

New Trends in East Asian Cooperation: A South Korean Perspective*

Chung-in Moon*

I. Introduction

Being divided into two halves, the Korean peninsula has long remained as an island of the Cold War in which the North and the South have engaged in a protracted military confrontation since 1948. South Korea's discourses on regionalism have been fundamentally constrained by this geo-political setting. Being a staunch ally of the United States during the Cold War, it was not able to seek any meaningful regional cooperation and integration. Alliance with the U.S. was the only institutional mechanism for its national security and economic prosperity, delimiting its regional reach. It was only after the demise of the Cold War that South Korea was able to deliberate on regional cooperation and integration by normalizing diplomatic ties with the Soviet Union in 1990 and China in 1992 respectively.

Effects of the post-cold war era did not materialize immediately, however. Legacies of the Cold War significantly constrained South Korea's pursuit of regionalism. Despite the Roh Tae-woo government's ambitious Northern policy, which was designed to normalize diplomatic relations with the Soviet Union, China, and former communist regimes and to reduce security tensions on the Korean peninsula through improved inter-Korean relations, overall security milieu in Northeast Asia was not conducive to promoting South Korea's regional cooperation strategy. The first nuclear crisis in 1993-94 derailed Seoul's engagement with North Korea, and the bilateral security alliance between Seoul and Washington remained by and large intact.¹ On the economic side, multilateralism emerged as the major mode of external engagement as South Korea ratified the Uruguay Round in the early 1990s and became an active member of the World Trade Organization (WTO). Together with Japan and China, South Korea

* Prepared for presentation at the Chinese University of Hong Kong, March 9, 2012.

* Professor of Political Science, Yonsei University and former Chairman, Presidential Committee on Northeast Asian Cooperation Initiative, Office of the President, the Republic of Korea.

¹ J.J. Suh, "Bound to Last? The U.S.-Korea Alliance and Analytical Eclecticism," in J.J. Suh, Peter J. Katzenstein, and Allen Carlson (eds.), *Rethinking Security in East Asia: identity, Power, and Efficiency*, edited (Stanford: Stanford University Press, 2004), p.136.

remained one of the very few WTO members which did not enter into any regional trading agreements as defined under Article 24 of the GATT/WTO.²

But a major change came in the wake of the economic crisis in 1997-98. Having fallen a prey to forces of globalization as well as tough demands of the International Monetary Fund embodied in its conditionalities, South Korea began to seek a new regional strategy. The Kim Dae-jung government's East Asian community initiative during 1998-2002 and the Roh Moo-hyun government's Northeast Asian cooperation initiative during 2003-2007 underscored this trend. Such initiatives can be seen as calculated moves to mitigate vulnerabilities associated with globalization as well as to counter the activation of European Union (EU) and the North American Free Trade Area (NAFTA). Nevertheless, the Lee Myung-bak government (2008- present) reversed the trend by favoring bilateralism over regionalism. Against this backdrop, the paper aims at exploring the nature of regional cooperation policy pursued by South Korea and elucidating implications for the future of regional cooperation in East Asia.

II. The Regional Policy in the Early Post-Cold War Period: The Asia-Pacific Focus

While policy inertia of bilateral security alliance and multilateralism had by and large dictated the nature of South Korea's foreign economic policy, new environment gradually unfolded in East Asia, prompting South Korea to seek more diversified strategies. First, the combined strategy of GATT-centered multilateralism and export-led industrialization resulted in an excessive reliance on the U.S. market, which in turn deepened its structural vulnerability. Even a modest slowdown of the U.S. and the world economy led to a substantial decline of South Korean exports, destabilizing its economic performance. Second, American offensive trade policy wrapped in the logic of strategic reciprocity forced South Korea to look for alternative export markets. In order to overcome chronic bilateral trade deficits with South Korea, both the Reagan and Bush administration aggressively pressured Seoul to open its import markets to

² Min Gyo Koo, "From Multilateralism to Bilateralism? A shift in South Korea's Trade Strategy," *Bilateral Trade Arrangements in the Asia-Pacific: Origins, Evolution, and Implications*, eds, Vinod K. Aggarwal and Shujiro Urata (London, UK: Routledge, 2006), pp. 142-143.

American firms, while imposing import restrictions, mostly non-tariff barriers, on South Korean manufactured goods. Export-market diversification was much needed. Finally, an equally critical factor was the advent of the European Union and the formation of NAFTA. As regional Trade Agreements (RTAs) have rapidly proliferated in the 1990s, trade conducted within the framework of regional preferential agreements grew from 22.5 percent in 1955 to 66.3 percent in 1997. In particular, the launching of EU and NAFTA heightened “fears of exclusion” in the policymaking circle of South Korea.

It was under these rapidly changing environments that East Asian countries in general and South Korea in particular realized that they needed to foster intra-regional economic cooperation in order not to fall behind the new trend of regionalism elsewhere. The Asia-Pacific Economic Cooperation (APEC) emerged as a regional alternative in this context. Along with Australia, Japan was active in creating APEC. Japan traditionally maintained its low-key posture in foreign policy rather than taking leadership.³ But Japan played a more crucial leading role in creating APEC by not only resuscitating APEC agenda, but also narrowing the gap between the United States and East Asian countries.

Despite its usual suspicion of Japan’s move, South Korea welcomed the creation of APEC and proactively participated in its activities by even hosting one of its annual meetings in Seoul in November 1991. South Korea's rationale was clear. On the one hand, APEC as a mega organization retained a multilateral character with the participation of a large number of countries, which in turn attenuated the exclusive nature.⁴ The creation of the Asia-Pacific free trade area would provide South Korea with new access to exports markets and resource-rich countries such as ASEAN countries, Australia and New Zealand. On the other hand, APEC was an appropriate institutional choice for South Korea that could accommodate its interests in regionalism as well. APEC possessed a regional character, aiming to serve as a preliminary consultative mechanism for creating a free trade agreement in the Asia-Pacific region.

³ Richard Doner, “Japan in East Asia: Institutions and Regional Leadership,” in Peter J. Katzenstein and Takashi Shiraishi (eds.) *Network Power: Japan in Asia*, eds, (Ithaca, New York: Cornell University Press), 1997; “Japan, the US and the Emergence of Multilateralism in East Asia,” *The Pacific Review* 13(3) (2000).

