

# Comparative Connections

A Quarterly E-Journal on East Asian Bilateral Relations



## U.S.-Korea Relations: A New Day

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The major event of the first quarter of 2008 was the inauguration of a new government in South Korea. The Lee Myung-bak government offered some initial signals of the types of policies it intends to pursue both on and off the peninsula. While there is much that was accomplished under the Roh Moo-hyun government in U.S.-ROK relations, most experts agree that the overall tone between the new Lee government and the Bush administration will improve considerably. Meanwhile, U.S.-DPRK relations in the context of the Six-Party Talks remain stuck on completing the second phase of the denuclearization agreement, despite some audibles by the U.S. team in conjunction with the Chinese. While we may be in the first quarter of the year, it may be the last quarter for the six-party process absent any progress.

### “It’s the economy, Pabo (Stupid)”

Lee Myung-bak won the presidency by the largest margin of victory of any ROK president since the establishment of democracy in the country in 1987. Though part of this margin is attributable to dissatisfaction with the previous government’s performance, the victory undeniably marked a swing of the political pendulum back to the right-of-center in Korean politics after a decade of left-of-center politics. The former chairman of Hyundai Construction put forward three major policy priorities – revitalizing the economy, enhancing Korea’s position as a global player, and restoring trust in the U.S.-Korea alliance.

As with almost all democratic presidential elections, the key issue motivating voters’ political choice was the economy. Lee has promised to take Korea “back to the future” by reemphasizing the return to a pro-growth national economic strategy rather than the prior government’s focus on income redistribution. While the Roh government’s intentions were noble, their policies failed to achieve the desired objectives. As a result, income gaps remained wide, educational reform did not happen, unemployment did not decline, and the major *chaebol* conglomerates felt as though they were under siege from their government. Lee’s 7-4-7 proposal has famously promised raising Korea to the 7<sup>th</sup> largest economy in the world, creating a \$40,000 GDP per capita income level, and achieving 7 percent growth in the economy. Post-election, Lee’s team has already tried to dampen down expectations of achieving the 7 percent growth. Indeed, when a group of former U.S. government officials were invited to meet the president-elect in January (including the author), his first question was about the sub-prime mortgage crisis in the

U.S. and the impact this would have on the global economy and Korea's overall growth. Under Lee, Korean businesses will operate under a friendlier climate with likely reductions in corporate taxes (up to 3 percent), more public construction projects (including Lee's idea of a "Korea canal"), and expansion of Seoul city. As important to the Lee government as growth is, to re-instill confidence within Korean corporations to invest in the country is a top priority. Estimates are that Korean companies have accumulated upward of \$60 billion in cash, uncertain of investing in the economy given the previous government's policies. For these companies, Lee's presidency clearly presages a new day.

### **Mind-meld**

President Lee will make his first trip to Washington in April to spend an evening and morning at Camp David. The choice of the venue is significant because it affords leaders the opportunity for private meals, one-on-one time, walks through the woods, and rides on the golf cart where some personal chemistry can be created. This was the primary element missing in the alliance over the past several years.

There were many important agreements reached between the U.S. and South Korea over the past five years – arguably more substantive agreements than in any five-year period in the alliance. The return of over 60 military camps and bases to the Koreans, the transfer of wartime operational control (OPCON) over ROK forces (by 2012), and the agreement to relocate Yongsan garrison constituted the biggest changes in the U.S. force presence in Korea in decades. In addition, the U.S. committed to work on a visa waiver program for Korea and inked a blue-ribbon standard free trade agreement (FTA) with South Korea, constituting the largest FTA outside of NAFTA and America's single largest bilateral FTA.

In spite of these agreements, the tone in the U.S.-Korea relationship was never good. In part, this had to do with ideological differences, but it also had to do with a lack of personal chemistry between the two leaders. President Bush's close personal ties with leaders like Koizumi Junichiro, John Howard, Tony Blair, Angela Merkel, and even Hu Jintao were never approximated with Roh. This is likely to change with Lee. For the first time in arguably a decade, Bush will meet with a Korean leader much like himself: a conservative, pragmatic businessman who is a man of faith. Their first telephone conversation after Lee's election was pleasant and even contained a joke or two about the two leaders' relative golf capabilities. This ability to connect at a human level will be welcome by alliance supporters as a missing ingredient in an otherwise sturdy alliance relationship.

