THE BROOKINGS INSTITUTION

2011 SEOUL-WASHINGTON FORUM: EXPANDING COOPERATION BEYOND FREE TRADE AND THE SIX-PARTY TALKS

Washington, D.C.
Monday, June 13, 2011

PARTICIPANTS:

Panelists:

HYUN CHONG KIM
President and Chief Legal Officer
Samsung Electronics

CHAESUNG CHUN
Professor, Department of International Relations
Seoul National University

BALBINA HWANG
Visiting Professor
Georgetown University

ROBERT SUTTER
Professor of Practice in International Affairs
The George Washington University

* * * * *

P R O C E E D I N G S

MR. BUSH: If I could ask the members of the panel to come up to the stage, we'll move right into that discussion. Thank you.

For those of you sitting in the back, there are some spaces up here. They say “reserved,” but they’re not reserved anymore. Feel free to come and get a good seat. Thank you very much.

The theme of the Seoul-Washington Forum for 2011 is beyond KORUS FTA and the six-party talks, ROK-U.S. cooperation, and the new architecture of complex networks in East Asia. That’s quite a mouthful. And to discuss these themes, we have an outstanding panel of scholars and executives from the Republic of Korea and from the United States. You have their bios with you, so there’s no need for me to give long introductions. It’s much more important to hear their presentations.

And for our first presentation, it’s my pleasure to welcome Dr. Hyun Chong Kim, who’s the president and chief legal officer of Samsung Electronics. Mr. Kim, thank you very much.

MR. KIM: Thank you, Richard, for that generous introduction. I must say in my capacity as the chief legal officer of Samsung Electronics, I do come to Washington quite frequently -- several dozens of times -- and normally it has to do with patent litigation. And I’m glad that I can come to Washington and not have to deal with patents. So, obviously, I won’t be discussing our patent litigation matters with you today.

Whenever the KORUS FTA subject matter comes up, I must confess it almost sounds like a course in ancient history. I recall first discussing this with then-USTR Bob Zoellick, and then launching it with then-USTR Rob Portman, and then negotiating and concluding it in 2007 with Susan Schwab. So today, although it may sound a little bit historical, I am going to be discussing why Korea decided on this multidirectional KORUS Free Trade Agreement. And I will be also discussing why it was necessary to embark on this route, the expected benefits, and the strategic trade policy

and considerations, including ratification of the KORUS FTA and where it currently stands at the National Assembly.

Let me first start with the why at that point in time, going back to 2004, it was necessary for us to seriously consider this Free Trade Agreement program. When I was working at the WTO back in the early 2000s, I detected that there was a division between the developing and developed countries. The organization was simply not ready for another round of multilateral trade discussions. Up to that point in time, Korea was very, very loyal and faithful to the multilateral round of negotiations, and we were, indeed, really a late arrival to the Free Trade Agreement scene. But we worked really hard on it and during my tenure as the trade minister, we were able to launch, negotiate, and conclude Free Trade Agreements with more than 45 countries.

One of the reasons that the DDA multilateral round was not progressing was the huge discrepancy in interest between the developing and developed countries. Obviously, the developed countries wanted to have the developing countries lower their tariff rates significantly, and the developing countries were reluctant to do that. Just to give you one example: Suppose there is a concession rate of 30 percent on a product matter and the developing country applies a 15 percent applied rate and the DDA cost for a 50 percent reduction, the question becomes 50 percent based on what? Fifty percent based on concession rate or 50 percent based on applied rate? So if you do the 50 percent reduction based on the concession rate, in effect there's no reduction. It's a paper cut. So issues such as this, as trivial as they may sound, were something that most countries just could not agree on.

With respect to the Free Trade Agreement, it's bilateral in nature. It's not multilateral. It gave Korea the freedom to select its partners and more importantly, it also gave Korea the ability to control the extent of liberalization and the pace of the liberalization. For a country that depended -- 80 percent of Korea's GDP is dependent upon foreign trade, and there was a need to supplement the multilateral round of discussions with bilateral Free Trade Agreements. And moreover, when you look at the

statistics, you will note that the amount of trade between signatories of Free Trade Agreements was on a rapid incline, taking out more than 50 percent of the global trade.

At that point in time when I looked at -- in my capacity as the trade minister, when I looked at the landscape that appeared before us, the socioeconomic landscape, there were definitely obstacles that we had to overcome. For example, many of the OECD countries that have achieved the growth of per capita income of 10,000 and jumped to 20,000, they did it in less than 10 years. For example, Singapore and Hong Kong did it in 4, Japan 6, Denmark 7, U.K. and Spain in 9, and the United States took 10 years. Korea, on the other hand, when we first crossed the 10,000 per capita income threshold in 1995, but remained below that 20,000 threshold even as recently as 2009. The youth unemployment rate was very high, 8.5 percent, but if you include the underemployment, the number exceeded 1 million.

The lack of job prospects and unemployment contributed to another factor, and that was the low birth rate. In 2004 as I recall, the birth rate was something like 1.08, and that was far below the world average of 2.55 and the average for OECD, which was 2.1. Not only that, but our population was aging quite rapidly. When I say aging, I'm talking about 7 percent of the population over the age of 65, and an aged society is 14 percent over the age of 65. Now, France took 115 years and Sweden took 85 and U.S. took 71 years to achieve that aged society, and we were about to become that by the year 2020.

We also found ourselves in a fairly uncomfortable position of being sandwiched between Japan and Korea when it came to technology. According to our National Science and Technology Commission -- they conducted a study in 2010 -- and according to those stats, Korea trails the U.S. by some 5.4 years and Japan by some 3.8 years, and we are only ahead of China by 2.5 years.

Speaking of China, of course, the stats are fairly impressive. Our some 20,000 Korean corporations have invested $32 billion in China for the last 10 years, and we currently incur approximately $125 million of trade surplus per day. So in 24 hours,

we're making $125 million vis-à-vis the Chinese. China now, of course, built the fastest supercomputer. And I would not be surprised, in light of China's proactive trade policy -- provided that, of course, Korea-China Free Trade Agreement talks do not progress rapidly -- I would not be surprised if they came back and said, listen, that's the way China, Taiwan, Hong Kong, Macau, ASEAN, and Korea regional trade agreements.

One of the -- after the Free Trade Agreement was signed and concluded back in 2007, one of the most frequently asked questions was how did you ever convince President Rowe to engage in a Free Trade Agreement with the United States? And quite honestly the answer to that question was he didn't really need persuasion. In Korea, I think, to be the president of Korea, you need to be intimately familiar with three subject matters.

First, you have to be intimately familiar with the policies pertaining to, in detail, the United States, North Korea, and liberalization. President Roh was a realist. He was not an ideologue. And without liberalization, he knew that there was no way to become a developed nation. He also recognized -- he was fully cognizant of the fact that failure to liberalize historically meant catastrophe for the country. He indicated, for example, events leading up to the Sino-Japanese War of 1894, the Russo-Japanese War of 1905, and the eventual annexation of Korea by Japan, all these issues he realized were partially contributable to the fact that we failed to liberalize at that given moment. And he also recognized that in East Asia, historically it has not been a horizontal relationship. It was more of a vertical relationship.

And this was why it was important for Korea to adopt global standards and just to give you a few examples. In the World Baseball Classic, the Korean baseball team once suffered a humiliating defeat to the Taiwanese national team. And after analyzing it, we realized there were three faults: the Korean Baseball Organization used smaller baseballs so it allowed the pitchers to throw forkballs a lot easier, the mound was a few inches higher, and the strike zone was larger. Well, we fixed that and that's why we won the gold medal in the Beijing Olympics.

I can tell you that back in 1996, when we said we were going to liberalize the retail sector, everyone said that all the Korean retail stores would go bankrupt. And when we did the Open Skies in 1998 -- well, more specifically, that was Ambassador Lee Tae Sik in his capacity as the director-general of the Trade Bureau -- when we did the Open Sky, of course, Korean Air Lines and Asiana came to us and said, we're just not going to be able to compete with the likes of United and American. But what happened was that in the retail sector, for example, you have the retail giants such as E-Mart, Lotte, and Home Plus that have done incredibly well not just in Korea, but outside of Korea, including China. In the Open Skies, for instance, the air route between Korea and the United States, the Korean companies now occupy 93 percent of the air passenger market and 64 percent of the air cargo market, and that's on the Korea-U.S. route. I must say one of the issues that I never quite understood about U.S. consumers was why they put up with the type of services currently being provided by some of these U.S. airlines. I wish somebody would sue them.