⁴ John Ravenhill also argues that it would be more precise to define APEC as a “trans-regional” body than a regional body equivalent to EU. Ravenhill 2000, p. 329. Ravenhill, John (2000) “APEC Adrift: Implications for Economic Regionalism in Asia and the Pacific”, *The Pacific Review* 13(2), p. 329.

South Korea's participation in APEC meant that gradually being freed from legacies of Cold War, it finally began to grasp the idea of regionalism.

However, APEC was not an ultimate regional solution. In the mid-1990s, South Korea was forced to reassess its policy on APEC in the face of APEC's internal trouble. The roadmap adopted by the Bogor Declaration (1994), which set trade liberalization for developed countries by 2010 and for developing countries by 2020, was severely questioned. At the 1997 APEC summit held in Vancouver, two opposing camps in North America and East Asia conflicted with each other. While the U.S. and Canada attempted to introduce the Early Voluntary Sectoral Liberalization (EVSL) to put some selected sectors on a faster track of trade liberalization, South Korea, Japan, and ASEAN countries strongly opposed this plan. This conflict was symbolic in demonstrating that East Asian countries' advocacy of informal and consensual approach clashed with the formal and institutionalized approach favored by the U.S., Australia, and New Zealand. Revealing that it was unable to effectively coordinate conflicts among member countries, APEC lost its appeal as a macro-regional cooperative body. Amidst APEC's internal division, Mahathir's version of East Asian Economic Caucus (EAEC) was resurrected in the form of the ASEAN+3 (ASEAN Plus Three; APT) dialogue. The idea of APT was first floated by Singapore Prime Minister Goh Chock Tong in October 1994 when he proposed to hold the inaugural meeting of ASEM.⁵ ASEAN countries immediately approved the proposal, demanding South Korea, China and Japan to join ASEM as well. In responding to the ASEAN's request, all three Northeast Asian countries participated in a series of preliminary meetings for ASEM during the second half of 1995, setting the tone for the creation of the APT.⁶

Whereas APEC served as a limited, but useful vehicle for economic consultation and cooperation, it lacked any viable mechanism to discuss security agenda other than an annual meeting for political leaders. South Korea attempted to utilize APEC to advance its own security agenda such as the North Korean nuclear problem, but such efforts were by and large delimited by its norms and principles that emphasized

⁵ Tran Van Hoa, Globalisation, "Crises and the Emergence of new Asian Regionalism: Genesis and Current Development," in Tran Van Hoa and Charles Harvie (eds.) *New Asian Regionalism: Responses to Globalisation and Crises*, (Houndmills, UK: Palgrave MacMillan, 2003), p. 10. The first ASEM meeting was held in Bangkok in December, 1997.

⁶ Richard Stubbs, "ASEAN Plus Three: Emerging East Asian Regionalism?," *Asian Survey* 42(3) (2002), p. 442.

consultation and consensus. Thus, South Korea tapped bilateral summit meetings on the occasion of APEC summit in order to address its security concerns. More importantly, bilateral alliance with the U.S. was seen as the most critical security architecture for South Korea even after the end of the Cold War.

III. The Kim Dae-jung Government and the East Asian Community Initiative⁷

The outbreak of the Asian financial crisis in 1997 made APEC as well as multilateral economic institutions virtually obsolete, making South Korea re-evaluate its external economic policy. More critically, the way the United States and the IMF handled the crisis raised an enormously uneasy feeling across East Asia. While the initial American disinterest in the crisis renewed concerns about the lack of U.S. policy commitment to the region, the United States and East Asian countries differed on how to manage the financial crisis in 1997-1998.⁸ The IMF eventually intervened by imposing its stringent conditionalities on beneficiaries of stand-by loans precipitated immense dissatisfaction.

The crisis also brought about profound impacts on East Asian regionalism. Countries in East Asia that suffered from harsh IMF conditionalities and lack of attention from the U.S. began to realize the importance of regional financial cooperation, raising the necessity of regional cooperative mechanisms.⁹ Moreover, APEC's failure to advance pan-Pacific trade liberalization encouraged some of its member states including South Korea to search for other alternatives.¹⁰ It is in this context that the Kim Dae-jung government began to shift its foreign trade policy from global multilateralism and

⁷ This section draws heavily on Seungjoo Lee and Chung-in Moon, "South Korea's Regional Economic Cooperation Policy: The Evolution of an Adaptive Strategy," in Vinod Aggarwal, Min Gyo Koo, Seungjoo Lee, and Chung-in Moon (eds.), *Northeast Asia: Ripe for Integration?* (Berlin: Springer, 2008), pp. 43-48.

⁸ Richard Higgott, "The Asian Economic Crisis: A study in the Politics of Resentment," *New Political Economy* 3(3), (1998).

⁹ For example, Japan floated the idea of an AMF in 1997 by expressing its willingness to contribute more than half of the funds amounting to US\$100 billion. Hong Kong, Taiwan and Singapore also indicated their intent to participate in the AMF. South Korea and most other East Asian countries agreed to the idea. Even China, which was against the idea at first, has changed its attitude. Nonetheless, the AMF did not make any tangible progress, due to strong opposition by the United States. Chales Harvies and Hyun-hoon Lee, "New Regionalism in East Asia: How Does It Relate to the East Asian Economic Development Model?," in Tran Van Hoa and Charles Harvie (eds) *New Asian Regionalism: Responses to Globalization and Crises*, (Houndmills: Palgrave, 2003), p. 43.

¹⁰ Fred Bergsten, "Towards a Tripartite World," *The Economist* (15 July 2000), pp. 20-22.

mega-regionalism such as APEC to regional and bilateral trade policies. Most pronounced policy initiatives were APT and regional and bilateral Free Trade Agreements (FTAs).

Since its inception, 13 nations in East Asia – 10 members of the ASEAN and China, Japan, and South Korea – strove to expand the scope of APT, rather than utilizing it merely as preparation sessions for the ASEM meeting.¹¹ The meeting was quickly elevated to a summit meeting in Kuala Lumpur during the annual ASEAN leaders' meeting in 1998, and the group turned the meeting into an annual affair.

