

THE BROOKINGS INSTITUTION

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THE KOREA FOUNDATION

2010 SEOUL-WASHINGTON FORUM

*Global Governance, Northeast Asia, and
North Korea*

*The Brookings Institution
Washington, DC
May 3, 2010*

[PROCEEDINGS PREPARED FROM AN AUDIO RECORDING]

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314

INTRODUCTION

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CLOSING REMARKS

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PROCEEDINGS

RICHARD BUSH: Ladies and gentlemen, why don't we go ahead and get started.

My name is Richard Bush. I'm the director of the Center for Northeast Asian Policy Studies here at Brookings, and it's my great honor to convene the fourth session of the Seoul-Washington Forum.

This is a venture that was suggested to Brookings by the Korea Foundation a number of years ago, and we responded with enthusiasm. And the result has been an outstanding collaboration between the Brookings Institution and the Korea Foundation.

I'd like to acknowledge Ambassador Yim, the former president of the Korea Foundation, who made a lot of contributions to the success of the forum so far. And I would like to acknowledge Ambassador Kim Sungyup, who is now the acting president of the Korea Foundation for his support as well. This forum could not occur without the strong encouragement and support of the Korea Foundation.

This year, we are emphasizing global themes more, the 21st century themes. But we can't avoid 20th century subjects as well, specifically North Korea. And I have to confess, we did not know when we picked this date that Kim Jong-il would be arriving in China or that even -- that the tragic Cheonan incident would have occurred to create a little bit more interest. I'm very sorry that -- for the tragic loss of life in that incident; I think all Americans are. But we should also look forward to the 21st century and we, with so many good friends and colleagues from the Republic of Korea. That's what we intend to do today.

At this point, I would like to call on Ambassador Kim to make a few remarks and help me start today's forum. Thank you.

(Applause)

KIM SUNGYUP: Dr. Richard Bush, Honorable Park Jin, Honorable Song Yeongkwan, distinguished participants and guests, ladies and gentlemen. On behalf of the Korea Foundation, it's my great honor to be in your eminent company and to be welcoming you at the Fourth Seoul-Washington Forum.

The Korea Foundation hosts cities of bilateral and regional forums every year. But the Seoul-Washington Forum is certainly the most prominent of these forums. Over the years it has served to provide an often and honest venue to discuss important issues regarding the alliance and security, trade, and FTA issues

for the better relationship between Korea and United States. I also believe that this forum has played an essential role in building and strengthening invaluable human networks and communication channels between the most important experts from the -- from both countries.

In this forum, we've put on the table some significant issues for in-depth discussion and exchange of views. As most of you might be aware, during the night of March 26, the 1,200 ton Cheonan was caused to sink by a massive explosion. Forty sailors were found dead with six sailors still missing and presumed dead near the tense Western and Korean maritime border. The entire Korean nation is mourning their loss, and I'd like to use this opportunity to express my sincere and deepest condolences to all who sacrificed their lives in the tragic incident.

While we are still in the process of examining this disaster, we certainly cannot exclude the possibility of North Korean involvement, particularly given the investigators are not official interim report that the Cheonan was ripped in half due to an external explosion that took place across the ship.

Although we still have to wait for decisive evidence on who or what was behind the incident, we already consider a grave national security threat requiring the closest possible collaboration between Korea and United States. In this light, I believe security cooperation between our two nations should be an intense focus of discussion in this forum.

Also of critical importance is the cooperation between Korea and the United States over shaping new forms of global governance to the currently unfolding global financial crisis. It's becoming increasingly clear that the global financial system that we have maintained since the second half of the last century is in need of serious reform.

This year in November, as you know, Korea will be hosting G-20 Summit in Seoul. And as a chair country, Korea will have to take the initiative in formulating institutional measures to navigate through the sea of the challenging global and regional issues. The Korean government has repeatedly made clear its intent and capacity to enhance its global role in keeping with its economic status.

We are still not entirely sure of what the newly emerging governance on both global and regional levels should look like. But this is quite clear that Seoul and Washington should work together in coping with global issues as it relates to issues in the Northeast Asian region.

Korea-U.S. cooperation (inaudible) again will be high on the agenda on this forum. I can confidently say that the Korea-U.S. alliance is the (inaudible) of Korea's foreign and defense policy.

Korea will always try to work closely with the United States and cooperate on matters of peace, prosperity, and security on the Peninsula in the Northeastern Asian region, and world. And I'm sure that most of us gathered here today agree on this view, including -- I'd like to thank Dr. Bush and commend the Brookings Institution for its good work in organizing this forum.

I look forward to participating in this forum, and to the lively and important discussions that we will have here. Thank you very much.

(Applause)

DR. BUSH: Thank you very much, Ambassador Kim. It's now my great honor to call upon National Assemblyman Park Jin to give a keynote address. Mr. Park is the chairman of Foreign Affairs, Trade, and the Unification Committee of the National Assembly. We're very pleased that he could come all this way to join our discussions and address the forum.

Assemblyman Park.

PARK JIN: Well, good afternoon. Distinguished guests, ladies and gentlemen, I'm Park Jin. I'm chairman of the Foreign Affairs, Trade, and Unification Committee of the Korean National Assembly.

I would like to thank Mr. Strobe Talbott, president of the Brookings Institution, and Dr. Richard Bush, III, of the Institution's Center for Northeast Asian Policy Studies for hosting the Fourth Seoul-Washington Forum today. I'm also grateful to Ambassador Kim Sungyup, acting president of the Korea Foundation. And also Ambassador Yim Sung-joon, who is present today.

And also, we have distinguished scholars from Korea at this forum, including Professor Ha Young-Sun, Professor Chun Chaesung, Professor Lee Seungjoo, Professor Kim Sung-han, and many others. And also, my colleague from the Korean National Assembly, Madame Park Sun-Young from the Liberty Forward Party is gracefully present here today. It is a great pleasure to see all of you at this conference.

This year marks the 60th anniversary of the outbreak of the Korean war. Korea would not exist today as it is today without the help extended by the 16 countries, including the United States, when the war broke out. The U.S. is the only alliance to Korea and the staunchest ally. Taking this opportunity, I would like to express my gratitude on behalf of Korea's National Assembly to the Brookings Institution for its efforts to advance the Korea-U.S. alliance.

President Lee Myung-bak and President Obama have held summits several times since the inception of their administrations, respectively, solidifying

their trust and friendship continuously. The opinion poll conducted last February by Munhwa Ilbo in Korea shows that the public perception of Korea-U.S. alliance has shifted from uncomfortable to amicable since President Lee took office. President Lee expressed his deepest gratitude for the American soldiers' sacrifice and dedication during the Korean War when he recently visited the Korean War memorial in Washington, D.C., and that attitude is what most Koreans have towards American soldiers.

I believe that Korea and the U.S. became closer and will get even closer in the future with our true friendship. I'm convinced that our deep friendship is a result of the value of advice and policy suggestions that experts like you have offered through academic research, through the advancement of our bilateral relations, as well as of the efforts made by both of our governments.

Under these circumstances, I find it meaningful and timely to hold today's seminar. Lately, circumstances on the Korean Peninsula are like walking on thin ice. I think that inter-Korean relationships will determine its direction, after we identify what caused the Navy frigate Cheonan to split into two parts and sink in the Yellow Sea just miles below the Northern Limit Line on March 26. All citizens of the Republic of Korea are grieving for 46 young and brave fallen seamen of their sacrifices.

As a retired Naval officer myself, I was shocked and could not suppress my anger at this unprecedented, tragic incident. At the moment, Korean government is working to find a cause in an objective and scientific manner. So, we'll have to take decisive measures according to the result of the investigation. Currently, investigators have pointed to an external, underwater blast and possibly a torpedo attack as the likely cause of the sudden breaking apart and sinking of the Cheonan Navy ship.

The public opinion poll carried out by Gallup Korea on April 24th indicates that 62.6 percent of the respondents in Seoul and the metropolitan area believe that North Korea was involved in the sinking of the Cheonan. South Korean Navy, as you may know, has been engaged in a series of Naval skirmishes with North Korea in the Yellow Sea during the last decade or so, overpowering the North, who then made repeated warnings of retaliation.

North Korea has claimed -- and is still claiming -- that it had nothing to do with the ship's sinking. If, however, North Korea's involvement is confirmed through an objective and scientific investigation, this would be a grave national security issue and could be a frontal challenge to the combined defense posture of Korea and the United States. North Korea will have to be held accountable in accordance with the armistice agreement, the Inter-Korean Basic Agreement, and the UN charter. If North Korea has been involved, this is simply not just a surprise attack on the Navy corvette, but it should be considered as a surprise attack on the

Republic of Korea and national leadership.

Under the national security crisis, both our military and Korea-U.S. alliance should be working properly. Korea and the U.S. are cooperating closely to handle the recent disaster in the Yellow Sea. Experts from not only the United States but from the UK, Australia, and the neutral nation Sweden are working together to determine what tore the Navy frigate in half and sank the Cheonan.

After the results of the investigations come out, the Korean government will convey the results to China and Russia, two members of the UN Security Council, as well as the U.S. and Japan. The Cheonan incident not only highlights the volatility of the security environment of the Korean Peninsula, but also reflects the sensitivity of the existing geopolitical balance in the region.

China has an important role to play under the current circumstances. China supports North Korea as an ally, but does not support North Korea's provocative actions to disturb the status quo on the Korean Peninsula.

I understand that the U.S. government has explained its position with regard to the sinking of the Cheonan to China, and asked China to take due responsibility with regards to the incident. It is encouraging news that China has acknowledged the course of action that Korea and the U.S. take, which is to identify the cause of the sinking first and turn to the six-party talks afterwards.

South Korea, as well as the United States, needs to hold a strategic dialogue with China on crucial matters related to North Korea. During the recent Korea-China Summit in Shanghai, President Lee Myung-bak has told President Hu Jintao that China will be informed as soon as the results come out. And as China and Korea hold strategic, cooperative partnership, we expect Chinese support once the result is out. That's what President Lee mentioned.

If China is to play a significant role along with the U.S. in establishing peace and security in Northeast Asia, China should not turn a blind eye to the challenges that jeopardize the peace and stability on the Korean Peninsula. China's participation in the UN Security Council's sanctions on North Korea after its nuclear test evidences China's growing concerns over North Korea. The reported visit by Chairman Kim Jong-il to China is occurring at a very sensitive timing in the aftermath of the Cheonan incident.

It is important that China plays a constructive and cooperative role in deterring and sanctioning North Korea by the international community if the North is proved responsible for such an aggressive behavior. China should not send any wrong message to North Korea, especially this time.

All of us have keen interest in what is going on in North Korea.

Faced with economic stagnation and political suppression, human right conditions have become apparently serious in the North. The leadership, however, is fixated on military strength and military loyalty. We are not perfectly sure about the internal situation of the reclusive country, but what is obvious is that North Korean leader Kim Jong-il is trying to strengthen the military-first policy to consolidate internal control and ideological grip, while coping with the fallout of the failed economic -- sorry, currency reform that was recently attempted, along with a process of transferring power to his chosen hereditary successor. Kim Jong-il this year inspected tank drills in a virtual exercise of attacking South Korea, set up and strengthened the General Bureau of Reconnaissance. An artillery drill was also staged against South Korea below the Northern Limit Line in the Yellow Sea.

