that end, the United States should set a clear target date. Korea's inclusion in the VWP will remove a significant irritant in bilateral relations, enhance business ties, and expand bilateral exchanges.

The United States should encourage the Korean government to support a major expansion of the Fulbright Program's English Teaching Assistant Program (ETA). It will serve President Lee's goal of improving South Korean young people's English-speaking skills in the global village. In the process, many motivated young Americans will learn about Korea first-hand and return to the United States to play important roles in strengthening bilateral relations, as happened with the U.S. Peace Corps program in Korea in the 1960s and 1970s.

In South Korea, the United States should seek to emulate the Mansfield Fellowship Program between the United States and Japan. These two-year fellowships allow U.S. federal employees to intern in Japanese ministries, gaining invaluable knowledge of and appreciation for the host country. When the fellows return to the United States, they improve bilateral cooperation, in the interests of both countries. The United States should also increase the budget for the State Department's International Visitor Program for South Korea; these 30-day policy study visits to the United States by young foreign leaders are among the most cost-effective programs in the U.S. government for promoting mutual understanding.

The United States' executive and legislative branches should allow USFK personnel to be accompanied by their families, for extended tours, and persuade South Korea to agree and offer appropriate support.

Finally, the United States should intensify its efforts with South Korea to overcome obstacles to the construction of a new U.S. embassy in Seoul. After three decades of fruitless negotiations, the matter is urgent. U.S. embassy facilities there are grossly superannuated. New facilities are needed not only for efficient U.S. diplomatic and consular operations but also to symbolize the importance both governments attach to their alliance at the beginning of a new era of cooperation.

Conclusion

Alliances continue to matter, very much. We can do far more cooperatively than when we work separately or, especially, when we work at cross-purposes. While it may not be immediately evident, the weakening of alliance ties entails opportunity costs that can damage our country's interests over the long term.

The U.S. alliance with South Korea is more important than ever. As one of the world's most dynamic countries, South Korea is playing an ever-larger role in a region of ever-greater importance to the United States, a region that, moreover, is experiencing a historic shift in power relationships. South Koreans today want to work together with a United



States that respects them and their country and that appropriately considers their interests at this crucial historical juncture. Put simply, this is an opportunity for new beginnings in U.S.-Korean relations, and in the U.S. approach to the region, that we Americans must not let pass by.

The members of the New Beginnings policy research study group look forward to a new era of strengthened U.S.-South Korean partnership. The group plans to continue its own efforts to support that goal.



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