All signals from the Lee administration in the past quarter indicate that they will continue with the alliance agreements from the previous administration. There has not been much publicity in this regard because most of the focus between the inauguration in late-February and the end of the quarter has been on preparations for the National Assembly elections on April 9 where Lee hopes the conservatives can win back a majority. The low-key but important visits by National Security Advisor Byung-kook Kim and Foreign

Minister Yu Myung-hwan in March to Washington, however, made clear the policy directions of the new administration – all of which are probably music to the ears of most supporters of the alliance.

On North Korea, the Lee administration began implementing its “reciprocity-first” policy. Rather than prioritizing handouts to Pyongyang, Lee made clear in his inaugural address as well as in other statements his intention to help the DPRK reach a \$3,000 per capita income in one decade as long as Pyongyang reciprocates cooperation in denuclearization and in inter-Korean relations. Of the three baskets of inter-Korean assistance – humanitarian (food, fertilizer), economic cooperation projects (Kaesong industrial complex and Kumgang mountain tourism project), and big-ticket infrastructure projects (joint fisheries zone, road and rail promised by Roh government in October 2007 summit) – Lee will likely continue food and fertilizer (albeit at lower levels if there is no progress on Six-Party Talks) and the inter-Korean cooperation projects, but will not expand the latter or start the big-ticket infrastructure projects without reciprocity from the North on denuclearization. Deputy Minister Park In-kook’s strong statements before the UN Human Rights Council in Geneva that Seoul would no longer remain silent on DPRK human rights abuse was another clear indication of the policy’s new direction.

Some on the left in Seoul have criticized Lee’s policy as “no-policy,” but for both conservatives and for those who want negotiations with North Korea, Lee’s policies are the right mix of carrot and stick. Or as one top official put in informally, “sometimes, silence is a policy.” The new emphasis on human rights will be welcomed by President Bush who arguably has done more on the issue than any previous U.S. president, setting up a program for resettling DPRK defectors in the U.S., appointing a special envoy, and hosting North Korean defectors in the Oval Office. The ROK statement at the UN Human Rights Council in Geneva was made without much fanfare and yet was made decisively by the Lee government. By contrast, it took almost 12 hours of negotiation to get Seoul to agree to include one line in the 2006 ROK-U.S. Joint Declaration at Gyeongju on the “mutual concern for the situation of the people of North Korea.”

Moreover, the coordination of inter-Korean assistance with Six-Party Talks will be welcomed by all members of the talks. The Unification Ministry’s free-hand to spend its budget on North Korea independent of progress in the Six-Party Talks was a coordination challenge for those seeking to modulate the right amount of pressure and incentives to bring the North to negotiate seriously on denuclearization. Lee has sought to reduce the role of this agency and put the Foreign Ministry in the lead on North Korea. This new policy does not guarantee success, because in the end, the decision rests with Pyongyang to make the right choices, but it is clearly a policy that reflects the administration’s more pragmatic and less ideological view of the DPRK.

### **A global U.S.-ROK alliance?**

Another theme likely to resonate in U.S.-ROK relations under the new Lee government is the broadened scope of the alliance. Again, this was a trend that was held up prominently during the Roh Moo-hyun years, and the previous government deserves credit for