After the tragic incident of the Cheonan, Kim Jong-il promoted 100 military leaders and paid a visit to encourage the Bureau of Reconnaissance on the foundation day of the North Korean People's Army as part of his military-first policy. Pyongyang also pushed forward the freezing of South Korea's assets in the Mount Kumgang resort, including the family reunion center. These hard line moves seem to be part of brinkmanship tactics that Pyongyang has relied on to show off his military muscle at home and abroad. Put pressure on South Korea, and gain more concessions from the U.S. in the future negotiations on nuclear issue and peace treaty.

The North Korean nuclear issue remains at a standstill. While developing nuclear weapons, the North declared itself as a nuclear state. Its claim, however, deepens economic hardship in the North and isolates the country from the international community. Pyongyang should choose to reform its system and open its doors to the world as well as give up its nuclear ambitions in order to address its severe economic difficulties. The sunken Navy ship has also sunken the six-party talks for the moment.

North Korea may choose to return to the six-party talks if it ever can be resumed. But before that, the Cheonan incident has to be addressed first by the parties concerned based on the result of investigation on the causation and the responsibility.

Korea's hosting of the next Nuclear Security Summit in 2012 itself delivers a strong message to urge North Korea to abandon its development of nuclear weapons and nuclear proliferation. A denuclearized North Korea is a prerequisite to the peace and security on the Korean Peninsula, and ultimately peaceful unification of two Koreas.

Let me talk about the U.S. military bases in Japan and the Korean Peninsula. What is most important at this delicate moment is our efforts to show solidarity for the Korea-U.S. alliance. Strong security cooperation between our two countries will not only strengthen our combined defense capabilities and ensure a

safe environment for the U.S. forces to be stationed in, but also act as a powerful deterrent against the North. The Korea-U.S. alliance along with the U.S.-Japan alliance is the fundamental foundation on which peace and stability of the Peninsula and the Northeast Asia are maintained, and the North Korean nuclear problems can be resolved.

Korea and the United States are one of the staunchest allies. They share common values, including free democracy, market economy, and respect for human rights. And this partnership will only grow in its importance.

The U.S. military bases located in Okinawa are responsible for defending Japan and the Asia-Pacific region, and they also play a significant role in keeping the Korean Peninsula peaceful and safe. The U.S. Marines in Okinawa are obliged to defend the Korea in contingency and to remove North Korea's weapons of mass destruction. Thus, the relocation of U.S. military bases in Japan would affect not only the U.S.-Japan relationship but also security on the Korean Peninsula. The triangular security cooperation among Korea, U.S., and Japan, therefore, is essential for maintaining peace and security in the Korean Peninsula and Northeast Asia.

Let me talk about operational control transfer. Successful advancement of the Korea-U.S. alliance requires us to carefully consider the transfer of wartime operational control, or OPCON. The circumstances around the Peninsula and Northeast Asia have greatly changed since 2007, and this is why the leaders of our two nations should reconsider the transfer of OPCON seriously.

North Korea conducted its second nuclear test, admitted that it had enriched uranium, and almost succeeded in test launching ballistic missiles. The year 2012, when OPCON transfer and disintegration of the combined forces command is scheduled, is also the year of presidential elections in Korea and the United States, respectively. With such political uncertainties, North Korea declared 2012 as the year of becoming a strong and prosperous state.

In other words, the Peninsula is at a critical crossroads in 2012. The relocation plan of U.S. military bases in Japan, as I mentioned, is now at a trap due to the domestic political situation of Japan. Furthermore, if it turns out that Pyongyang was involved in the Cheonan sinking, the transfer of OPCON and the deactivation of the combined forces command as scheduled in 2012 will meet with backlash and opposition from the public.

According to a recent opinion poll conducted by Korea Institute for Defense Analysis, or KIDA, on April 24th, 48.8 percent of the total respondents answered that given the growing security concern, the OPCON transfer should be delayed beyond the year 2012. Whereas only 35.8 percent supported the scheduled transfer in 2012. I think that this issue requires us to make flexible rescheduling by

comprehensively reviewing the security and political situation in and around the Korean Peninsula.

It is fair to say that the Korean Peninsula is facing serious challenges right now. I believe that what is most needed at this moment is unity. On the home front, Koreans need to be united more than ever. And on the external front, free and democratic countries of the world need to be united more than ever.

We addressed a 60th anniversary of the outbreak of the Korean War this year. More than 37 young U.S. soldiers sacrificed their precious lives and shed their blood in Korea to defend Korea's freedom and peace with more than 110,000 U.S. soldiers wounded.

For the past 57 years, the Korea-U.S. alliance has made great contributions to peace and stability of the Korean Peninsula and Northeast Asia, and has continued to evolve in line with changes in international security environment. Korea and the U.S. have worked together, side by side, not only in the Peninsula, but also in the Middle East, such as Iraq and Afghanistan, for peace and freedom.

President Lee and President Obama have established a close, cooperative relationship and held summit talks to make this alliance more forward-looking in order to keep up with the 21st century.

Let me turn to the economic issue, and address the Korea-U.S. FTA. To make this alliance more solid, the Korea-U.S. FTA should be ratified as soon as possible. The ratification is necessary for the alliance to become an economically strong one as well. We need to pay our attention to the fact that the ratification of the KORUS FTA will provide us with a new window of opportunity to overcome the economic crisis we face, expand free trade, create more jobs, and help the U.S. regain its trusted leadership. Allowing the U.S. to forge a new economic alliance with vibrantly growing Korea in the Asian economy, the KORUS FTA will contribute to boosting trade and investment and creating employment in the U.S.

While the Korea-U.S. FTA has not been ratified yet for domestic political reasons, major economies such as Europe, India, and China are emerging as new FTA partners to Korea. Trade representatives of Korea and the EU initialed a free trade pact last October, practically cutting a deal with the world's largest market -- home to 500 million people in Europe. This deal will take effect after it is officially signed and approved by respective parliaments in Korea and the EU in Brussels. The Comprehensive Economic Partnership Agreement, or CEPA, between Korea and India was concluded last August, the first free-trade agreement that Korea has signed with one of the BRIC nations and came into effect from early this year, allowing Korea to make inroads to a huge emerging market with one 1.2 billion people.

Discussions about a potential FTA with China, home to 1.3 billion people and one of the G-2 countries, along with the U.S. have started in earnest. President Lee mentioned recently that the market situation is rapidly changing with China's dramatic economic growth and that a free-trade agreement between Korea and China should be considered as part of effective response tool. During the summit at Shanghai, the two leaders agreed to speed up the Korea-China FTA, and there is the possibility of starting the process as early as second half of this year.

Korea's trade volume with China last year amounted to U.S.\$168 billion, similar to those with Japan and the United States combined. Korea's investment in China stood at U.S. \$44 billion, China being the largest investment destination of Korea. If these free-trade deals with the EU and with China are finalized soon, the U.S. will have to lose out to them. The American Chamber of Commerce has recently released a research report that the effect of the Korea-U.S. FTA will be reduced if the ratification of the KORUS FTA is delayed and the Korea-EU UFTA and Korea-China FTA take effect earlier than the KORUS FTA. The U.S. Congress and Administration need to keep in mind that the economic benefits will be brought to Korea and the U.S. later than expected as long as the ratification is delayed and that other strategic benefits will be lost other than economic ones.

Let me turn to the G-20 Summit. Korea and the U.S. are also closely cooperating at G-20 in order to overcome the global economic crisis and facilitate global rebalancing. As the host for the G-20 in November, Korea with U.S. cooperation will seek for the solution and strategy to surmount the current global economic crisis and to prevent any recurrence. As being desperately a developing country not too long ago, Korea will act as a bridge between the advanced and developing countries based on our own experience of successful economic achievement. The current economic crisis has hit many parts of the world -- certainly Korea, China, Japan, and other East Asian countries -- and they are not exempted from the damage. However, Korean economy showed faster recovery as being the first to switch to increasing roles among the OECD countries, which resulted in 7.8 percent gross rate in the first quarter.

Despite the impact of the naval disaster, Moody's has recalibrated Korea's credit rating from A2 to A1, being upgraded, and S&P is said to be reviewing to upgrade Korea's rating as well.

Korea's economic environment is now mature enough to start thinking of exit strategy. But Korea will coordinate policies with other G-20 countries, including the U.S. and the European partners, to establish such a strategy. At the same time, the troika of Northeast Asia -- that is, Korea, China, and Japan -- need to pull together a political collaboration based on economic interdependence. This cooperation among Korea, China, and Japan will act as a momentum in working with ASEAN countries in order to create a new regional multilateralism

and cooperating networks in a station. Also, there needs to be urgent steps to prevent a local financial crisis from Southern European countries like Greece and Portugal to lead to another global crisis.

If G-20 up till now focused on recovering the crisis, then this year's conference in Seoul following the Toronto meeting in June needs to focus on setting up a stabilized structure for post-crisis global economy, framework for strong, sustainable, and balanced growth; reform of the international financial institutions; and financial regulation reform among the key issues. And we see the great importance for coordination for the issues to reach an agreement.

There are important additional agenda. Structural reform for global financial net must be strengthened so that a healthy economy does not face crisis due to the temporary lack of foreign currency liquidity. Furthermore, G-20 should be on the front line in support to emerging and developing countries to create a poverty-reduced and prosperous world. I believe that the current global financial crisis has brought G-20 conference as the premium forum of the new governance to the global economy. For G-20 to become an effective organization after the crisis is over, it is necessary to strengthen the organization and the similar steps of active institutionalization.

Regarding the transforming global governance in the role of G-20, I expect for an in-depth discussion during this forum today and tomorrow.

Ladies and gentlemen, Korea has successfully transformed itself into what it is today with the U.S. help and Korean people's blood and sweat to rise from the ashes of the Korean War that broke out in 1950. The National Assembly of the Republic of Korea plans to propose a resolution to express our gratitude to countries, including the United States, that participated in the Korean War on the occasion of its 60th anniversary.

As a divided, impoverished, and powerless country in the periphery of Asia, Korea has become one of the world's ten largest economies, steering the G-20 meeting where the global economy is discussed and handled. Although Korea produces no single drop of oil, it is now exporting energy in a form of advanced nuclear reactors to the Middle East. Late last year, Korea turned itself from a recipient country to a donor country in just 50 years with its accession to the Development Assistance Committee, or DAC, of the OACD.

The Republic of Korea is working to promote global peace and prosperity at the center of the international stage in close cooperation with our trustworthy ally, the United States, who made such a huge sacrifice for us 60 years ago. Now is the time for Korea and the United States to make this strategic alliance stronger and forward-looking through active collaboration on such various fronts as sharing a new future vision, redefining the KORUS FTA, cooperating for the global

economic recovery and beyond, moving the world closer to nuclear security, denuclearizing North Korea, and unifying two Koreas peacefully.