Given that the Kim Dae-jung government was contemplating on envisaging its strategic goals for regional cooperation, APT seemed to be a proper venue for South Korea to project its ambitious visions. The Kim Dae-jung government made efforts for vitalizing cooperation within the framework of ASEAN+3. During the 1999 APT summit, the Kim government played a pivotal role in establishing and operating the East Asia Vision Group (EAVG) and the East Asia Study Group (EASG). The Kim government's initiative in the APT process derived from the following factors: 1) East Asian countries, still suffering from the shadow of the Asian financial crisis of 1997, shared a common interest in consolidating regional economic cooperation; 2) despite proliferation of regional trading blocs in Europe and North America, East Asia lacks such regional cooperation in East Asia, 3) Kim's proposal for ASEAN+3 was also motivated by his desire to create a venue for China-Japan-South Korean summit, 4) ultimately, his conviction mattered that regional economic integration and cooperation will lead to common prosperity and peace in the region.¹²

Kim's initiative produced some tangible changes. The EAVG and EASG utilized APT as a mechanism to forge regional cooperation and ultimately transform it into a more lasting regional institution. In particular, the EAVG was credited with providing key concepts for regional integration and cooperation. For example, after conducting studies about a joint surveillance of short-term capital movements and an early warning system in East Asia, the group proposed the establishment of an East

¹¹ As a consequence, separate ministerial meetings were held under the rubric of ASEAN+3. Stubbs, Richard, "ASEAN Plus Three: Emerging East Asian Regionalism?", *Asian Survey* Vol. 42, No. 3 (2002), p. 442.

¹² For a concise summary of Kim Dae-jung's idea of East Asian community, see Kim Dae-jung, "Regionalism in the Age of Asia", *Global Asia* Vol. 1, No. (2002), pp. 10-12.

Asian Monetary Fund and a regional exchange rate coordination mechanism, which would be geared to the creation of a common currency area in the long run.

The EAVG's principal accomplishment emerged at the finance ministers' meeting in Chiang Mai, Thailand, in 2000. The Chiang Mai Initiative worked out a series of agreements among Asian central banks to lend foreign exchange reserves to one another via 'swap' agreements to help them protect their currencies on foreign exchange markets.¹³ Since then, there has been much discussion about creating an Asian Monetary Fund (AMF) and common currency baskets.¹⁴ And in November 2000, heads of member countries gathered in Singapore, and agreed to explore the possibility of formalizing their ties and forming an EAFTA. This agreement produced an immediate effect. During the 2004 summit in Vientiane, the ASEAN+3 nations signed 35 bilateral or multilateral agreements, including the landmark free trade agreement between China and ASEAN. These agreements are seen as the building blocks toward an eventual region-wide free trade area, the East Asian Free Trade Area. Finally, the leaders of 13 East Asian nations agreed at a meeting in Laos in December 2004 to hold the first East Asian summit in Kuala Lumpur in 2005. The launch of the East Asian Summit signified the beginning of a historic process transforming the ASEAN+3 arrangement into the East Asian Community.

Apart from APT, free trade Agreements emerged as another alternative for South Korea. The South Korean government used to hold a view that FTAs would create trade diversion, and, therefore, they are not desirable for a trade dependent country such as South Korea. Because of concerns over negative effects of FTAs, Seoul was rather passive in pursuing FTAs in the 1990s. In the aftermath of the financial crisis, however, the Kim Dae-jung government began to perceive that FTAs could serve as a building block toward multilateralism for trade liberalization. As a trading state, FTAs might have been an unavoidable choice. Nevertheless, the Kim Dae-jung government's tarde

¹³ For further details on the Chiang Mai Initiative, see Mireya Solis and Saori Katada, "The Japan-Mexico FTA: A Cross-regional Step in the Path towards Asian Regionalism," a paper presented at a conference, "East Asian Cross Regionalism," Center for International Studies, University of Southern California, October 14, 2005.

¹⁴ See for example, Lamberte, Mario B., Ma. Melanie S. Milo and Victor Pontines (2001) NO to YES?: Enhancing Economic Integration in East Asia Through Closer Monetary Cooperation, Discussion Paper Series No. 2001-16, Philippine Institute for Development Studies, July.

policy was reactive, aiming to counter others' FTAs.¹⁵ Proliferation of FTAs in other parts of the world arose a shared concern of the government and private firms that South Korea should not be left behind the new fad. However, the majority of policymakers still considered multilateralism the best strategy for South Korea, and regarded FTAs essentially as an insurance policy in the case of failure of the multilateral trading regime.

It was against this background that the Kim Dae-jung government began to deliberate on FTAs. The first measure the Kim Dae-jung government took immediately after its inauguration in 1998 was the organizational reform related to foreign economic policy. The Kim government revamped foreign economic policymaking structure by creating the Office of the Minister for Trade (OMT) under the Ministry of Foreign Affairs and Trade (MOFAT).¹⁶ Mandated to streamline bureaucratic coordination among multiple government agencies and thereby facilitate the negotiation process with foreign countries, the OMT had authority over a broad scope of foreign economic policies. Noticeable was the establishment of an FTA bureau within the OMT in order to facilitate FTA negotiations.

Along with the organizational reform, the Kim Dae-jung government took concrete actions for bilateral FTAs. In November 1998, the Inter-Ministerial Trade Policy Coordination Committee formally announced that South Korea would start an FTA negotiation with Chile, while conducting feasibility studies with other prospective FTA partners such as the U.S., Japan, New Zealand, and Thailand. Shortly after the announcement, the Kim government created a special task force on a South Korea-Chile FTA. Underneath it, five working groups were established to deal with a variety of issues such as market access, trade rules, services, intellectual property and legal procedures.¹⁷

Along with the organizational reform, the Kim Dae-jung government took concrete actions for bilateral FTAs. In November 1998, the Inter-Ministerial Trade Policy Coordination Committee formally announced that South Korea would start FTA negotiations with Chile, while conducting feasibility studies with other prospective FTA

¹⁵Yangseon Kim and Changjae Lee, *Northeast Asian Economic Integration: Prospects for a Northeast Asian FTA*, KIEP Conference Proceedings, 03-05 (2003).

¹⁶ Min Gyo Koo, *op.cit.*, p. 141.

¹⁷ Chan-hyun Sohn, "Korea's FTA Developments: Experiences and perspectives with Chile, Japan, and the U.S. Paper presented at a conference entitled "Regional Trading Arrangements: Stock take and Next Steps," Trade Policy Forum, Bangkok (2001), p. 7.

partners such as the U.S., Japan, New Zealand, and Thailand. FTAs were generally expected to generate substantial economic gains over the long run if increased competition leads to improved productivity. However, South Korea faced two serious challenges in the process of initiating, negotiating, and concluding FTAs with its major trading partners. The first challenge was political, involving trade-off between short-term political loss and long-term economic gains. Political drama of domestic winners and losers of FTA negotiations posed the most critical challenge. The key point was how to keep the political momentum for FTAs domestically until the long-term effects of FTAs will ultimately materialize. Second, heightened competition, inevitably accompanied by FTAs, could bring negative repercussions to inefficient sectors as well as even relatively competitive export-oriented sectors.

