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CHUN'S VISIT MARKS SOUTH KOREA'S NEW TIES WITH THE U. S.

INTRODUCTION

President Chun Doo Hwan of the Republic of Korea (ROK) will visit the U.S. April 25-27. It is fitting that he will be the first Asian leader to call on Ronald Reagan in his second term. The ROK represents one of America's greatest foreign policy triumphs. South Koreans have enjoyed a booming economy, social mobility and increasing personal freedoms. The timing of Chun's visit marks not only the dramatic new improvement in U.S. ties with the ROK since the late 1970s but also the importance of the relationship today.

When the U.S. signed the important Mutual Defense Treaty with the ROK in 1954, the emphasis understandably was on maintaining peace on the Korean peninsula. The Treaty today is a linchpin in the stability of Northeast Asia and thus is vital to U.S. national security. Similarly, South Korea's economic relationship with the U.S. happily has evolved from patron to partner. South Korea's rapid economic growth in the past three decades is a stunning U.S. foreign assistance success story. The ROK has become one of America's largest trading partners. Last year, trade between the U.S. and South Korea totalled \$16.4 billion. The Chun state visit will be an opportunity for the two leaders to highlight and reaffirm their countries' close ties.

Last month marked the fourth anniversary of Chun's presidency under South Korea's Fifth Republic. His U.S. visit thus will also focus American attention on his efforts to ease tensions between the ROK and its hostile neighbor, North Korea (the Democratic People's Republic of Korea) and his attempts to broaden individual freedoms in the ROK and expand democracy. For his part, Chun comes to Washington at a time when the U.S. is conducting a consistent and reliable policy towards Asia and is devoting increasing attention to a growing special relationship with the free market dynamic nations of the Pacific Basin.

POLITICAL LIBERALIZATION

Recent political events in South Korea have brought the issues of democratization and human rights to international center stage. Critics claim that Chun has done little to foster political liberalization. Opposition leader Kim Dae Jung spent the last two years trying to convince the U.S. public and U.S. policymakers that Chun is a ruthless dictator who stifles civil freedoms and allows no real political dissent.

Kim was convicted of sedition in 1980 and sentenced to death. Timely action by the Reagan Administration resulted in the sentence being commuted, and led to Chun's first visit to Washington in 1981. Kim's sentence was later reduced to 20 years. But he was allowed to travel to the U.S. for medical treatment in 1982. Kim's return to South Korea this February 8 became a media event after he and members of his entourage were jostled by security officials at Kimpo Airport and Kim was placed under house arrest. Kim was not harmed, however, and the house arrest was lifted four weeks later. The minor airport incident, for which the actions of Kim's entourage were partly responsible, should not overshadow the more important issue of whether the ROK is making progress toward becoming a more open and democratic society.

The ROK has never enjoyed real democracy and, consequently, has never developed effective democratic institutions. After liberation of the Korea peninsula from Japanese colonial rule in 1945, Syngman Rhee became the ROK's first president. He largely ignored the need for systematic political and economic development and was toppled by a student revolution in 1960.

One year later, a military coup brought Park Chung Hee to power. Park's regime became increasingly intolerant of criticism in the mid-1970s. His repressive policies ignited civil unrest, culminating in Park's assassination by one of his closest advisors in October 1979.

President Chun came to power in 1980. His Administration has improved South Korea's political atmosphere dramatically. Gone, for instance, is the executive's former right to appoint legislators; emergency powers are checked by the National Assembly; and local autonomy, abolished by Park, is gradually being reintroduced.

The peaceful transfer of power, an essential prerequisite for democracy, has never occurred in South Korea. President Chun has pledged to change this and to step down in 1988 at the end of his term. The current constitution limits the president to one term.

The give and take of effective party politics is also a mark of democracy. No longer are politicians banned from politics, as 567 were in 1980. It was the lifting of the ban which led to the

creation late last year of the staunchly anti-Chun New Korea Democratic Party (NKDP). In free elections for the National Assembly this February 12, the NKDP won 67 seats, making it the Assembly's largest opposition bloc. Recent defections by minor party members have increased the NKDP's strength to over 100 seats. The Chun government acknowledges the NKDP's legitimacy and has pledged to "reflect the will of the people as shown in the elections."¹ This demonstrates the ROK's real progress toward a more democratic system.²

TRADING WITH THE U.S.