Let me briefly touch upon the benefits to the consumers. I think there is this faulty notion, almost a misconception or perception, that it's the manufacturers in Korea or the farmers in the United States or the service providers are the clear beneficiaries to free trade. That may be partially true, but the real beneficiary, I think, is consumers. At the end of the day, it's the consumers that win out as a result of increased selection, increased competition, and inexpensive commodities that become available in the market. I can tell you that sometimes I go shopping with my wife, and the inflation and the high price of goods is just really amazing. For example, we have -- our consumers consume the most expensive beef, which is about $43.70 per kilogram, which is about 2.2 pounds. We also consume the second-most expensive potatoes and third-most expensive apples. So free trade will allow, by actually allowing inexpensive products to be available in the market, it will allow our consumers to benefit. And quite honestly, one of the regrets that I have about the Korea-ASEAN Free Trade Agreement,

which I negotiated, was that what we should have done was we should have probably allowed for an immediate elimination of tariffs on tropical fruits.

Criticisms about the KORUS FTA abound, and the most vociferous criticism is aimed at the indirect expropriation provision. What this means -- it's a very technical, legalese thing -- what this means is that indirect expropriation takes place where an action by the U.S. and Korean government has in effect an equivalent of direct expropriation without the form of transfer of the title or outright confiscation. Now, of course, FTA is criticized because it codifies the compensation for indirect expropriation. But I can tell you that almost all the Free Trade Agreements and the bilateral investment treaties that we have signed contain this provision. Korean courts also award compensation if the economic impact of a government action amounts to an indirect expropriation. And moreover -- and I think this is the most important component -- the agreement clearly states that nondiscriminatory regular actions that are designed to protect legitimate public welfare objectives, such as public health and safety and environment, do not constitute indirect expropriation. So I don't think there's a problem on that front.

Rich, how am I doing on time?

MR. BUSH: You're doing great --

MR. KIM: I'll speak faster.

MR. BUSH: -- if you're about to wind up.

MR. KIM: I'm about to wind up. So it was against this backdrop, it was against this landscape that Korea decided to launch multiple FTAs on multiple fronts with multiple parties. We, of course, started with Canada and then Bob Zoellick sort of wanted to engage in preliminary negotiations, which eventually led to the launching and the conclusion of the Free Trade Agreement with the United States.

To the south, ASEAN being our fifth largest trading partner, we finished the ASEAN Free Trade Agreement and to the west, including China. I think that's why -- I think we're the only country that calls China a "Western nation" accordingly. But to the

west, we finished our Free Trade Agreement and ratified the Free Trade Agreement with the 27 member states of the EU, and that's now our second-largest trading partner, which will probably be highly beneficial for both parties. And to the north, of course, we sort of did a -- we're engaged in preliminary discussions with Russia because they haven't joined the WTO yet. And currently we are negotiating a Free Trade Agreement with China.

Where does this KORUS FTA stand today? As I stated at the outset, it's been four years since we signed this agreement. I think it should be ratified. There are some critics at home in Korea who point out that the renegotiation or the further negotiation basically disturbs the equilibrium that was achieved between the two parties back in 2007. But when you look at the agreement in the macro framework, the relative advantage that Korea can derive from vis-à-vis other countries that export the same products to the U.S. market, namely China and Japan, when you take that into account, I think it makes perfect sense to have this ratified. My speculation is that once the U.S. Congress ratifies this sometime in the late summer or early fall, the Korean National Assembly should follow. And for the U.S., of course, the KORUS FTA represents the largest Free Trade Agreement it has executed since NAFTA. And it also means increased exports, especially in the agriculture sector, and job creation.

I'm going to skip that part in the interest of time. Back then -- obviously because I know that the press is here today, also, but I do want to carefully say that back then, after concluding the Free Trade Agreement with the U.S., I suggested to the President when he was about to take his trip to Pyongyang that we do a North-South Korea Free Trade Agreement. Of course, this was contingent upon -- today it would be contingent upon cessation of hostilities and an improved environment, but back then there were certain considerations, including taking advantage of the natural resources, which is valued at some 6.5 trillion U.S. dollars. Just as a reference, Germany spent for the last 20 years $2 trillion on its reunification costs.

Finally, I think for Korea the KORUS is a less negotiating Free Trade Agreement with the U.S. It was a process, it was not an end. It was not an objective, per se. It was a process and from that process, we learned a unique set of -- we gained a unique set of know-how, which takes us to the next level of development.

And finally, I think our companies, our private sector, need to probably engage in -- they must be left alone. They have to be allowed to engage in free activities, and retain and increase their competitive advantage acquired through real and substantive experiences. Thank you for listening, and I appreciate your attention.

MR. BUSH: Thank you, President Kim. That was a great presentation. We move now from economics to security, and our speaker is Professor Chaesung Chun who's in the Department of International relations at Seoul National University. Professor Chun.

MR. CHUN: The subject today for me is security. There is a lot of discussion going on about South Korea's kind of medium-term or long-term security strategy after the 40 years of Cold War experiences and 20 years of post-Cold War experiences. So the subject today for me is South Korea's future foreign policy with regard to East Asian security architecture and future regional order.

Recently in South Korea, there is a growing emphasis on the need to develop the so-called complex diplomacy, meaning that we aim not only at South Korea's survival and prosperity, but at contributing to the transformation of East Asian order from a competitive balance of power system to more cooperative network governance. So evading seething rivalries among great powers surrounding the Korean Peninsula, especially between the United States and China, South Korea tries to follow the paradigm of middle-power diplomacy, which is sustainable through the changes of administrations and by cohesive social support.

So this is the contents. The visions for long-term vision for South Korea's foreign policy: As you know, it's surrounded by four global and regional great powers. It is still a relatively weak country. Based on the strengthened and transformed

ROK-U.S. Alliance, South Korea has strived to guarantee survival in socioeconomic and cultural development. With this most vital interest, South Korea will begin to put modest efforts to help transform competitive regional order, more regional security mechanism which focuses on the survival of each country.

So in contrast to weak powers' foreign policy so far, a middle power can help reduce the regional tension, suggest concrete measures to assuage rivalry among great powers, and provide new mechanisms for dispute settlement. A growing capability of South Korea in economic and social cultural areas is a very promising element. And what is promising in global and regional policy in these days is the advance of new power fields composed of soft power and network power. There are very fast transformations in international relations in the 21st century. Based on globalization, democratization, and the development of information technology, the logic of traditional balance of power, especially the balance of hard power, goes with that of softer network power. So it's a good thing for me the power such as South Korea, which lacks sufficient hard power to form regional order. It can help great powers and regional institutions to devise better regional environments by enhancing its knowledge power and positional power.

So for the next decade, there will be a great deal of continuity in South Korea's foreign policy. They will pursue the value of democracy, market economy, and so on, and the ROK-U.S. Alliance, all these things. What is characteristic, though, in its complex diplomacies is its effort to transform the current regional security architecture. So there could be some reasons for stability by balance. There are many reasons, but among many. Why we East Asians stick to the balance of power still is a little bit of a theoretical term, but it's the coexistence of incomplete modern transition, modernity, and reinforcing postmodern or transition toward network governance, which means that if we deal with the Northeast Asian or East Asian security architecture, we have to deal with all the extra burdens. The current balance of power system and the upcoming and new global trends, the regional trends, which is very new. So what we want to do is to deal

with all these different logics of international relations at the same time and try to transform the basic structure of the East Asian security architecture.

So the visions are in the slides. I will skip that in the interest of time. But there are challenges, several things. In the next decade there will be continuity, I think. So there will be a structural imperative for the cooperation among the great powers like the U.S. and China as we saw in mid-January this year. But still there are many problems, especially for the United States, still the sole global leadership such as the Middle East situation, increasing Russian influence, economic difficulties, and the rise of new powers. And still there is a possibility of sour relations among great powers in the region. And especially for South Korea, the possibility, even though it's very weak, of the rivalry between the United States and China is a big factor of worry for South Korea in the next decade. As we witnessed in 2010, last year, many issues can be easily escalated to the strategic level when lacking such as trust between them. So this possibility poses serious challenges to South Korea.