The Kim Dae-jung government's FTA strategy was to form FTAs primarily with geographically dispersed countries with modest trading relationship. Chile was South Korea's 30th trading partner merely accounting for 0.63% of its overall trade. Seoul also negotiated or conducted joint studies with lightweight partners such as India (16th trading partner with 1.23% trade share) and Canada (21st and 1.11%).¹⁸ Singapore, South Korea(11th largest trading partner with 2.33% share), was regarded as an ideal partner because it does not have competitive agricultural sector.¹⁹ Chile has the highly competitive and export-oriented agricultural sector, but it was assumed that seasonal difference between the two countries would mitigate negative effects on the Korean agricultural sector.²⁰

The Kim Dae-jung government's East Asian regional initiative was largely confined to the economic arena. During the period of the Kim Dae-jung government, South Korea actively participated in the ASEAN Regional Forum (ARF), but did not take any initiative on security issues. President Kim was preoccupied with improving inter-Korean relations through the implementation of the sunshine (engagement) policy. In so doing, American support was vital. Thus, utmost attention was paid to the maintenance of bilateral alliance with the United States. There was no room for

¹⁸ KITA homepage: www.kita.net; accessed on 15 February 2006.

¹⁹ Ibid.

²⁰ Hyun Seok Yoo (2002) "Han-cheele jayoomooyeokhyeopjeongui gooknaejeongchi: gooknaehyeopsangui ihaejipdangwa gooknaejaedoreul joongsimeuro" [The Domestic Politics of Korea-Chile Trade Agreement Negotiation: Interest Groups and Domestic Institutions in Domestic Negotiations], *Korean Political Science Review*, Vol. 36, No. 3(2002), pp. 198-221.

regional security cooperation.

IV. The Roh Moo-hyun Government and the Northeast Asian Cooperation Initiative²¹

Upon his inauguration in February 2003, President Roh Moo-hyun undertook a new policy initiative for the creation of ‘peaceful and prosperous Northeast Asia.’ The initiative aimed at facilitating peace and prosperity on the Korean peninsula by promoting regional cooperation and integration in Northeast Asia. President Roh supported the overall idea of Kim Dae-jung’s East Asia community. Nevertheless, Roh strongly believed that the idea of East Asian community would be inconceivable without first fostering regional cooperation in Northeast Asia. For Roh, it was almost hypocritical for three big countries to pursue a detour regionalism relying on ASEAN countries. For him, it was urgent for China, Japan, and South Korea to deliberate on meaningful regional cooperation, not only because of growing intra-regional economic interdependence and the sheer size of their economy, but also because of involvement of four major powers, namely China, Japan, Russia, and the United States, in the region as major stakeholders. However, president Roh saw more challenges than opportunities in the region.²²

Unlike Europe, the end of the Cold War did not bring about tangible peace dividends in Northeast Asia. The region as a whole confronted a number of serious security challenges. The most pressing security concern was the North Korean nuclear crisis, but crisis escalation over the Taiwan Strait could also endanger overall peace and security in Northeast Asia. Unresolved territorial disputes could become another inhibitor in the region. More troubling was future strategic uncertainty. Major realignments in U.S. strategic posture following the September 11 tragedy, the ascension of China as a global power, and Japan's move to resuscitate its military power further complicated the strategic uncertainty of the security landscape in Northeast Asia.

²¹This section draws mostly on Presidential Committee on Northeast Asian Cooperation, *Toward a Peaceful and Prosperous Northeast Asia* (Seoul: Presidential Committee on Northeast Asian Cooperation, 2004). The author participated in drafting the report as chairman of the committee.

²²Roh Moo-hyun, “History, Nationalism, Community,” *Global Asia* Vol. 2, No. 1 (Spring 2007), pp.8-13.

Not a single country in the region could escape from the latent security dilemma.²³

Additionally, beneath the growing intra-regional economic interdependence was emerging a new pattern of intensified competition. China, Japan and South Korea competed head to head in terms of export items and destinations, causing a major coordination dilemma. Despite increasing concerns over fierce competition, duplicate investments and surplus capacity, countries in the region lacked both the institutional mechanisms to address such problems and a leading nation to furnish public goods for regional economic cooperation and integration. Since the 1980s, most Asian countries, regardless of developmental level, have been moving into more value-added, capital- and technology-intensive industries. Japan, the Newly Industrializing Economies (NIEs), and ASEAN countries have all promoted cutting-edge industries such as semiconductors and computers. As a result, in contrast to the flying geese model, a horizontal, “swarming sparrow” pattern of development became pronounced, further deepening economic competition and the friction between Japan and its regional economic rivals based on shifts in comparative advantage.²⁴

Socio-cultural challenges also became visible. The cultivation of a common regional identity continued to be hampered by lingering parochial nationalism and deepening mutual distrust. Memories of the past history characterized by domination and subjugation still haunted people of the region. As ongoing disputes over historical distortion among Korea, China and Japan demonstrated, the greatest problem the region must be wary of was excessive nationalistic sentiment. Nationalism, collective memory of the historical past and subsequent cognitive dissonance posed another critical obstacle to region-building in Northeast Asia.²⁵ China and South Korea were still haunted by the historical memory of Japanese colonial domination and subjugation.

²³See International Crisis Group. *North East Asia's Undercurrents of Conflict: Asia Report No 108* (15 December, 2005); John Ikenberry and Chung-in Moon (eds.), *America and Northeast Asia: Power, Order, and Transformation* (Lanham: Rowman & Littlefield, 2007).

²⁴Gordon Bernard and John Ravenhill, “Beyond product Cycles and Flying Geese: Regionalization, Hierarchy, and Industrialization of East Asia.” *World Politics* 47 (1995): 171-209. On the concept of ‘swarming sparrow’, see Chung-in Moon, “Conclusion: Dissenting Views,” in Stephan Haggard and Chung-in Moon (eds.), *The Pacific Dynamics* (Boulder: Westview Press, 1989).