I hope that this important two-day forum will come up with specific and practical measures to promote peace and prosperity of the Asia-Pacific region and the world, as well as ideas to advance the Korea-U.S. alliance.

On behalf of the Korean National Assembly, once again I thank all of you who are present here today and congratulate the opening of the Fourth Seoul-Washington Forum. Thank you for your attention. Thank you very much.

DR. BUSH: Thank you very much, Assemblyman Park, for your clear, comprehensive, and even inspiring remarks. It's an outstanding way to begin our forum.

Now we're going to take a very short break to sort of reorganize things up here at the front. If you want to go out and grab another cup of coffee and cookie, that's fine, but don't take too long. But we'll resume in just a couple of minutes. Thank you very much.

[Recess]

DR. BUSH: Ladies and gentlemen, why don't we go ahead and get started? We have a full afternoon ahead of us and a lot of good content, so I don't want to penalize the speakers.

We have four speakers this afternoon. Dr. Song Yeongkwan about global governance and the G-20. Dr. Song is a research fellow at the Korean Institute for International Economic Policy. Professor Chun Chaesung, professor of international relations at Seoul National University, will talk about international relations in East Asia. And our old friend Professor Kim Sung-han will speak about the North Korea question. Muthiah Alagappa will serve as discussant. So, without further ado, I would like to call on Dr. Song.

SONG YEONGKWAN: Thank you, Mr. Chair, and also I would like to express my thanks to the Korea Foundation and the Brookings Institution for inviting me here. It's a great honor to be the first speaker of this important gathering.

What I'm talking about today is G-20 issues. And it seems that with the visit of Kim Jong-il to China, the North Korea issue seems to dominate this forum, but also the other big issue is G-20, which need cooperation between U.S. and Korea.

And today I'd like to talk about how G-20 originated and what it has

achieved so far, and also I'd like to talk about the topics in Toronto meeting in June and in Seoul meeting in November.

Following 1997 Asian financial crisis, G-20 was established as a full financial minister and Central Bank governors. But in the 2008 global financial and economic crisis, the G-20 evolved into the premier leader's forum, and a peaceful summit in the year 2009 the G-20 was designated as the premier forum for international economic cooperation mainly due to its effectiveness in spanning the global financial crisis and mitigating its effects.

So, the achievement so far is it has been successful in coordinating expansionary macroeconomic policies, including \$5 trillion of fiscal expansion and \$1.1 trillion of additional support. And also it enhanced the financial regulations. The first meeting here in Washington almost four and a half years ago, the leaders agreed on five principles and 47-point action plans to restore the global financial system, and also it established the financial stability forward at the London Summit. Also the leaders agreed to expand resources of international financial institutions, such as the IMF and World Bank and multilateral development banks, so it agreed that 500 billion total resources available through the IMF and 250 billion for the (inaudible) allocations. And also it agreed that 100 billion in new lending by multilateral development banks.

The IMF also introduced the flexible credit line last year for the improvement of precautionary lending facilities, and in terms of total reform, leaders agreed to increase the voice of emerging economies -- the IMF and World Bank -- so 3 percent of working share of World Bank will be transferred to the emerging economy, and 5 percent of working share of IMF will be transferred to the emerging economy.

Now I'd like to talk about what will be the topic, what will be the agenda in Toronto and (inaudible). The main agenda for the Toronto Summit would be taking stock of the implementation of exit strategies, so the leaders who are going to review the resort of mutual assessment for the framework for a strong, sustainable and balanced growth. And they are expected to agree on a variety of policy options in this respect.

And now what this also means. So, first this also mean leaders need to follow agenda items from the previous summits, including framework for a strong, sustainable, and balanced growth, and also the reforms on financial regulations and international financial institutions. But there are some additional agenda that Korea is going to include in this summit. For the continuation of G-20 processes, it is urgent that leaders need to balance the policy priorities between developed and developing countries, and in this regard, we are very much interested in the global financial safety net and complete trade liberalization for the exports of the least developed countries.

I was told that the Koreans (inaudible) for the G-20 summit visited this Brookings Institute two weeks ago and talk about global financial safety net, so I'm going to go through the detail of this issue, but the basic idea is that emerging economies (inaudible) and open economies were hit by sudden capital outflows due to the problem in developed economies, not to their own problems. So, if there's a strong global financial safety net, then that would guard themselves from volatile capital flows, and by doing that global financial safety net reduce the incentive to stay off capital reserves as a mean to a self-insurance by generating current accounts process. So, eventually it helps global rebalancing and a framework for a strong, sustainable, and balanced growth.

The other issue and the final issue of my presentation is trade liberalization for the export of the LDCs. Global rebalancing should not be confined to the macroeconomic imbalance between capital contact visit countries and capital surplus countries. It also should extend to reduce development gaps between developed countries and developing countries. As the experience of East Asia countries shows, trade can play a major role in the promotion of economic development and the alleviation of poverty. Recognizing this, in the year 2000 the leaders agree the Millennium Development Goals and the Eight Millennium Development Goals, which has developed global partners for development -- this Eight Millennium Development Goal included targets on duty-free, quota-free market access for LDC -- least developed countries -- export. Also in year 2005, Hong Kong WTO ministerial declaration -- the WTO members agree that duty-free, quota-free market access for at least 97 percent of products originating from LDCs by year 2008 or no later than the start of the implementation period. This means the end of DTA.

Then now look at why a hundred percent duty free, quota free is important. So, look at this chart 1. As you see, the characteristic of LDC export is concentrations. Most LCD export is concentrated on three categories of goods: fuel and minerals; clothing; foods. In the year 2007, almost 70 percent of LDC export concentrated on fuel and minerals, and clothing is around 12 percent. So, even a small number of production exclusions can rob duty-free, quota-free initiative of any mean.

And developed country (inaudible) and LDC export tend to be concentrated in single sectors, relatively clothings. So, we need 100 percent duty free, quota free. We need these if we really want to help the LDC economies.

Now, think of why the role of the U.S. is important. In chart 2, this chart shows the top 50 markets for LDC export of goods, and as you see the number 1 is China, number 2 is EU, and number 3 is U.S. And these three countries consist of big share of LDC export. But EU, it also already provide 100 percent duty-free, quota-free market excess for LDCs. China, they provide 98 percent of import value to 39 LDCs. But U.S. has lagged behind. The current U.S. system is the general

system. The regular, general system of preferences provide 83 percent of duty-free access, and African growth and opportunity provide 98 percent of duty-free access from African countries. But main exclusions are sugar, peanuts, (inaudible), and tobaccos.

And also the (inaudible) provide 90 percent of duty-free access for (inaudible). But the problem is Asian LDCs. So, the largest impact of the exclusion of the U.S. trade preference programs falls on a handful of Asian LDCs, such as Bangladesh and Cambodia. They are effectively excluded from preferences, because a pattern is major export is not on the list. So, U.S. collected merely \$1 billion in import taxes on Bangladesh and Cambodia export in year 2000A, which is more than the total amount collected on imports from the United Kingdom and France. Already there are several countries that provide 100 percent duty-free, quota-free market access for LDC export. The country includes Australia, New Zealand, Norway, Russia, Switzerland, Turkey, and et cetera.

Also several developing countries are announced their intention to provide more duty-free market access for LDCs. For example, India announced its duty-free tariff preference scheme for LDCs in year 2008 that provides duty-free access for 85 percent of all tag lines within a 5-year timeframe. Also Brazil announced that it will grant duty-free, quota-free market access to LDCs covering 80 percent of all tag lines by the middle of year 2010; thereafter, the duty-free, quota-free access for all tag lines would be integrated over the period of 4 years. Korea is also offering the LDCs duty-free market access for 80 percent of all national tag lines and is planning the expansion of its duty-free further coverage to 95 percent by year 2012.

Maybe one concern in the U.S. is providing the impact of providing duty-free, quota-free market access on the U.S. economy, especially the clothing sector, the job problems. Look at this chart. This chart shows the share of LDC export in the U.S. import. It only is around 1.5 percent, so the share of LDC export is quite negligible. And among them, around 60 percent of imports from LDCs are fuel, petro oil product. Textile is around 20 -- no textile -- clothing is around 20 percent.

So, U.S. already provide duty-free market access of clothing for African countries through Africa growth -- opportunity and growth access. But as I mentioned before, the ancient LDCs are excluded from this initiative. And so if the U.S. extend this duty-free, quota-free access, then the biggest beneficiary would be Bangladesh and Cambodia, and so there is concern that sudden surge of imports from Bangladesh and Cambodia in clothing sector and this import surge could divest the U.S. clothing sectors.

But look at this chart 5. The total amount of clothing import from Bangladesh and Cambodia is less than 8 percent, and most -- so, the impact of

providing 100 percent duty-free, quota-free market access to LDC would be minimal, and if there's a -- even though there's some increase in clothing input from Bangladesh and Cambodia, the most of them will substitute for the import from China, Vietnam, Indonesia, which are the major clothing exports to the U.S. market.

So, there's an opportunity for U.S. in year 2010, because the U.S. tier announced that faster, stronger partnership with developing and poor nations is one of seven objective of U.S. trade policy in year 2010, and it supports expanding trade opportunity to stimulate market-led growth in LDCs. And also, House and Senate trade committees are in the process of a full review of trade preference programs in this year. So, this year it's kinds of great opportunity for this duty-free, quota-free initiative fully implemented. So, small staffs makes a big change. Even though this duty-free, quota-free access could be a small staff, but it could lead the world. It could lead this G-20 process really through something believable to the world economy.

Thank you. Thank you for your attention.

DR. BUSH: Thank you very much, Dr. Song. I think you've assigned some important homework for the United States. We now turn to Professor Chun Chaesung, who's going to speak on Northeast Asian International Relations in South Korea's role. We'll do all the presentations and then open it up to general questions for the whole panel.

Dr. Chun.

CHUN CHAESUNG: Thank you.

My subject today is how we look at international relations in Northeast Asia, and because Northeast Asia is experiencing a very fundamental power transition, you know, coming from the rise of China, normalization of Japan, as you know, development of South Korea, and so on. So, what will be the most desirable end state of this all power transition in the 21st century, and what will be South Korea's role and what are the areas of possible cooperation between South Korea and the United States in the future.

So, my presentation is composed of three parts. The first part is a little bit theoretical -- how South Korean scholars and I look at the nature of Northeast Asia international relations. And the second one is about the rising multilateral regionalism these days and how this will be -- contribute to the stability of Northeast Asia and how we look at all these, you know, mushrooming institutions in Northeast Asia. The third part is South Korea's role and the future cooperation between South Korea and the United States. As most of you don't have the draft, I will talk slowly about these parts one by one.

The first part is about the nature of Northeast Asia. This is a little bit about theoretical . As the most Western international relation theories say that, you know, the international relations, modern international relations, are composed of nation states so it's kind of flat power field in which nation states compete for power and interests. But if you look at Northeast Asia, you know, it's very complex.

