

UPDATE

GEORGE BUSH'S MESSAGE TO SOUTH KOREAN PRESIDENT ROH TAE WOO

(Updating Asian Studies Center *Backgrounder* No. 83, "For the Bush Administration, Policy Challenges on the Korean Peninsula," December 8, 1988.)

When Republic of Korea (ROK) President Roh Tae Woo arrives in Washington on October 16 for talks with George Bush, he will find that the U.S.-South Korean relationship rarely has been stronger. For the past 40 years, the ROK has been one of the world's most pro-American nations. It also has prospered economically, increasing its trade with the U.S. to \$31 billion, and is now Washington's seventh largest trading partner.

Yet, this very achievement has led to strains between the two allies. This is mainly because of the hefty surplus South Korea has enjoyed in the past few years in trade with the U.S. Last year, for example, South Korea exported \$20.2 billion in goods to the U.S., while importing \$11.3 billion. This year, while Korean exports to the U.S. are estimated to remain virtually unchanged, U.S. exports to the ROK are estimated to rise to \$12.2 billion. This narrowing of the U.S. trade deficit with the ROK has been a result partly of U.S. pressure on South Korea to open its markets to U.S. products. Although the U.S. is justified in some of its complaints about South Korea's closed markets, many South Koreans resent the pressure. Meanwhile, sporadic "anti-Americanism" has erupted among some South Korean students and radicals. Strains also have arisen in the security relationship, as some members of the U.S. Congress recently have called for reducing U.S. force levels in the ROK.

Support and Caution. Bush should reaffirm to Roh the American commitment to the ROK's security and to stability in the Korean Peninsula. Bush should voice support for Roh's efforts to foster South Korean democracy, to improve Seoul's relationship with Pyongyang, to further liberalize the Korean economy, and to open Korean markets to U.S. goods and services. Finally, he should caution Roh against moving too fast in improving trade and formalizing diplomatic ties with the Soviet bloc.

The key factor in Washington's policy toward Seoul is North Korea's continued threat to stability on the Korean Peninsula. North Korea fields an active duty force of around one million personnel, 54 percent larger than the South's active force of 650,000. To help deter potential aggression from the North, the U.S. also maintains some 43,000 troops in the ROK, comprised of the Headquarters, 8th U.S. Army, 2nd Infantry Division, 7th U.S. Air Force and 19th Support Command, as well as the 25th and 497th Tactical Fighter Squadrons and the 8th and 51st Tactical Fighter Wings.

This July, several members of the U.S. Congress proposed to reduce U.S. forces by 10,000 over the next three years. They argue that the ROK bears too little of the allied defense burden on the peninsula and that South Korea could deter the military threat from the North on its own. These assumptions are incorrect. South Korea spends 5.4 percent of its gross national product and 30 percent of its national budget on defense, a share substantially larger than that spent by Japan and most NATO countries. While congressional efforts to reduce U.S. force levels in the ROK appear to have been postponed, they could resume next year.

Toward Trade Openness. In the area of trade, the ROK has opened, to varying degrees, some of its markets to U.S. products and services, notably construction, chemicals, food and beverages and insurance. In July, Assistant U.S. Trade Representative Peter Allgeier told the Asian and Pacific Affairs Subcommittee of the House of Representatives' Foreign Affairs Committee that "the direction of Korea's trade and investment policy is toward significantly greater openness." Yet, several sectors of the South Korean economy, particularly the agricultural and beef markets, remain closed to U.S. exports. Moreover, while the ROK has established laws to protect U.S. intellectual property, particularly patent technology or copyrights for such items as pharmaceuticals, computer software, and motion pictures, it has yet to enforce them adequately. Continued ROK trade liberalization and better enforcement of intellectual property laws are necessary.

Most notable is the fact that South Korea's trade surplus with the U.S. narrowed to \$8.9 billion in 1988 from \$9.55 billion in 1987, and is projected to contract up to around \$8 billion this year. This, however, may be dampening the ROK's economic growth in 1989. After three straight years of growth exceeding 12 percent of GNP, the ROK's economy is now projected to be growing at 7 percent or 8 percent. While this rate would be envied by many other countries, some of Roh's advisors are pushing to reverse the recent appreciation of the Korean currency relative to the dollar and to increase exports to the U.S. and other countries. If this would slow or reverse a narrowing of the ROK's trade surplus with the U.S., it could give the U.S. Congress ammunition to propose punitive trade action against the ROK.

In his discussions with Roh, Bush should:

◆ ◆ **Reaffirm the U.S. security commitment to the ROK.**

As Vice President Dan Quayle did during his visit to the ROK late last month, Bush should tell Roh that U.S. troops in South Korea contribute to peace and stability on the Korean Peninsula and the Bush Administration would consider trimming forces only in consultation with the ROK and only if the North Korean military threat diminishes. Bush should inform Roh that congressional efforts to reduce U.S. troops in Korea may resurface. To defuse this, Bush should explain, the ROK may have to contribute more to the allied security effort. For example, the ROK could announce its willingness to foot the bill for the transfer of the U.S. 8th Army Headquarters from downtown Seoul to an area outside the capital city. Moreover, Bush should suggest, the ROK could provide more of the direct costs for U.S. forces in the ROK. Currently, the ROK provides around \$300 million annually in direct payments to the U.S. for these troops.

◆ ◆ **Urge Roh to continue liberalizing the Korean economy and opening Korean markets to American products and commend him for steps already taken.**

Bush should urge the Korean leader not to devalue the Korean currency, for this would make U.S. exports more costly in Korea and ROK exports cheaper in America. Bush too should press Roh to continue to open Korean markets to U.S. products, especially in the agricultural and beef

sectors. Bush should urge Roh to make this commitment in his address to a joint session of Congress on October 18.

◆ ◆ **Support Roh's "Northern Policy," which seeks to reduce tensions on the Korean Peninsula by easing Pyongyang's isolation.**

Bush should tell Roh that the U.S. supports the eventual reunification of the Korean peninsula and supports Seoul's efforts to improve relations with Pyongyang as a step toward achieving this.

◆ ◆ **Encourage Seoul to be cautious in improving relations with Soviet bloc countries.**

Seoul has begun to explore trade arrangements and diplomatic ties with several Soviet bloc countries, including the Soviet Union itself. So long as the Soviet Union remains a threat to Western security in Asia, the ROK and other free market nations should not underwrite Soviet military strength by investing in or extending credits to the Soviet bloc.



Strong Alliance. The U.S. stake in the ROK and the ROK's contribution to Pacific Rim stability are now universally accepted facts. Indeed, the U.S.-ROK alliance has become a linchpin for stability in Northeast Asia and thus vital to U.S. security. While there are some irritating new strains in the Washington-Seoul relationship, the alliance remains strong. The challenge to Bush and Roh is to take those actions that will reaffirm and maintain that strength.

Roger A. Brooks
Director, Asian Studies Center

