



The Asia Foundation

ASIAN PERSPECTIVES SEMINAR SERIES

SOUTH KOREA'S NEW GENERATION: POLITICS & SOCIAL CHANGE



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ASIAN PERSPECTIVES SERIES

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INTRODUCTION

By Scott Snyder

It is a pleasure to see everyone here this morning. I was very pleased when John Brandon suggested looking at Korea and some of the political and social changes that had been occurring there. When talking about this seminar, there were three particular areas that I thought would be of interest as sources of social and political change in South Korea. One was the impact of the Internet and alternative media on Korean society and politics. Another was the impact of civil society on South Korea. The third was democratization and foreign policy. And so I began to look for people who I thought would be able to really articulate some of the changes that have been going on and was able to find, I think, three very qualified people to come and share their views here in Washington and then in Chicago and San Francisco.

As I came in this morning, I reflected on some of the changes that have occurred in Korea, and my mind flashed back to last summer. I think there was at least one opinion poll last summer that reflected that the most popular potential next president of South Korea would be Guus Hiddink, the Dutch soccer coach, who took South Korea to the World Cup semifinals. And then I thought in many respects South Korea has elected the closest choice that they had to Gus Hiddink in the new President Roh Moo Hyun. At first, people looked at Gus Hiddink's boss, Chung Mong-Joon. Chung did not make it, but in many respects I think Roh Moo Hyun, in terms of some of his qualifications and characteristics, does reflect an aspiration to see somebody from the outside come in and sort of shake things up.

During the course of the past three years, since I have been in South Korea, one of the things that has been very interesting to me in almost all of the aspects of our programming has been this struggle between the traditional, hierarchical social structure in South Korean society and a more democratic, egalitarian trend that is

represented in particular among the views of the younger generation. As we are going to hear a little bit later on, people in their early 40s are on the cusp of that change, but still in between the views of the past and views of the younger generations. Also, these three speakers you'll be hearing from today are professors, so they are shaping some of the younger generation views. We began to look for the people that we thought would be the best to address the group, and I'd met Dr. Cho on a number of occasions. Cho Kisuk, who is going to be our first speaker, is an associate professor of Political Science at Ewha Womans University. She has been an active commentator on a number of social and political issues and also has been participating in some of the Internet media. Dr. Cho is an excellent person to talk about some of the political changes and the impact of the media and civil society on Korean politics. In addition, she served on the committee that helped draft President Roh Moo Hyun's inauguration speech earlier this year.

The second speaker is Professor Kim Joongi at Yonsei University, who is also involved with the PSPD, People in Solidarity for Participatory Democracy. He is Associate Dean and Associate Professor of Law at the Yonsei University Graduate School of International Studies. In many respects, he may represent the change in Korean society. In Confucianism, there was a tradition of scholar-officials, but the new trend is toward scholar-activists. Perhaps Professor Kim represents one of that strand of scholar-activists. We invited him to talk in particular about the Korean economy, corporate governance, and the impact of the economy on society and politics in Korea.

And, our third speaker this morning is Professor Chaesung Chun, assistant professor of Political Science at Sookmyung Women's University. One of the trends that is really most interesting, and has been most evident

over the course of the past few months, is the impact of public opinion and the impact of democratization on Korea's foreign policy. And so, we have asked Dr. Chun to talk a little bit about that. He is a member of many associations that are listed on the information that you have, but he is also a member of the Korea Institute for Future Strategies, which was headed by the now-Foreign Minister, Yoon Young Kwan. Dr. Chun is very well suited to explain some of the changes in Korean public opinion and their impact on Korea's foreign policy orientation.

I wanted to just briefly give introductions to each of the three panelists so that we could focus and move from one to another. I would like to now turn it over to Professor Cho Kisuk, who will start us off.

THE GROWTH OF CIVIL SOCIETY AND ITS IMPACT ON POLITICS IN KOREA

By Kisuk Cho

I am very pleased to be here, especially because we are having this conference one week prior to the summit of U.S. President Bush and South Korean President Roh. It is a very important event since this is President Roh Moo Hyun's first visit to the United States. He was attacked by one of his opponents during the primary because he has never been to the U.S. They said, "How can a person who has never been to the U.S. be President of Korea while the U.S. is one of our closest allies?" Roh immediately responded to this attack by saying, "I am not going to the States to take a picture with U.S. politicians" — meaning that Korean politicians are taking pictures with eminent U.S. politicians to show their subservience. Many pundits thought Roh had committed political suicide with this statement, but in fact he had not. Instead, his popularity started to go up dramatically. I think this episode tells you why Roh Moo Hyun won a surprising victory and became the President of Korea.

2002 ELECTION RESULTS

Let me first talk about the features of the 2002 presidential election. A year ago, no one predicted that Roh would emerge as a politician with a possibility to win the presidency. It was quite a surprising victory. Throughout the year, every candidate faced unstable support, so no one attempted to predict the election outcome except for me. I said that no one would be able to predict the election outcome until the last minute. My prediction turned out to be accurate.

Candidate support from February to December 2002 changed throughout the year. Last year the candidate Lee Hoi Chang was the opposition candidate. He has been a "half a president" for five years. He was the leader of the opposition party, and he was leading all the polls. Once the democratic primary process started in

March 2002, Roh emerged as a star politician and his popularity went up. It went all the way to 60 percent by mid-April, and then dropped again. There were some incidents, such as the corruption charges against President Kim Dae Jung's two sons, in which Roh made some mistakes and used some inappropriate words. So, again, Lee Hoi-Chang led in the opinion polls until November 24. You may ask, "Why November 24?" The president of the Korean FIFA, Mr. Chung Mong Joon, and Roh Moo Hyun agreed to unify on that day. So, Roh became the unified candidate and Chung resigned. After that, Roh started to lead in the polls again and stayed there.

As you might have heard, Chung retracted his support for Roh the night before the election date. I thought Roh Moo Hyun did not have a chance, so I wrote a letter supporting Roh Moo Hyun. Since I played some role in making the unification of the candidates possible, I apologized to the people for making the mistake of unifying the two candidates. I said that we should not have agreed to the unification, and that we should penalize Mr. Chung Mong Joon by electing Roh Moo Hyun. That is why, I think, Scott Snyder said that I played an active role in the election process. I do not, however, want to exaggerate the impact of the Internet media on Korean politics because there are more important factors underlying all these social and political changes.

Let me show the election outcomes. I will first show you the overall election outcome, and then by region, age, and education. Roh Moo Hyun won the election over Lee Hoi Chang by a 2.5 percentage point margin. So, it was a very close election. Actually, Roh Moo Hyun was leading Lee Hoi Chang by about 10 percentage points throughout the whole election campaign period. But at the last minute, because of Chung Mong Joon's retraction of his support, Roh won the election by a very narrow margin.

REGIONAL CLEAVAGE

There is a regional cleavage in voter support between the east and the west. Previous Presidents Park Chunghee, Chun Doo-hwan, and Roh Tae-woo are all from Yongnam in the southeast. Former President Kim Young Sam is also from Youngnam in the southeast area. The area in the northeast has been a very conservative province because it is adjacent to North Korea. And the central area is very independent and neutral. The central area was led by a very old politician who was the aide of former President Park Chunghee. And the southwestern area has been led by former President Kim Dae Jung.

In Korean electoral politics, there has been a strong regional cleavage. It used to appear in presidential elections all the time, but in congressional elections it only started appearing in 1988, after democratization. So my theory is that the regional cleavage appeared because the democratization issue faded away. The regional cleavage became a kind of emerging issue in 1988, and we find the persistence of the regional cleavages today.

AGE

By age, you can see that Roh won the election by a huge margin among people in the 20s and 30s. People in their 40s were equally divided. People over 50 predominantly supported Lee Hoi Chang. Nonetheless, Roh Moo Hyun got support from both 40s and over 50s electorates. Actually the number of votes is not that great because their voting rate is so low. In particular, the 20s voting rate was about 45 percent. So Roh Moo Hyun's total majority votes came from 40s and 50s actually. People tend to ignore this fact, but I think it is a very important factor in predicting Roh Moo Hyun's reform policy and the future of Korean politics.

EDUCATION

Voting patterns are also reflected by levels of education. Generally, the younger the voter, the more educated.

Older people who have only a middle school education predominately voted for Lee Hoi Chang, whereas high school and particularly university graduates supported Roh Moo Hyun. The overall outcomes show us not only the discontinuities or changes of election patterns from the previous ones, but also many continuities and similarities.

CONTINUITY AND DISCONTINUITY OF ELECTION OUTCOMES

The 2002 election was not unique or idiosyncratic. First of all, there was declining voter turnout. The turnout has been declining since 1987, and even the turnout rate was sharply reduced in the 2002 presidential election. There has been continuity in regional cleavages. The generational cleavage emerged and strengthened, but it is not a new phenomenon. It emerged in 1987 and continued in the past general elections, except in 2000. And why in the 2000 elections did age disappear as an important factor? That is because both parties recruited very young politicians, the so called 386. Do you know what 386 means? This is not a computer model. It refers to the young politicians who are around the age of 30, went to university in the 1980s, and who were born in the 1960s. So, it was coined to refer to these young politicians, particularly those who had been the leaders of student activism in the 1980s. Why are these cohorts important in Korean politics? They experienced the Kwangju massacre as high school kids, and they believe that the U.S. is partly responsible for this Kwangju massacre by ignoring or permitting the intervention of the military. They also are the people who set fire to the U.S. Cultural Agency in Kwangju and Pusan, so they are anti American. Later, they became politicians. They were recruited by both political parties. So, age disappeared as an influencing factor only in the 2000 National Assembly elections, and it reemerged in the 2002 presidential election with the age cleavage even stronger.

Ideology also became very important. It was slightly significant in 1997, but became very important in the 2002 presidential election. But don't misunderstand me.