We still have the memory of the modern transition that came from the mid 19th century, so we have the legacy from the past. So, this architecture of international relations in this region is defined by incomplete modern transition. The state units here are incomplete, meaning there are two divided countries, such as Korea and China, and not the normal state, Japan. So, there is a strong urge of these countries to be normal and complete as a modern state, so these provide energies for foreign policies.

We have the memory of past imperialism and subsequent identity politics. They are revealed in the form of nationalism very often ignited in the issues such as territorial disputes in historical textbooks. For example, if there is a -- even though we have plentiful areas of possible strategic cooperation between South Korea and Japan, as soon as there is a nationalist agenda coming up, then all the cooperation just stops there because of all these past memories, incomplete modern transition period, so these make the people in Northeast Asia overcautious to balance against any possible risks.

Second logic is a very modern one: it's a balance of power logic or power transition. So, even though we have highly complex interdependence in economics and also a high level of exchange among Northeast Asian countries, there is a worry that power determines everything, so it's drawn in the minds of people in this region. And we lack formidable security mechanism to solve these problems, especially the phenomenon of fundamental power transitions such as the rise of China. So with this balance of power logic, the U.S. role as a regional stabilizer has been very crucial in stabilizing the international relations in this region. After the financial crisis, there is a theoretical expectation, as you know. The American unipolarity is declining and there is no rival of the so-called G-2 era, decreasing commitment and capacity of the U.S. as a regional power. So, there is a worry in this region that the power balance or stability supported by this logical power balance is declining because of U.S. power, probably. So, that's very controversial.

So, there is a modern logic of power balance here. The third logic, which is new and it's kind of hopeful to South Korean minds is that we have a new kind of issue areas such as climate change or human security issues. We have new areas and new actors in Northeast Asia giving rise to the so-called new complex networks, so we have a new perspective in looking at the Northeast Asian international relations through the lens of network theory. It's more than a governance type of regional order, so there is very complicated, multilayered interchange among different layers of actors.

So, we have new cooperative mechanism. They change the way how states look at and define the problem. So, all these problems are transnational.

There are megatrends globally. We have globalization, IT revolution, and democratization. So, even though the region is composed of these three different logics, we have interest groups, civil society organizations, which become more powered, and this trend will continue in the future in already democratized countries.

So, we have more powerful non-state actors which affect the decision-making process in most democratized countries and hopefully in less democratized countries: South Korea, Japan, Taiwan, and China, and North Korea in the future.

So, a state should gain public support, not just from domestic arena, but also from other nations as well. So, in this region we have the issue of soft power and public diplomacy. These will be more important in accomplishing a state's foreign policy proposal. We have public realm for more active communicative action, you know, using (inaudible) tone, both online and offline at this regional level, which gives a new hope that we can -- we might overcome the logic of the modern transition and the modern logic of power balance.

If you want to be a hegemonic state, on the other hand, you need capability intention as the most international relations theories have said, but you will also need responsibility as a new third component or public support because, you know, we have democratizations and opinions from the public realm.

So, we have the potential of these new networks in new issue areas with the empowerment of new actors, and this draws expectation that power transition in the future international relations will be grounded not just in interstate rivalry, but also in multilayered networks.

So, these are about how we might look at the changing nature of international relations in Northeast Asia.

The second part, with this changing international relations which see a lot of regional institutions, you know, the assistant secretary of state for East Asian and Pacific affairs, Kurt Campbell, once remarked that it sounds like alphabet soup when East Asians talk about various designs and plans for regional multilateral institutions: ARF, APEC, ASEAN+3, East Asian Summit, and so on. State Department Minister Hillary Clinton also specified U.S. endeavors for Asian multilateralism with five principles and priorities. So, seemingly, Northeast Asian people come to have more and more multilateral regional institutions which is different from the 20th century international relations in this region.

But the question is, why are there so many? Are they all effective? Well, there could be two answers. One is that there are so many because none is so decisive. They can, you know -- they act because they don't decide any critical things. The second thing is that these are the revelations or expressions of balancing other ways, so-called institutional balancing, so even though, you know, theory again, liberal international relation theory says that if you have more and more institutions, then you have a more cooperation overcoming the logical balance of power. However, in this region we have balance of power inside the institutions, so states want to determine who will be in and who will be out to maximize his one state's own interest in designing an international institution.

So, we still see a different type of rivalry and competition at work in different institutional settings. How to establish the base norms and principles of institutions and to determine about the membership will be critical in institutionalizing the balance and distribution of power. For example, we see many discourses and rhetoric of different countries with different concepts. For example, China's design for future harmonious world is based on the role of China as a response of great power with its own world views and value systems that come from China's strategic tradition.

Japan's appeal for East Asian community reminds one of Japan's future role as a regional power with some adjustments from the position of America first policy.

United States also welcome all these moves that purport to overcome the balance of power with the perspective that the power of balance -- you know, the balance of power and power balance are new concept, but it is still vigilant to see if these moves hurt American national interests.

So, how to overcome? Seemingly these multilateral institutions are good, but there is still a task for us to overcome this new type of balance of power inside the institutions. Then we need about -- I think, about desirable end state of this Northeast Asia. Well, a new knowledge and new concepts will define how we think about the future. So, what we need is not institutional balance of power, but complex networks. And networks are, you know, very flexible, it's scalable and multilayered, which, you know, lessens transaction costs and encourage more complex cooperation, so empowerment of new actors such as civil society organizations, international organizations at global and regional levels.

So, what we can hope is that new type of institutions with the participation of non-state actors and -- which conforms to global norms so we can change the international relations in Northeast Asia on the basis of conforming to global norms. And institutions should deal with all different types of problems that I covered at the first part. We have to deal with modern transitional memory politics,

balance of power, and the newly rising so-called, you know, postmodern issue such as climate change. For example, if you look at North Korean nuclear problems, it is a definitely non-proliferation problems. It's about global norms, so it's kind of postmodern type of new problems. However, it affects the balance of power among the Northeast Asian countries, so it's a balance of power interstate problems.

But it's also about the character of a state, North Korea, it's a divided country, it still fields a lot of threats from countries from outside. They -- at least they feel such threats. So, it's composed of different logics coming from different international organizations. So, if we want to have new regional architecture then we should deal all with these different kinds of problems.

Third part, South Korea's role and the cooperation between South Korea and the U.S. So, (inaudible) administration, so far, has endeavored to establish strategic relations with surrounding great powers: a strategic alliance with the United States, strategic cooperative partnership with China and Russia, and mature partnership with Japan.

The sum of bilateral strategic relations, however, does not automatically constitute a regional strategy, so I think our current government has something to do more. Regional strategy requires precise evaluation of the nature of regional politics, compromised with other state's regional strategies and forward looking in a refreshed view of regional dynamics over the coming years. And South Korea, as you know, is a relatively weak country surrounded by all these four great powers, especially China which becomes a very powerful state.

So, what can we do? We cannot do a lot in terms of hard power. We cannot act as a strategic balancer that the former South Korean administrations have pronounced. So, South Korea is still a weak country, but in a different power field composed of soft and more network power, there could be something that South Korea can do. As the components of national comprehensive power are changing in multilateral power fields, the state's status will be also defined by diverse range of power elements. So, South Korea's role in a region of complex networks composed of diverse issue areas such as military, political, economic, cultural, and climate change, with multilayered actors, it will contribute more to the formation of future stable regional order as South Korea may assume the position of mediation or brokerage, it can work for the peaceful solution of regional problems, hopefully with enhanced network power.

This will fit well with American-East Asian strategy based upon key factors such as power of balance, smart power, multilateralism, U.S.-China strategic reassurance, 21st century (inaudible) craft, and alliance network.

So, the alliance is very important in two ways. First, alliance can deal with the issue of power transition. There could be a, you know, balance of

power logic which may be troublesome to the stabilization of international relations. Second, we can, you know, broaden the perspective of the alliance covering the human security issues and cover the geographic reason, you know, the ROK-U.S. alliance can go global. But we also need a broader complex network in many areas. Both countries realize the importance of new conceptualization in the future regional order overcoming past analogies of power transitions, or the rise and fall of great powers.

So, assisted by growing economic interdependence among states in Northeast Asia, both countries will try to establish a mutually empowering network at many levels to solve the impending issues on the basis of knowledge and common value. American efforts to strengthen and diversify networks such as alliance structure, various strategic dialogues, public diplomacy, and new global structure of G-20 will contribute to manage the changes in power balance in Northeast Asia in which South Korea may assume its own role with enhanced network power.

Thank you.

(Applause)

DR. BUSH: Thank you very much, Professor Chun. Very stimulating. We now turn to Professor Kim Sung-han for the constant issue of North Korea.

KIM SUNG-HAN: Thank you, Richard. I would like to thank the Brookings Institution as well as Korea Foundation for giving me this wonderful opportunity to speak to distinguished experts.

At this session we started from the global issue, namely G-20, and moved to Northeast Asia and East Asia. Now, I will say a few words about so-called the North Korean question.

As you know, North Korean question does not indicate just a nuclear problem, but also it includes a variety of other interconnected issues such as WMD proliferation, terrorism, conventional threats, human rights violations, et cetera. So, we need to employ a very comprehensive approach that takes these multiple dimensions of the North Korean question into consideration.

The recent Cheonan ship incident is the case that the conventional threat from North Korea still exists. Lee Myung-bak government saw -- called in international inspectors for the ongoing investigation of the ship incident so that he could build support for strong multilateral reaction of North Korea is guilty.

So, if North Korea was involved, then we need to think about what was their motivation. One possibility is that North Korean military which had been

overpowered by the South Korean military during the recent navel skirmishes used a submarine attack as a way of retaliation. The other motivation could be concerned with power succession in North Korea. As you know, Kim Jong-il is facing kind of a triangular dilemma. His health is not in such good shape, so that's why he needs to have his power succeeded to one of his sons. For a smooth transition he needs to stick to so-called military-first policy. As long as a military-first policy is continued, it is going to be very hard for North Korea to give up its nuclear weapons. So, Kim Jong-il might have been motivated to boost up the morale of the military by ordering or approving the attack on the South.

The last possibility is that North Korea, through the attack near the Northern Limit Line, might have been motivated to highlight the need for replacing the current armistice regime of the Korean War with a peace regime.

Anyway, the impact of the Cheonan ship incident would be greater than expected if the North Korean involvement is unveiled with hard evidence. I believe the six-party talks will be postponed indefinitely as the South Korean government considers all possible ways to punish North Korea that has violated the armistice agreement of the Korean War. And the issue of wartime operation control transfer, which is scheduled to take place in April 2012, will be reviewed thoroughly and it is likely to be delayed so that Seoul and Washington may not send a wrong message to North Korea.

When the North Korean involvement is verified, and even at the moment when North Korea is trying to dilute the impact of the Cheonan ship incident by making a surprise visit to China, the position of China will be working as the most important factor in determining the path that the international community will be taking. If China continues to stand by North Korea despite the evidence of the North Korean involvement, South Korea-China as well as U.S.-China relationship will be strained and any prospects for resumption of the six-party talks will be further diminished.