So what we have to do as a middle power is to try to enhance mutual trust, if possible, among the great powers in the region. Also, the future road of China's development is very hard to predict. We know all the uncertainties with regard to the rise of China in an economic and military sense. I'll skip the details.

Also there are conflicts in East Asia about heraldry, history education, and all the nationalist issues. They are all deeply rooted in the history, the East Asian modern transition imperialism. It's a kind of memory politics, identity politics. So even though, for example, we have a growing strategic interest within South Korea and Japan, but it's very hard to pursue that because we have many historical issues. So how to cultivate all these new grounds for strategic cooperation in many issues in the future will be another challenge.

How to deal with North Korea, it's a big challenge. I will skip that, but there is an idea of the so-called North Korea policy of co-evolution, meaning that North Korea should evolve itself towards a more normalized country with the help of also-

evolving strategy of surrounding countries. So we have to find something over the sunshinest version and the very hardliner or the confrontational policy. So how to make new governance on the Korean Peninsula will be a big challenge for South Korea's foreign policy in the future.

In the ROK-U.S. Alliance, it has been very good, as the Congressman already said. So how to develop the ROK-U.S. Alliance will be a continuing issue for South Korea, especially as the global security situation in the next decade may be worsened, so how South Korea can cope with a global transformation of the alliance as a middle power. So even though South Korea contributes to some degree to the global missions of the alliance, South Korea itself should devise its own global policy to develop the alliance on its own terms.

So the challenges -- let me summarize these, the major tasks. We can summarize the tasks like this: developing and continuing the transformation of the alliance, establishing bilateral and multilateral strategies over China -- I'll go to that later -- and with Japan, solving the North Korean problems. And these are the continuing issues from the past. But for the more transformative proposals, they are developing a network of multilateral regional institutions in East Asia for regional peace and cooperation, participating more actively in major global institutions, and finding roles as a middle power for agenda provider, normative standard setter, and modest network brokerage as exemplified in the G20 and next year the Nuclear Summit meeting. Reforming South Korea's infrastructure of diplomacy, that's a domestic issue, but it will be very important for the future.

Tasks for the ROK-U.S. Alliance: Well, it's very natural that the main function of the alliance is cope with North Korea's aggression or threat, but as we are in the time of the regime transformation or the regime succession, we don't know what will happen. So how to use the ROK-U.S. Alliance to deal with the upcoming changes in North Korea will be an additional function for the alliance.

What is more difficult for the alliance is China because China thinks they're still the alliance. The ROK-U.S. Alliance is a legacy of the Cold War period, so it will continue to question the function of the alliance and doubt that the alliance will balance against the rise of China. Last year this happened. So South Korea and the United States need to develop the functions of the alliance with regional security in a more collective sense and for dealing with global affairs.

Also, South Korea needs to maintain the basic tenets of the alliance through the changes in administrations with strong, cohesive, support from civil society. I will skip this part.

And lastly, East Asian policy: So what does South Korea want to do in East Asia in general? Under the Myungbak administration, we try to have so-called multiple strategic relations with U.S., trusting alliance with the United States, strategic cooperative partnership relations with China, Russia, and Japan. But we lack, I think, is a regional policy; the addition of all this bilateral strategic alliance doesn't mean that we have an original policy. So we can have a new concept, a regional network, based upon the multilayered actors in many Asian areas so we can call it a complex regional network. There is a South Korea-Japan research team which worked for this concept on more concrete items. There are some members here.

So there is some effort in South Korea to devise a feasible concept for East Asia for the future. It's some kind of modest version than East Asian community or integration because these require a lot. And in East Asia theoretically liberal peace or stability is hard to achieve. A market works for the cooperation, but all the states in East Asia have developmental status. So the market can be easily oriented by the national foreign strategy. So the market doesn't guarantee the peace among the states. Democracy, we have some democratic countries in East Asia, but still we have authoritarian states. So what you can have is a modest version of network based upon all these different levels of actors.

So South Korea, what we can aim is a move from institutional balancing to structural transformation, meaning that there are still many institutions in East Asia -- APEC, APT -- but there is still a mechanism of balancing inside the institutional frames. So we want to move from this institutional balancing to structural transformation where it's related to the concept of complex diplomacy that I explained earlier, to go beyond the collision of great power security architectures, to seek trust among them. So last there are two versions of security architectures from the United States and from China, even though China is not very explicit. So we are kind of in between these two security architectures.

So what we can do is to enhance the strategic trust among them and try to find some roles for middle powers to move from grand rivalry to micro issue-specific management. So we have to keep the small issues from escalating easily into strategic issues. How to deal with micro issues with some issue-specific mechanism of dispute settlement, for example, to go for a regional complex and multilayered network and power transition. There are power transitions, which relate to the idea of rise of China. So there are so many conferences and discussions about the rise of China. And theoretically there is some underlying assumption that our modern experience from the 15th century, that there are cycles of the rising and declining powers. So the rise of China will lead us to the great powers' rivalry or possibly power transition with some military clashes.

But we have some other elements, and I can summarize them into four because this is not just rise, it is the re-rise of China. China has been a regional great power already for the pre-modern era. Also in this period, it should rise, not just in terms of hard powers, but also from the perspective of soft powers. It's a rise, but not the rise of state itself. It should rise with all the other actors, civil society, NGOs, and in the realm of transnational, super national institutions. It's rising within the framework of the existing global or U.S. leading structures. So there is some possibility with all these factors

working. The rise of China, hopefully, may give us some new opportunity to build a more cooperative regional network.

So this all leads to South Korea's wish that we have to deal with the power transitions in East Asia toward a more cooperative new kind of regional security architecture. So this is less power. So what are our tasks for East Asian policy? Generally, to enhance multilateral security mechanism and with Japan. Japan becomes a relatively weaker power these days for many reasons, but in South Korea there is still a discourse about the security cooperation between two countries. And we are having more results so it should be perceived, planned, and executed from a different perspective from the past. The strategic consensus, the room for this consensus is large, so we have to work with that. But what South Korea wants to see is a long-term vision of Japanese security policy. So if there is an agreement for the long term on security policy between two countries, I think there is a great possibility to overcome all the historical issues and go for the future cooperation.

With China -- this is the last slide -- to make a strong multilayered network between South Korea and China, especially to establish a flexible, well-connected network between two civil societies. It is not a democratic peace yet, but if there is more and more exchanges between these two civil societies, I think there is much possibility that these two civil societies talk to their own governments and try to block some disputes or the confrontations; to exchange ideas and cultures and help the development of China civil society and democratic norms; to find common norms, common ground, for identifying and solving regional common problems. It includes the issue of ROK-U.S. Alliance so we can persuade them that the purpose of the alliance is not just for checking or balancing against China. It is not such an idea. It's for a more regional conflict-solving mechanism by principles and norms and to participate in global institutions together. So bring the global norms into the region and cultivate a new culture of the cooperation and partnership will be an important issue.

Okay, this is then. Thank you very much.

MR. BUSH: Thank you very much Professor Chun. That was highly stimulating. I have a number of questions that flowed from your presentation.

We now turn to our good friend, Balbina Hwang. Dr. Hwang is a visiting professor at Georgetown University, and she will talk about the Obama Administration's policy towards North Korea. Welcome, Balbina.

MS. HWANG: Well, thank you very much. It's a great honor and a pleasure for me to be here, especially with such a distinguished audience. I see Former Ambassador Lee Tae Sik is also here. I've been attending the Seoul-Washington Forum now since its first meeting five years ago. And I really want to commend Richard and Brookings because I think it's been very interesting to see how each year it has evolved, especially through all the sort of turbulent periods that we've had between the U.S. and the ROK. And it's always served to be a very important forum to kind of gauge where we are. And so I commend you a lot for keeping this up, and I think it just gets better every year.

Well, no PowerPoint for me. My short stint at State taught me that the State Department doesn't do PowerPoint, thankfully. Now if I had worked at the Pentagon, I would most certainly probably have one.