Ideology in Korea is not about the role of the welfare state or class. It has nothing to do with that. It is related to the issues or the attitudes toward North Korea. I will explain why this ideology was significant in elections. The approximately 90 percent voter turnout in 1987 was due to the revival of the direct presidential election, and then it declined to about 80 percent in 1992 and 1997. Not only did the voting rate in presidential elections decline, but also the turnout rate in all other

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elections has continuously declined. This decline was even sharper in the last five years, with voter turnout at about 70 percent in 2002. How can we explain this? There have been so many continuities and the previous presidential election was not that unique from the previous elections. There was a continuity in the decrease of the voter turnout rate and in the persistence of regional cleavages. And, age cleavages and ideology also appeared in the previous elections. How can we explain these dramatic changes that occurred in the 2002 presidential election?

S-CURVE MODEL OF POLITICAL CHANGE

I would like to introduce a model of political change, or “Silent Revolution.” I think political changes occur in an S shape. This means that even if society undergoes significant social changes, these social changes will not be

manifested unless some political conditions are met. Only when the macro political conditions are satisfied, will these social changes bring about political changes. When the political conditions are met, political changes occur dramatically. Once they reach a certain plateau, it stays there until there are dramatic social changes. So, I call this change “Silent Revolution.” This kind of revolution occurs when the younger generation takes the place of the older generation.

CONDITIONS OF PARTY REALIGNMENT

The S-shaped model that I developed explains the changes that occurred in Korean politics. What I think happened in 2002 presidential election is partisan realignment. Partisan realignment was not completed, but still in progress due to certain changes that caused partisan dealignment. In order to bring about partisan realignment, we needed certain macro conditions. There were two macro conditions that were needed. One was objective political conditions. For example, in 1988, after the democratization issue faded away, partisan realignment occurred around the issue of regionalism. That means there had been some regional discrimination in recruiting high-level public officials and pork barrel policies by the previous presidents. So regional discrimination existed as the objective political condition in 1988.

The second macro condition in the 2002 elections was the existence of dealigned voters. The objective political condition may have been the people’s great discontent toward the existing political parties. That means the existing political parties failed to reform themselves. People experienced the financial crisis in 1997, so they did not trust politicians. But the parties did not change. Dealigned voters means that the people have become sick and tired of regionally based party politics, but the current political parties in Korea are based on regions, mainly on regional cleavages. So there have been many voters, particularly young voters, who are dealigned from the current political parties.

WHY ROH MOO HYUN?

These conditions were present even in the previous several elections, but political change did not occur. Why not? Because of the unavailability of the candidates. In order to mobilize the objective political conditions, you need to have a political elite who can galvanize these issues and the people's discontent. Roh Moo Hyun politicized the issue of new politics versus old politics. He promised reform of the current political parties.

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Roh was an advocate of the Sunshine policy toward North Korea. And people were sharply divided into two blocks: one supporting the Sunshine policy and the other opposing the Sunshine policy. He capitalized on two issues: one is the North Korean and Sunshine policy issue, and the other is the reform of the existing political parties.

Due to the candidates' mobilization of voters by politicizing issues, we found that there were changes in micro behaviors so that voters voted on new issues and party support bases changed. They voted for new politics rather than old politics. And they also voted for the Sunshine policy rather than abandoning the Sunshine policy. So, they sharply changed their party support bases. That is, younger supporters were more inclined to

support Roh Moo Hyun and older voters, Lee Hoi Chang.

You might also be curious why Roh Moo Hyun became the new choice, the new alternative. Why did these kinds of changes not occur in the past? I think Roh Moo Hyun satisfies four conditions to be eligible to galvanize these new issues. The first one is anti-regionalism. Regionalism is the existing cleavage and Roh Moo Hyun fought against regionalism three times. He lost the election three times in his hometown. Originally from the Youngnam area, where Lee Hoi Chang's party is based, Roh Moo Hyun ran as a candidate in Kim Dae Jung's party. So, he is "cross cutting" the regions. He is an advocate of anti-regionalism. Second, he is an outsider, not only from the party but also from the political establishment. He was not even a national assemblyman. So, he is viewed as a reform minded politician. Third, since he is from the Youngnam region, he was able to identify with cross-cutting issues. And fourth, the cross-cutting issue here was progressive ideology.

THE NATURE OF ANTI AMERICANISM

Progressive ideology means voters from both parties want some change from the status quo of pro-Americanism. Older voters believe that we have a blood relationship with the U.S. and the U.S. is our older brother. That is the older voters' attitude. Younger voters, however, have anti-American sentiments. Even the politicians did not know that the Korean people moved toward the left regarding their views on the U.S. They simply thought that since the Grand National Party, the opposition party, is the party representing the majority view that public opinion supports the opposition party. But that was not true. The opposition party has a regional basis in the Youngnam area, which is the largest region in Korea. So, this regionalism distorted the election outcome in the general elections. The people and even the politicians were not aware of the fact that people had already moved toward the left in their ideology.

According to the polls conducted by *JoongAng Daily* Newspaper in February 2002, anti-Americanism means simply the revision of SOFA (status of forces agreement), not the withdrawal of the U.S. troops. Regarding troop withdrawal, the majority of the people are still conservative. When they talk about anti-Americanism, it has only to do with revision of SOFA. On labor and welfare issues, citizens were more progressive than the members of the National Assembly. Roh Moo Hyun is a relatively progressive politician, so I think he was a very good choice for young voters.

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What is the nature of anti-Americanism? Most of the Korean public is moderate in their views. Fifty percent of the public does not have any particular preference. The rest of the 50 percent of the public are divided between “anti” and “pro.” Here “anti” simply means they want some equal partnership or relationship. It does not mean that we do not want U.S. troops in Korea anymore. The U.S. is still the second most preferred country next to Australia. The U.S. used to be the first preferred country a few years ago. It has very emotional components. In particular, teenagers were mobilized by anti-Americanism because they saw the pictures of the two dead girls, who were hit and killed by U.S. military vehicles. Also in the Winter Olympics, Apolo Ohno of the United States won a short-track speed skating race after South Korean skater Kim Dong-Sung was disquali-

fied. These kinds of events fueled anti-American sentiments. I think what the Korean public wants is some sense of recognition from the United States.

Age is also a significant factor in voting patterns. The people in their 20s were influenced by the death of the two middle school girls. The people in the 30s and 40s were influenced by the unification of the candidacy. And people in their 40s and 50s were influenced by the North Korean nuclear issue. That means as long as North Korea is an issue, there is a sharp cleavage between the younger voters and older voters.

MEDIATING FACTORS

I would like to emphasize the macro conditions and the importance of the candidates’ strategies. In the previous elections, what made them unique were four mediating factors. I think these factors were very important in mediating the macro conditions and the micro behavior. The first factor is TV debates. A TV debate was first used in the 1997 presidential election. What was different in 2002 election is that there were many presidential TV debates where Roh was able to show his vision. Although he is a really qualified candidate, his image was distorted by the press. The second factor is the Internet. The Internet spread graphic pictures of the two dead girls which helped mobilize the younger voters. The third mediating factor was the open party nomination process. The democratic party first adopted open primaries, and Roh took advantage of it. He did not have any support from the party establishment. Rohsamo is the political fan club for President Roh Moo Hyun. Through this fan club, the first voluntary activists got involved in campaigning.

There is a rise in Internet users in the three groups of people in their teens, 20s, and 30s. So we conducted a survey of people over age six. And in 1999 and 2002, we saw this increase from 22.4 percent in 1999 to 59.5 percent in 2002. These three generations represent 85

percent of the total increase, and in the 30s age group, there is a 50 percent increase. In the 40s and 50s age group, there was only a 15 percent increase of the total, and only a 6 percent increase in the 60s age group. So you understand why the age gap appeared. If you look at Internet users by education level, currently 96 percent of elementary to high school kids use it. Anti-Americanism, I think, is most prevalent among these kids. Among adults, the university graduates' use is 80 percent, which is a 78 percent increase. Look at this digital divide. There is a digital divide by income level where the higher the income, the greater the Internet use.

The reason I do not want to overemphasize the role of the Internet too much is that only 5.3 percent of people get their information mainly from the Internet. So we should not exaggerate the role of the Internet, but it is true that it was used to disseminate anti-American information. In conclusion, the factors influencing the election are all interrelated with age. The only significant factor in getting information from the Internet is age.

POLITICAL IDEOLOGY BY DIFFERENT GENERATIONS

Lastly, I would like to mention that political ideology is important as a new cleavage overcoming the previous regional cleavages. Particularly, this cleavage can be found among different generations. The interesting thing is that the 30s are the core group. This group I told you is the 386. This was the most progressive group of voters in Korea before the election. The people in their 20s were educated by these people in their 30s. The 20s were rather conservative before the election and they did not experience any student activism when they went to university, but now after the election there has been some educational effect. That means the 20s have become more supportive of the Sunshine Policy. If I have time, I will explain this in greater detail later.

I think Roh Moo Hyun's reform policy is not going to be easy because he is leading a minority party. And even within the minority party, he is leading the minority clique. He has great motivation to realign political parties, so he is attempting to establish a new party by aligning his clique in the democratic party, some reformists from the opposition party, and the Reformist Party. He is going to create a new reform party. If that is successful, I predict that they will win, if not a majority, at least a plurality. Then party realignment will be based on ideology.

I already told you that ideology has something to do with the North Korean issue. Our hope is that the Koreans will become more progressive. And anti-Americanism is related to the North Korean issue because people are not really anti-American. I think people are anti-Bush administration. People still favor Clinton and the Clinton administration. They dislike the Bush administration because they believe the Bush administration is unilateral and intervenes in the North-South Korean relationship. It could be a misperception or it could be somewhat true. I think in order to consolidate the U.S.-Korean relationship, we have to do something because younger generations are much more influenced by these political changes.