On the contrary, if China joins the international community to impose multilateral sanctions to North Korea and sends a historic message that China will no longer stand by North Korea, it will be taken by North Korea as a meaningful and genuine pressure. This could work as unprecedented opportunity for all of us to resolve the North Korean nuclear problem. So, in this light, at some point in the process of imposing sanctions and implementing other punitive measures against North Korea, we could think of a resumption of the six-party talks.

Discussion of peace building could be made at an appropriate time when there is significant progress in North Korea's actions toward denuclearization and the most updated North Korean position toward peace regimes was highlighted through its Foreign Ministry statement on January 11th of this year: "For the sake of reinvigorating denuclearization process on the Korean peninsula, we should pay the

primary attention to promoting trust between DPRK and the United States. To that end, we should establish a peace treaty that will put an end to the state of war that is the fundamental reason for the hostile relationship. If we had established a durable peace regime on the Korean peninsula, the nuclear problem would not have happened.”

Here we can find two important points: One is that North Korea argues a peace treaty between North Korea and the United States should be a precondition for denuclearization on the Korean peninsula; and the other point is that North Korea defines a durable peace regime as making a peace treaty between North Korea and the United States.

In this vein, ROK and the United States need to take the position that a peace regime is different from a peace treaty. Peace regime is a broader and comprehensive concept that includes not just the peace treaty-making, but also denuclearization, conventional threat reduction, and U.S.-North Korea as well as Japan-North Korea diplomatic normalization after North Korea makes a strategic decision for denuclearization.

So, a peace treaty is a part of peace regime. And the primary negotiating parties for peace regime-building constitute, you know, South Korea and North Korea, not just U.S. and North Korea.

So, against this backdrop I think, you know, Cheonan ship incident could be a prelude to the North Korean contingency if it happened due to some sort of a, you know, crack in the power circle of North Korea.

South Korea’s government position is that it does not want unification through absorption. However, if the situation is such that unification through absorption is the only alternative, you know, available, it would be reasonable for South Korea to take a positive approach and aspire for unification. So, the thrust of South Korea’s unification diplomacy with respect to North Korean contingency would be to convince, you know, neighboring countries that a unified Korean foreign policy will not pose a threat to neighboring countries or undermine the regional order by any means.

A North Korean contingency will require international cooperation and support even if it is just to address the mass exodus of refugees and hostage situations and perform humanitarian relief operations. The mass exodus of refugees and humanitarian relief activities in particular will likely exceed South Korea’s capacity. So, South Korea will need support from international organizations and a number of other countries.

International endorsement and support for South Korea’s position will be vital if South Korea is to minimize neighboring countries negative

intervention, particularly Chinese unilateral actions.

Against this backdrop we need to strengthen primarily ROK-U.S.-Japan trilateral cooperation. Those three countries need to formulate a comprehensive set of methods for cooperation to prepare for North Korean contingency.

In addition, South Korea, United States, and Japan, should conduct preventive diplomacy toward China and Russia by taking a proactive steps. To that end, the three countries should be aware of two issues before they start to persuade China. First, China's foremost strategic priority on the Korean peninsula is the maintenance of peace and stability. Second, in China's mind, an ideal unified Korean Peninsula would be wealthy and maintain neutrality at a minimum, so South Korea and the United States need to convince China that ROK-U.S. alliance is conducive to these very two Chinese objectives.

Finally, in order to transform a North Korean contingency into the unification of the Korean Peninsula, South Korea must ensure that U.S.-China approach is not a conspiracy between two great powers, but that the two countries can become helpers and cooperators in the birth of a South Korea-led unified Korean Peninsula that is based upon political democracy and market economy. For that reason alone, an ROK-U.S.-China trilateral strategic dialogue is in order no matter what that format.

South Korea needs to promote mutual understanding and build a strategic consensus through ROK-U.S. trilateral strategic dialogue. Maybe we can start from track two level for the sake of, you know, more effective and useful discussion about the future of the Korean peninsula.

On that note, let me stop there. Thank you very much.

(Applause)

DR. BUSH: Thank you. And now to make sense of it all in 10 minutes, Muthiah Alagappa.

MUTHIAH ALAGAPPA: Thank you, Richard. I want to begin by expressing my appreciation to the Brookings Institution and to the Korea Foundation and especially to Richard for this invitation to participate. I am the usual Northeast Asia person, so I hope my comments will be seen in that light.

DR. BUSH: You're welcome at any time.

DR. ALAGAPPA: First of all, I've had the chance to read Dr. Song's paper, but the other two I've just sort of listened to and I'll react to their

verbal presentations.

I learned a lot from Dr. Song's paper. It's very informative on the G-20. Its origins. And like many commentators, he sees the November 2008 G-20 Summit in Washington as a historic development in global governance that has led to the eclipsing of the G-7 in global economic governance. He sees the balance and expanded composition of the G-20, the economic weight of member countries, and its role in post-crisis recovery as factors that enhance the standing of the G-20 as the premier institution for management of international economic affairs.

I would like to raise two questions. First, is the G-20 likely to become the premier institution for global economic governance? Rather than accepting it, I want to sort of question it -- raise that issue. And second, if it does, what should be its long-term agenda and how should it move forward? I think these are sort of critical questions that one should ask rather than accept them at face value. For long, we believed G-7 was the key institution, and now with the last summit at Pittsburgh it's become conventional wisdom to accept that G-20 will become the premier forum for global economic governance. And I just want to question both those two parameters.

First, what is the basis for legitimacy of an international institution? And I think one can look at this in terms of three criteria. First is, of course, membership composition and role of an institution must be recognized by key members of the international community. Second, the institution should have the capacity to formulate policies and implement policies. And third, it must create the belief that it is vital for the collective good of international society.

On the issue of representation in international recognition, the G-20, of course, fares well. Unlike the G-7, the G-20 includes most major economies, it's broadly representative, and membership appears to be determined on the basis not only of present day economic power, but also future potential. And in some cases, political concentrations. But there is a question who decided on this list of 20 countries? Why? On what basis? Should it be a group of 15, 18, 25, or 30? Why 20? And not all member countries in this group are capable of contributing to the programs of the G-20. For example, the duty-free, quota-free that is referred to in the papers -- the paper quite clearly sets out who has been able to meet this obligation and who has not. There are some countries in the list who really have not been able to contribute to this duty-free, quota-free. And this is a rather simple program by any measure.

But nevertheless, I think the international position is (inaudible) accepted that G-20 is a legitimate forum simply because it recognizes the shift in the distribution of power and also recognizes the broadness of the world economy, no longer limited to a small group of countries. So in that sense there is the general recognition.

But on the criteria of capacity and long-term goal and effectiveness, I would say the jury is still out. Thus far the G-20 has been primarily a response to global crises. It has done reasonably well. One should not downplay its contribution. But at the same time there is a question -- there are two challenges that it faces. One, can it institutionalize itself? And I think this was -- Mr. Jin raised this issue in his keynote address. One of the challenges, I think, for the Korea Summit is in fact to look at ways of institutionalizing the G-20. Institutionalizing means in terms of membership. What are the criteria for entry and exit? There has to be. We have seen the difficulties of reforming the U.N. Security Council in the security sector reform area. So what are the criteria for entry and exit? What is the long-term goal -- role and goal of the G-20? And should it just be meeting every six months? Should there not be a permanent staff who would actually continue the work during intercessions and so forth?

I'm sure some of these issues have been thought about, but the key question is one of institutionalization, whether it's going to become a premier institution. And to become a premier institution, the other question is, is it to be a development agency or is it going to be focused on macroeconomic governance? Duty-free, quota-free is essentially a developing country agenda, and it's also not even focused on the developing countries, but on the least developing countries, which is a large number of countries, but a small percentage of the global economy.

So the question is what is, in fact, going to be the long-term goal of this? And my take is that it should really focus on macroeconomic governance, rather than become another development agency. There are many development agencies around, and the countries of East Asia that have grown have not grown due to international assistance. That has been a factor, but largely through their own policy measures and so forth. So I think rather than moving in the direction of becoming another development forum, it's better to, in fact, emphasize global economic governance. Of course, the financial area is where it is most active, but its linkages to other areas of trade, environment, and other areas should also be explored. This is something I think that the Korea Summit can actually focus on -- both the long-term role, as well as the institutionalization of the G-20.

Let me just speak a little bit more about the G-20. One, what is the relevance of the G-20 for Asia? There are, I think, if I'm not mistaken, six -- depending how you count -- six or eight Asian countries in the G-20. If you include Australia and so forth, then it becomes eight, I think. You know, Asia has focused on regionalism, but the weight of Asian countries is increasingly more global than regional. So the nexus between regionalism and globalism is increasing. So, in fact, the G-20 provides a convenient forum, in fact, for the linkage of Asian regionalism to global institutions. I think Mr. -- Dr. Song talked about a bridge between developing countries. One could also see the G-20 as a bridge between Asian regionalism and global institutions.

Finally, what is the relevance for governance reform in other areas? You know, we've seen the U.N. Security Council reform stall. It's been talked about, but has not really moved forward. And here we have a case of if, in fact, the G-20 does succeed and does move forward, we see reform in this area in the economic area. And does this reform of governance in the economic area hold any lessons for reform in other sectors of global governance? How did this reform in the economic area come about? It's crisis driven. It's a response first to the Asian financial crisis and now to the global economic crisis. Number two, it's a top-down creation of a new institution. It is not an attempt to reform an existing institution, but a creation of a new institution that represents or recognizes the growing weight and breadth of the global economy. Third, I think it is a broad representation to changing realities.

So these are possible lessons that one can take away from the G-20, but of course the economic arena is different from the security arena; it's different from the environmental arena. No one lesson from this arena can directly apply, but I think these are worth considering in terms of what it means for reform in other areas of global governance.

Let me move on to the other two, which I have a few minutes. You know, I had actually prepared some notes on the evolving international audit in Northeast Asia based on this topic that was given to me. But listening to Chaesung, he's talked about the changing dynamics of international relations in Northeast Asia and the possible role of South Korea and the U.S.-ROK. I'll try and comment on that, although I really could not get to the bottom of that.

It seems to me that his talk about the three logics of the dynamics in Northeast Asia are fairly accurate. One is the dynamics flowing from the state formation process in Northeast Asia. In fact, this would apply to all of Asia, just not Northeast Asia. Of course, the most intense conflicts between China and Taiwan flow from a state formation process, initially over who is the rightful ruler of China, now to the status of Taiwan and the relationship to China. And of course, the Korean Peninsula again, the division of one nation into two states and the dynamics that flow from that. And of course, the historical legacies between China and Japan and Japan and Korea -- the two Koreas. That's of course. But this is not a new dynamic. This is a dynamic that has been in place for the last 40, 50 years. So it's an important dynamic, but one that is not new.

The rights of China is the second dynamic that he refers to, which again is an important one, which again goes back some -- one or two decades, maybe two decades, becoming more prominent in recent times. But of course it's a factor in looking at the security dynamics of Northeast Asia.