The South Korean "economic miracle" is frequently cited as a textbook example for developing free market economies. With its economic infrastructure nearly completely destroyed by the Korean War, the ROK heavily relied on direct foreign assistance during the late 1950s. Wise economic policy between 1962 and 1980, however, increased gross national product (GNP) by 452 percent, making continued foreign aid unnecessary. During that same period, per capita income grew from \$87 to \$1,506 and exports rose from \$150 million to \$17.2 billion. The World Bank called South Korea "one of the outstanding success stories in international development."³

But the miracle was threatened in the late 1970s, first by the sharp increase in the price of oil that the ROK must import, later by the worldwide economic recession and then by the domestic chaos following Park's assassination. When Chun took office in 1980, he was faced with an economy which for the first time in 16 years was experiencing a shrinking GNP. Unemployment and inflation were skyrocketing. But Chun's first five-year economic plan turned the economy around. In 1983, GNP grew an impressive 9.5 percent and last year per capita income reached nearly \$2,000. This compares with \$810 per capita in North Korea, \$300 in Mainland China, \$260 in India, \$9,000 in Japan and \$13,500 in the U.S.

Since the early 1960s, the ROK's economic development has relied heavily on export industries. One-third of South Korea's GNP is derived from exports, compared with only 6.9 percent in the U.S.⁴ South Korea sells one-third of its exported goods to the U.S.--mainly textiles, electronic goods (such as color televisions and microwave ovens), steel products, and footwear. Later this year, the ROK plans to start exporting to the U.S. a

¹ Korea Newsreview, Seoul, Republic of Korea, February 16, 1985, p. 6.

² For a more extensive discussion of political development in South Korea, see Daryl M. Plunk, "Kim Dae Jung Tests Seoul and Himself," Heritage Foundation Asian Studies Center Background No. 22, January 25, 1985.

³ Handbook of Korea (Seoul, Korea: Korean Overseas Information Service, 1982), p. 471.

⁴ U.S. Trade Representative, 1983 Annual Report on Trade and Agreements, p. 183.

subcompact auto, called the Pony Excel, made by the Hyundai Motor Company, with an anticipated price tag of about \$6,000. In all, ROK exports to the U.S. in 1984 totalled \$9.9 billion. At the same time, South Koreans bought \$6.5 billion in goods from Americans; the main purchases include agricultural goods, machinery, transportation equipment, and coal. This gave Seoul last year a \$3.4 billion trade surplus with the U.S. Just three years earlier, the U.S. enjoyed a trade surplus with the ROK. Furthermore, the U.S. maintains a surplus over the ROK in the trade of services such as banking, shipping, and insurance. Thus, the ROK's current account surplus with the U.S., which includes both goods and services, is only \$2.2 billion.

This trade imbalance has increased calls in the U.S. for protectionist measures against the ROK. By the end of 1984, Washington had taken a number of actions against ROK exports. Three major Korean electronics companies, for example, were compelled to pay "countervailing duties" on television sets which were allegedly "dumped" on the U.S. market. Because of pressure on Washington by the sagging U.S. steel industry, the ROK pledged under a "voluntary" agreement to cut back on steel shipments to the U.S. This year, Korean textiles and footwear will be targets of protectionist debate.

Many protectionists in the U.S. have labelled the ROK a "new Japan." Koreans reject the comparison and note that, unlike Japan, South Korea's trade surplus with the U.S. is a recent development. Throughout the 1960s, the U.S. enjoyed consistent trade surpluses with the ROK. During the 1970s, the trade balance was generally in equilibrium. Although the ROK's surplus with the U.S. has grown steadily since 1981, exports to its other major trade partners have slowed, indicating that the strength of the U.S. dollar and the pace of U.S. economic recovery are important factors fueling American purchases from Korea. And while Japan achieved an aggregate trade surplus of \$44.4 billion in 1984, South Korea had a \$1 billion trade deficit, mainly caused by Korean imports of fuel and industrial raw material. The long-term trend has been and probably will again be a U.S.-ROK balance.

Seoul is mindful of growing U.S. protectionism and has been trying to back up its commitment to free trade policies. Through a broad import liberalization program, Seoul reduced the ratio of foreign products that can be imported without prior official approval from 54 percent in 1979 to over 80 percent in 1983. The projected ratios for 1986 and 1988 are 90.6 and 95 percent, respectively. The average level in developed countries is around 92 percent.⁵ A 1984 law, moreover, greatly improves foreign access to direct investment in the ROK.

⁵ Korea Newsletter, Korean Information Office of Washington, D.C., June 1984, p. 6.

An upcoming report from the Korea Development Institute entitled "Korea in the Year 2000" estimates that the ROK will be among the world's top ten trading nations by the end of the century and "will find itself on the threshold of becoming an advanced country."⁶ The U.S. has much to gain by continuing its close relationship with the ROK.