KOREA'S FREE MARKET AND CHAEBOL REFORM

By Joongi Kim

Hello, my name is Joongi Kim. It is a pleasure to be here. Scott introduced me as a member of PSPD (People's Solidarity for Participatory Democracy) and a scholar activist. I was told the other day by someone else about being part of an NGO, and asked what does NGO stand for? And apparently, it stands for "next government official," but we will see about that. I do not know if I want that.

My presentation will be on free market reform and where we are going next. Some recent commentary I heard is that "Korean corporates remain opaque and continue to expropriate," and that "the market is over-regulated." I read in the *Economist* the other day that "the chaebols are leaner but not cleaner," and that "Anglo-American style capitalism is not compatible with Korean business." Many Koreans are critical about these points.

What I will argue, however, is that Korea is in the nascent state of a free market, and that we have made a considerable turn. I view it as like the Titanic moving, it has made that turn, and it has avoided the iceberg, and it is going in a different direction. And the direction is toward a free market.

Classical variables and factors we consider are transparency, accountability, market discipline, competition, entry and exit, rule of law, and what I call, "de-state-fication." That is, the sense that the state's involvement in market affairs is drastically reduced. There are problems associated with these factors, but in terms of a free market I think it is moving toward the better.

So, where are we going? I think we are at a critical juncture in the sense that if we really solidify the changes, we can make a push and take-off to be a serious, developed country — be a contender. We are right at that stage. And I would like to see the new government continue

that change and pursue that. What I will talk about and try to convince you of is how we have made that turn. We will take a look at some of the reforms, take a look at some of the problems, and some recent case studies to try to reach that conclusion in this short presentation.

The leading reforms that have been discussed considerably are the corporate reforms, which interests me tremendously, the chaebol reforms, the financial reforms, and the accounting reforms. When we talk about corporate reforms, we primarily focus on corporate governance. I cannot speak about other Asian countries, but Korea has had serious problems in this area. Nevertheless, we must not forget that in the area of corporate governance, the problem is an innate agency problem that exists in all corporations. It is just the nature of a stock corporation. The reason we have corporate laws and securities laws is to try to minimize this agency problem. That is, this problem is not unique to Korea at all. The agency problem manifests itself through self-dealing, transfer pricing, and supporting of weak subsidiaries. This is classic stuff that happens in all stock corporations, and most noticeably in our large chaebol conglomerates. The question is, how do we try to minimize that agency cost? It cannot be eliminated. It is just the nature of the problem. It is impossible to eliminate. The question is, how do you minimize it?

CORPORATE REFORMS AND CHAEBOL REFORMS

Basically there are two ways you try to minimize agency costs. One is through what we call "internal corporate governance." We just call it "CG." The internal players in charge of trying to minimize agency costs are the board of directors, the CEOs, officers, the auditors and audit committees, and the investors themselves. You

could include employees, but they are not, in the normal sense, the central components of internal corporate governance.

“External corporate governance” includes our product markets for instance. The classic example would be if, for instance, a company like Hyundai Motors does not have effective corporate governance. The company allegedly will not be as competitive. If product markets, in this case the automobile market, were completely open, then very competitive foreign automobiles would come into Korea. Korean automobile companies with poor corporate governance would therefore not be as efficient and not as competitive since they would not be able to make an automobile at a lower price and of better quality. So they would lose out because they have poor corporate governance. So, an external open product market and an open M&A market, as we will see later, will penalize companies that have poor corporate governance. An open labor market would also penalize companies with poor external corporate governance because employees will go to other more efficient corporations that pay better and have better working conditions. If a company has better corporate governance, they are allegedly supposed to be more transparent, have higher market valuation, and be more profitable. Other factors that can help with external corporate governance are accountants, the media, regulators, prosecutors, and to a some degree even those “next government official” (NGO) people. In terms of corporate reforms, there is a long laundry list. And I consider these reforms very important.

When I returned to Korea in 1995 to teach corporate law, I would go through all these topics. And really, it felt like they were more words in a book. It had no meaning to my students and it had no meaning to me either. It was just printed words in a book and it had no impact. Now, however, that has drastically changed.

We now have outside directors. For the largest companies, at least 50 percent or half of the board, has to be outside directors. A nominating committee for outside

directors has to be established. And in the case of outside directors, your attendance is disclosed. So, you know if the outside directors attended board meetings and voted or not.

Shareholder rights have been strengthened dramatically. I could give you exact percentages later if you want. Basically, before it was prohibitively difficult for shareholders to exercise their rights. Now it has become much more accessible and, as a result, shareholders are exercising their rights.

Large companies now have to have audit committees. As you know well in the United States, auditing and accounting issues have become very, very important areas.

The Korean Fair Trade Commission (KFTC) as an arm of the government, will engage in investigating insider trading. This is the insider trading that I was talking about before, where subsidiaries of a large conglomerate support each other. When Subsidiary A helps Subsidiary B, that help has to be properly disclosed. They have to disclose whether the board has met and decided on that. These are examples of KFTC innovations.

The KDIC is Korea’s version of the United States’ FDIC, and it is one of the most successful areas in terms of reform. Most recently, it was reported that Jinro Corporation, which makes the Korean traditional liquor *soju*, was accused of 1.5 billion Korean won in accounting fraud. To give you some sense of what this means, the KDIC, after the financial crisis and since 1999, has engaged in a significant amount of legal claims. As of 2001, we have almost 4,000 cases brought against former officers of financial companies. And the total number of claims is tremendous. This has created a tremendous sense of accountability. Before we had this moral hazard problem. If you did anything wrong — for example you accepted a bribe or you gave a loan to a company that you should not have given — there was nothing you could do — and nobody would do anything to you.

And as we will see now, as I will argue, in terms of various forms of accountability, now corporate officials are held accountable. Therefore, as a result, this tremendous amount of discipline has occurred and corporate officials can actually say, “I can’t do that.” In a sense, many of the corporate officials recently feel like they have been singled out because these wrongdoings have been going on for

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30 to 40 years, so why just them. That is unfortunate, in a sense, but I think what is wrong is wrong, and we have to correct that in order to move on.

The first case study that I will take a quick look at is Samsung Electronics. Samsung Electronics is Korea’s flagship company by far. I recently found out that Samsung Electronics’ market capitalization is more than Sony’s. That is how profitable they have become. Yet, they could be far more successful. One of the most path-breaking decisions occurred two years ago, when shareholders brought a suit against the chairman and 10 directors. They were found liable for \$76 million — it was a civil judgment — for basically agreeing to illegally subsidize another subsidiary. This case is on appeal, but the fact that this happened was shocking. A little side note to the decision is that during the trials it was discovered that Samsung Electronics had given large sums of what are called “slush funds” to the former

presidents, and that is why the former presidents were jailed. And part of the claim was that they should not have given these large slush funds to the presidents. The judgment said that “even if an illegal action ultimately has the potential to benefit the company” — so even if they gave a bribe and it was not for their personal gain, it was for the gain of Samsung itself — that “the bribery cannot be allowed as a means of corporate activity.” It does not matter if you gave it for Samsung. If you gave a bribe to government officials or the presidents, that is not acceptable. That is money that should have gone back to the shareholders or back to the company. You cannot use corporate money for illegal gains.

MARKET DISCIPLINE

Originally, there was no Director and Officer (D&O) insurance because directors and officers never thought they would be held accountable, and they never were. In 1997, a case was brought against bank officials for mismanagement. It was after this case that investors started requiring D&O insurance. Companies claimed that the cost of this insurance was a waste. On the flipside, it shows that the market recognized the validity of the legal risk. Directors and officers should be paid a lot of money because they are doing something very important. And because they are doing something very important, there should be legal risk involved — high risk, high return. So, it is good for them, too. When I tell this to corporate officials, they say, “Ah, I like that.” The market itself, including insurance companies, see this risk and are willing to pay a premium for it. This is, I think, a very interesting example of market discipline.

FINANCIAL REFORMS

In terms of financial reforms, disclosure requirements have increased tremendously. One of the most interesting developments I find, and one of the places where I place

the most hope, is institutional investors. Institutional investors now, if they have more than 1 billion Korean won invested in a company, or more than 5 percent of their fund invested in a company, have to disclose how they voted on issues at the shareholder meeting. This innovative method of forcing investors to do something is based upon what the U.K. started. And if they hold approximately 23 trillion won in equities, they have to vote. They have to be a little bit more active, instead of passively following or not doing anything. Before, they would not vote at all. Of course, the question is, how are they going to vote? That is another question. But at least they are voting, and they are forced to vote.

On director compensation, it was recently announced that it must be disclosed starting next year. There is controversy on this, but still I think it is a positive sign of transparency. Directors and officers will feel more responsible if it is disclosed how much they will receive. Not many countries in the world do this. The U.S. is a very rare exception, and even in the U.S. only very senior officials disclose.

Through its telecommunications network, as President Roh described in an article I was reading in the May 5, 2003, edition of the *New York Times*, Korea has the highest broadband penetration in the world. There is tremendous disclosure and transparency going on because of that infrastructure. Now, you can obtain online, through the DART system, tremendous amounts of information instantaneously, and companies have to provide this on an ongoing basis.

Foreign ownership now has increased from 15 percent to 36 percent of the entire stock market. I view this very positively. There are concerns, however, that this foreign ownership is “hot” money. They will just leave and desert the market when things go bad, but I think it instills discipline. And if we do a good job, they are not going to leave.

QUESTION: Are there capital controls on foreign investing in terms of the ability to pull the currency down?

PROFESSOR KIM: No, they are all gone now. There used to be restrictions. Inflow/outflow is basically completely open. And that is very important. It is very important, and Korea made tremendous efforts to make it that open because otherwise, people will not invest.