Well, I was asked to discuss the Obama Administration's approach towards North Korea. And interestingly enough, in order to sort of assess Obama, one actually has to start with the previous administration, with President Bush's policies. And the reason I think so is that ultimately when you look at United States approaches to North Korea in general, there's actually been far more consistency than one expects. In fact, this is true over the decades. And that ultimately what it reveals is that the U.S. role and influence vis-à-vis North Korea is essentially limited. And we're very much constrained by our relationships with our alliances, obviously South Korea and Japan, but also regional players, namely China, but also Russia to some extent. And ultimately that North Korea is just one piece of the United States' global strategy, which is why I thought it was very interesting that Assemblyman Hwang pointed out at the end one of the things

he wants to see in the future is a shift from the United States of looking at the Korean Peninsula as not a dependent factor of the international or global policies. I think that that's a very admirable goal. I'm not so sure that we could ever attain that. But in any case, we can leave that up for discussion.

The point is that, of course, there have been dramatic differences across the administrations. There is no doubt. But what I'd like to point out is that they are primarily due to the tone and the rhetoric and actually for expectations and really the perceptions about what these policies entail. Now this doesn't -- I don't mean to say that tone and rhetoric don't matter. Of course, they do. And in fact, they go very far away in sort of building expectations, but then ultimately establishing perceptions that end up not necessarily corresponding to reality.

So, for example, when you had President Bush come into office in 2000 -- 2001, actually, in January -- again, I don't know if you all remember this, but there was a great deal of expectation about a dramatic shift in policy. Now this is part and parcel of any shift from a Democrat to a Republican presidency, and especially if you've had two consecutive administrations. So, in other words, an eight-year term under Clinton and then an eight -- a brand new term just like when President Obama came in. Again, it had been eight years of Bush and now a switch to the Democrat. And so there had been great expectations that President Bush would do a dramatic reversal of the previous Clinton approach, which had been as we all know one of engagement and not just engagement, but bilateral arrangements and bilateral contact with North Korea.

Now interestingly, the Bush Administration's policies got sidetracked, and it really was because of 9-11. The September 11 attacks, I think, established a whole new era in security issues, and despite the fact that for the next eight years, Bush continued to live under the specter of being hard line. Actually if you look at his actual policies, they weren't very hard line. And, in fact, compared to his original campaign pledges and promises -- in fact, the policies as he was outgoing towards 2008 looked very little like the things that he had pledged and promised early in his presidency.

So now we come to Obama, and remember that Obama had also campaigned on essentially the opposite platform. He had said that he would hold out a hand instead of a fist that he was willing to engage, and so on. So I think there was a great deal of expectation about these changes. Certainly there was probably a lot of relief in Asia as well as, frankly, here in the United States.

But what's most interesting is that if you look now at Obama's policies, and anybody who asks me this, my answer is I think Obama has been doing a great job implementing the Bush policy and actually better than President Bush himself. Now, I don't mean to be facetious or sarcastic. I actually mean that to be true and I say this because I don't think President Obama necessarily started off that way. In fact, it's pretty clear he didn't, and it's pretty clear that almost all of his top officials had no intention of continuing the Bush policy per se. But ultimately what it reveals is that the Obama Administration is quite pragmatic. And when they came into office, they quickly learned that there were many constraints in that office that prevented them from necessarily having a bold or new or radical North Korea policy. And many of these conditions and constraints were very similar to those in the Bush Administration.

So I sort of sat up and I kind of outlined a bunch of them; I came up with nine. They're not in any particular order. But, for example, one, both presidents faced a changed global security environment post 9-11. And what this primarily means is an emphasis on nuclear and WMD proliferation, which has taken on exponentially greater concerns. It doesn't mean that we weren't concerned about nuclear terrorism and WMD before 9-11, but what it means is that given the priority of global terrorism, it took on a new impetus and that prioritization.

Secondly, pressure from regional allies and others who have exerted pressure on the United States to not dramatically change course on North Korea. And this came at various times from alliance partners -- South Korea and Japan -- but also others, partners, China, Russia.

Three, there were constraints placed on unilateral U.S. actions. And again, these came primarily from alliance partners -- South Korea and Japan -- but also from other regional partners.

Four, defiance from the North Korean regime in the face of both U.S. threats and enticements. And by the way, again, if you judge the kind of specific actions or specific policies that have been broached towards North Korea -- in fact, so far, if you're keeping a scorecard, Bush has actually provided more "enticements" than Obama has yet. For example, removing North Korea from the terrorism list, returning the frozen money from BDA, these were very strong concessions, and yet continued North Korean defiance. By the way, I point out when Obama did come into office and his tone was quite conciliatory, the North Koreans quickly shut that down. So, again, it's very much dependent on North Korean actions.

Five, emergence of specific bilateral issues that were extraneous to the nuclear issue and became roadblocks to multilateral nuclear dialogue. And, of course, here I'm referring during the Bush years to the Japanese abductees issue which really was a bilateral issue, but essentially hijacked the larger process. And then most recently the specific bilateral issues that the ROK has with North Korea, the attacks on the *Cheonan* and the Yeonpyeong Island issues, which I wouldn't go so far as to say hijacked, but certainly these have become preconditions to resuming multilateral nuclear dialogue.

Six, recalcitrance from China and other regional players to exert their limited influence on North Korea. President Bush prioritized this. This was, in fact, one of the main reasons for establishing the six-party talks. And it's arguable how much more successful Obama's been than Bush has, if you look at different alternating periods.

A seventh constraint is the shift in China's relative power. Since 2000 -- it's been a decade now -- China's relative power, both diplomatically in a security realm and economically, has expanded greatly and certainly both regionally and globally. What this has done is increased Beijing's bargaining position as well as elevated Beijing's

crucial role in resolving disputes. Now, not just regional disputes or disputes that are arguably regional like North Korea, but other issues like Iran, which also become critical because the United States must then balance the importance of China's cooperation on these issues along with North Korea.

Another challenge has been the preoccupation with obtaining multilateral legitimacy to justify U.S. positions. Now these have included deference to the six-party process and even U.N. security proceedings in order for the United States to take some sort of proactive measures or statements against North Korea.

And number nine, overwhelming security and other challenges, for example economic, that go well beyond the North Korean issue, but that abide for administrations' priority. So not just Iraq and Afghanistan during the Bush years, but all the turmoil in the Middle East and North Africa that President Obama is facing, and, of course, the economic global crisis that really did take away national priorities.

So these and I'm sure there are some other factors have led to far more pragmatic policies towards North Korea than I think either President Bush or President Obama had initially intended. Now, I will say that one thing -- and this why I jokingly have said that I think Obama's doing a much better job implementing the Bush policy than even the Bush Administration did -- is that, in fact, one of the really positive things that he's clearly done is first of all what you see is a far more disciplined bureaucracy. There's great coordination not just with allies, Korea and Japan, but also with China and other countries. And also I think the Obama Administration deserves a lot of credit for really learning the mistakes in the sense that one of the key issues they prioritized was making sure that the U.S.-ROK Alliance and the strength of that alliance relationship stayed very, very strong. Now I do have to say that one of the reasons they were able to do this, frankly, is that there was a lack of ideological battles in this administration, and that was a great advantage.

And so I will just wrap up by saying that looking forward now, it's unclear whether there's going to be much change. In fact, I would predict that there probably

isn't. There's clearly an emphasis on restarting the six-party talks. Ultimately, the six-party talks have been unsatisfactory for the last eight years primarily because it was a method of last resort or maybe you can call it the least-worst option. It doesn't mean that I necessarily think that they're terrible or that they shouldn't proceed. However, they may not necessarily be -- they clearly are going to have great difficulty achieving the stated goal of denuclearizing North Korea.

And so the real problem, though, is that going forward I think what we're facing is 2012, which is next year. Now, you all know, obviously, in this country we're facing an election, but notably every country in East Asia will have a new regime. China faces leadership transition, Russia, even Taiwan will have elections. Certainly the ROK faces elections. Japan, I'm sure, they'll have several new leaderships before 2012. And even North Korea has stated 2012 as a critical year in its regime as a year of succession. So what this actually means is that it's very doubtful that any country, much less this administration, is going to come up with a bold, new, initiative towards North Korea. And I don't think that's necessarily the worst thing in terms of keeping a lid on things. I think ultimately the best we can hope for is sort of maintaining a kind of stability, hoping that things don't blow up literally until 2012. But what this means is we probably won't see anything new until at least 2013, and then we're in a completely new ballgame because we'll have all new leaderships.