²⁵See articles in Special Issue on Nationalism in Northeast Asia, *Global Asia*, Vol. 2, No. 1 (Spring 2007), pp.8-49. For an overview of clash of nationalism in Northeast Asia, refer to Chung-in Moon and Seung-won Suh, “Burdens of the past: Overcoming History, the Politics of Identity, and Nationalism in Asia,” *Global Asia*, Vol. 2, No. 2 (Spring 2007), pp.33-49. Also see Yoichi Funabashi (ed.), *Reconciliation in the Asia-Pacific*. (Washington. D.C.: U.S. Institute of Peace, 2003).

Cognitive barriers emanating from the past history of bitter enmity forged a national ambiance critical of intra-regional cooperation and its institutionalization.

The Roh government's NEACI can be seen as a strategic move to maximize new opportunities, while minimizing constraints and challenges. The ultimate goal of the Northeast Asian Cooperation Initiative was to materialize a peaceful and prosperous Northeast Asia by fostering the governance of cooperation and building a regional community of mutual trust, reciprocity and symbiosis. The goal was justified in view of developments in other regions of the world where regional integration became a standard mode either to cope with the challenges of globalization or as a way to more efficiently accomplish the globalization process. Whereas Europe, North America and even ASEAN were accelerating the institutionalization of integrative processes, Northeast Asia remained far behind. Thus, the initiative aimed at facilitating the process of community-building in economic and security domains. As both theory and experience demonstrate, nations can enjoy peace and common prosperity by constructing a community of their own. While a regional community benefits the nations in that particular region, a global community benefits nations all over the world. Globalization can be seen as a process of forming a global community to which all the regional communities in the world belong. Northeast Asian nations need to join this process by first building a regional community.

The Roh Moo-hyun government envisaged four visions of a regional community in Northeast Asia: The first vision was an "**Open Northeast Asia.**" The Northeast Asian community of peace and co-prosperity should not exclude any player from the process of community-building and should be seen as a stepping stone toward building an East Asian, Pacific and global community.

The second was a "**Network Northeast Asia,**" a community that is interconnected through multiple layers of networks. The Northeast Asian community of peace and co-prosperity highlighted the importance of overcoming physical and non-physical barriers by emphasizing the necessity of building dense networks of people, goods and services, capital, infrastructure, and ideas and information.

The third was a "**Participatory Northeast Asia.**" The formation of a regional community was not conceivable without corresponding popular support and consent at home. At the same time, a viable and lasting community cannot be constructed with

government-to-government cooperation alone. Along with governments, citizens as well as non-governmental organizations should actively participate in the process of community-building by promoting exchanges and cooperation as well as creating solidarity among civil societies through common goals.

Finally, the initiative envisioned an "**Integrated Northeast Asia**," in which mutual distrust, fragmentation, and antagonism disappear, and a feeling of co-variance and a mutually shared common identity lead to the emergence of a new region united as one community.

The Roh Moo-hyun government attempted to achieve the above goals and visions by undertaking several strategic roles. First, it believed that South Korea could play a role as a **'bridge building'** state by linking continental and maritime powers to create a new order of cooperation and integration. By taking advantage of its geographic position as a peninsular country, it can act as a bridge between the two through the initiation of cooperative initiatives in security, economic, and social and cultural domains.

The notion of a **'hub'** state emerged as another important strategic concept. The Roh government postulated that South Korea could contribute to promoting peace and co-prosperity by positioning itself as strategic hubs in selected areas such as peace, financial services, logistics and tourism. The hubs as nodes of intra-regional networks that Korea aims to build can promote peace and common prosperity in the region by serving as a common ground for mutual discourse on pertinent issues as well as reducing transaction costs and enhancing efficiency.

Finally, it was argued that South Korea can play a role of **'promoter of cooperation'** in the region by striving to function as a catalyst for activating and promoting the process of community-building in Northeast Asia. This could be manifested in efforts to construct a multilateral security cooperation system and to expedite a Northeast Asian FTA. For example, the Six Party Talks for the North Korean nuclear problem could be utilized to achieve the former objective, and the Korea-Japan FTA for the latter. The proposal of South Korea's **'balancer role'** in Northeast Asia by the Roh government also exemplifies its efforts to promote intra-regional cooperation

by playing the role of 'soft balancing.'²⁶

However, the initiative has been subject to several critiques. The first critique centered on its narrow geographic scope, with a focus only on the two Koreas, China, Japan, and Russia. In response to this critique, the new Initiative defined Northeast Asia in both geographic and functional terms. From a geographical point of view, the region includes the two Koreas, China, Japan, Russia, and Mongolia. From a functional point of view, however, the United States and ASEAN countries are also included. The functional definition was equally important in consideration of the level of influence the United States exerts over the region and the potential influence of the ASEAN countries in the fields of economy and security. More importantly, since the initiative was founded on the principle of open regionalism, all countries throughout the world were invited to join the initiative as strategic partners in opening a new era of a peaceful and prosperous Northeast Asia.

The concept of 'center,' which was associated with the Northeast Asian Business Hub, was also heavily criticized. Critics contended that based on its geo-political and geo-economic position, the Republic of Korea was unfit to play the role of strategic and economic center in the region. But the Roh government argued that such criticism was founded on an ill-conceived understanding and that the initiative does not attempt to realign South Korea's position as the center of physical power and geographic landscape in the region. Rather, it attempts to position the country as a node of regional economic networks as well as an innovative source of new ideas and efforts concerning the promotion of regional cooperation.

Finally, the initiative's Northeast Asian focus itself was called into question. Previous governments had cast their nets wider. Whereas the Roh Tae-woo and Kim Young-sam governments undertook 'internationalization' and 'globalization' campaigns, the Kim Dae-jung government aimed at creating an East Asian community by engineering the 'ASEAN+3' formula. In contrast, the Roh Moo-hyun government was accused of being narrow in scope and introverted in regional orientation by setting its geographic focus solely on Northeast Asia. But the Roh government believed that it is

²⁶On the concept of Roh Moo-hyun government's 'balancer,' see Chung-in Moon, "Soft-power ui Yebangjok Oigyoramyon (If Balancer is for Preventive Diplomacy of a Soft-Power,...)," *Monthly Next* (June 2005), pp.2-10.

virtually inconceivable to assure an East Asian, Pacific or global scope without settling immediate political, economic, and socio-cultural challenges arising from its proximate region, Northeast Asia. Thus, the initiative was designed to confront and manage proximate and immediate regional issues first, rather than taking a detour into remote regionalism and globalization. Asia. However, this did not mean that the initiative's regional scope is to be limited only to Northeast structures. Its Northeast Asian focus would naturally be tied to South Korea's existing involvement in 'ASEAN+3 (East Asia),' 'APEC (Pacific)' and other global multilateral cooperative ventures.