In terms of other financial reforms, very notable is our national pension fund. Up to 5.5 trillion won of our national pension fund, which is approximately at 106 trillion won, or about US\$100 billion, is now held in equities. Most of the other investments are in fixed incomes. But they are going to increase the amount of equities, they say up to perhaps 15 percent. That creates a tremendous market player, if the national pension fund holds anywhere from 10 to 15 trillion won in equities. And, of course, they will exercise their votes on

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a much more long-term basis and hold officers and directors more accountable.

What is being debated now, and probably will happen very soon, are class actions or securities related class actions, which will focus on issues like stock manipulation and accounting fraud. Once again, this is another innovation that I think Korea should be proud of, that does not exist in many other countries. I am proud to

say, as one who studies corporate law, that for the first time in Korea's history, Japan actually is coming to Korea to study how we are doing our structural reforms. We are ahead of them. This is the first time ever.

ACCOUNTING REFORMS

Last month when our Minister of Finance and Economy was visiting the United States, he announced that his Ministry would be pursuing a large degree of accounting reforms. One will be that they will prohibit loans to controlling shareholders, officers and directors. It is a little bit late, but they are doing that now. Second, the Financial Supervisory Service is seeking to designate outside auditors. Third, the accounting firms, as what happened in the United States with Sarbanes-Oxley, will be restricted from consulting. And finally, auditors will be rotated on a mandatory six-year basis.

What is missing, however, as we see in the United States, is they do not have an independent regulatory agency overseeing the accounting profession. It is still just being done by themselves in the form of self-regulation. So, that is something that is missing as of yet.

Case study No. 2 is the SK Global incident, which is going on now. There is a tremendous amount of interest in this. SK Global is the leading trading companies for the SK Group, the third largest conglomerate in Korea. They were found to have committed 1.56 trillion won in accounting fraud. They said this is going to be Korea's Enron, but I think Korea's Enron was Daewoo and that has already happened. It was sparked basically by the improper subsidization of a weak subsidiary. It was sparked by SK Securities among others, which was basically a collapsing subsidiary. And SK Global, at a critical juncture last fall, purchased over \$109 million of SK Securities, when it just had no need to. Basically, it was to prop up SK Securities. As a result of this and other accounting fraud, the chairman and 10 senior officers were arrested.

In the meantime, this is another side note, apparently a Monaco-based investment management fund has bought 14.99 percent of SK Corp., which is kind of like the mother company of the entire conglomerate and potentially can take over the entire conglomerate. So, there might be a hostile takeover, and all this other stuff. But, whatever it is, it creates tremendous market discipline, especially in terms of external corporate governance.

TRANSPARENCY

In terms of transparency, as I mentioned before, this becomes also very self-evident. The accounting profession has given adverse and disclaimer opinions when it does audits. After 2000 is when they started giving these adverse opinions and disclaimer opinions. Those are the most serious opinions that a company can receive. Before that, basically, when outside auditors audited, it was just always, "okay," "qualified" at worst, and there was basically no problem. So, accounting firms are being far more diligent in what they do.

On chaebol reforms, as most of you know or many of you Korea followers know, 16 of the top 30 chaebols have changed in the past five years. That is tremendous market discipline. Before, many people were just too afraid to let these big chaebols collapse because they feared that the entire economy would collapse. But after Daewoo, and as we have seen with the Hyundai crisis and now we see with the SK crisis, it is becoming more fathomable. The country can sustain itself. The state is not going to bail them out, so they have to shape up. And bankruptcy procedures have been dramatically streamlined such that three laws are being consolidated into one act.

Case study No. 3 is POSCO. At POSCO recently, the CEO was not reelected. He basically resigned. It was largely due to objections from institutional investors. This is a very interesting case, and it showed that institutional investors are being more proactive. He resigned

for many reasons, but one was because he had illegally subsidized a company, Tiger Pools, that many people believe he should not have. He only did it because of political pressure. The interesting thing is that the company was doing really well. It had a record performance last year. But despite that, he did not seek reelection.

On the positive side, I would like to cite two companies, CJ Entertainment and Doosan. They were accused of issuing very controversial bonds with warrants as a means to avoid tax and to solidify their control. A tremendous amount of criticism was launched toward them. Instead of fighting it out in courts and trying to justify what they did, both of them voluntarily just gave up their rights. They took the high road. I am very proud that companies are doing this. They see the benefit in doing it, and they are benefiting from that.

PERSISTANT PROBLEMS

We still have lots of problems. Problems, problems, problems. As I will try to explain briefly, the largest chaebol families' average ownership in conglomerates is decreasing. It went from 9.5 percent in 1997 to 4.3 percent in 2001. Basically, the more that the family owns, as a controlling shareholder and specially related shareholder, the more they are going to be interested in their company and the less the agency costs there will be in general. The less they own, the more potential for agency costs and the inevitable expropriation problems. And unfortunately, in terms of ownership, it has become more problematic because their personal ownership has decreased. That means they have less liability potential, and they have more incentive to mess around in a manner that they should not do.

In terms of other problems, I was reading on the plane on the way over here about the Morgan Stanley Capital International Index once again failing to include Korea in its advanced country index in May 2003. The primary issues are North Korea — surprise, surprise —

and corporate governance. There still remains a Korea discount. The Korea discount is because basically corporate Korea is considered too opaque. There is too much of this “funny stuff” going on. Foreign investors think, “We do not know what it exactly is or how exactly they are doing it, but it is definitely there, so we will under-price their shares.” So the Korean market is considered to be discounted by, some say, as much as 20 percent in some areas if not more.

Some other serious issues that are being investigated are the credit card debt problems, which was a big problem, and the Hyundai's funding of North Korea to allegedly insure a North-South summit meeting. We are still

There still remains a Korea discount. The Korea discount is because basically corporate Korea is considered too opaque.

waiting to see how that is going to be resolved, but I am running out of time so I cannot get into that in any great detail.

So, in conclusion, as I said, we have all these various, important factors of a market system. They are in place for the first time. As I view these things transparency, accountability, market discipline, competition, entry and exit, rule of law, “de-state-fication,” they will not change. The Titanic has made its turn, and it has moved in this new direction. And I think it is for the better.

For the new administration, timing is critical. And as in all reforms, the first year reforms are critical. For Kim Dae Jung, it was the first year, and with Kim Young Sam the first year was also critical. Roh Moo Hyun has got to

try to push his reforms in the first year. After that it is going to be very difficult. He must do it when he has the mandate and he has the drive.

There are concerns about ideology. There are concerns that he is a progressive-oriented lawyer, and concerns about welfare and distribution. Also concerns that he is too left leaning. But in my view, I do not really care. I do not think that is as important an issue. I think what is important at this stage is the rule of law. And for the first time in Korea, I am proud to say, though in some sense we'll have to wait and see, but we have a lawyer as a president. And I hope that he will apply the rule of law in a fair and conscientious manner. That is what he is trained to do. So, we will have to see. As long as he does that, I do not really care as much about his ideology.

In order to do that, he has to establish credibility and faith in the market; that the state will not intervene unnecessarily. It will not bail-out companies that should just fail. But that does not mean he should not protect investors. That is something else, I think. His critical role is now to consolidate those structural reforms that are in place. Despite some concerns, so far, he is on track.

NEW GENERATION LEADERS: DEMOCRATIZATION AND ITS IMPACT ON FOREIGN POLICY

By Chaesung Chun

I am Chaesung Chun. My subject is the new South Korean administration's foreign policy. I wrote a short article recently discussing what the future road of the Roh Moo Hyun government will be. This issue is most serious, I think, because next week President Roh will be here to meet with President Bush and try to find a way to deal with the North Korean nuclear problem.

I see here a lot of concerns and worries about North Korean nuclear ambitions and WMDs (weapons of mass destruction), and I have had a chance to hear a lot of policy suggestions. There should be, some people say, fundamental changes. I have even heard of a [possible] surgical strike against North Korea. Many Koreans worry that after the Iraqi war, there will be an attack on Pyongyang. Baghdad was fired on, next Pyongyang will be fired on, and then there will be an attack on Seoul by frustrated North Koreans. So there is a grave concern that we will be in the midst of war in a short time. I think this is a very critical issue, and I wonder what kind of joint statement will be out next week. I think there are a lot of discussions going on in the Bush administration and also in South Korea. I see some people who are working very hard to determine what kind of conclusions Roh Moo Hyun will make next week. Still much is quite uncertain.

In my presentation, I will talk about the basic foreign policy of the new political leadership. I will avoid the nuclear issue of North Korea for the time being, and try to explain what is new under the [Roh] administration. And as Professor Cho said, there are new social foundations on which the Roh Moo Hyun government is based. He is very much influenced by new forces, new thinking, and a new generation. So what kind of continuity and discontinuity are there in terms of foreign policy?

I have six or seven arguments in my article to try to explain the continuity and discontinuity. My approach is

quite historical. If you look back upon the history of the Korean Peninsula, it was a unified country with its first government after the seventh century. So territorial division is quite unfamiliar to the Korean people. There is still some nationalist feeling on each side of the divided Koreas, which might not be understandable to outside countries. What is the long-term policy of Roh Moo Hyun administration? I will talk about some possible road maps that President Roh will take.

The basic question is whether the new policy will show patterns of continuity or discontinuity. The Sunshine Policy was an engagement policy, which resembled very much the Clinton administration's policy in how to engage and deal with former communist countries. We learned some tips and tried to find our own version of a policy to engage North Korea and to lead North Korea to an open and democratic market society. And I think there will be continuity with the former Kim Dae Jung government, but there are some lessons that we can learn from partial failures of the Kim Dae Jung government.

President Roh is younger than President Kim Dae Jung. He was born in 1946 before the Korean War, from 1950 to 1953, and is about the same age as President Bush. So Roh experienced the Korean War at the age of four to seven. I think he was not very aware of what was going on then. Usually I think of him as part of the post-war generation. He is relatively free of Cold War ideology, so he is new.