The third dynamic I'm less certain. This is the application of network theory to the situation. If you look at Northeast Asia, basically Taiwan and

South Korea are democracies, but North Korea and China are not democracies. And to the extent to which this democratization, civil society, communicative action and all of this would apply to all of Northeast Asia is a question mark. It would certainly apply to South Korea. It would certainly apply to Taiwan. But I would question its applicability to China and to North Korea. I think it applies to Mongolia in some ways.

But still I think it's an important factor. Transnational civil society actors have become important, but they've become important in selective issue areas. I think it's important to recognize that. Most of the issues that we deal with in security in Northeast Asia are hot security issues. They arise from the formation of states or differences over the formation of states, as well as changes in the distribution of power. Korea itself has become a very important player. It's hosting the Nuclear Security Summit. It's going to host the G-20 Summit. And it's a recognition and reflection of the growing power of South Korea.

So in this dynamic situation in Northeast Asia, how is order maintained? You know, we very often talk about order as though we all mean the same thing by order. But we don't. You know, order is used in 40, 50 different ways. And for me order means rule governing interaction. That's all. Whether there are rules to govern interaction among states in Northeast Asia. And Northeast Asia -- basically the order in Northeast Asia is based on two principles: sovereignty and nonintervention in domestic affairs. That's the two principles and certain norms that flow from those principles. That has underpinned order in Northeast Asia for the last three or four decades. Northeast Asia is at peace. There are many tensions in Northeast Asia, but it's at peace. And the countries have developed. Have grown stronger. Economic interdependence has increased tremendously. So it's -- so in addition to what Chaesung mentioned about those three dynamics, I would add the economic interdependence dynamic as a very important dynamic that has developed in Northeast Asia. So we have a situation of complex interdependence in Northeast Asia, not just a (inaudible) political situation or one of rivalry, but also one of trading states, of growing economic interdependence, growing regionalism, and so on. It's a much more complex situation.

So given this emphasis on sovereignty, noninterference, and economic interdependence, the way order is maintained in Northeast Asia it's a mixture of several things. One, first of all it should be attributed to growing strength of states. As much as states are incomplete, states have become much stronger. Look at China today compared to what it was three decades ago. Look at South Korea, what it is today compared to what it was three, four decades ago. Look at Japan. States have become stronger. They are more better able to handle the international obligations and their priority is economic growth and development. That's the high priority.

So all of these sort of move in the direction of peace and stability.

The U.S. alliance system is very important in maintaining stability in Northeast Asia. There is the growing regionalism and there's a lot of talk about security architecture, growing regionalism. It's important to investigate what is, in fact, the role of this regionalism in maintaining security and order in Northeast Asia. It does play a role, but I don't think it plays -- it's not the premier institution for security and order in Northeast Asia. So that's my sort of very brief remark to Chaesung.

And finally, on the North Korean issue, I was asked to talk about the North Korea nuclear challenge, but this is (inaudible) to the North Korean issue. Of course, there are many dimensions to this issue. One can talk about succession in North Korea. One can talk about regime stability, regime collapse instability, and the nuclear challenge. And the most important immediate issue is how do you respond to this tragic incident that happened not too long ago? This actually poses a fundamental challenge which we should talk about. How does South Korea respond? How does the U.S.-ROK Alliance respond to this particular issue? How will China respond to this particular issue? Will China abandoning North Korea contribute in any way to stabilizing the situation or to addressing the issue?

So, I mean, everyone talks about the China should play a certain role. Assuming China has that influence and does, in fact, distance itself from North Korea, what does that do? Does that, in fact, increase the leverage for action on North Korea? Does it, in fact, create more stability or is it likely to lead to more aggressive behavior on the part of North Korea? So I think we have to go into a little bit more detail into this. What kind of response can South Korea and the U.S. and South Korea take? Refer to the U.N. Security Council? Or any military action? What more sanctions? What more diplomatic actions?

So I think in a way there has been a slight copout by saying wait until the final report comes out, until we are sure who is responsible for this. And I think that's a good way of buying time and diplomatic. But the question really is what real options are there available to South Korea and to the U.S. and South Korea in responding to this incident at sea. So that's enough.

On the nuclear challenge, my views are rather controversial and I will state them upfront and people may not agree with me. I start from the premise that nuclear weapons are not the cause of insecurity; they are a reflection of insecurity. So there is a fundamental difference. I see trying to deal with the nuclear issue of North Korea head-on as in fact being very unproductive. It is better to address the other baskets of the six-party talks. And let me give you one simple illustration. Nuclear weapons were very important during the Cold War in the Soviet-American rivalry between the two superpowers. They have become much less important in the relationship between those two powers now. Why has that happened? Is it simply because of any arms control arrangement or is there change in the political situation? Clearly, there is a change in the political situation that has made possible the new start and so forth.

So I think we should get the cost and effect right. So if you follow that it seems to me that to focus on the rollback of the nuclear weapon capability without addressing the other issues relating to the Korean Peninsula is not going to be very productive. I mean, I say this in front of an audience which may be actually committed to rolling it back and it has become conventional wisdom to say that everything else hinges on rolling back the nuclear weapon capability of North Korea. I think the real focus on the nuclear issue should be, number one, to impress upon North Korea that the use of nuclear weapons is very limited. It's limited to deterrence and nothing else. They cannot really -- I think other countries are learning that. Second, is to make sure there is no proliferation to other states and to non-state actors. Those are the real problems in relation to the nuclear challenge.

I recognize I'm walking into a minefield here and I'm going to get lots of questions, but that's fine. But these are things I expressed in a book called *The Long Shadow: Nuclear Weapons and Security in 21st Century Asia*. I think a lot of the emphasis on nonproliferation is misplaced. And there has to be a real rethinking instead of simply joining the conventional wisdom and bandwagon.

So with that let me stop. Thank you very much.

(Applause)

DR. BUSH: So we've had five very stimulating presentations, including Assemblyman Park at the beginning. The floor is now open and I'll take questions from the floor. We have roving mics, so wait for the mic. Once you get a mic, please identify yourself and to whom you wish to pose the question. The first question is right over here.

QUESTION: Thank you. Leonard Oberlander, Consulting International Liaison.

I think of critical importance to the conclusions that have been expressed by the panels today is the way that the issues have been framed. And my question is about perhaps an alternative way of looking at the logics, the international relationships, and so forth that have been expressed. Russia and China have state capitalist systems. Korea does not. And in Southeast Asia and in Northeast Asia there are the negotiations that have been discussed. Those between governments are and have been rather contentious on the hard issues. The state capitalist countries have a private sector that also take into account the national interests and work very closely with state government.

The private sector in Korea and also the United States and other countries have as their responsibility the responsibility to shareholders and negotiations between the private sector in Korea and in Russia and China are not as

contentious, are not so much taking into consideration national security affairs that the government facets do. This hasn't really been discussed at the panel today, and I'm wondering what views there are about the differences between Russia, China, and the state capitalist system in negotiations in the international relationship between Korea -- their relationship with Korea and the United States in dealing with the private sector versus the government sector.

And with Professor Chun having said that Korea is not able to strengthen the military, but must maintain a weak military and not exert hard power, why is it that the Korean military is in such a position given that Korea over the years has developed into one of the most modern industrial and technological and economically strong nations, but that would not be able to modernize its military to an equal extent as it has in its private economic sector?

Thank you.

DR. BUSH: Thank you. Professor Chun?

DR. CHUN: For the second question I was not saying that in absolute terms South Korea cannot be a strong military power, in relative terms, you know, surrounded by four great powers. So I think as you said, based on our sound economy, I think we can build a modernized military power and we already have. But, you know, in relative terms, you know, if you want to have a diplomatic power ballast based on our military power, then, you know, if we want to be a meaningful military power, in relative terms we should be very strong. But we are not that strong as an independent power. So alliance is critical as a partner of the U.S. to act as a meaningful player in this great power game.

The first part is a difficult question. It's also related to Professor Alagappa's question. When I said there is a network-type of international relations in the region, I was not saying that, you know, the non -- so there are democratic camps and non-democratic camps. China and North Korea is not democratized. There is -- in North Korea there is no civil society. In China, even though as you said there is a private sector, but it is relatively underdeveloped. However, these two countries are embedded in Northeast Asia where democratization and globalization is already in place. So even though it's state capitalism or state-oriented private sectors, they have to pay attention to public opinion in other countries, other private actors in other countries. There is a very complicated network, even though Chinese government -- they do not -- relatively do not care about private sectors. In China, they should care about the -- for example, the public opinions in surrounding countries so that's why they want to enhance their soft power to justify their peaceful rise in the future.

DR. BUSH: Okay. Next question. Larry.

QUESTION: I'm Larry Niksch from CSIS. And my question is to Dr. Song and it's kind of an extension of Muthiah's comments.

The legitimacy of the G-20, especially the meeting in November, it seems to me may well be affected by what it does or does not do on the issue of Greece and the implications of what is happening with regard to Greece today and the possibility of the spread of that situation to other countries in the EU. We have big bailouts now planned by the IMF and the EU with regard to Greece. Economists believe that Italy, Portugal, and Spain are headed down the same road, possibly also Ireland. Can you have an agenda focused on developing countries as you alluded to when you have this situation of spiraling fiscal bankruptcy coming into some of the most developed countries in the world? And of course, some people are even looking at the United States with regard to this specter perhaps a decade or so from now. Is the G-20 meeting in November going to have to deal, in your view, with this issue? Should it deal with this issue in terms of trying to get some agreement with regard to the members of the G-20, with regard to the principles of dealing with these situations and also with regard to their own fiscal policies? And if you think that the G-20 should try to deal with this, do you think the Korea government as the chairman of the G-20 is really capable, really has the will to bring this issue assertively into the agenda of the G-20?

DR. SONG: Whether it could be the issue -- the agenda at the November Summit depends on the severity of the problem. Now, there is concern that the fiscal problem in the EU spread out to Spain and Portugal, but, you know, it depends on the world growth rate. And fortunately, the IMF forecast is very kind of rosy view about the economic growth in the world. So if we see a great recovery, then the problem -- the fiscal problem would be reduced. But we don't know yet.

At the Toronto meeting (inaudible), there is a review of mutual assessment by leaders. And that issue, the fiscal problem, will be discussed at the Toronto meeting. And as you know, the IMF and EU is currently handling this problem, but if the problem getting severe, then that will be definitely an issue at the November Summit.

About your question about the role of Korea as a chairman, you know, that is kind of a dilemma for Korea. Korea is not a large country. Korea -- the fiscal problem in Korea is not -- so far it's not that bad, but there are some problems in Korea. So that is the kind of dilemma for Korea. And I think in that respect bit countries like the U.S., the role of the U.S. is important in that regard.

QUESTION: Muthiah, I want to ask you about your heretical notion on the relationship of cause and effect with respect to nuclear weapons and security. And is one's conclusion on that to some extent a function of a nuclear actor's approach to risk? And I think if one went back through the historical record you could see that nuclear powers have sort of adjusted their views on the risk one

should take. First, the United States, Soviet Union, maybe China, maybe now -- and so on, and are there implications of that observation for North Korea?

DR. ALAGAPPA: I think that's an important issue. It's to what extent or how much risk one is willing to take. And in the case of nuclear weapons, it's not so much the capability that matters. It is the resolve. The underlying issue at stake is what counts.