stepping up in Iraq where the ROK had the third largest ground contingent doing important force protection and training activities, particularly in Irbil, not just humanitarian assistance. Seoul also contributed UN peacekeeping forces in Lebanon and was an early supporter in Afghanistan. The problem was that even as Korea's scope expanded in its global operations, its mentality did not. In other words, it was not to fight the global war on terror or for stability in the Middle East that Korea sent troops to Iraq; instead, it was seen as a quid pro quo for hoped-for concessions by the Bush administration on North Korea. Lee will not allow an obsession with North Korea to dictate ROK global policy. As he stated throughout the campaign, he will treat the North as a "normal" country, not as an exception to every global norm that Korea aspires to. In this regard, the context of every foreign policy decision does not need to be "cleared" by pro-DPRK factions. Seoul can renew its commitment to the global war on terror in Afghanistan without anxiety that this might elicit a negative response from the DPRK. It can talk about increasing the ROK's profile as a provider of overseas development assistance to the world without leftist hesitation that such ODA money should be used for the DPRK rather than to combat AIDS in Africa or avian flu in Vietnam. Seoul can also improve relations with Japan without the biases held by the political left, who display a combination of anxiety and insecurity disguised as nationalism towards its neighbor.

### **FTA and OPCON**

The two concrete policy issues between the U.S. and ROK in the run-up to Lee's April Camp David visit were on trade and OPCON. In the latter case, many of Lee's top military advisors were outspoken in their opposition to the Roh government's conclusion of an agreement to return wartime OPCON over ROK forces to South Korea by April 2012. The view was not that the concept of OPCON transfer was wrong, but that the Roh government was pursuing it for ideological reasons without a clear assessment of the strategic environment in which such a transfer would happen. Though this looked as if it might be the first issue of contention between the two governments, early and quiet trips by both U.S. and ROK interlocutors helped to ease some of the anxiety surrounding the issue and address some of the ROK concerns.

The free trade agreement is, however, another matter. The degree of frustration on the Korean side at how this very important agreement – important not just for the U.S.-ROK alliance, but also for free trade and U.S. leadership in Asia – has become a victim of the U.S. election campaign has been palpable. Despite revisions that have already been made on the Korean side to meet Congressional demands, the prospects of passage in the U.S. Congress seem slim. The ROK interlocutors worked throughout the quarter to sort out a path to salvage the agreement.

While there is a great deal of pessimism in the commentary/pundit echo chambers in Washington about the FTA, I think that what is greatly underestimated is the determination and political will of both the new Lee government and the Bush administration to get the agreement through. This is by far the largest bilateral FTA the U.S. has negotiated, and the largest FTA outside of NAFTA. Its passage is not only a symbol of the alliance, but also a symbol of U.S. leadership in free trade when other

multilateral forums are in jeopardy. The call for a “strategic pause” on U.S.-negotiated FTAs would only sideline the U.S. while China and the EU continue to move forward negotiating preferential arrangements.

There were rumors that the Lee government would come to Washington with the decision to re-open its beef market to the U.S., which constitutes an important pre-condition to removing some of the voices of opposition to the FTA on Capitol Hill. Presuming that the Grand National Party (GNP) does well in the National Assembly elections, this would set the stage for bringing the FTA before the Korean national legislature for ratification. On the U.S. side, there are concerns that elements of the FTA are not acceptable (e.g., autos), but one should not underestimate the political will of the Bush administration, even in its last months, of pressing hard to move the agreement through with the help of key Cabinet secretaries. The administration has not yet made the FTA a “high politics” issue, but if it does, there may be a brighter outcome than most today expect.

### **Six-Party Talks in the Fourth Quarter?**

The biggest headline event in U.S.-DPRK relations during the quarter had nothing to do with nuclear weapons and everything to do with music. The New York Philharmonic’s well-publicized visit to Pyongyang offered a moment of “violin” diplomacy that captured the world’s imagination. The North Koreans were gracious hosts and the event constituted a good example of the things available to the DPRK once it makes the decision to denuclearize. Unfortunately, the key immediate indicator of that decision – the nuclear declaration and the disablement of Yongbyon – lacked any significant movement. An informal declaration provided by the North in November 2007 apparently did not come close to being acceptable. While the disablement process at Yongbyon has moved forward well with U.S., Russian, Chinese, Japanese, and South Korea experts all on the ground at Yongbyon at one time or another (unprecedented in terms of multilateral nonproliferation efforts in the North), Pyongyang appeared not to be ready to reveal all of its past nuclear activities, including uranium-based programs and past proliferation activities. U.S. negotiator Chris Hill in conjunction with the Chinese hosts of the Six-Party Talks tried to come up with “work-throughs,” – diplomatic instruments to finesse the data declaration – but as of the end of the quarter, these do not appear to have worked.