POSSIBLE SOURCES OF DISCONTINUITY

Now let us see possible sources of discontinuity. The first is the changing international environment influenced by world terrorism. The former generation, the Kim Dae

Jung government, has discontinuities with the Roh Moo Hyun government. Roh is free from the Cold War type of international environment. I think the post Cold War can be divided into several phases. The first phase of the post-Cold War period was about how to deal with former communist countries. Now, we are dealing with world terrorism, which is some kind of natural consequence of the American hegemonic era. I use the word hegemony in a neutral sense. America is the only superpower in terms of military powers. There is some backlash and some opposition from Third World countries, and it is expressed in world terrorism. How do you deal with this world terrorism? Terrorism is part of the post-Cold War period. Some people say it is the post post-Cold War period, but we can define a post-Cold War period of about 13 years as basically coherent. And we are now in a different phase of world terrorism.

There is some backlash and some opposition from Third World countries, and it is expressed in world terrorism.

At the same time, we have also witnessed the process of consolidation of Korean democracy. There are a lot of different feelings about the United States. If you watch television, there were some recent candlelight demonstrations and some anti-American slogans. But if you come to Korea, there are a lot of diverse opinions about the United States. The current, new political leadership in South Korea should deal with all those diverse voices in terms of foreign policy. It is not so easy. It is not consistent. It is very hard to have just one foreign policy. As

Korean democracy is being consolidated more and more, I think it will be harder to have just one foreign policy.

We can also see the changing identity of the Korean people. Identity, from the theory of international politics, is influenced by many things: international structure, political leadership, social factors, and personal characteristics. We see the generational factor, which is a relatively new thing in the post-Cold War period. But I think basically we have three kinds of identities in terms of foreign policy.

First, changes in Koreans' identity are influenced by nationalism. Nationalism means that Korea is one nation and one state. Korea was a nation-state from its inception, unlike the experience of many European countries. So, it is quite natural that we think of the Korean Peninsula as just one nation, even though there is a quite different regime in North Korea. There is a lot of opposition to that kind of regime, but still basically, in terms of people, I think there is nationalist feeling. Cold War ideology is losing influence, so there is a reviving nationalism.

Second, we also have cosmopolitanism. We are living in a period of globalization. So especially the younger generation has a cosmopolitan identity. It is very hard for them to be nationalistic. They go to foreign countries very often as exchange students in their undergraduate years. With those experiences they have become more and more cosmopolitan.

Finally, some people in their 40s, 50s and 60s, continue to embrace a Cold War ideology. They experienced the Korean War. Some of their families were killed by North Koreans, the communists. So it is hard to negotiate with them. These three different identities are mixed together in deciding what kind of foreign policy the new administration should follow.

THE QUESTIONS BOTHERING NEIGHBORS

The first question is whether the new South Korean government is anti-American? I think Americans are quite curious, and I think Pyongyang is also quite curious about the new South Korean government. Some North Korean scholars and North Korean officials are trying to find out if Roh Moo Hyun resembles Kim Dae Jung in terms of those engagement policies. We will find out.

The second question is whether the new South Korean Government is pro-nationalism, regarding national cooperation with the North. North Korea's propaganda is that we, as one nation, should cooperate, and we have to cope with some interference or intervention from the United States. That is the propaganda from the North, which is not followed by most South Koreans. But there are some doubts and concerns.

Lastly, is the U.S.-ROK alliance necessary? There is some skepticism, which I think is natural in every alliance. In the history of international relations, every alliance collapses. There is no permanent alliance. So there will be continual skepticism and criticism, which is healthy in changing international environments. So that will be a question that we will follow under the new leadership.

NEW LEADERSHIP WITH NEW POLICIES

There will be some new policies because, as also mentioned by Professor Cho's good presentation, the political capital of the new leadership is political autonomy from international influence. It is really hard for the new leadership to just follow the United States' foreign policy toward North Korea and China.

Also, the Roh government has some desire to continue engaging North Korea toward final reunification. The engagement policy is very complex. They want to peacefully lead North Korea toward democracy, a market economy, and make it comply with some multilateral norms in international relations even though there are

some problems. I think North Korea wants to develop nuclear weapons because of their desire for survival (and I do not know how much North Korea is motivated by that desire). They want to protect their regime. They have some ideas of opening their state, but in terms of regime they are very aggressive. There could be some options to deal with North Korea militarily, but with caution. South Korean people are quite afraid of the possibility of having a war. Their desire is to peacefully engage North Korea, even though it is a very long and painful process, so we do not risk a war.

There are some voices calling for a more equal partnership with the U.S. Basically, because we are in a different environment, and we do not have a common enemy.

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We have a common enemy in North Korea, but from a different perspective. We think North Korea is an enemy, which is now much weaker. Our GNP (gross national product) is 26 times as much as that of North Korea, even though militarily there is a serious threat from North Korea. Now, the United States looks at North Korea not as a Cold War enemy, but as a possible seller of WMD's to terrorist groups. South Korea does not have a perceptive congruence with the United States' view. We see North Korea from a different perspective, so we have to find some other kind of agreement in terms of how to look at North Korea.

South Korean people now demand some kind of equal

partnership in Roh Moo Hyun's foreign policy of "peace and prosperity." I do not know in what kind of context it will be planned and implemented. This is a very abstract foreign policy so far, so some government people are trying to find out what will be included. As time went by, from February to March and April, there was a decision by the Roh Moo Hyun administration to dispatch the Korean Army to Iraq. There was a lot of opposition from civil society. Even the conservative party, the opposition Grand National Party, hesitated on whether to agree to send the army to Iraq. There were a lot of moralistic arguments, which were not really anti-American, but anti-war. They were very general arguments about international relations. But the administration said that we had to send the army, and there was a logic. President Roh made a speech in the National Assembly, and the logic was very interesting. There were a lot of discussions about the legitimacy of this war. I think you know all these discussions: whether or not this is a just war, the legal legitimacy about the preemptive defensive attack by the United States, and other discussions among the international lawyers. But let's put those aside now. We have to send the army because it is in our interests, too. We have to help the United States to fight a war against terrorism, and then we will be in a better position to get some help from the United States in continuing our engagement policy.

NEW LEADERSHIP LEARNING OLD LESSONS

Now the new leadership tries to think in terms of national interests, which is the cornerstone of modern international relations. I think President Roh's foreign policy will continuously change, and he will try to develop some distance from the slogans that he made during the presidential campaign. Now, after the election, the argument is that we have to cherish the 50-year-old alliance with the U.S. We have to have a moderate approach, which means we have to have some agreements or negotiation with neighboring countries toward North Korea. And we have to consolidate cooperation with

neighboring countries, such as Japan, China and Russia.

There was a three-party talk last week on Thursday. There was a discussion with President Roh Moo Hyun on television, and he said that we have to be quite pragmatic. It does not matter whether or not we are at the negotiating table. What is more important are the results. So let the United States and China deal with North Korea. That is okay with us. We can deal with it later. If it becomes an issue of paying money to assist North Korea, then we can be a part of the negotiations. That is quite different from what Roh Moo Hyun said during his presidential campaign.

What is the source of discontinuity? I think, basically, South Korea's foreign policy is the foreign policy of weak countries. We have the 11th strongest economy in the world, but we are surrounded by the United States, China, Russia, and Japan. They are all strong powers. So, it does not matter whether or not we are 11th or 12th. We are the smallest one. So, our primary concern is survival. One of those powers may try to conquer South Korea. We were conquered in our history, which is tragic, but from that historical consciousness we have to be very critical and very much constrained about what is going on in the international system. And it is not just South Korea. It is true with all the weak, Third World countries in every region. That means, academically speaking, South Korea faces international systemic constraints. The character of the new leadership does not matter as much as the external constraints in the country. So we have a tremendous, strong, sometimes oppressive, international system of constraints.

The Korean people are made up of a diverse ideological identity spectrum. This administration will have social constraints, but they are not the same ones. It comes from very different sources. As I said, they are constrained by nationalism, cosmopolitanism, and Cold War ideology. President Roh Moo Hyun cannot just follow a nationalist, radical course. This is a democratic government.

THE END OF THE COLD WAR AND CAUSES OF KOREANS' WORRY

How can we understand South Koreans' feeling or consciousness that is critical of U.S. policy toward the Korean Peninsula? Do South Koreans really want Americans to leave and make changes regarding the alliance? I think it is quite the opposite. In the post-Cold War situation, what worries South Koreans most is American troops leaving the country without sufficient consultation with the South Korean government. This situation actually took place several times in the history of the ROK-U.S. alliance. For example, Nixon's policy toward East Asia and South Korea to leave Asian and South Korean security in Asian or South Korean hands was perceived to be quite detrimental to South Korean interests. After the reduction of USFK (U.S. Forces in Korea) in 1970, and through the 1970s, there were a lot of troubles for South Koreans in dealing with North Korea. Former ROK President Park Chunghee tried his own independent foreign policy, and there were a lot of problems. And we have China's threats. "China's threat" was the term that was invented by the United States in the early 1990s. The Chinese are a rising power so they might pose a security threat. They have missiles, ICBM's, and nuclear warheads. We are next to China, so we are more threatened by China than the United States. There is also the possible rise of Japanese conservatism and expansionism. This might not be realistic, but South Koreans believe that there is still a risk. I do not know if that is true or not. That kind of feeling grew because of history and the textbook experience. Japan has its own idea about our history, the Korean Japanese history, which is not agreed upon between our two peoples.