ROK FOREIGN POLICY INITIATIVES

South Korea's increasing economic strength has enhanced its stature and influence in the world community. Chun's foreign policy initiatives reflect the ROK's "newly industrializing country" status. One of his highest priorities is increased communication and cooperation among Pacific Basin countries. Most Pacific nations are experiencing rapid economic growth yet little effort has been made to exchange information on the region's mutually beneficial economic opportunities. Chun has sought closer ties with ASEAN, the Association of Southeast Asian Nations (Thailand, Indonesia, Malaysia, the Philippines, Singapore and Brunei).

On April 29, the Pacific Economic Cooperative Council will hold its fourth annual conference in Seoul. Government representatives from the U.S., Japan, Canada, Australia, ASEAN, and other Pacific Basin nations will discuss economic issues and attempt to coordinate trade policies.

The next negotiating round of the Economic and Social Commission on Asia and the Pacific (ESCAP) will take place in Seoul in May. ESCAP's members are the ROK, India, Sri Lanka, Bangladesh, and Laos. Thailand, the Philippines, and the People's Republic of China have expressed interest in attending the talks. The Seoul round will attempt to expand trade among participating nations.

With a proven track record in economic planning, the ROK's industrialization strategy is receiving increasing attention from developing countries. As such, Seoul in 1982 established its International Development Exchange Program (IDEP) to train experts from interested nations. To date, 36 developing countries, including 11 in Africa, 9 in Central and South America and 2 in the Middle East, have participated in IDEP forums.

Chun has placed special emphasis on improving relations with the superpowers of the Northeast Asian region--Japan, the Soviet Union, and the People's Republic of China (PRC). Korean resentment stemming from Japanese colonial rule (1910-1945) still runs high. Although ROK-Japanese diplomatic relations were opened in 1965, no South Korean President visited Japan until last year. Despite significant popular opposition back home, Chun travelled to Tokyo

⁶ Korea Business Review, Seoul, Korea, February 12, 1985, p. 12.

in 1984. What he obtained were important expressions of "regret" by Japanese Emperor Hirohito and Prime Minister Yasuhiro Nakasone over the colonial era's "unfortunate past." This helped ease tensions between the two neighbors.

Chun's open door policy calling for "partnership with all countries regardless of ideology and system" has improved ROK relations with the PRC and, to a lesser extent, the Soviet Union. This is a significant achievement considering the PRC's deep involvement in the Korean War, the Soviet Union's role in the division of the Korean peninsula and the alliance of both with North Korea. The first official contact between Seoul and Moscow occurred in 1982 when a delegation from the Soviet news agency Tass visited the ROK. Hopes for further progress were dealt a severe blow, however, by the Soviet Union shooting down Korean Airlines Flight 007 on September 1, 1983, with great loss of life. Moscow's arrogant attitude subsequent to the tragedy only made matters worse. Soviet-South Korean relations have not improved since the incident, although Soviet ice skaters took part in a March 1985 sporting event in Seoul, giving rise to speculation that the USSR may participate in the 1988 Seoul Olympic games.

Much more fruitful have been Seoul's attempts to improve relations with Beijing. The first official contact occurred after a PRC commercial airliner was hijacked to Seoul in 1983. Direct negotiations led to the swift return of the airliner to Beijing. Since then, the two countries have established cultural and sports ties. Unlike Moscow, Peking has announced its intention to attend the 1986 Asian Games and 1988 Olympics, both to be held in Seoul. Relations improved even more last month when Seoul returned to Beijing a PRC torpedo boat disabled in ROK waters after an attempted mutiny by two Chinese sailors. Seoul did not allow officials from Taipei to interview the crewmen. Indirect trade between the ROK and the PRC through Hong Kong and other third parties reached \$300 million last year. Seoul hopes that its thaw with Beijing will have a moderating effect on North Korea and a positive influence on the North-South negotiation process.

SEOUL-PYONGYANG RELATIONS

Interests of the U.S., Japan, the PRC and the Soviet Union converge on the Korean peninsula. Its stability is vital to peace in region and, thus, to U.S. national security. Seoul-Pyongyang talks designed to reduce inter-Korean tensions deserve serious U.S. attention.

While some foreign observers accept division of the peninsula as more or less permanent, unification is the highest national priority of both North and South. Koreans are a homogeneous people whose culture is 5,000 years old. To them, the partition of their nation is an aberration that eventually will end.