Many on the conservative side are arguing that we are now in the fourth quarter of Six Party talks with no DPRK cooperation even three months after the Dec. 31 deadline. While optimism is not warranted, a great deal has been accomplished since the February 2007 agreement, and for this reason, diplomats will continue to try to achieve completion of this second phase of “declaration and disablement.” Meanwhile, Hill’s time might be better spent getting the US-ROK FTA passed.

## **Chronology of U.S.-Korea Relations**

### **January – March 2008\***

**Jan. 3, 2008:** ROK Defense Minister Kim Jang-soo says wartime OPCON of ROK troops must be transferred from the U.S. by the agreed April 17, 2012 date, but left open that this transfer may be rescheduled depending on security circumstances in 2012.

**Jan. 4, 2008:** President-elect Lee states in a meeting with U.S. experts led by Stephen Solarz that Seoul and Washington should work together to form a stronger alliance.

**Jan. 8, 2008:** Transition team spokesman Lee Dong-gwan states that the scheduled transfer of wartime OPCON of ROK military forces needs to be carefully considered in light of the North Korean nuclear issue.

**Jan. 8, 2008:** U.S. Trade Representative Susan Schwab says in a teleconference from Las Vegas that the benefits from the ROK-U.S. FTA should not be sacrificed due to some opposition. She argues that the agreement benefits all Americans.

**Jan. 10, 2008:** U.S. Assistant Secretary of State Christopher Hill states that President Bush plans to send Secretary of State Condoleezza Rice to attend President-elect Lee's inauguration ceremony in February.

**Jan. 10, 2008:** *Korea Herald* reports that a U.S. delegation, intent on transferring wartime OPCON of ROK troops in 2012, will meet with Lee's transition team on Jan. 14 to discuss the issue. The delegation will be headed by Deputy Assistant Secretary of Defense for East Asia David Sedney.

**Jan. 10, 2008:** President-elect Lee, in a meeting with Assistant Secretary Hill, asks the U.S. to engage in dialogue with the North Korean military leadership to assuage fears of regime collapse.

**Jan. 11, 2008:** The ROK presidential transition committee begins considering whether ROK should be a part of the U.S.-led Proliferation Security Initiative since full participation may affect inter-Korean relations.

**Jan. 14, 2008:** Ahn Sang-soo, floor leader of the Grand National Party, says the National Assembly has discussed the possibility of ratifying the FTA with the U.S. by the end of February. Sohn Hak-kyu, the new chairman of the United Democratic New Party, says he would back the agreement if provisions are made to help rural farmers who could be hurt by the agreement.

**Jan. 15, 2008:** President-elect Lee states that the Combined Forces Command is an important force in providing Northeast Asian security. He discusses with Gen. Burwell

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\* Chronology written by Taylor Fincher

Bell many issues to further improve the ROK-U.S. military alliance and maintain a defense position against the DPRK.

**Jan. 21, 2008:** Chung Mong-joon, the special envoy of President-elect Lee, arrives in Washington to discuss positions of the incoming government including improvement of bilateral relations, ratification of the FTA, and the ROK's entry into the U.S. visa waiver program. Chung also states that the U.S.-ROK relationship has been damaged in the past due to a lack of sincere dialogue and that the new government hopes to rectify this.

**Jan. 22, 2008:** Chung shows caution over renegotiating the transfer of the wartime military OPCON of ROK troops. He states that according to some Korea experts he met with in the U.S., the transfer could send the wrong message to the DPRK. Chung meets with Secretary of Defense Robert Gates, but said he will not bring up the transfer first.

**Jan. 22, 2008:** President Bush "drops by" on Chung's meeting with National Security Advisor Steve Hadley and indicates that bolstering the U.S.-ROK alliance is one of his top priorities and he is anxious for a visit from Lee.