SURVIVAL STRATEGIES FOR THE FUTURE

"What could our survival strategies be? We may not have a patron anymore. The United States might leave." South Koreans are saying all that. The U.S. says, "We will leave if you do not want us to stay." It is really

frightening. I think you cannot understand why. It is not only because of North Korea. As I said, South Korea is the weakest country, along with Taiwan, in this region, which is very exceptional. All the strongest powers are in Northeast Asia. So, if we do not want to have the United States as an alliance partner, which is not really possible in this environment, then we are worried that we will not have any patron. There is no autonomous, perceptive congruence between the alliance partners anymore. And worse, the United States and Korea fear different security threats. For Koreans, we are entering into a 19th-century type of threat period, but the Americans focus on their fear of terrorism, which the world understands.

There is no autonomous, perceptive congruence between the alliance partners anymore. And worse, the United States and Korea fear different security threats.

Now Koreans have learned the basic logic of the modern international system. We can only depend on the logic of "self help." That is, that we will not have any help from outside. The two other "help systems" that worked in modern history are exemplified by the Korean War and the 1991 the Iraq War. These instances showed that collective security systems work. So, we were the object of those collective security systems. South Koreans tend to believe that other help systems might work, but they have not.

WRONG PATHS FOR BOTH KOREAS

Still, there are wrong paths for both Koreas. I think North Korea's path, chosen for its survival by going nuclear, is worse than the South Korean path. South Koreans think that we should attain absolute security and become really independent, which is not possible. It is not possible to attain absolute security. Cooperation and coordination are indispensable, and South Koreans are learning that in this post-Cold War period. That is why Roh Moo Hyun's administration should change. It should be much more pragmatic. But worse is the North Korea's strategy, a 19th-century type of strategy of having strong military power. If a state wants to be stronger in this period of globalization, it should adopt a different strategy.

PRINCIPLES OF THE ROH ADMINISTRATION

So far, there are some principles of the Roh Moo Hyun administration which are quite abstract, as I have said. South Korea should make firmer and deepen the U.S.-ROK alliance, keep engaging North Korea without WMDs, and try to lead cooperation among Northeast Asians. For example, in terms of the policy dealing with the North Korean nuclear problem, there are three principles. We will not tolerate North Korean nukes. We have to be peaceful in dealing with that threat. And we have to be active in the process. Those three principles contradict each other. If North Korea develops nuclear weapons, then how can we approach this nuclear problem peacefully?

I think Americans are quite curious about this policy. If North Korea crosses a red line, then what will we, the South Koreans, do? We have to be peaceful. That does not make sense. We want to be active, but we are excluded even from the three-party negotiations. Then, how can we be active? So, those arguments contradict each other. The task is ahead.

TASKS AHEAD

The North Korean nuclear problem is just a symptom of the Cold War confrontational system on the Korean Peninsula. We have to build from a basic, fundamental general peace system, which is really hard. If there is any connection between North Koreans' efforts to develop WMD and terrorism, then South Korea will be in the midst of war. So, we have to sever any link between North Korea and terrorism. We have to solve this problem. As soon as this nuclear problem is solved, by any means, then we will have to deal with our long-term strategy toward North Korea. How can you continue your engagement policy? What are the means? And how can you evade appeasement? That will be the questions that will come very soon.

QUESTIONS AND COMMENTS

By *South Korea's New Generation: Politics and Social Change Panel*

Scott Snyder: I want to thank all three of our panelists for some very comprehensive presentations. Initially, I think that the slogan of the Roh Moo Hyun government is participatory government. A couple of weeks ago there was a point where South Korea got shut out of the Beijing talks, and the South Koreans were not participating in the U.N. human rights issue, and a friend of mine in Korea said, "well, now they are the non participatory government." But we want participation in this Q&A, and we have about 30 or 40 minutes for some discussion.

Question: I have a question for Mr. Kim. I regret missing Dr. Cho's presentation. I would have been fascinated with how the trends I outlined in Korea 2010 are playing out with your topic. For Dr. Kim, this question might be out of your area of expertise, but recognizing that roughly three-quarters of all the jobs in Korea are in the small and medium enterprises, the question that I have is, what changes have occurred in the banking industry to make it possible for SME's and entrepreneurs to get loans? In the past, it has been very difficult.

With respect to Professor Chun's observations, first, with regard to changing the identity of Korean people, that slide that you show up there, I think, basically what you are describing is growing pluralism, which is endemic in the spread of knowledge age tools and technologies. It has a profound impact on how the society works and is creating much of the stress in modern Korea. But I do find interesting your observation, if I understood correctly, that the U.S. and South Korea do not have sufficiently shared interests to perpetuate the alliance. Geography makes Korea the shrimp among whales, as some like to say. The Korean Peninsula is the strategic crossroads of Asia. China, Russia and Japan have fought to control that region for quite some time. If the United States wishes to be a major Asian power, it must maintain influence

on the Korean Peninsula. It seems to me that is a very deep shared interest for the two countries. And with respect to your options for going forward for Korean security issues, I would suggest they are essentially on two paths. One, arm to the teeth and declare neutrality in order to maintain that neutrality, and to create a willingness to invest more heavily in defense is a question mark with that respect. And the other is strengthen the alliance with the United States and maintain that alliance. Thank you.

Kim Joongi: In terms of financing for small and medium companies, I think the way to answer it is at first there was all this tremendous reform in the banking sector itself. Defaulting banks were taken over. They are in the process of being reprivatized. Some of the leading banks have already been privatized, many with foreign ownership. And that has been a tremendous psychological change in Korea that we can allow our banks to be owned by foreigners.

In terms of banking and financing, after the tremendous collapses of the chaebols, banks have themselves been getting very skittish about lending to companies. So, there was a dramatic shift in consumer financing, finding credit for consumers. That actually precipitated the credit card problem. But there has been this shift away from [chaebol financing]. I don't want to touch corporate issues, especially some of the larger chaebols. So, in that sense, it has been a positive change. It has been kind of shifting our focus.

The other aspect is of course, instead of indirect financing, direct financing. At one point of course, like the NASDAQ here, Korea had its own version called the KASDAQ, and it was very successful. Then, as everywhere else, the bubble collapsed, and the market is in very difficult straits right now. But at the time, it did provide a tremendous amount of financing for new

start-up companies. And in Korea, because we have a very strong IT sector, there are some very competitive companies. And for the start-ups, this avenue is still open. So, in that regard, I think that we have also made considerable strides.

Chun Chaesung: I think basically I agree with you. Neutrality was an option for South Koreans. But the problem is that South Korean neutrality, or neutrality of the whole Korean Peninsula, should be in the interests of the strong powers. They should agree that a neutral South Korea or a neutral Korean Peninsula is in their interests. So, there must be an agreement. If there is no agreement, then it cannot be continued. In the alliance with the U.S., I think there are still a lot of common interests with the United States. We are opposed to terrorism, and geography is important as you said. We will see what of kind of future relations there are between the United States and China. If we do not have good relations between these two countries, for example, then I speculate that South Korea will be important again in terms of geography. So, the alliance is dependent upon what will happen among the big powers. It is a dependent variable actually, so we will see.

Question: A question for Dr. Cho and one for Mr. Kim.

Dr. Cho, when you showed your graph of the polling as the candidates vied for the election last year, there was a change in April one year ago, maybe you could help me clear that up a little bit. Because many people I know attribute that change almost entirely to Roh Moo Hyun's meeting with Kim Young Sam. And while I know that had some effect, I am suspicious that that caused all the effect. One of my impressions was that, up until that point, Lee Hoi Chung was almost invisible. He was not doing much. His party had not had their convention yet. He was not saying anything very interesting. From the point of view of a professional election watcher or campaign manager, that change in popularity after April was entirely predictable and not really such a terrible judgment on

Roh Moo Hyun, and yet it was taken that way. So could you talk about the other things that might have contributed to way those popularity trends changed?

Mr. Kim, I would just like you to tell us a little more about how the trends that you described in corporate governance have applied to the press conglomerates. I am not asking you to referee this ongoing debate about the press, but give us some guidance about whether or not those companies are being treated the way other major companies are being treated and whether they are responding similarly, or whether they are getting off easy, or whether they are being made scapegoats, and so forth?

Cho Kisuk: Thank you for bringing up that question. Actually, I agree with you. I think most of the drops resulted from his visit to former President Kim Young Sam. Why that affected his popularity is because he was seen as an anti regionalism fighter. But he visited former President Kim Young Sam because he wanted to appease the Yongnam voters, and that was seen as a betrayal to the voters and was absolutely right. Once his popularity started to drop, his other qualifications came into question, such as not believing in "cheap talk" and due to some of his inappropriate comments. He made mistakes. His unstable attitude and these kinds of things brought about the question of his qualifications, and still he has these kinds of problems. As Professor Chun said, I think he is a very pragmatic strategist. So, I am very positive and optimistic about his administration.

Kim Joongi: In terms of the press conglomerates, my view is a little bit different from a lot of people's. First of all, I do not think the problem in terms of corporate governance and the press conglomerates are that serious. The reason I do not think they are that serious is because the families of these press conglomerates are usually non listed companies and they own basically everything. So, if you own everything, I do not care what you do with it.

There are concerns, however, largely because of family

relations and especially because two of the large three big papers have strong relationships with some of the conglomerates by family, that there might be skewed press coverage. There is a considerable amount of that going on.

The other related issue, of course, is the tax audit issue. Korea, I think, should be praised for having a pretty open and competitive press, especially compared to Japan. And they should pay taxes like anybody else. Yes, it might be part of some political abuse, but still if they are not paying their taxes, they have to pay their taxes. That is my personal view.

Question: I am an attorney in the area. I have a question for Professor Cho. You have highlighted the regional cleavages between the Ho Nam and Yong Nam regions and how, with Roh Moo Hyun, there has been an increasing amount of young voters that are going after Roh Moo Hyun. What I have not seen, and I wonder if there exists, is any data of how the younger voters in the Yongnam region voted in this past election. What percentage of those younger voters voted for Roh Moo Hyun rather than going for the traditional Yong Nam candidate?