Despite its ambitious goals, the NEACI's performance was rather mixed. Since its inauguration in 2003, the Roh Moo-hyun government faced an extremely unfavorable environment regarding peace-making in Korea. The Bush administration refused to have direct bilateral talks with North Korea by dismissing it as a criminal rogue state as well as part of the axis of evil. Moreover, it presented a virtually unacceptable proposition to North Korea of 'dismantle first, dialogue later.' North Korea responded to the U.S. in kind with a methodical 'tit-for-tat' attitude, and the situation worsened. Japan also joined the American hard-line position by raising the issue of kidnapped Japanese. Thus, the Roh Moo-hyun government's initial plan to facilitate the resumption of US-DPRK and Japan-DPRK normalization talks did not materialize. Meanwhile, South Korea was championing a diplomatic settlement of the North Korean nuclear issue through negotiation, which was supported by China and Russia. China undertook a crucial mediating role in initiating and steering the six party talks process. Nonetheless, rigid policy stance by both North Korea and the United States led the six party talk negotiations to nowhere, and such confrontation prevented the international community from assisting North Korea.

Toward the end of his term, President Roh could help steer the six party talks process, resulting in the February 13 agreement on shutting down and sealing of North Korea's nuclear facilities as well as their disabling and verifiable dismantling. And the Roh Moo-hyun government initially planned to expedite the process of multilateral security cooperation in the region so that it could be conducive to resolving the North Korean nuclear issue and creating a peace regime in Korea. Ironically, however, the North Korean nuclear quagmire itself helped South Korea to facilitate multilateral security cooperation by including it as part of the six party talk agenda. Nonetheless, it

was the South Korean government who played an important role in including the agenda of peace regime in Korea and extension of the six party talks into a multilateral security cooperation regime in the September 19 Joint Statement. The Roh government was also instrumental in setting up a working group on Northeast Asia peace and security mechanism. Working groups on Pyongyang-Washington and Pyongyang-Tokyo normalization became effective as part of the February 13 agreement, and actual normalization, being tied to progress in nuclear negotiations, would take a much longer time. Establishing an OSCE-type regional multilateral cooperation organization in Northeast Asia would also be a daunting challenge.

The advent of the Bush administration, changed international environment following the 9/11 tragedy, staunch North Korean stance, and Japan's non-cooperative behavior shaped the worst possible policy environment for the Roh government. However, judged on such a hostile external milieu as well as a series of North Korea's brinkmanship such as the missile test-launching in July and underground nuclear testing in October 2006, the Roh Moo-hyun government successfully managed to prevent a further escalation of military tension on the Korean peninsula and to resolve the North Korean nuclear problem in a diplomatic and peaceful manner. Despite several structural constraints, the Roh Moo-hyun government not only scored fairly well in steering inter-Korean relations, but also showed a proactive stance in facilitating multilateral security cooperation in the region.

The Roh Moo-hyun government's policy on prosperity-enhancement was composed of twin pillars. One was the creation of a banking and financial hub in the Seoul metropolitan area with priority given to the asset management sector.²⁷ The other is the establishment of logistic hubs in three areas, Incheon, Busan-Jinhae and Gwangyang.²⁸ But neither of these two initiatives were successful. Protracted domestic regulatory regimes, bureaucratic resistance, and lack of foreign direct investment virtually derailed them.

The Roh Moo-hyun government took the lead in providing collective goods in the region by initiating cooperative projects that can be conducive to building a Northeast Asian community. They are: a Northeast Asian FTA, energy and

²⁷ For details, please see <http://www.mofe.go.kr> and <http://www.fnhub.go.kr>.

²⁸ http://www.momaf.go.kr/news/momaf/N_momaf_category_view.asp?ID=75066180&Code=b_sec_

transportation cooperation, environmental cooperation, cooperation for economic development in the region, and social and cultural cooperation. Such cooperative projects were expected to produce positive spill-over effects in forming a governance of cooperation and community-building. In reality, however, such cooperative projects were not easy to implement since they required reciprocal actions from regional partners, as evidenced by projects related to peace-making.

The most visible aspect of regional cooperation and integration can be found in intra-regional free trade arrangement. The Roh Moo-hyun government's original plan was to first conclude the Japan-South Korea bilateral FTA, and then to move into an intra-regional FTA. But the Japan-South Korea FTA negotiation stalled since November 2004, due to a dispute over agricultural issues. The South Korean government proposed to discuss the possibility of a Northeast Asian FTA at the 'ASEAN + 3' summit in November 1999, and China and Japan agreed with the proposal, but no tangible progress was made since. Meanwhile, the Roh government surprised the world by concluding a South Korea-U.S. FTA in March 2007. The move reflected the Roh government's intention to play a role of a bridging state between Northeast Asia and the United States, by first signing a FTA with the U.S., and then with China and Japan. Seoul's FTA with Washington was expected to foster either bilateral or trilateral FTA negotiations, which would be conducive to intra-regional economic cooperation and integration.

The Roh Moo-hyun government also emphasized intra-regional energy cooperation, focusing on both the demand and supply-side.²⁹ On the supply side, close cooperation with Russia through the construction of a natural gas pipeline network and the joint exploration and development of oil and gas fields were placed at the top of the agenda. In the long run, cooperation for supplying energy to North Korea and the development of regional energy sources such as Siberian hydroelectric power were also being considered. On the occasion of President Roh Moo-hyun's visit to Russia in September 2004, Seoul-Moscow energy cooperation became more visible. The Korea Gas Corporation's acquisition of LNG from Sakhalin II, Korea Oil Corporation's joint venture with Rosneft, a Russian Oil Company, to explore oil in the Khamzhaka

²⁹On details, see http://www.keei.re.kr/web_keei/faq07.nsf

peninsula, and South Korea's willingness to participate in the construction of the Unified Gas Supply (UGS) all underscored the newly emerging dimension of supply-side cooperation with Russia. The Roh government also pushed for cooperation among energy consuming countries (China, Japan, and South Korea) to reduce the Asian premium of oil and gas import prices through collective purchases, to develop alternative energy sources, and to secure ocean transportation routes by developing a new competitive oil market in the region. China was supportive of it, but Japan was rather reluctant to join the efforts.