In the case of the North Korean issue, and that's why I sort of start out by saying, basically I think survival is the underlying issue in the case of North Korea. Why is anybody talking to North Korea? It's simply -- I mean it's not a question of prestige. It's a question of survival.

So to me, as long as the insecurity remains for North Korea, it is very unlikely that North Korea will contemplate, even if the security situation improves. Once you have the capability, the chances of giving it up are much less than before you acquired the capability.

But the significant salience and role of the weapons will alter. That's my key point, and I think we should really focus on that rather than trying to roll it back. Of course, it's easier to say this, and the question then always becomes what behavior do you kind of accept, and North Korean behavior makes it very difficult, in fact, to move in that direction. In fact, what we've been discussing makes it extremely difficult to move in that direction.

But on the other hand, what are the other alternatives? That's why I tried to raise in relation to the sinking of the ship, what are the alternatives that we do have? How do we respond to it?

So I think we are into this area here. It seems to me just like in the Indian subcontinent where the limits of nuclear weapons are being realized, over a period of time, this will also be realized on the Korean peninsula. So that's my take on this issue.

And it's to alter the security situation as a whole by moving on the other baskets of the six-party talks which will then reduce the salience of nuclear weapons in the whole equation. But the challenge now is how do we move forward in that direction when in fact there is this behavior, provocative behavior on the part of North Korea which makes it extremely difficult to move in that direction.

DR. BUSH: I see a two-finger from Paul Chamberlin. We'll take that.

QUESTION: Thank you, Dr. Alagappa. Your comments go along with Professor Kim's in some respects, but my two-finger initiative is to question

whether North Korea has become a nuclear weapons state because of palpable fears of foreign attack. Suppose the real reason, or a primary reason, has far more to do with domestic issues. That's nothing over which we have any control, and one would argue that that is a key factor.

In fact, if we go a step beyond that, what if North Korea, the Kim Jong-il government or whoever is ruling depends on foreign threats and sustaining foreign threats in order to justify its system of governance? How do those kinds of factors affect the assessment that you presented earlier?

DR. ALAGAPPA: Thank you. There is this common notion that the nuclear weapons are very closely tied to regime legitimacy, and my question would be how in fact do nuclear weapons ensure or enhance regime legitimacy? I think the legitimacy of the North Korean regime, whatever its basis, is rooted way before the nuclear question itself, and I don't think nuclear weapons either enhance or undermine the legitimacy of the regime itself.

But the second part of the question is, I think, much more -- of course, and one doesn't have control. But I think this used to be the argument in relation to the Soviet Union as well. If you go back in the early period of the '50s and early '60s, and you look at the literature, a lot of people argued that in fact the Soviet legitimacy was a factor in the nuclear weapon development in relation to the Soviet Union.

But I think the legitimacy of the regime is grounded in history, and it's becoming weaker. It's becoming more exposed. Force is becoming more relevant. And here, nuclear weapons are not very important in maintaining domestic control. It's much more the other regular forces that are more important in maintaining domestic control.

So I think, for me, the question of nuclear weapons/regime legitimacy, one has to subject it to question and say how does it actually enhance? In fact, do the people in fact bestow legitimacy on the regime because it has nuclear weapon capability, or can they use that nuclear weapon capability against their own people?

Whether, in fact, it's a nuclear weapons state is another question. That's why refer I very carefully to capability rather than a nuclear weapons state. I don't know. I don't have the information on that, but that's basically the underpinning of mine.

DR. BUSH: The woman over here, and then I'll come to Mike.

QUESTION: I'm Jung Moyoon. I used to work for the World Bank as an economist for the last 20 years. I'm not an expert on these things at all. I'm

just following on these issues as a Korean living in America.

I have just two questions to Dr. Alagappa. You're talking about that nuclear weapons should not be a focus on this dealing with North Korea. As a Korean, just a lay woman on this issue, the Obama Administration seems to focus on sort of like nonproliferation of the nuclear weapons first, then try to deal with North Korea. So some people say North Korea has been quite agitated or more erratic to get the attention. It's my understanding or other's analysis correct, first? Or if the Obama Administration seems to go in that direction, then what Korea and others should do in that context?

Then my second comment or question is about the agenda of the G-20 meeting. As the previous questioner talked about Greece, we have known the Greece problem for a long, long time, and this issue has been very different from that other of the financial crisis. This is partly, or mainly, to the misreporting, deliberate misreporting by the government, and we all know that. The EU, IMF, and the other countries want to take blind eyes to this.

Particularly EU and IMF have been bolstered in terms of their role, but IMF has a real problem with oversight and supervision. None of the other countries had been interested in listening to the IMF think why they are very interested in importing Korea or other East Asian countries in crisis about what they didn't want, but now in the U.S. and other countries. So isn't sort of like legitimate that the G-20 is in the right position to devise and implement the mechanisms or instruments for the oversight and supervision of the IMF and the reporting system? Thank you.

DR. ALAGAPPA: Let me take the second question. I'm a political scientist, but not an economist. I think the G-20 is really -- I should thank Richard for inviting me to participate in this because I really started thinking a lot more about the G-20 in the context of this.

And I think the IMF, the World Bank, they were all set up in the post-World War II era to focus essentially on global governance, and IMF increasingly started to look at developing countries, and rules and regulations. So we look at the Asian financial crisis, how it dealt with Korea and so forth, and the response of Malaysia to the IMF and so forth. So IMF increasingly has begun a move in that direction. The World Bank explicitly is a development agency for helping developing and least developed countries.

I tend to think, and this follows on the question from Larry, that, in fact, the G-20 is, in fact, if it's going to become a premier institution for global governance, then it must address these kinds of issues, maybe not specifically Greece, but in a more macro sense in terms of the global safety net that Dr. Song talks about in his paper, and the rules and regulations.

So that's why I think the macroeconomic governance is the key role instead of becoming a development agency, and in fact, this provides ammunition for Korea to move this institution in that direction. That would be my kind of response to your second, to that question.

The first question on nonproliferation, my views are very different from the Administration's view on this. I basically think nonproliferation is not a new issue. You can go back to -- you know, we talk about rogue states. The Soviet Union was considered a rogue state by the United States if you look at all the literature in the '50s, very concerned that it acquired nuclear weapons. China was then considered the biggest of all rogue states when it acquired nuclear weapons. But within the five, six years, the U.S. then entered into a dialogue with China to deal with the Soviet Union.

So this is all shifting. It's not a matter of concrete, that this is a rogue state. What is a rogue state, who is and so forth changes with time.

To me, I think the Nuclear Security Summit was a good thing because it basically dealt with the safety of the material, which I think it's important it doesn't fall into the hands of non-state actors and so forth.

And I'm not arguing for proliferation. Some people sort of see that. I'm not arguing for proliferation. What I'm trying to say is that that is not the most important issue on the table. It's an issue of yesterday.

And people sort of get onto this and say, oh, there's a very small chance, and you have to deal with a small chance. But how many million people have died as a consequence of this? If you look at the number of casualties since World War II, how many people have died as a consequence? One can argue, well, if there is an explosion, there will be so many million people die.

That's fine, and we have to address the issue, and I'm not denying that. But I don't think it's the most important issue. There are many, many issues on the table. Somehow, it's been hijacked to be present, and this Administration has a very strong nonproliferation group of people in the Administration, and so this effort moves forward.

But I don't want to be seen as someone who is supporting proliferation, right. The term itself is very loaded, "nonproliferation" and "proliferation." But that's my take.

I think that the difficulty of treating North Korea essentially as a nonproliferation problem is that it does not address the other issues related to the problem. There's a global norm of nonproliferation, but each and every issue has to

be dealt with depending on the circumstances of the time.

DR. BUSH: First, Dr. Song on the second question and then Sung-han on the first question.

DR. SONG: Okay. I can say that surveillance issue is on the agenda of the G-20, but the question is countries take different views about interpreting the IMF charter, whether the IMF is allowed to do some surveillance on the fiscal reporting or something like that. Also, there's a question of the balancing the sovereignty and rigid surveillance.

So, if the IMF has too many mandates or too many authorities, then some countries may resist these kinds of influence of the IMF due to their surveillance concern. So there's talk about surveillance, but so far we don't have any clear answer on that issue.

MR. BUSH: Sung-han?

KIM SUNG-HAN: Yes, I have several points to make. First of all, we need to be reminded of the history in which the Soviet Union didn't collapse due to the arms attack from the Western European countries or the United States. Their real, genuine enemy was inside the Soviet Union, which is systemic contradictions.

The reason why I'm raising that issue is that the real enemy of North Korea is not external threat, in other words, a threat from the United States. I think North Korea has been pretty successful in propagating that North Korea is facing, kind of exposed to a hostile environment in which the United States is imposing sanctions and threatening North Korea. In terms of propaganda strategy, North Korea has been pretty successful, but we have to also know that, recognize the fact that the real enemy of North Korea is not coming from outside. It is inside, which is systemic contradictions of North Korea.

Actually, we need to correct the statement by saying that North Korea has created a hostile environment by developing a nuclear weapons program.

The relationship between nuclear weapons and the security, I think nuclear weapons for North Korea is a means for regime security. North Korea is a very unique country where regime security is located higher than national security. For the sake of the survival of the regime, they need those nuclear weapons. So, in that sense, we need to distinguish regime security from national security.

And Muthiah Alagappa, in his excellent comments, what kind of measures can we think of as a response to Cheonan ship incident if North Korea turns out to be culpable.

I think maybe we can think of diplomatic, economic and military actions, but I want to emphasize the history that we have only two cases in which North Korea admits their provocation and makes an apology, only two cases.

One is the so-called ax killing case. U.S. military officers were killed by North Korea soldiers in 1976. At that time, the United States, together with its ally ROK, showed a very strong attitude, a strong, firm position vis-à-vis North Korea. Then North Korea admitted and Kim Il-sung made an apology.

And the second case was the submarine infiltration incident in 1986, okay. At that time, ROK and the United States showed a very firm, strong kind of position towards North Korea, and then North Korea admitted their provocation and made an apology.

So my point is that, okay, China's position is important, ROK's position is important, but the United States' position is going to be critical, particularly in dealing with the Cheonan incident case.

So my point is that we can go to the U.N. Security Council. We can impose sanctions on North Korea. But actually what North Korea will be most afraid of, will be scared of, is not the U.N. Security Council or economic sanctions, but the posture of an ROK-U.S. alliance. So I think we had better deal with this problem from the standpoint of an ROK-U.S. alliance. Thank you.

QUESTION: Sung-han, would you, the people of South Korea and the current government of South Korea be satisfied with an apology from North Korea?

KIM SUNG-HAN: Not just an apology. Actually, North Korea -- I have dealt with the North Korean question, right, but if your question is just solely confined to the Cheonan ship incident, I think if North Korea admits their provocation and makes a sincere apology as soon as possible, I think that could be taken as a serious gesture on the part of North Korea.