North Korea may be the world's most rigid and isolated communist system. It prides itself on self-reliance while teaching its citizens that South Koreans are "puppets" of U.S. and Japanese "imperialists." North Korea's communism is repudiated by nearly all South Koreans. They are proud to be a showcase of free market capitalism. Hatred and suspicion on both sides understandably were multiplied by the three years of brutal civil war which resulted in the death of 1.5 million Koreans and the separation of millions of family members. The obstacles to unification thus are enormous.

For nearly two decades following the Korean War, both sides followed a policy of "no contact." While unilateral declarations of unification policy were routine, neither side sought negotiation. That changed in 1970 when President Park proposed direct North-South talks. This led to talks in August 1971 through Red Cross auspices which sought to identify and reunite the estimated 10 million Koreans who were separated from relatives during the Korean War. Secret negotiations, meanwhile, in July 1972 produced the historic South-North Communiqué and established the basic negotiating principles which apply today.

The high-level Red Cross talks broke down in 1973, though working-level contacts remained. An attempt in 1979 by Park to revive the talks failed. In early 1980, three months after Park's assassination, Pyongyang suddenly called for meetings between each side's prime ministers. Preliminary planning began but broke down seven months later.

A major stumbling block to progress has been conflicting theoretical frameworks for unification. The North calls for creation of a unified nation encompassing two autonomous states as a first step. A "Supreme Committee" later would settle political, economic, military and cultural conflicts between the two sides. The South, by contrast, wants these essential matters resolved prior to the formation of a single nation in order to "promote trust between the South and North" and "eliminate all impediments to unification." The South's gradual approach appears to be more logical and realistic than the North's all-or-nothing stance.

While the South consistently has called for negotiations without preconditions, the North insists that prerequisites for a settlement are the withdrawal of U.S. forces from the ROK, abolition of Seoul's "anti-communist" policies and immediate "democratization" of the South. Seoul considers these demands as attempts to influence the ROK's internal affairs. Indeed, the North's acknowledged long-range strategy for unification includes encouraging "revolutionary forces" in the South.

The timing of North Korea's major negotiation initiatives also suggests political motivations. The North's acceptance of Park's call for talks in 1970 came in the wake of the Nixon Administration's rapprochement with the PRC. Unsure of the

implications of the Sino-U.S. thaw, the North may have been compelled to promote an image of moderation. The next major proposal by North Korea came just three months after the assassination of Park and was intended to gain the high ground while the South wrestled with a chaotic domestic political scene.

North-South relations have reached a high point during the Chun Administration. Last September, the North attempted to exploit a devastating flood that ravaged parts of the South by offering relief assistance. In the past, similar offers by both sides were routinely rejected. Chun, however, accepted the aid, resulting in the unprecedented voyage of North Korean supply ships to a South Korean port and truck deliveries to a point near the DMZ. Two months later, Red Cross talks resumed after an 11-year lull and, for the first time, economic negotiations were held aimed at opening trade between the two sides.

This flurry of activity apparently is related to economic reforms announced in Pyongyang in September 1984. Modelled after Beijing's new economic policies, the changes are designed to bolster the North's sagging economy and attract foreign investment. Pyongyang may also hope to avoid the shadow of Seoul's "economic miracle" and ever increasing international prestige. If so, 1985 could be a landmark year for North-South relations.

U.S.-ROK MILITARY PARTNERSHIP

The Korean peninsula may be the most heavily armed area in the world. Well over one million troops stand combat ready in an area about the size of Minnesota. Despite the presence of 40,000 U.S. troops, the North enjoys a substantial military edge.

North Korea's massive buildup began in 1970 and today it spends well over 20 percent of its GNP on the military; the South spends around 6 percent. The North fields 784,000 troops compared to 600,000 for the South and has a 2 to 1 advantage in tanks, artillery pieces, armored personnel carriers and combat aircraft. North Korea holds a 3 to 1 edge in surface warships and deploys 21 submarines. The South has no submarines.

The North maintains a well-trained commando force of about 100,000 troops, possibly the largest in the world. It is assumed that they are poised for rapid infiltration into the South and trained to bypass the ROK's heavy frontline defenses and strike at its command and supply infrastructure. The U.S. believes that the North is constructing more than 100 new forward bases and has redeployed large numbers of combat troops nearer to the demilitarized zone (DMZ) which separates the two Koreas. In short, maintenance of a strong first-strike offensive advantage seems to be Pyongyang's highest priority.