**Jan. 23, 2008:** A ROK liaison officer is sent to the US Navy's 5<sup>th</sup> fleet in Bahrain to work on better cooperation with the U.S. Navy, and to coordinate protection of ROK citizens, ships, and sailors in the region amidst growing numbers of pirate attacks.

**Jan. 24, 2008:** Kathleen Stephens, advisor at the State Department's East Asia and Pacific Affairs, is nominated as the next U.S. ambassador to ROK.

**Jan. 24, 2008:** Ministry of National Defense states that ROK and U.S. militaries agree to conduct joint recovery and identification of soldiers' remains from the Korean War.

**Jan. 28, 2008:** Commander, U.S. Pacific Command Adm. Timothy Keating states that the transfer of wartime OPCON is very important and the U.S. forces in Korea will remain between 25,000-28,000 troops.

**Jan. 28, 2008:** Gen. Bell states that the U.S. is unwilling to renegotiate the transfer of wartime OPCON of ROK, seeing "no military rationale" to delay the transfer.

**Jan. 28, 2008:** In his State of the Union Address, President Bush urges lawmakers to ratify the FTA with ROK, stating that it will enhance U.S. competitiveness in fast-changing Asian markets and strengthen the alliance between the two countries.

**Jan. 29, 2008:** Korean newspapers report concern that the ROK-US FTA is in danger.

**Jan. 30, 2008:** Following a month-long investigation, the Ministry of National Defense states that it aims to complete by 2010 a decontamination process at 18 former U.S. military bases transferred to ROK.

**Feb. 1, 2008:** Gen. Bell announces plans to extend length of tours for U.S. soldiers from one to three years and increase opportunities for their families to stay in Korea.

**Feb. 4, 2008:** U.S. Forces, Korea announces plans to reduce its troop level to 25,000 by the end of the year as part of a global plan to reposition U.S. troops.

**Feb. 5, 2008:** President-elect Lee, in a meeting with 10 members of the New Beginnings Group formed by Stanford University and the Korea Society, including former ambassadors Mike Armacost, Tom Hubbard, and Jack Pritchard, states that the ratification of the FTA would take the U.S.-ROK alliance to a new level of cooperation.

**Feb. 10, 2008:** President of the Korean Confederation of Trade Unions Lee Suk-haeng begins a four-day trip to the U.S. to discuss joint action with U.S. labor groups to block the ratification of the ROK-U.S. FTA.

**Feb. 11, 2008:** In Hawaii, officials from ROK and the U.S. discuss the handling of U.S. ammunition reserves stored in ROK. These talks are part of a plan to end the program of stockpiling munitions in Korea.

**Feb. 11, 2008:** Members of the Democratic Labor Party blockade the location where the Parliament was to discuss the U.S.-ROK FTA, forcing the meeting to be postponed.

**Feb. 14, 2008:** U.S. Representative Royce submits a bill to the House to upgrade ROK to the level of NATO +3 member status in the U.S. foreign military sales program. This will allow ROK to purchase a wider variety of military supplies at a lower price.

**Feb. 15, 2008:** ROK and U.S. sign an agreement to boost cooperation between the countries' militaries in the information technology sector. This is done in preparation for the transfer of wartime OPCON of ROK forces so that both militaries will be able to effectively support joint missions.

**Feb. 18, 2008:** President-elect Lee urges President Roh to work closely with the National Assembly to ratify the U.S.-ROK FTA before his term expires. Lee Hye-min, ROK deputy negotiator for the FTA, states in a radio address that both countries agreed that there will be no additional negotiation of the agreement.

**Feb. 18, 2008:** President-elect Lee names former Ambassador to Japan Yu Myung-hwan as foreign minister and former Defense chief Gen. Lee Sang-hee as defense minister.

**Feb. 19, 2008:** Japan, Korea, and the U.S. agree to mobilize their militaries together to handle non-security related matters such as disaster situations.