But we have a long way to go, other than just the Cheonan ship incident because the nuclear issue is located a lot higher, okay. So in that sense, we need to deal with this problem within the context of the North Korean question as a whole.

MR. BUSH: Mike?

QUESTION: Thank you. Mike Billington with Executive Intelligence Review.

I'd like to take Larry's question in a somewhat different direction. I

think he quite accurately conveyed the panic that's setting in, in Europe and in the United States, that there's a domino effect of sovereign defaults spreading and that this is not the result of local problems, but the result of the bailout approach to the banking crisis, which has simply transferred huge debts to governments which are now collapsing.

Now Korea has played a very, very key role in the kind of move of the center of the world economy to the Pacific, with Russia, China, India, and Korea I think playing, for a small country, a very crucial role.

Some people argue that somehow Asia can bring the world out of this crisis. I would strongly disagree. But I'm wondering how the Korean panelists will respond to what you think the impact of a second big wave of global financial crisis, which seems to be setting in, is going to affect both the significant economic development in Korea and the Pacific region generally, or the Asia region generally.

DR. CHUN: Well, so you know the amount of government bailout resulted in the fiscal problems in the government. The fiscal problem is especially severe in some European countries but not in the Asian countries. Well, I'm not quite sure whether there will be a domino effect from Greece's fiscal problems. We don't see any kinds of severe spiral effects especially on East Asia. So I think we have to wait and see what will happen, the effects of the Greece problem.

About the impact of Greece problems on the Korean or East Asian problem, well, that lesson would be consolidating fiscal expenditures. So, at this point, I don't see any kinds of critical problems of the Greece problem.

QUESTION: Scott Snyder, Asia Foundation. This has, I think, been an interesting panel taken as a whole because it shows at the global, regional and bilateral level a combination of aspiration and constraint. What I'm interested in having the panelists do is to give a sense of priority among these three: global, regional and bilateral. What are the priorities for the Korean government, and also how in each of your cases what is the strategy for overcoming the constraints that result from being a smaller country that has limits in terms of its ability to influence the larger countries' directions or agendas?

DR. BUSH: Does anyone of our jetlagged panelists want to take that?

DR. SONG: Normatively, we need to shift from the Korean peninsula dimension to regional as well as global roles and affairs, but in reality Korea is pretty much preoccupied with inter-Korean issues.

There is a North American Bureau within the Korean Foreign Ministry, but actually the North American Bureau is preoccupied with North Korean

issues rather than North American issues, right, which means the Korean government is rather preoccupied with inter-Korean issues, which is not very good. But since the Lee Myung-bak government came into office, it has been trying to diversify those dimensions from the Korean peninsula to regional as well as to global.

Korea was indebted to the international community during the Korean War. Now Korea needs to pay back to the international community since Korea has become a very important player in the international community. So I think Korea is now in sort of a transition in which they are trying to shift those priorities, so that the proportion of regional and global may become a little bit higher and larger.

DR. BUSH: Dr. Chun?

DR. CHUN: There was a question based about Greece. I'd like to make a short comment about that.

The Greek problem is more a problem of the euro at the moment -- that weak, competitively weak countries like Greece, Portugal and Spain, they are deprived of other policy options because they don't have the currency. If another country who has a currency, an easy way out of this situation would be devalue their currency. But in the case of these weak euro countries they don't have any other option. So at the moment, it's the primary responsibility of the EU or the euro to bail out these countries.

But of course in Germany and some other stronger countries, there's a very strong resentment about bailing out. But at the moment, I think the major responsibility is with the euro or EU, maybe with some help from the IMF.

But in the medium to long run, many other countries, even including U.K. are going to have very serious fiscal problems. At that point, I think this will be a global issue, but that may be I don't know how many years, five years or more. Thank you.

QUESTION: Will Amatruda .Dr. Kim, you made the point that the major threat to the North Korean regime is internal, not external, and that their nuclear policy has to be understood in terms of regime survival.

Now we know very little about the internal workings of North Korean politics. It's a black box. The CIA has never been able to get an agent in there. Really, all we know is what we learn from defectors who would obviously be plants.

My question is: Is it at least possible that part of the North Korean

power structure sees one advantage of having a nuclear capability is that they can then make the argument, well, now this is enough to ward off external attack, so we really don't need a million-man army on the frontier, maybe we can shift some money into the domestic economy? It's an unanswerable question with the information we have, but is that a possibility?

KIM SUNG-HAN: I think North Korea, particularly North Korean leader Kim Jong-il, learned some lessons from East European experiments right after the end of the Cold War. One of those lessons must be no hasty opening or reform. They collapsed because they were too hasty in opening their economy and reforming their system.

Another lesson North Korea received from the case of Iraq is that you need to possess real nuclear weapons. Otherwise, you could be subject to attack.

Considering those lessons, it is really hard for North Korea to make a strategic shift in terms of resource allocation. That is my answer.

DR. BUSH: I think we've had a very good discussion. I'd like to thank all the panelists and Assemblyman Park, and now I'd like to call on my President, Strobe Talbott to make some concluding remarks.

STROBE TALBOTT: Good evening or good afternoon. It probably feels like evening to many of you, particularly with the windows closed. I must say I am all the sorrier that I haven't been here for the entire conference, having just gotten a couple minutes of exposure, and I was also out watching it on TV outside, and it's been a terrific discussion.

I'm going to pick up on Dr. Park's summary of the wisdom of the late Great Leader and change it a little bit. I'm all for hasty closings when it comes to bringing a conference to a close because you've all been working very, very hard, but I did want to just take a couple of minutes to express my personal thanks and that of the rest of the institution for what has become really a very important signature event here at Brookings.

We are extremely grateful for the support that we've had and the opportunity to collaborate with the Korea Foundation. I'm particularly glad that, Ambassador Kim, you could be with us today as well as Ambassador Yim.

And I've heard terrific things about your keynote address, Assemblyman Park Jin and Assemblywoman Sun-Young. And Ambassador Han, it's always a pleasure to have you here at the Brookings Institution. You and your predecessors have been great friends to this place and made it possible for us to do what I think is important work, not least draw upon our CNAPS fellows from Korea,

and we have a couple of alumni from the program here today.

I have been otherwise engaged for the last couple of days, including today, in part because Richard and I just got back from a trip to your region, although not to Korea, and I'll come back to a comparative note in a moment about our trip to Japan, which I think actually has an indirect pertinence to what you've been talking about here. As a result of having been on the road, I just simply couldn't spend as much time as I wanted in the conference itself.

But I did have the chance during the course of a busy weekend to read the working papers that were prepared for the discussion, and I must say in addition to being struck by the very high quality of the papers, which I'm sure was then reflected in the discussion that you had of the papers, I was also struck by how the topics in the papers and the agenda of the conference really do reflect the importance, as well as the depth and the breadth, of the U.S.-ROK relationship.

Now quite a number of the issues that were discussed in the paper and that have been discussed at the conference, including the one that was featured in this last interchange that I had a chance to listen to now, struck me, as my children would say, as very 20th century, which is to say they go back to the previous century when a number of us were in government and dealing with some of those issues ourselves.

Of course, there's the issue of North Korea, which is very much a legacy of the Cold War and also poses the problem of proliferation that you've been discussing about, not to mention issues that have not only geopolitical resonance but real humanitarian resonance as well. Here, I'm thinking about the utter failure of the DPRK regime to provide for the well being of its citizenry and also the threat to its neighbors, in particular the ROK, posed by North Korea. We've been reminded of that recently, and I assume that there have been expressions of compassion from this podium during the course of the day for the 46 sailors who lost their lives as a result of the recent outrage.

But I've also been impressed, reading the papers and knowing a little bit about what you were going to be talking about today, that you're dealing not only with 20th century issues that have sort of swathed over, if I can put it that way, into the 21st century issues, but you've been dealing with issues that are entirely those of the present and the future. Here, I'm referring to the task of ensuring that we have a stable international economy, in the context of globalization, with an overall strategy for making sure that the gap between those who feel like winners and those who feel like losers in the process of globalization is narrowed, and that the ratio of winners to losers shifts in the right direction.

That is going to involve, among other things, creating effective and inclusive structures of both global governance and regional governance, and I know

that the ROK has been very much involved at both levels, which is to say the regional level and the global level. Here, of course, I am, as are all of us here at Brookings, very focused on the role that the Republic of Korea is playing in the new G-20 process.

I just came from a meeting with Kemal Derviş, the head of our Global Economy and Development Program, who is doing a lot of work to help make sure that the Seoul Summit of the G-20 goes well, and I think it's terrific that Korea is the host and the chair for that. And it's not without significance that, of course, Korea is going to be the chair of the 2012 Nuclear Security Summit.

All of the issues that I've touched on here are, of course, deeply important to our President Barack Obama. In fact, I know that the phrase "Global Korea" has some resonance in this conference. It has resonance in the White House, that goes all the way back to the Blue House in Seoul.

I had mentioned that I was going to just touch on one impression that Richard and I had, and I don't know if you had a chance to talk about it at all in the course of the conversation today, about being in Japan. I'm sharing this with you in the spirit of candor that always prevails in Brookings' meetings, and particularly the Seoul-Washington Forum.

We have two extremely important allies in Northeast Asia, and I'm going to have a chance, if Richard will still agree to take me along with him, to be in Seoul later this year. I think it's right after Thanksgiving, in early December.

Well, this past week, we were in Tokyo. I must say I found it somewhat surprising and a little bit disturbing the extent to which everybody we talked to, from virtually every perspective, was totally focused on one issue -- Futenma. That was not right at the top of my vocabulary when I was thinking about all the stakes involved in the U.S.-Japan relationship and all of the issues, both regional and global, that are facing our allies in East Asia, but it's pretty much the only thing that anybody wanted to talk about.

And I had the feeling that legitimate as that preoccupation is in Japan, and it is legitimate because, among other things, it reflects a strong popular feeling, particularly on the Island of Okinawa and elsewhere, but that collectively our friends there were kind of taking their eye off the ball on some bigger issues of considerable importance.

And you all today, in the course of the conversations here, have had your eye very, very much on the ball. Now I say that with full awareness that there are, of course, some tough bilateral issues between the United States and the ROK. I have some familiarity with those, and I'll probably hear about some of those in more detail and get an education when I go to Seoul later this year.

But I find it very reassuring that our two leaders, your President and our President here in Washington, and our two governments, rather than concentrating on what divides us, which seems to be the case at the moment in U.S.-Japan relations, are both concentrating on and acting on the basis of what unites us.

I think that this forum, from everything that I have sensed, and I'm sure everything I will hear when Richard and I get a chance to talk about it, have made you very much a part of that process. And I thank you and congratulate you for using the forum and sponsoring the forum to be part of the solution to the many problems that we face.

So, with that, I realize I'm the only thing that stands between you and I hope some kind of refreshment, at least getting out of this room where you spent so many hours. But once again, on behalf of all of us here, thanks so much and safe travels home, and I look forward to seeing some of you when I'm in Seoul myself.

Bye-bye.

(Applause)

DR. BUSH: Thank you very much, Strobe. And with that, this session is adjourned. Thank you very much for coming.

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