MR. BUSH: Thank you. The Obama Administration's Office of Strategic Communications will be contacting you after this meeting. (Laughter)

For a commentary on our three excellent presentations, we now turn to our good friend, Bob Sutter, who recently made a move from Georgetown University to George Washington. It's Georgetown's loss and GW's gain, and we're pleased that he can join us today. Bob.

MR. SUTTER: Thank you very much, and it's a pleasure for me to be here with all these very thoughtful specialists, talking about the situation on the Korean Peninsula.

And in general terms, I think you can summarize many of the presentations, not all. It seems to me that they -- and this includes General Hwang's presentation before our panel -- but General Hwang and Balbina, as well, underline imperatives that for closer U.S.-ROK cooperation. It seems -- and Mr. Kim underlines this point on the economic side as well, his presentation as well. In other words we have very strong imperatives that face us now. These are very real things. And what we see in front of us is in the security area, we obviously see the need for cooperation between the United States and the ROK in dealing with North Korea for three basic reasons. North Korea continues development of nuclear weapons and weapons of mass destruction. North Korea's undergoing a leadership change that's very uncertain and the implications of it are very uncertain. And in the process North Korea carries out provocations towards South Korea, and this could happen again very easily. So the need for cooperation seems very important here, and it underlines the need for this kind of balancing that Professor Chun was talking about that will be with us, I think, for a long time.

And then we get to China, and this is something that we've talked about a little bit today. And I'd like to talk a little bit more about China because I think China here in the past year has shifted a bit. The Americans used to look at China as part of the solution of dealing with North Korea. I think that's changing, has changed perhaps, because why? Well, because China is cautious, and it has a very unsteady situation on the Korean Peninsula. It wants to stabilize the situation. It wants stability there. That's its main concern. And so it's basically shifted to an approach that gives a lot more priority to keeping good relations with North Korea. This is going to be a problem, I think, from the American and South Korean side in dealing with this issue.

What happens here is that China consolidates its ties with North Korea in a period of leadership and other uncertainty in North Korea. I think the record on this is very clear. It opposes aspects of U.S.-South Korean efforts to deter North Korea from undertaking provocations against South Korea. This is the exercise in the Yellow Sea as

something you could point to, but there are a number of these types of things. And I think it's fairly clear that longer term, China is promoting an effort to sustain a North Korea that is friendly to China and dependent on China. I think that seems clear, too. And so this kind of situation is something that we have differences on, this kind of thing. And so North Korea will have the backing of China to some degree, and it gets the backing even when it's provocative towards South Korea. So this is something that has to be dealt with, I think, very -- it's one of these constraints that Balbina talks about that has to be dealt with fairly readily.

And I think you could argue that given the leadership situation in China where there'll be a change in leadership, a major change in leadership, over the next year or two, a period of consolidation of a new leadership coming in and so forth. The priority for stability on the Korean Peninsula for China will be very high and the desire, therefore, to change policy, to move away from this policy that they've carried out in the past year or so of consolidating relations with North Korea, is unlikely to change in that situation.

So I think this is a reality we have -- another thing we have to deal with in this situation, which underlines the constraints that Balbina was talking about, underlines the need for balancing that we were talking about, that Professor Chun was talking about. I think we have to be realistic and pragmatic in dealing with these kinds of things. And I think it's -- but there it is.

Japan is an area where I think several of the speakers have underlined the fact that Japan for the foreseeable future will be preoccupied with other things. They will be concerned about security in the Korean Peninsula and will be more open to cooperation with South Korea and the United States in building solidarity to deal with this kind of a situation on the Korean Peninsula. And underlining this, it seems to me, is this balancing that Professor Chun was talking about that isn't a good thing because it doesn't allow for this type of communication. And that is that Japan is worried about the overall balance in the region, and it has to worry about the rise of China, too. And so this kind of

hedging, if you will, on the part of Japan is something that's likely to continue in the near term as well.

So the imperative from the U.S.-South Korean side to cooperate together, the immediate security issues, the trajectory over the next year or two of China and its relationship with North Korea, and the role of Japan, seem to argue for closer cooperation between the United States and South Korea.

The economic imperative for cooperation, I think Mr. Kim's presentation underlines this point very well, and these are strong as well. And so presumably we'll move ahead with the Free Trade Agreement and then the issue will be how these things are implemented. But the pressures for doing the agreement and carrying it out, I think, are very strong and his presentation underlines that point.

So what does the road ahead look like? It seems to me the road ahead from the presentations suggests that the U.S. and ROK need to rely on one another more than ever in seeking ways to manage the North Korean challenges. It's hard to be optimistic on the challenges becoming less over time, so the need for U.S.-ROK cooperation, I think, remains very strong.

Our deliberations today and tomorrow may show new paths forward. Professor Chun's vision for South Korean policy is very helpful in this regard. It does show possible paths that one can take to ease these kinds of tensions. Perhaps the Free Trade Agreement that Mr. Kim talks about with South Korea and North Korea is a useful path forward as well. But Dr. Hwang reminds us of the constraints that limit the choices and limit the options, at least for now. At a minimum, we need to pursue efforts -- the United States and South Korea need to pursue efforts that will contain North Korea's dangers and leave open the path for negotiations that will ease the dangers and the negative features of North Korea's development of nuclear weapons and its provocative behavior. On the free trade area, Mr. Kim's presentation underlines strong factors, moving the U.S.-ROK Free Trade Agreement forward and then the issues will be implementation issues.

Now what I'd like to talk about a bit, though, is the implication of these trends that we're talking about for the overall U.S.-ROK relationship. Because we all remember in the post-Cold War period, there were lots of troubles between the United States and South Korea, lots of ups and downs in the relationship. South Korea had showed in this period -- this is the last decade or two -- showed strong domestic divisions in South Korea about the alliance itself.

The rise of China was seen by many in South Korea as a strategic alternative and very attractive to South Korea and particularly at a time when the U.S. didn't look attractive at all to many in South Korea. There was lots of friction between South Korea and Japan over various issues. And then underlying the alliance was a fear of South Korea of being abandoned on the one hand, or perhaps being entrapped. Now we have talked about entrapment today in the fact that the U.S. and China might become tense, the relationship might become tense, and South Korea would be trapped in that situation, but there was a fear of abandonment as well, that the U.S. wasn't paying attention or was giving second-level attention to South Korea.

So I think there's a lot of good news in the recent trends, which I think underlined that these problems in the past, in the recent past, are less serious today. I think, for example, I think the U.S. clearly gives -- the Obama government -- clearly gives top attention to South Korea. I think this is very clear. Secondly, I think it's clear that South Korea, given the circumstances that we face in the region, South Korea is a pivot. It's very important in this situation. It's hard to see how South Korea could be abandoned in any way under these circumstances.

As far as Japan-South Korea relations are concerned, I think the differences persist, but the trend is toward greater cooperation. China's approach toward North Korea that I talked about earlier underlines some key differences with South Korea, and I think it promotes some wariness on the part of South Korea in dealing with China. So I'm not sure what the implications of that are exactly except that I think that South Korea's view of China as an alternative to the United States, I think that's diminished.

And I think the domestic divisions in South Korea over the alliance with the United States and domestic divisions over relations with North Korea, I think they have been muted to some degree or controlled to some degree because of North Korea's provocative behavior. This keeps those divisions in some check. It's hard to be pro North Korea when North Korea is attacking your people.

And so in some I think that for now, and I think Balbina indicated this is going to last through the elections, I think this could last a lot longer. I think the security situation, frankly speaking, is grim, and I don't think it will get better soon on the Korean Peninsula. The opportunities for U.S.-ROK economic cooperation seem good, and both sets of imperatives seem to argue for a closer U.S.-ROK cooperation in the period ahead.