The South/North Korean railway project was also under way in order to reconnect severed lines across the Demilitarized Zone (DMZ). The inter-Korean railway system (or Trans-Korea Railway, TKR), once connected with the Trans-Siberian Railway(TSR), Trans-China Railway(TCR), Trans-Mongolia Railway(TMGR), Trans-Manchuria Railway(TMR) and other continental railways, could help Korea overcome its geographic isolation and become a logistics hub of Northeast Asia. Essential elements of this project included evaluation of the current condition of the railways on the peninsula, creation of an international consultative mechanism on the Northeast Asian railways, and participation of multilateral lending institutions. The Roh Moo-hyun government was very active in connecting TKR and TSR, but excessive financial burden and the lack of cooperation from North Korea and Russia hindered further development.

Northeast Asia was not only faced with cross-border environmental problems such as industrial pollution, yellow dust, and acid rain, but also the increasing threat of marine pollution.³⁰ Although a number of regional bodies (governmental, semi-governmental or non-governmental) existed in Northeast Asia to promote cooperation on environmental issues, tangible progress was not yet made. There was a considerable need to strengthen institutional frameworks and improve, in particular, the efficiency of these existing regional bodies. In fact, the Roh Moo-hyun government was willing to take a leadership role in meeting such necessities, and as a result, significant progress was made. Nevertheless, the Northeast Asia region was short of creating a binding regional environmental governance to coordinate and regulate environmental issues.

³⁰ On details, see <http://me.go.kr/DEPTDATA/200005>.

Finally, to build mutual understanding and trust in Northeast Asia, intra-regional social and cultural exchanges were imperative. But Northeast Asia was still replete with misunderstandings and distrust from a history of conflict, colonial domination, and ideological confrontation. Thus, the concept of a Northeast Asian community cannot be focused simply on economic integration, but also on shared values and the vision of a common future, as is the case with the European Union. In this regard, the removal of mutual distrust among the countries in the region was an urgent and paramount task. Cross-border exchanges needed to be fostered not only at the governmental level but also among NGOs and professional associations in such areas of society as culture, art, education, sports, and tourism. The Roh Moo-hyun government was very active in shaping a common foundation of a Northeast Asian cultural identity through networking Northeast Asian NGOs, nurturing future regional leaders by promoting youth exchange programs, sponsoring various social and cultural exchange programs, and even establishing the Northeast Asia History Foundation in search of commonly acceptable historical truths.³¹ Given the clashes of parochial nationalism among the three countries, such endeavors might have limited impact, but trying something was better than doing nothing.

The Roh government began with an ambitious goal of laying the foundation for a Northeast Asian integrative scheme. In reality, however, such a goal was not materialized. The North Korean nuclear quagmire and stalled inter-Korean relations as well as lack of political leadership commitment to the idea and vision of regional cooperation and integration from other countries in the region impeded his Northeast Asian Cooperation Initiative. More importantly, President Lee Myung-bak who succeeded in him emphasized bilateral foreign policy focusing the alliance with the United States and bilateral FTAs with EU and the U.S., while downplaying the importance of the regional initiative.

³¹ See Bureau of Cultural Policy, Ministry of Culture and Tourism, “Basic Plan on Cultural Exchange Networks among South Korea, China, and Japan,” (March 2005, in Korean); Jung-sook Jung, “Present and Future of Northeast Asian Social and Cultural Exchanges and Cooperation,” a paper presented at Symposium on “Views on Northeast Asia, Statism and Universalism,” May 30, 2007.

V. The MB Government and Bilateralism

The Lee Myung-bak which was inaugurated in February 2008 pursued an “Anything But Roh Moo-hyun (ABR)” policy. For the Lee government, President Roh’s foreign policy was a catastrophic failure not only because of pro-North Korea and anti-American stance, but also because of his idealistic regional policy. President Lee regarded the restoring and strengthening of bilateral alliance with the United States as his top policy priority. Ten years of engagement policy during the Kim and the Roh administration was drastically reversed.³² The bilateral alliance used to serve a vehicle for securing a credible military deterrence against North Korea. However, the logic of alliance underwent a profound transformation. When President Lee and President Obama met in Washington, D.C. in June 2008, they adopted a declaration of strategic alliance that underscores common values (i.e., free market, liberal democracy, and human rights), mutual trust rather than mutual interests, and cooperation on the world stage. Emphasis on common values seemed to aim at balancing the rise of China. With this, South Korea was essentially expressing its fear based on the China threat perspectives since Seoul as a threatened state was “willing to shoulder the burden of deterring, or fighting if need be, the aggressor.”³³ As a matter of fact, the Lee government has been seeking a broad coalition with the U.S., Japan, Australia, and India which echoes the Aso Taro’s proposal on the ‘Arc of Freedom and Prosperity.’³⁴ Those who advise President Lee have been arguing that South Korea has every reason to fear China’s rise until it becomes a full-fledged democracy.³⁵ Thus, hedging is another logic underlying this new strategic posture. The conservative mainstream in South Korea supports this line of strategic thinking. Its proponents believe that the United States is still the only hegemonic leader in the world and the region and that

³² Jong Kun Choi, “Sunshine in a Barren Soil: Domestic Politics of Engagement-Identity Formation in South Korea”, *Asian Perspective*, Vol. 34, No.4 (December, 2010).

³³ John Mearsheimer, *Tragedy of Great Power Politics* (New York: W.W. Norton & Company, 2001), pp.139.

³⁴ “Arc of Freedom and Prosperity : Japan’s Expanding Diplomatic Horizons” Speech by Mr. Taro Aso, Minister for Foreign Minister on the Occasion of the Japan Institute of International Affairs Seminar on November 30, 2006. Available at <http://www.mofa.go.jp/announce/fm/aso/speech0611.html>

³⁵ See, for example, Sang-woo Rhee, “Present Status of Diplomacy and Security in East Asia and Japan-South Korean Cooperation,” paper presented at the 18th Japan-South Korean Forum, October 4, 2010, The Okura Hotel, Tokyo, Japan (in Korean).

strengthening the alliance with the U.S. is the best strategic bet to enhance South Korea's national interests.