**Feb. 20, 2008:** A U.S. nuclear-powered submarine arrives in Busan to prepare for the *Key Resolve/Foal Eagle Exercise 2008* scheduled for early March.

**Feb. 25, 2008:** Condoleezza Rice attends the inauguration ceremony of President Lee and confirms the strong alliance between the two countries.

**Feb. 25, 2008:** The chief U.S. negotiator for the FTA repeats the message that the ROK has to open its market to beef imports if Korea wants the U.S. to ratify the agreement.

**Feb. 26, 2008:** The New York Philharmonic Orchestra performs a landmark concert in North Korea. The concert was broadcast live on local television and included the national anthems of both countries, music by two U.S. composers, and a Korean folk song. The visit entailed the largest U.S. presence in North Korea since the end of the Korean War.

**Feb. 28, 2008:** President Bush meets 20 experts to discuss a strategy to win ratification of the FTA with ROK amid growing concerns that the agreement may not be ratified.

**March 1, 2008:** 27,000 US troops, the *USS Nimitz* aircraft carrier, and a number of ROK soldiers begin the military exercises known as *Key Resolve* and *Foal Eagle* to improve both countries' combat-readiness.

**March 3, 2008:** The DPRK intensifies its criticism of the joint military exercises between ROK and U.S.

**March 4, 2008:** Assistant Secretary of State Hill meets South Korean counterpart Chun Yung-woo to discuss how to resume the Six-Party Talks.

**March 5, 2008:** Ambassador Alexander Vershbow says the U.S. wants the ROK to assume 50 percent of non-personnel costs for U.S. troops in Korea. He also expresses the idea of a longer term agreement rather than continuing to renegotiate on an annual basis.

**March 6, 2008:** Announcement is made that Presidents Lee and Bush will meet at Camp David for a private dinner and summit in mid-April. This will be the first time that leaders from the U.S. and ROK will meet there instead of the White House.

**March 7, 2008:** Defense Minister Lee Sang-hee talks via phone with his U.S. counterpart Robert Gates to discuss the prioritizing of a cost sharing plan for U.S. troops in Korea. Ambassador Vershbow also visited Lee to further discuss the U.S. position on the issue.

**March 13-14, 2008:** Assistant U.S. Secretary of State Christopher Hill and North Korean Vice Foreign Minister Kim Kye Gwan hold talks in Geneva aimed at breaking the deadlock over North Korea's nuclear program. Hill describes the discussion as a good consultation. State Department's head of Korean affairs, Sung Kim, remains in Geneva and has an additional meeting with representatives from North Korea on March, 14.

**March 15, 2008:** Gen. Bell tells the House Appropriations Committee that the ROK has agreed to cover majority of the costs of moving U.S. forces out of Seoul, an approximate cost of \$10 billion, also stating that both countries will equally split the costs of relocating the 2<sup>nd</sup> Infantry Division.

**March 16, 2008:** President Lee urges farmers to end their opposition to the ROK-U.S. trade agreement in favor of constructive dialogue. He states that although the government has budgeted \$100 billion for rural communities, free trade should be discussed on the part of the farmers.

**March 17, 2008:** ROK claims that Gen. Bell's statements to the U.S. House Appropriations Committee claiming that Korea will cover the majority of costs of relocating troops from Seoul are unrealistic and wishful thinking. The Korean Defense ministry states that the maximum amount paid by ROK will be \$4.38 billion.

**March 18, 2008:** ROK National Security Advisor Byung-kook Kim leaves for Washington to meet National Security Advisor Hadley and Secretary Rice.

**March 18, 2008:** Gen. Bell denies making the statement that ROK will pay \$10 billion to relocate U.S. troops. He claims this was a misunderstanding and that ROK is actually expected to pay ₩5.59 trillion (approximately \$5.75 billion).

**March 24, 2008:** U.S. State Department notifies Congress of six arms and defense exports to Korea in 2007, each amounting to \$50 million.

**March 26-30, 2008:** Foreign Minister Yu Myung-hwan visits the U.S. and meets Secretary Rice to prepare for the April 15 summit to take place between the presidents.