Now the proposals of Professor Chun it seems to me are very logical. They make a lot of sense, and they seem important. And my sense is, just as an old practitioner, it's a matter of timing. When do you start focusing on these kinds of things? They will ease tensions. Maybe you should keep them in mind all the time. Maybe they should be prioritized now. But it seems to me that you have some very serious issues to deal with right now, and I'm not sure how these fit in and could they be distracting? And so I'm not certain how this will work, so Professor Chun, I would really like to know how in the context of the constraints that Dr. Hwang illustrated, how do you do these kinds of things from a practical point of view? Don't you really have to focus on the balancing to keep the situation at least stable, to keep your country secure, before you can go on to these other more constructive ways of dealing with things from a regional point of view? I think there's a tension there, and I don't know how to resolve the tension.

So with that, I will conclude and thank you very much for your attention.

MR. BUSH: Thank you very much, Bob. We now have about 35 minutes for discussion before we have to conclude, and so the floor is open. When I call on you, please wait for the mic and then identify yourself and we'll go from there.

I'd like to exercise the right of the chair to ask the first question to Mr. Kim to get us back to economics a little bit after all this heavy, hard powered security

discussion. I think that South Korea's effort to do free trade agreements in a multidirectional way is quite impressive. But as you know better than I, given that you were a trade minister, liberalization leads inevitably to structural adjustment within the economy that's doing the liberalization. And so it -- that would suggest that all these free trade agreements are going to put some pressures on the South Korean political economy. What is your -- is that so? And if so, what is your assessment of the capacity of the South Korean system to make those adjustments to help losers and facilitate potential winners?

MR. KIM: Thank you, Richard, for that question. I know that it comes at a time when the jetlag kicks in hardest.

MR. BUSH: Sorry.

MR. KIM: But let me answer your question twofold. First of all, I stated that one of the benefits of the free trade agreement is that it allows you to choose your partner and it allows you to control the extent of liberalization to a certain extent. For example, some people -- many people have this mistaken notion that once you conclude a free trade agreement, everything -- all the tariffs get eliminated immediately, but that ain't the case at all. On sensitive products you can go from anywhere between 5 to 10 years, and suppose it's 5 years, okay, on agriculture products. Like I said, we're discussing ancient history. We signed this agreement four years ago, so if you want to liberalize that item over the next five years, you, in effect, have nine years to do that and that should be plenty of time for you to adjust, that should be plenty of time for the government to take measures that would assist these adversely affected industries.

Secondly, the most adversely affected industry, obviously, is going to be our agriculture sector. Now, in any given economy you have to be within the 2-by-2 square to be able to deal with it effectively. Less than 2 percent of the population has to be contributing less than 2 percent of the GDP for there to be any technical adjustment, which you are -- the TAA issue, which the United States is also dealing with.

Korea has approximately 8 percent of the population is in agriculture. It

contributes approximately 2 percent to the GDP. There are 3.5 for farmers, that's 1.25 million households, and 60 percent of them are over the age of 60. And our food self-sufficiency rate is 27 percent. If you include the fee for the livestock it comes to 32 percent. The question is, how are we going to feed the 22 million North Koreans when -- I'm not going to say "if" -- when Korea's reunified?

So, on the issue of the agriculture sector, Richard, I think we need to -- the government has to address that from the perspective of welfare. Those who can't compete, they just need assistance and that has to be approached from the welfare perspective.

So, like I said, FTA is not an end in and of itself, it's a means to get to a certain objective and then the process, we as a nation and people, gain our unique set of know-hows to reach that level of a development or the status of developed country, a mature developed country, to be able to be a role model for others that do want to emulate our model.

Now, mind you, that our per capita income back in 1960 was $80. Ghana's per capita income at that time was $140. And so today where are we? And what happened when we liberalized? And what happened when North Korea did not liberalize? So, these issues, if you take all of them in tandem, will point that -- will suggest that these free trade agreements entered into by Korea with 54 of its trading partners, was the right choice, it was in the right direction.

Again, when I said that it should be ratified in light of the fact that when you look at this in a macro framework, the -- and also taking into consideration the fact that in East Asia there has never been a horizontal relationship amongst three or four countries, it's always been vertical. Korea's going to be the only country that did conclude a free trade agreement with the United States thereby giving it a comparative advantage in the sense that -- in the sense that when you look at the top 100 leading exports -- export items -- of China and Korea currently today, 30 of them overlap. Now, you may say that the industry average of the United States, which stands at 2.5 percent,

really doesn't make much of a difference, but let me give you a concrete example.

Sonata, Hyundai Sonata competes with Honda Accord and Toyota Camry. At 2.5 percent you're talking about a $500 differential, so -- $500 U.S. dollars differential, so it does make a difference. So, in that regard, Richard, I think in a nutshell this free trade agreement between the two countries makes sense. It should be ratified as quickly as possible.

I would add for the record that on June 30, 2007, when I did sign under the condition that environment and labor provisions be added, I was promised that there would be no further negotiations, but there were further negotiations and I think that's regrettable. But nevertheless, like I said, as I emphasized over and over, in light of the macro framework, when you look at it at the macro level, it should be ratified as soon as possible.

MR. BUSH: I saw Mike Billington and then Paul Chamberlain. First up here.

MR. BILLINGTON: Thank you, Richard. Mike Billington from *Executive Intelligence Review*. I'd like to address Minister Kim on the economics. You've talked about how this is ancient history and in one sense I think despite the very, very interesting presentation -- thank you -- it made no mention whatsoever of the fact that we're in the greatest economic and financial breakdown crisis in the West at least since the 1930s, perhaps much greater than that.

As you know, there's general panic in the European banking system, the euro may not last the summer, and in the U.S. the talk about a recovery is pretty much gone now and people are aware that really all that happened was that the banks were bailed out by a multi-trillion-dollar bailout and the physical economy and the cities and states are in a state of total crisis.

So, what I'd like you to address is that there's a growing consensus that this is all caused by the takedown of the regulations of the Roosevelt era, the takedown

of Glass-Steagall, the takedown of other kinds of controls and the sort of onset of an extreme free market, free trade ideology that allowed that to happen. And so as we see this develop, I'd like you to comment on that and how you think this crisis is going to affect Korea, not just the FTA, but Korea and the Asian economic development dynamic more generally. Thanks.

MR. KIM: I will answer that question, but please bear in mind the fact that there are two categories of people. One, you have the economists who put together the paradigm and say, here, go in this direction. I'm the one who implements that as a negotiator. I'm by education and training a lawyer and you just asked me a hugely confusing economic/financial question which probably can be better addressed by the likes of Volcker or your Federal Reserve.

Yes, the euro is declining. Unfortunately, there is a discrepancy amongst the 27 EU member states. For me personally I thought the reaction of Greece to a more disciplined approach to its economy was -- it could have been a lot better. I remember back in '97, '98, when we were going through our financial crisis, yes, our people contributed gold to pay off the debt back in -- and 90 years ago, back in 1907, people (inaudible) -- again pulled together and paid off the debt that Japanese forced on the Korean colony.

And, yes, the U.S. -- with respect to the U.S. economy, I think for next year's election purposes, I think one key issue is going to be the statistics pertaining to unemployment. I think if it hits south, that could perhaps adversely affect Obama's chances of reelection, but I think it's something that needs to be carefully watched.

Now, in that particular context, what does Korea do? Let me address by saying that I think with respect to Korea, the economy needs to continue to grow. Bear in mind that when that reunification takes place it's going to be hugely expensive and thus -- and that's why I mentioned -- and that's why I, on a rather cursory basis, did refer to the $6.5 trillion U.S. worth of natural resources in North Korea. Now, do you issue Treasury bonds and backed by the Asian Development Bank and make it tax free so that the yield

would be lower and the maturity date would be longer?

These are all the considerations that need to take place. So, for Korean economy it is important to have the pie grow and, of course, the benefits need to trickle down also to the -- to others -- other stakeholders in the society.

I think it was really a good thing that in the early 2000 -- in the last administration that Korea took the initiative to engage in free trade agreements so as to be able to expand the trade because we needed to be creating, like the U.S., more jobs. We have twice more four-year college grads than when I graduated from college back in 1981 and that also entails increased jobs in both the manufacturing and the service sector, and services sector is a key component in any free trade agreement.

In addition, as I pointed out, I, again on a rather cursory basis, alluded to the fact that I sort of regretted not eliminating the tariffs immediately on the tropical fruits when I engaged -- when I negotiated the free trade agreement with the 10 ASEAN countries and the reason for that, quite frankly, is because the price on commodities, the inflation rate, simply needs to be controlled so that our middle class can better cope with the changes that are taking place.