Cho Kisuk: Thank you. I do not have the exact data for young Yongnam voters because we can only use the survey data, and the sample size for Yongnam voters is relatively small. And so it is inaccurate to actually estimate the Yongnam voters. But as a total, Roh Moo Hyun got 30 percent from Pusan and about 25 percent from Yongnam, the southern part of the Yongnam area. So, almost all these votes came from younger voters. He was able to mobilize young voters in the Yongnam area. Kim Dae Jung got about 18 percent. So 30 percent is huge compared with the past elections.

Scott Snyder: I am sure there must be some more specific data. It is a question of trying to find it.

Question: First, let me congratulate Bill Gates and Microsoft in their effective marketing of PowerPoint

software that you all used so effectively. They've taken over South Korean academia. But, more seriously, I thought this was a very impressive panel because we got domestic politics, domestic economics, and really foreign policy views. My question concerns the upcoming summit between President Roh Moo Hyun and President Bush. This past couple of weeks we have heard a lot of advice given from Washingtonians to visiting South Korean government officials about what Roh Moo Hyun should say, about what Roh Moo Hyun should do. I would be very curious to hear what he is hearing from South Korea, particularly from the three of you. What should Roh Moo Hyun say? What should he do? What do you expect from the summit between Roh and Bush?

Chun Chaesung: Well, PowerPoint was Mr. Snyder's idea. I was powerless. I doubt there could be big agreements between President Bush and President Roh Moo Hyun. I understand that President Bush or officials in the Bush administration mentioned military options as a negotiating tool. I do not think the Bush administration will very seriously think about attacking North Korea because there will be more than 50,000 cannons an hour fired at South Korea. There is the USFK (U.S. Forces Korea), the South Korean people, civilian people, so it is not really an option. But as a negotiating tool, he should mention it. The Roh Moo Hyun administration does not even want to mention those military strategies because it really risks war. And the North Koreans are desperate in some sense. So, we have to adjust what kind of strategy we should adopt. I think there will be fruitful discussion and conversation between these two presidents.

Cho Kisuk: Well, I am more a person who studies domestic politics, so I do not have any special advice for President Roh. But I would like to remind him of where he got most votes: 3 million votes from the 50s and 3.2 million votes from the 40s. So the biggest group of voters came from the 40s. And he got only 2 million votes from the 20s and around 2.2 million votes from the 30s.

There is a certain consensus among the Korean people

that the United States should recognize us. I would like to give advice to President Bush rather than President Roh. President Bush should recognize the Korean people and President Roh. In the previous summit between Bush and Kim Dae Jung, the Korean people's pride was really hurt. So that is my expectation.

And from President Roh's side, people are not that progressive in ideology. That means people are not that enthusiastic toward North Korea, especially among the 50s or the older people. What I am expecting from President Roh is to take a pragmatic position rather than pushing too hard or siding with North Korea. The people are sharply divided in South Korea. The President should consider both sides.

Kim Joongi: This is kind of a tough question to answer. My view is, although I am not a foreign policy expert, Korea is different from Iraq in many regards. I don't want to go into all of the reasons because I am sure you are aware of them. Basically, putting the North Korean issue aside, I think equal standing is a big issue. Korea should be viewed as a model case of economic reform, especially in Asia. And we should be commended for that, and people should be aware of that. It is far better than what Japan has been doing.

Another thing that I think is relevant is that there is a strong perception still, for many reasons that I am sure you are aware of, that the United States is taking too much of a unilateral stance in our multilateral economic world. Korea basically signed on to this system, but it seems like the United States is retracting. That is just kind of a broad policy issue that I think should be raised.

Question: I have a question for Mr. Kim as a follow up. We have a tendency to focus on the restructuring of the chaebol because they are so important, and I would like to know more. I understand that a very large number of small and medium enterprises have been very systematically restructured, something like 900 or 1,000 of them, in the last two or three years. So if you could elaborate about what you think is the

impact on the market and on the dynamics of the economy it would be helpful.

Kim Joongi: I think, as all business people will tell you, basically 50 percent of all new startups will fail in the first two years. That is just a universal statistic. Too much hope may have been placed on Korean new startups in the beginning, as anywhere else. But as I mentioned earlier, the competent have survived. As many are aware, Korea is the leader in broadband penetration, and that is creating tremendous spillover in the IT sector. I think we are kind of like a test case in that regard. eCommerce issues will come up and industry leaders will look to Korea and what Korea is doing? I think we still have tremendous potential in that regard. And the government definitely should continue its efforts to try to sustain that.

Financing is a very delicate issue. Therefore, issues come up, such as trying to merge KASDAQ with the Korea Stock Exchange. I think that is a possibility, unless something happens because KASDAQ is not doing that well. This is a strained period of time.

With the change in chaebols and as I mentioned, we saw half the chaebols of the top 30 fail, and that created a tremendous kind of labor market flexibility. People that were just willing to leave and try something new. I think that has also created a very good sense of entrepreneurial spirit. That has happened for the first time. Of course, a lot of people really suffered, but at least they tried and a lot of people are still trying. I just look at that as positive overall.

Question: I have sort of a three part question. One, very specific for Dr. Cho. And that is, if you could talk a little bit about the anti-Americanism that you mentioned in the high school cohort, what the sources of that are and whether or not there is some sort of defining formative experience that may be behind that. The question I have there is whether it is likely to be enduring or is it contextual, is it contingent upon future events such as the North Korea outcome?

The second question is more of a comment. Victor Cha and others have observed that if the alliance gets through the current very turbulent period with regard to North Korea, force changes on the peninsula that are under consideration, et cetera, that it has great promise for cohesion and long term durability due to common growing liberal democratic value and these types of things. I just wondered what your comment would be on that, do you agree or disagree?

And then finally, a specific question. That is, South Korean views on potential U.S. force structure changes on the peninsula, which appear to be inevitable from the Department of Defense standpoint, which, as you said, takes a very global view of strategy. And for reasons of transformation and operational capability and also perceived vulnerability of the troops north of the DMZ, politically and operationally, it seems to be inevitable. And I wonder if you could comment, in particular, Dr. Chun, on the likely impact on Korean attitudes toward the alliance and future Korean strategic choices and alignments.

Cho Kisuk: My son is an American citizen. He was born here, but he is an “anti-Americanist.” The reason is that, through the Internet, they disseminate anti-American songs and comedies and comics, and they just love it for fun. Unwittingly, they develop these kinds of sentiments. I do not think it has great substance. It is very emotional, but it could be enduring unless we resolve the conflict between both countries. Incidents like the pictures of those little girls’ deaths can have substance, although it is not very substantive. It depends how these politicians deal with the foreign relations. It can go both ways.

Chun Chaesung: Thank you for your comments. First, I think there are a lot of common interests in the long term. If there are no serious security threats from North Korea, if the Korean Peninsula is reunified, or there is a peace system, then I think there is a lot common interests with the United States in terms of a democratic peace and a market economy. So, there are a lot of

prospects. But there may be other kinds of security issues, such as the relationship with the United States and Japan or the United States and China. Korea is very exceptional in terms of suffering from military security. Most of the regions in Europe, for example, they started to talk about human security, such as drugs, terror, economic security. We are quite backwards. We still think about military security. So, if there is no North Korean threat anymore, then we can solve these security issues. And I hope there will be no more military security issues in this region. But if military issues remain, then South Korea will be in the middle of that military turmoil. Basically, I think if the North Korean issue is solved, there are a lot of mutual interests in South Korean thinking.

Force restructuring, as you said, I think is inevitable because there was a big emphasis in the United States on the RMA (revolution in military affairs) from the inception of this Bush administration. They want to have a stronger Air Force and Navy, instead of emphasizing the Army. They want to put this Army structure south of the Han River, and they do not want to talk about using U.S. troops as the tripwire. I do not think it is healthy. South Koreans are worried because the United States is withdrawing troops before they attack North Korea. If the United States does not have any ground army in South Korea, then it might feel much safer in attacking North Korea because there will only be South Korean casualties. That is the worry of South Koreans, especially from the radical side. I do not think that is true. Those arguments of force restructuring come from very general United States military strategies. That happens in Saudi Arabia and Germany. But we have to deal with those constraints.

Question: I join with all the others. This was one of the most fascinating panels, and I really congratulate Scott for bringing this wonderful presentation. I have a very pointed, simple question, just a yes or no answer from maybe each of you.

We are all human beings, so sometimes a little incident

shapes one's whole new perception and attitude. I think Americans, including even President Bush, supported the Sunshine Policy and the engagement policy in spirit. But I think there have been two very interesting incidents that may be shaping up the current administration's perception. The first one is the so called Hyundai bribery of \$500 million. The State Department actually compiled records of the Korean bureaucrats that said something about that incident. In the record it stated that not even a dollar went to the pocket of any of them. We do not have that kind of money. And after all the long, long release of all these comments, in the end it turned out to be that there was a money transaction. I think this is shaping up as, "Can we trust them?" If this is so, then transparency is totally lacking. How do we trust them? When President Kim said that "this is a special relationship, so please do not treat us like a criminal, we need to do this to survive," do you agree with him? And what is your personal opinion when President Kim said that it is okay that we do those kinds of things, do you agree?

The second thing is the Geneva Convention of Human Rights. The two most prominent so-called human rights presidents, President Kim and now the successor President Roh, basically said we abstain because of our "special relationship" with North Korea. It is down the road, more a long term question, so we cannot do anything about it. But I think it is shaping a lot of Americans' perceptions that if Roh is avoiding these kinds of things, can we trust this guy as our ally? Again, do you agree with that position? I would like if any of you are willing to tell me yes or no.

Chun Chaesung: Well, on the second question, I think every South Korean is angry about those human rights issues. More than 3 million people died, according to some reporters, so even radicals hate the Kim Jung Il regime. I am quite confident about that. But the problem is whether it is okay strategically. The government does not want to raise the issue because it might do

harm to inter Korean relations. It is very hard to answer. That is the answer.