Two recent events have further justified the validity of South Korea's balancing and hedging strategy. One is related to China's attitude on the Cheonan naval vessel incident. A South Korean navy's frigate was suddenly capsized in the night of March 26, 2010, with 46 sailors being drown to death. The South Korean government sought China's support in denouncing North Korea's provocative behavior by presenting findings of a joint-investigation indicating the naval ship was torpedoed by a North Korean submarine. But China did not endorse the South Korea's position, and instead called for a joint investigation by parties to the Armistice Agreement, namely North Korea, South Korea, the U.S., and China. It was not easy for China to endorse the South Korean position for two reasons. One is that North Korea has officially denied its involvement in the incident and that findings of the joint-investigation by the South Korean government are not convincing. In return, Seoul accused Beijing of being an irresponsible nation that failed to comply with international norms. What made the situation worse was a remark by Vice President Xi Jin-ping. In a meeting with Chinese veterans of the Korean War on October 25, he made a statement that "China's engagement in the Korean War was a just act to keep peace and to confront an invasion."³⁶ His statement outraged South Koreans who believe that the Korea War was broken out as a result of North Korea's invasion. It is China's overt support of North Korea and strengthened bilateral ties that have increased public support of the balancing and hedging strategy through the alliance with the United States.

In the economic area, the Lee government has also placed a greater emphasis on bilateral FTAs rather than regional (East Asia) or sub-regional (Northeast Asia) ones. Rectification of FTAs with the European Union and the United States underscores the trend. In addition, the Lee government has been actively seeking FTAs with Australia, Canada, and other countries. Instead of championing East Asian community, the Lee government favored a bilateral relation with ASEAN. The idea of regionalism virtually disappeared from the foreign policy lexicons of the Lee government. The only exception was the trilateral summit comprised of China, Japan, and South Korea.

³⁶ See an editorial in the *JoongAngIlbo*, October 30, 2010.

The Lee government actively participated in the trilateral summit and successfully hosted its secretariat in Seoul. However, it was a legacy of the Kim and Roh government rather than its own initiative. Likewise, the Lee government favored alliance with the U.S. and bilateral FTAs more than regional arrangements.

VI. Conclusion: Regional Cooperation as an Alternative to Alliance

Discourses and regionalism in South Korea show an interesting devolutionary pattern. Whereas the Kim Young-sam government in the early 1990s emphasized the importance of bilateral alliance with the U.S., multilateralism (WTO), and macro-regionalism (APEC), President Kim Dae-jung shifted his policy attention to the idea of East Asian community. His successor President Roh Moo-hyun further narrowed the scope of regional cooperation and integration to Northeast Asia. But the Lee Myung-bak government has paid little attention to regionalism, while emphasizing the alliance with the U.S. and bilateral FTAs with countries outside the region. The shrinking area focus from APEC, East Asia, Northeast Asia to bilateral alliance and FTAs can be attributed to changing regional contexts, shifting calculus of national interests, and electoral politics of one-term presidency and denial of predecessors.

What then is the most desirable choice for South Korea? Balancing and hedging through the strengthened alliance and economic ties with the United States, as evidenced by the Lee Myung-bak government, might be useful for a short-term status quo, but could entail negative consequences for South Korea. For it can precipitate the revival of a new cold war structure dividing the continental axis and the maritime axis that can entrap South Korea in a perpetual security dilemma. Such new divide could further delay the process of peaceful unification on the Korean peninsula, while deepening an inter-Korean military confrontation. More critically, balancing and hedging against China could entail enormous economic costs. Trade volume with China is greater than the combined sum of its trade with Japan and the U.S. The South Korean economy is too dependent on China to seek the balancing and hedging option.

As long as the United States remains in the region as a hegemonic stabilizer, the bandwagoning strategy of taking side with a rising power might not be conceivable at

least in the short term. When and if the U.S. disengages from the region, however, such a strategic posture cannot be ruled out. A protracted fiscal rigidity is likely to undermine American security commitment to Northeast Asia through the reduction of its forward deployed forces in the Asia-Pacific region. A scenario of 'rising China and declining America' could become a reality. Under such development, South Korea may well deliberate on the bandwagoning option with China. But several factors could impede such a strategic choice. First, the continuation of a divided Korea may prevent Seoul from taking the position. Second, collective memory of the past history (i.e., numerous Chinese invasions and the old hierarchical order) is likely to make Korea, be it unified or divided, worrisome of bandwagoning China. Finally, South Korea has every reason to delay the process of power transition to China. Thus, despite the fear of retaliation from China, South Korea could join Japan and other countries in checking and balancing China rather than bandwagoning it. Nonetheless, if we agree that a rising China is the unfolding reality, it must be reminded that a rising power does not necessarily mean a threat; it is also an opportunity for neighboring states.³⁷

However, three situational changes could also tempt Korea to seek the status of a standalone middle power with nuclear capabilities. The first change is American disengagement from the region and the Korean peninsula. The second is the realization of Korean unification, either in terms of absorption or through consensus. The third change is the deterioration of bilateral relations with China and Japan as a result of a clash of nationalism. Under this circumstance, a unified Korea could deliberate on middle power with nuclear capabilities. This could be a much more treacherous path. Nevertheless, the newly unified Korea could play a role of opportunistic balancing between China and Japan. The resurgence of nationalist sentiments in the wake of Korean unification could heighten such a possibility.

The most desirable option seems to consist in the path toward regionalism involving both regional or sub-regional FTAs and Bismarkian balancing in the short-term and the construction of a multilateral security cooperation regime similar to the Organization of Security Cooperation in Europe (OSCE) in the medium-to-long term. Alliance is only a short-term remedy to unstable peace and insecurity which can

³⁷ Randall Schweller, "Bandwagoning for Profit: Bringing the Revisionist State Back In", *International Security* Vol. 19, No. 1 (Summer, 1994), pp. 72-107.

paradoxically aggravate security dilemma in the long-term because it is predicated on common enemy and threat. The formation of security community through a viable multilateral security cooperation seems to be the surest way to ensure stable and lasting peace with a greater sense of security. Bilateral FTAs can also serve as a quick-fix solution to trade problems. But they cannot be a long-term solution. In the absence of effective multilateral trade arrangements embodied in WTO, regional or sub-regional FTAs can be more realistic option to enhance prosperity. In view of this, regionalism, be it an East Asian community or a Northeast Asian community, should be the backbone of South Korea's foreign policy in the coming years.