But ultimately, I think, back in the early 2000s the last administration, the fact that we did embark on our free trade agreements was a good thing because it assures us a steady flow -- it assures us a steady flow of exports and imports, both of manufactured goods as well as agriculture goods, and also the services that are being provided by the service suppliers of both countries.

So, overall, I think we are headed in the right direction, and currently in Korea there are many social issues including polarization between the haves and have-nots. You will face that in any country. That needs to be rectified by, I suppose, by the legislature or by the initiative of the presidency to make sure that that gap doesn't widen any further. And those are the type of social measures that need to be taken going forward.

MR. BUSH: Paul Chamberlain.

MR. CHAMBERLAIN: Thank you. Thank you, Richard. Paul Chamberlain here. I have two questions and they're both short. The first is what do you know about developments in North Korea's nuclear capabilities and its nuclear arsenal? And with respect to economics, what is the implication, if any, between the U.S. debate, for lack of a better term, on the debt ceiling and the free trade agreement? Thank you.

MR. BUSH: Thank you for the short questions. Did you want to direct them to any person?

MR. CHAMBERLAIN: I think Minister Kim is probably best suited to answer the second question.

MR. BUSH: Right.

MR. CHAMBERLAIN: And anybody who can answer the first question would, I think, be the appropriate person to answer it.

MS. HWANG: Short response on the North Korea. I don't think anybody really knows. I certainly don't. One thing I can, I think, say with confidence is that North Korea's development of both its nuclear capabilities and arsenal is probably steady and increasing, I mean, that's the trajectory, unfortunately.

MR. BUSH: All right. My own personal view is that North Korea has nuclear devices, it has declared an intention to increase its supply of fissile material through uranium enrichment, and I think that North Korea would have to work very hard to convince the rest of us that it did not want to be a nuclear power for the foreseeable future. I don't rule out the possibility that it could do so, but it's making it harder.

Mr. Kim, do you want to respond to the question about the debt ceiling and whether it has any relevance?

MR. KIM: Was your question whether or not there was a provision in the free trade agreement that called for debt ceiling? Was that the question?

MR. BUSH: No, does the sort of debate that's going on in the United States about our fiscal policy have any sort of implications or consequences for our economic relationship?

MR. KIM: Well, we certainly want the U.S. consumers to spend and spend. So, yeah, so it's certainly -- listen, the global economy is so interlinked that one adversely affected area is going to have an impact on another area, there's no doubt about that. So, I think it's in the best interest of Korea to make sure that the U.S. economy does recover and that the unemployment goes down so that trade continues to take place.

As somebody just pointed out today, U.S. is our fourth largest trading partner and however the export market, when you look at the export side, the export market is larger than China, Japan, and ASEAN -- 10 ASEAN countries put together. So, yes, I think that would -- I would hope that the debt ceiling is not there so that this trend of the trade pattern that has taken place for the last decade -- few decades does continue.

MR. BUSH: Chris Nelson.

MR. NELSON: Thanks very much, Richard. Chris Nelson, Nelson Report. In listening to the whole discussion I find myself wondering, from our Korean friends, what is your sense of the greatest strategic threat from North Korea? Would it be continued failure to have serious domestic economic reform, continued failure at all the levels that, you know, we're all familiar with, or would you still put the WMD development, the possible ICBM, the possible weaponization of that, is that a greater strategic threat? The reason I ask that is that there has been criticism of Obama policy that it has nothing actively ongoing to address the strategic weapons threat except pressures that would make it more difficult for the North Koreans to make money by their various illegal and other means, so in a sense it also, by their own actions, the North Koreans can condemn themselves to continued domestic and economic disaster.

And just a quick comment, Minister Kim, if this is how you are when you're jet lagged I'd sure hate to go up against you when you're all cooking. Thanks.

MR. BUSH: Professor Chun?

MR. CHUN: I'm still suffering from jetlag. I arrived this afternoon, so -- well, I think North Korea continues to develop WMD as a nuclear program for the next

leadership, because the following leader will not have any policy measures to have economic assistance from outside or the legitimacy from the domestic people if they don't use this WMD device to elicit outside economic assistance. So, it will be a threat to both the South Korea and the United States. And they will develop more and more with, you know, more technology.

So, militarily it will be a threat, but if they have more nuclear devices they will have the upper hand in negotiations, I think, politically it will be a much bigger problem to South Korea.

So, if this stalemate continues, North Korea will use at some point like, you know, third nuclear tests or more low range missiles which will make South Korea and U.S. position in a more difficult sense.

MR. BUSH: Assemblywoman Sung. Right here. Up here.

MS. SUNG: Well, I don't think we can contain North Korea's nuclear development; we only can contain or prevent North Korea nuclear proliferation. The more we try to contain their nuclear development, North Korea will elevate the price of nuclear weapons, whether it is effective or not, politically, economically, or even militarily against the United States and South Korea.

Well, as long as China doesn't cooperate to contain North Korea or the, you know, disarm North Korean nuclear weapons, our own means the United States and Korea, as well as Japan's effort to contain North Korean nuclear development is useless. On the other hand, the price goes up.

So, in that sense I think even Dr. Hwang said sarcastically speaking, Obama is doing better. I think realistically to me it looks like -- I heard it that way. To me it looks like Obama is realistically doing better because he's focusing on nonproliferation instead of disarmament, so about that, if I wrongly understood your point, correct it. If you agree with me, just confirmation.

Second point is recent Korean situation according to the North Korean's word, sneaky or tricky summit meeting, you know, (inaudible). How do you evaluate it?

You know, as for United States viewpoint, should South Korea continue to proceed North-South Summit meeting or not?

And final point is I sense United States is gradually changing their attitude or policy toward South Korea with providing more freedom at the same time putting on more responsibility to dealing with North-South dialogue. You take care of yourself. If you don't do enough, we don't jump into. I think most of you focused on the question to the Professor Sutter and Dr. Hwang. Other, you know, presenters, if you have better views, I'm more than welcome.

MR. BUSH: Thank you for those issues. Balbina?

MS. HWANG: Thanks. I guess I should first most importantly clarify. I absolutely was not being sarcastic in my praise, I guess, of the Obama Administration. I think they are absolutely doing a very good job. So, I'm not sure -- what I meant about sarcasm was saying that they were doing a great job implementing the Bush policy. That was sort of meant as a joke.

Now, having said that, you know, the old adage, you can -- well, now I've forgotten what it is -- but basically no good deed goes unpunished. I think on the one hand one of the areas that I've credited the Obama Administration greatly for is their coordination and cooperation with South Korea and of prioritizing that. Having said that, I think, you know, now you have all these criticisms about, oh, all we're doing is letting South Korea run the show, or all we're doing is missing opportunities to be proactive with North Korea, or we're now forcing South Korea to take the lead and if things go wrong then we would blame South Korea. I just, frankly, don't really agree with those viewpoints. I think that -- and again, a lot of those criticism come from the same people who were most adamantly and vociferously critical of how the Bush Administration was screwing up our relationship with the ROK.

Let me point out too, having said that, that remember, you know, there's -- it takes two to tango. It's not just the change in administration here that improved relations with South Korea. South Korea had a very important change of administration

from Roh Moo-hyun to Lee Myung-bak, remember that, and so I think that enhanced greatly.

Remember that at the very tail end of Bush, as soon as Lee Myung-bak came into power, actually there was very much an improvement in tone in the relationship, in the bilateral relationship. Having said that, I think actually Presidents Roh and Bush deserve a lot of credit. If you actually look at their records and you look at the history of the U.S.-ROK relations, in fact the single most important and historically important cooperative efforts were made between President Bush and President Roh Moo-hyun. //I mean, the FTA was negotiated, you had the visa waiver program was implemented, so, you know, you had a complete revamping of the alliance and efforts -- the starting of these announcements of the joint visions, plans to revamp the alliance for the future, 2020, so these were all done under Presidents Bush and Roh. So, you know, let's not completely throw them out in terms of what they provided as a foundation for where we are today.