On the first question, if President Kim Dae Jung gave money from the government to the North Korean regime to have some meetings and it was reported before the summit meeting, then probably we would not have had any summit meeting. The problem is, is it okay to conceal it? If you look back on the case of German unification after the fall of the Berlin wall, a year afterwards, from 1989 to 1990, there was the Two Plus Four conference. I never did deep research, but West Germany gave money to the Soviet Union for the reconstruction of the Soviet economy. And the Soviet Union agreed that Germany should be reunified under the influence of NATO, basically the United States. So there was a common interest, by taking money from a Western economy and giving influence to Western Europe. And the result was, I think, basically good. Germany was reunified. The Soviet Union was transformed into a market economy. I think there must have been domestic political issues. Was it right for Chancellor Kohl to give money to the Soviet Union without making it public? Basically, the summit meeting was not harmful. It was good. So how to deal with those problems domestically is a different issue.

Kim Joongi: Very, very good questions. I have been thinking about the first one very hard myself. Strictly speaking, Hyundai should not have been used, I do not think, at all. If Hyundai had to collapse, then they should have collapsed. It should not have been a vehicle to forge this type of support. We do not know yet if anybody pocketed anything on the delivery. If that happened, I think public opinion would be totally against that [deal] and they would be punished. If there was no personal pocketing by anybody on the way, whether it be Hyundai officials or government officials, then I think it is going to be okay according to public opinion. Strictly speaking, though, I still do not think it is right. If anything, they should have gotten the KDB to do it, the Korean Development Bank, or they should have gotten a formal vote on it, or they should not have done

it, no matter what the immediate benefits might have been. Definitely, the summit was momentous and important, but after the fact, what has changed? I do not really know what has changed after the fact. A nice photo opportunity. Maybe it helped with getting the Nobel Prize and all that stuff, but the bottom line is, what has changed?

On the human rights issue, my personal view is that if they were not going to vote officially or participate in the vote, at least they should have made some type of statement that this is a very serious issue. We have very serious concerns, but for certain reasons we are refraining from voting. They did not even do that. So I think basically they are burying the issue, and it is not an issue that should be buried at all.

Cho Kisuk: I am not an expert in international affairs, so I would just like to give my personal opinion. As a political commentator, I have defined my role as a balancer. That means my opinion is sided with the minority in Korean society because I like to balance with the majority. In terms of process, I do not think it is right to send bribes to North Korea. But in terms of consequences, I agree with President Kim Dae Jung because he dramatically changed the whole population's perception of North Korea. We were educated that North Koreans are monsters, but we do not think that way anymore. So, in terms of the changing of Koreans' perceptions of North Korea and their attitudes toward the reunification, I think he did the right job.

Regarding the human rights issues, I view this kind of attitude as a strategic move. As a person who teaches negotiation, although I am not an international affairs specialist, I think this is a good strategy. This strategy I interpret as a "burning bridges strategy." That means we burnt our bridge so that North Korea can trust that South Korea has already burnt all the alternatives. So South Korea's only plea to North Korea is no war. That is the only thing we want. I think it is a kind of strategic move to send a very strong signal to North Korea that we do not have any intention of having a war with you.

But at the same time, I am really personally supportive of the Bush administration's strategy as long as the Bush administration has a trustful relationship with the South Korean Government. It is a division of labor. The Bush administration pressures North Korea and then, on the other hand, South Korea shows trustful behavior. In that sense, as long as Roh Moo Hyun convinces the Bush administration that we are collaborating with the U.S., then I think that is a reasonable strategy.

Scott Snyder: I am just going to add a brief comment on this because I think that the fact that President Roh decided to allow the prosecution to go forward actually does represent a kind of break with the intent of President Kim Dae Jung. I think that what it also does is make it impossible to imagine that he can, with public support, do the same thing. And so it essentially forces transparency onto the inter-Korean relationship in a way that was not there before. And I think that it represents a further step toward the democratization of South Korea's inter-Korean policy because I think it is safe to say that President Kim Dae Jung pretty much did what he wanted with North Korea regardless of public opinion. And so I find that to be quite interesting.

Question: I have a question for Dr. Chun. My understanding is that the Roh Moo Hyun administration set a strategic, long-term foreign policy goal by saying there is an equal partnership with the United States, but I think he did so without considering how the United States would react. So my question is, how do you think Roh Moo Hyun's administration will approach that kind of goal and how can he achieve that goal in five years?

Chun Chaesung: That is one of the most controversial issues now in South Korea. You have a very correct observation. The U.S.-ROK alliance, academically, is a primary example of an asymmetrical alliance. It is an unequal alliance. So I think there can be no equality. There is a dependence and interdependence in some sense in relations. Then what does equality mean? I think we cannot send troops to the United States to

fight against terrorism. It is not very helpful. And more than 90 percent of military information about South Korea comes from the United States military, so it is not really possible. If the USFK withdrew from South Korea, then we would have to pay double the military expenditure for more than 10 years to keep the current level of military preparedness. So I think it is very hard to have that kind of simple meaning of equality.

What the Roh Moo Hyun government can achieve is a consultation before the United States takes any actions which is related to the South Korean government. The problem is with rhetoric. For example, there was the accident which Professor Cho mentioned. Two middle school girls were killed in this accident. Accidents are accidents. I think it could happen anytime. But the problem was, after that accident, the U.S. Government, or the USFK, did not publicly mention how the military dealt with the problem. The two soldiers were set free. So, the South Korean people were angry because they thought that, even though it was an accident, there should be some person who is responsible for it. But I think there must be some process which is not publicized because of some issues inside the USFK. What we can do is to have that kind of premediated, preconsulted relations, but basically not a unilateralist policy.

Kim Joongi: I would just like to briefly add one comment about the accident. My personal view on the accident is that it was a PR nightmare disaster on the U.S.'s part. They just handled it terribly. What I was told was, among other things, the candlelight vigils initially started at the U.S. base itself. They voluntarily started candlelight vigils on behalf of the girls. They also paid a considerable amount of monetary compensation to their families. But basically the Korean people wanted some type of repentance, but that was never given. It was after months that it belatedly was done. Either the Ambassador or the head of command should have come out. Bush, many months later, very passingly, made a statement. That is what caused the outrage. You have to realize the accident happened at the peak of the World Cup, when everybody was focused on soccer. And like Professor Chun

said, accidents happen. Nobody said they deliberately killed them. But nobody felt that they really felt responsible. Nobody cried. Nobody felt that they really apologized in a sincere fashion. And I think that is what caused or sparked the worst part of it.

Question: I would like to actually know if there is any specific attitude or policy concerning regions other than the United States, like East Asia or Asia in general, and the European E.C. countries.

Chun Chaesung: Well, not really. From the campaign promises, I see the policy of corporate parity, and we want to be the hub of the East Asian economy, which is not followed by concrete measures or concrete policies yet. More strategically, I think the current administration will need to confront many issues. For example, how to deal with Korea-Japan relations, which are not as good as in the earlier period of the Kim Dae Jung administration. It was worsened by the history textbook issue. We do not know what we will do in terms of diplomatic normalization with North Korea and Japan. Roh Moo Hyun met Koizumi, the Japanese Prime Minister, and tried to talk about how to deal with the North Korean nuclear problems together, but still there are a lot of things we have to deal with. I heard from my friends that China thinks, "how can South Korea be a hub for the East Asian economy because it is a small country? China should be the hub." That is the argument. So, we have to deal with those economic foreign policies from the basics. It is not just a campaign, and he does not talk very much about the relationship with European countries, so we will see. There should be a lot of work to be done.

Question: I am curious. You mentioned the different threat perception in South Korea and the United States vis à vis North Korea, and the fact that South Korea already is under grave threat not only from weapons of mass destruction and the chemicals combined with missiles, but also artillery stationed along the DMZ. And that is certainly true, but were North Korea to go ahead and test a nuclear device, one might imagine that that would create such a visible

and immediate impact on public perception in the South that there might be some change. So I am wondering, how do you view the prospects for discontinuity in public opinion toward North Korea especially in that event?

Chun Chaesung: Well, I do not know the essence of public opinion, but I feel that South Korean people believe that if there is a war, we will die anyway, from either biological weapons, chemical weapons, or nuclear weapons. So the main reason why North Korea is developing nuclear warheads is first, to have a negotiating tool with the United States. The second is to go nuclear, to be a nuclear state, and to have a strong position. Basically nuclear weapons could be used to some extent to threaten South Korea, but to some extent to deal with the outside world rather than South Korea. But the South Korean people think that if North Korea becomes a nuclear state, then South Korea should be prepared for that. The option is to develop our own nuclear warheads to have a deterrence against North Korea, or to depend upon the United States under the nuclear umbrella. Both options are not desirable to South Korea. We do not want to be a nuclear state, as we announced in 1991 under the denuclearization of the Korean Peninsula. We do not want to have more dependence upon the United States. If North Korea goes nuclear, then Japan will go nuclear because Japan is under the direct threat from missiles and nuclear warheads. If Japan becomes a very strong nuclear power, then China will be further nuclearized. And in the midst of that arms race, then South Korea will be in a weaker position. So we are very much opposed to the idea of North Korea going nuclear. There are multi level approaches to this problem.

Scott Snyder: I might just conclude with a final observation. It is clear from the presentations that there have been so many basic changes in South Korea, in terms of society and politics. In some ways one of the biggest challenges as we approach this summit is that some Koreans have had difficulty recognizing that the United States has also changed. So the real challenge for this summit is going to be how to lay the foundation

for a revised and more sustainable U.S.-ROK alliance partnership.

I want to thank our presenters very much for giving some excellent, comprehensive presentations. I hope you will join me in thanking them for coming and making presentations and being here with us.

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