Pyongyang has a record of aggression and terrorism. The North twice attempted to assassinate ROK presidents. In 1968, a

squad of 31 North Korean commandos attacked the presidential compound near downtown Seoul. Only one attacker survived the unsuccessful raid. Equally dramatic was the North's attempt during President Chun's state visit to Rangoon, Burma in 1983. At a wreath-laying ceremony, a bomb explosion, widely believed to be set at orders from Pyongyang, killed four Burmese and seventeen South Koreans, including four ROK cabinet members. Chun was not injured. When two North Korean army officers captured after the bombing were convicted by a Rangoon court, Burma severed diplomatic relations with Pyongyang.

Between 1974 and 1978, three North Korean infiltration tunnels were discovered under the DMZ. Two of the tunnels were large enough to allow a division of troops per hour to sneak into ROK territory. In 1980 alone, 14 armed North Korean agents were killed by ROK forces in the South and two North Korean spy ships were sunk in ROK waters.⁷ Such provocations are almost routine.

To meet the growing challenge from the North, Seoul in 1975 launched a Force Improvement Program (FIP). The U.S. has supported FIP through Foreign Military Sales (FMS) credits. The Reagan Administration has requested \$228 million in FMS credits for fiscal year 1986. This would represent only 5 percent of Seoul's annual defense budget. The ROK's annual repayments of past U.S. credits, moreover, for several years have exceeded its new U.S. credits. Much of what South Korea spends on defense improvements finds its way to the U.S. About \$500 million in FIP expenditures above the level of U.S. credits will be spent in the U.S. over the next several years.⁸

Peace on the Korean peninsula is vital to stability of Northeast Asia. Hostilities between the North and South could escalate to superpower confrontation. While North Korea's military superiority is a destabilizing factor, the ROK's defense improvement efforts are narrowing that gap. It seems likely that the South will achieve a rough parity with the North in the early 1990s if the FIP program continues as scheduled.

REAGAN'S MESSAGE TO CHUN

In their direct talks, Reagan will have the chance to make several key points to Chun. Among them:

1) The U.S. recognizes and appreciates the ROK's substantial progress toward becoming a more free and open democratic society. The U.S. hopes that Seoul will sustain the pace of political

⁷ White Paper on South-North Dialogue, National Unification Board, Seoul, Korea, 1982, p. 416.

⁸ James A. Kelly, Statement before the House Subcommittee on Asian and Pacific Affairs, March 5, 1985, p. 5.

liberalization. The international human rights policy of the U.S. can be effective only when it recognizes and encourages progress such as that which has been made in the ROK.

2) Although nearly half of Korea's exports to the U.S. remain under some form of restriction, Reagan should assure Chun that the Administration will oppose any measures designed to impose penalties on Korean exports to the U.S.

The U.S. remains committed to free trade. Washington thus applauds Seoul's reforms last year which eased restrictions on imports and foreign access to direct investment in the ROK and hopes this trend will continue. In particular, Seoul should take steps to crack down on patent, copyright, and intellectual property violations. This would enable U.S. businesses to sell more products in the ROK or to receive royalty payments when Koreans copy their products. The ROK should open its tobacco market to foreign participation not later than 1988, and preferably before that time. Although South Korea is a net exporter of tobacco, its domestic market remains closed to imported cigarettes. Barriers to U.S. entry into ROK service industries such as banking and insurance should also be lowered. Restrictions designed to protect South Korea's growing electronics industry from U.S. computer imports should be eased. Improved market access in these areas will not only enhance the ROK's competitiveness but also encourage foreign investment, joint ventures, and technology transfers.

3) The U.S. supports the ROK's efforts to expand its influence in the international community. Washington recognizes that Chun's open-door policy has eased regional tensions. To build on this, the U.S. and the ROK should coordinate efforts to promote closer ties among Pacific Basin nations.

4) The U.S. commends President Chun for reconvening the stalled North-South Red Cross talks and opening the unprecedented economic negotiations. Washington hopes that North-South talks this year will result in good faith efforts to reunite separated relatives and establish trade relations. Meanwhile, the U.S. reaffirms its pledge not to negotiate with North Korea unless Pyongyang allows the full and equal participation of Seoul.

5) The U.S. realizes that peace on the Korean peninsula is necessary for the stability of Northeast Asia and thus vital to U.S. national security. The U.S. remains committed to maintaining a strong U.S. troop presence in the ROK to counter the North's military advantage. The Reagan Administration supports Seoul's military improvement program and will push for full congressional funding of its FY 1986 request for \$228 million in military loans to the ROK. The Administration continues to seek congressional authorization for the transfer of \$360 million in War Reserve Stocks to Seoul. This surplus ammunition would remain the property of the U.S. Department of Defense and require no additional U.S. budgetary outlays.

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