Very briefly, coming back to North Korea, you know, Chris, I think you actually asked a very, very intriguing question, and to answer it, I would actually -- you know, you asked what is the greatest strategic threat from North Korea? I would say ironically it's the threat of North Korea going away because all of these other problems, you know, the nuclear proliferation, these provocations, I'm not trying to diminish them or say they're not serious, but, frankly, we have been living with these since 1950, for the last 60 years. This is actually the status quo. And what history has shown us is that we are actually able to manage them, now, with some difficulty, sure, it doesn't mean that they're easy, but ultimately we've been -- the region has prevented them from another recurrence of the Korean War. And so these are actually not strategic threats, these are just threats and provocations that are threats for regional stability, but strategically it's the fact that North Korea will go away and it also -- by asking that question you're assuming that the United States, much less any other country in the region, actually has an ability to actually implement some of these changes. You said, you know, is it that we can't get

North Korea to reform economically or that we can't prevent WMD proliferation. You're assuming that we actually have any ability to control any events that go on in North Korea.

MR. BUSH: Bob?

MR. SUTTER: Thank you very much for these questions. I'm glad you think we can prevent proliferation from North Korea. I'm relieved to hear that because the danger I see in this situation is how do we deal with collapse in North Korea? How do we deal with this very uncertain leadership situation in North Korea with nuclear weapons? It seems to me that that's what we have to maybe not contain, but we have to have collaborative efforts with China and with Japan and other countries -- the countries of the six-party framework, so that we know what to do under these circumstances and we don't start bumping into each other in very serious ways.

It seems to me, that's something that's -- really, that's what I'm most concerned about on the Korean Peninsula and I think that you're right, the development of the nuclear weapons in North Korea continues, they're under constraint, the other powers are against it and so it does have some effect, presumably, but you can't stop it. And we presumably can block proliferation, I agree with you. I'm being a little facetious in that regard, but the thing I'm really worried about is the North Korean system just collapsing, and I think that would be very dangerous in this situation.

On the North-South Korean Summit, when you look at North Korea, you have to remember, this is a country that can change its policy on a dime. There's no country like it in the world. They can just shift. If the senior leader says shift, everybody shifts. It's an amazing thing. Look what happened in 2000. In the United States, in the late '90s, the last thing Americans thought was that North Korea would be nice to South Korea. And then the last country that they were going to be nice to would be South Korea. And lo and behold we had this summit in Pyongyang in 2000, so North Korea can do this, they can shift very quickly.

So, I take these reports seriously. I want to know what's happening, if

they are going to have a summit. This is not inconceivable at all.

And then just a final point on U.S. changing attitudes toward South Korea. The Obama government has this sense that Asia is an area of great opportunity. This is part of the reengagement in Asia, it's the idea that this -- this is an area where we can make a lot of traction as a President, you can have a higher profile. You can do things that are positive. If you look at Southwest Asia it doesn't look so good, the Middle East doesn't look so good, but if you go to Asia, you can really make some headway. But where can you make headway? Well, Southeast Asia you can make headway, but in Northeast Asia where can you make headway? Well, he tried with China but it didn't work very well. You know, he didn't make a lot of headway with China. And Japan is very confused. So, who's left? Well, South Korea is very important in that situation, you can make a lot of headway with South Korea, and I think that reinforces the engagement, I think, of the Obama government with South Korea. I think the importance of South Korea politically, the image of a close relationship in Asia, and South Korea provides that image, I think is a powerful -- is an important element in this situation.

MR. BUSH: Any comments from our Korean panelists? Mr. Yin, former president of the Korea Foundation?

MR. YIN: Thank you, Richard. Well, my name is Yin Song Jin, currently with the University of South Korea, formerly with the Korea Foundation. Well, I have a simple two questions, first to Minister Kim. Well, Minister Kim, I think you did very good job under the Roh Moo-hyun administration. You initiated and you inked a deal for a course and everybody -- it was quite contrary to the public expectations. I mean, Roh Moo-hyun wouldn't do that, but anyhow, you persuaded Roh Moo-hyun to get into the U.S. course.

Well, when you initiated and you started to work for a chorus (?), I believe that you had some consultation with the Democratic Party which was the government party at that time, and the chorus is getting into the moment of truth, I mean, which means ratification by both the United States Congress and the Korean National

Assembly.

Well, the biggest hurdle is that, I mean, democratic party in South Korea announced that it would oppose the ratification in the Korean National Assembly, but what was the attitude of Democratic Party at that time you initiated the chorus and why -- in the beginning did they oppose the deal and they continued to oppose, by now?

And my second question is to one of three panelists who spoke on security issues. Well, I am very, very worried about the, you know, Korean Peninsula situation, security situation, because when Hu Jintao and President Obama had a good summit in Washington last January, I thought it would rekindle the Six-Party Talks, I mean, for the resumption of the dialogue, but somehow it didn't get into any opening of the dialogue, so the absence of dialogue, you know, between North Korea and the five Six-Party (inaudible) didn't lead to any result, so, well, the absence of dialogue is very, very dangerous. I'm afraid that North Korea might provoke again in this situation of the absence of dialogue.

But the dialogue which is going on between North Korea and the five, you know, sides of Six-Party Talks, that is the dialogue between China and North Korea, which is not helpful at all for the resumption or for the resolution of this issue. So, I think there should be one dialogue, at least, I mean, so that North Korea might not provoke South Korea again. The possible or plausible dialogue, I think, is between North Korea and the United States because North Korea refused to talk to the South Korea and Japan is preoccupied so there won't be any kind of dialogue between North Korea and Japan. I don't know if Russians are doing any dialogue with North Korea.

So, what do you think? I mean, is it possible for the United States to talk to North Korea given the fact that, you know, political season is coming for the next year? So, what do you think?

MR. BUSH: Professor Chun?

MR. CHUN: Over North Korea, I think United States will not bypass South Korea because as Robert said that U.S. thinks the relation with South Korea itself

is very critical, not about specific issues. But as our -- someone also from our Congress said that, then what should we do? Should we continue our inter-Korean summit meeting? If time goes by if there is still a precondition of apology for South Korean to decide, China, I think, that we should go directly to the Six-Party Talks if these statements continues, then South Korea will be in a very hard position as time goes by. U.S. -- some people in the U.S. may say that, well, South Korea's position is too strong, so we have to, as you said, we have to go directly dialogue with North Korea.

So, right now South Korea is doing fine but without any long-term perspective about Kim Jong-un's North Korea, then South Korea will be in a very difficult position for this administration or for the next administration.

So, North Korea is only dealing with China who thinks that Kim Jong-un's North Korea is the counterpart to deal with, but U.S. and South Korea didn't make an easy decision about the very foreseeable future, so if we don't have any long-term perspective, then I think the question will be very difficult to solve.

MR. BUSH: Balbina?

MS. HWANG: Well, I think what's actually far more important than this question about, you know, will there be dialogue or won't there be dialogue and who should have it and should the U.S. and so on, because the problem is -- there's a problem in your inherent assumption. It's that with dialogue the North Korean threat is reduced, or somehow that if we have dialogue then these problems are eliminated, they're fixed, they're somehow reduced.

If you actually look at the Six-Party Talks, North Korea tested two nuclear weapons during the Six-Party Talks, I mean, essentially when the Six-Party Talks were ongoing as a process. So, I am not convinced whatsoever that the dialogue in itself is what is going to eliminate these problems.

Now, I'm not saying that, therefore, we should not have dialogue. I think dialogue certainly offers opportunities to enhance cooperation, but I also think that we ought to be very careful about assuming that somehow dialogue will reduce provocations

from North Korea or threats from North Korea. Therefore, what we really need to focus on is how can we ensure that North Korea's behavior can be contained or that we can mitigate North Korean threats, even aside from dialogue?

MR. BUSH: Bob, do you have any last comments?

MR. SUTTER: No, I really agree with both the speakers. I think Professor Chun and Balbina have both made the points I would make.

MR. BUSH: Thank you very much. We've come to the end of our time and I would first of all like to thank the audience, those of you who spoke up, for your outstanding questions, and to the rest of you for your good attention. I'd like to ask you to join me in giving a round of appreciation to our panelists, especially those suffering from jetlag. (Applause)

And so this session is concluded and I think that it has been a good start to our Seoul-Washington Forum. Thank you very much.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012