

# Background

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## New South Korean President Brings Conservative Policy Change

*Bruce Klingner*

The February 25 inauguration of conservative Lee Myung-bak as South Korea's president will do much to repair the damage wrought by five years of the progressive Roh Moo-hyun administration. Under Roh, Seoul's relations with the U.S. and Japan deteriorated, its outreach to North Korea was counterproductive, and domestic and foreign investors were driven overseas by vacillating economic policies and South Korea's declining competitiveness.

Lee is expected to improve strained relations with Washington, implement a more pragmatic policy toward North Korea, and establish a business-friendly environment. President Roh's departure also sets the stage for greater integration with the U.S. on security policy and more effective multilateral efforts to denuclearize North Korea. The result should be a firm foundation for realizing the full potential of the bilateral relationship.

President-elect Lee will enjoy a honeymoon period of positive U.S. opinion, especially during an early summit meeting with President George W. Bush. However, to maintain U.S. support, Lee will have to avoid political landmines. He must describe his North Korean policy more fully, continue a vigorous outreach to the foreign business community, and deliver on his economic promises.

### **An Ideological Mandate**

Lee Myung-bak's landslide victory was a decisive mandate from the voters, who gave him almost as many votes as all of the other candidates combined. Lee defeated his closest competitor by the largest mar-

### **Talking Points**

- The U.S.–South Korean relationship should improve because of President Lee Myung-bak's pro-market economic principles and demand for conditionality in Seoul's engagement with North Korea.
- Lee has promised to implement business-friendly, conservative policies to invigorate South Korea's economy, spur growth, and reverse the country's flagging competitiveness against regional rivals.
- Lee's pragmatic approach to North Korea will increase allied leverage in the six-party talks and reduce Pyongyang's ability to play the U.S. and South Korea against each other.
- U.S. policymakers should strengthen the bilateral military alliance by incorporating enhanced South Korean military capabilities while maintaining an integrated U.S. role.
- The South Korea–U.S. free trade agreement will cement the U.S.–Korea relationship and provide solid opportunities for American companies and workers.

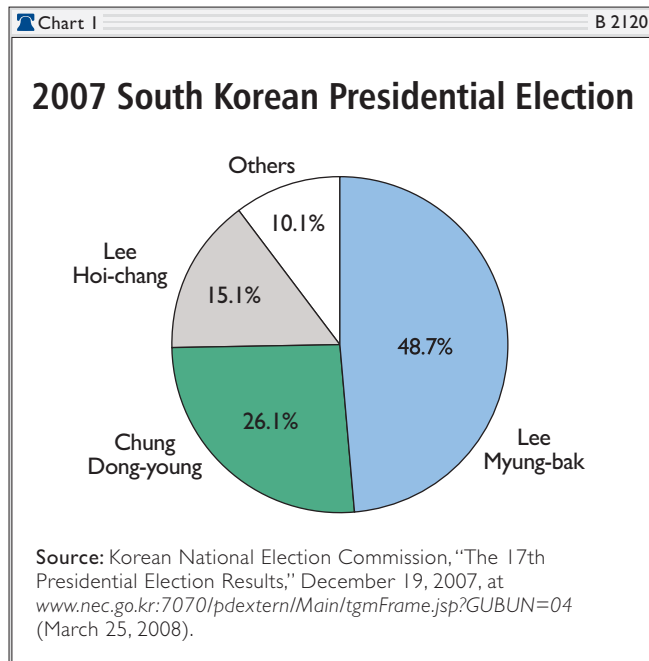
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gin since the reintroduction of direct elections in South Korea in 1987. Because Lee positioned himself as a centrist alternative to conservative Lee Hoi-chang and progressive Chung Dong-young, his victory is perceived as a rejection of both progressive and conservative ideology. Many U.S. and South Korean pundits assume that Lee's policies, particularly toward North Korea, will not differ significantly from those of President Roh.



Lee's election represents a rebuff not only of Roh, but also of the progressive movement. After 10 years of liberal policies, the electorate rejected the message, not just the messenger. If, as some claim, Lee's victory was due to the public's overwhelming desire for a corporate executive-style president to improve the economy, then progressive Moon Kook-hyun, the chief executive officer of Yuhan-Kimberly, would have received more than 5.8 percent.

Lee has played to his public image by portraying himself as a pragmatist rather than as a conserva-

tive, not only to distinguish himself from candidate Lee Hoi-chang, but also to distance himself from the unpopular authoritarian excesses of past conservative administrations. "Pragmatism" has become the moniker for the Lee administration, replacing the Roh administration's "participatory government." In his inauguration speech, Lee repeatedly used the term to differentiate his administration, emphasizing that "we must move from the age of ideology into the age of pragmatism."<sup>1</sup>

Yet despite his assertions, his "pragmatic" economic, education, and foreign policies are based on the conservative principles of the Grand National Party (GNP) and directly opposed to the progressive, redistributive policies of the Roh administration. The one area in which Lee differed with conservative candidate Lee Hoi-chang was on the degree of reciprocity to demand from North Korea in the engagement policy.

Polls show that the public has become more conservative since 2003, though retaining a preference for progressive views on some social issues. The result is that the political center in South Korea is now occupied by a pragmatic conservatism.

Lee was able to maintain consistently high approval ratings despite being plagued by countless scandal allegations. Eight principal factors account for this.

*First*, the public was simply fed up with all progressive candidates after 10 years of progressive administrations and was eager for change. The much-vaunted 386-generation<sup>2</sup> politicians were seen as having wasted their opportunity to govern. The public punished the progressive candidates for President Roh's determination to bring about societal transformation rather than focusing on ensuring the country's economic recovery.

*Second*, economic issues drove the election. The public believed Lee was more likely to improve the economy, induce domestic and foreign investment, create jobs, and improve South Korean competitiveness against China and Japan. The younger genera-

1. Lee Myung-bak, "Together We Shall Open a Road to Advancement," inauguration address, February 25, 2008, at [www.korea.net/News/News/NewsView.asp?serial\\_no=20080225037](http://www.korea.net/News/News/NewsView.asp?serial_no=20080225037) (March 24, 2008).

2. They are called this because they were in their 30s in the 1990s, attended college in the 1980s, and were born in the 1960s. In addition, the 386 computer chip was the predominant microprocessor at the time.

tion (those in college or recently graduated) are more conservative and economically entrepreneurial than their radical 386-generation predecessors, who strongly supported Roh. Facing a higher unemployment rate than the rest of the population, the “19–29 generation” (between the ages of 19 and 29) is more interested in job creation than progressive ideology.

*Third*, the many scandal allegations against Lee failed to inflict any lasting damage. The predicted “death by a thousand cuts” did not materialize. The allegations either lacked merit or were pushed off the front page by other events, such as the Afghan hostage crisis.

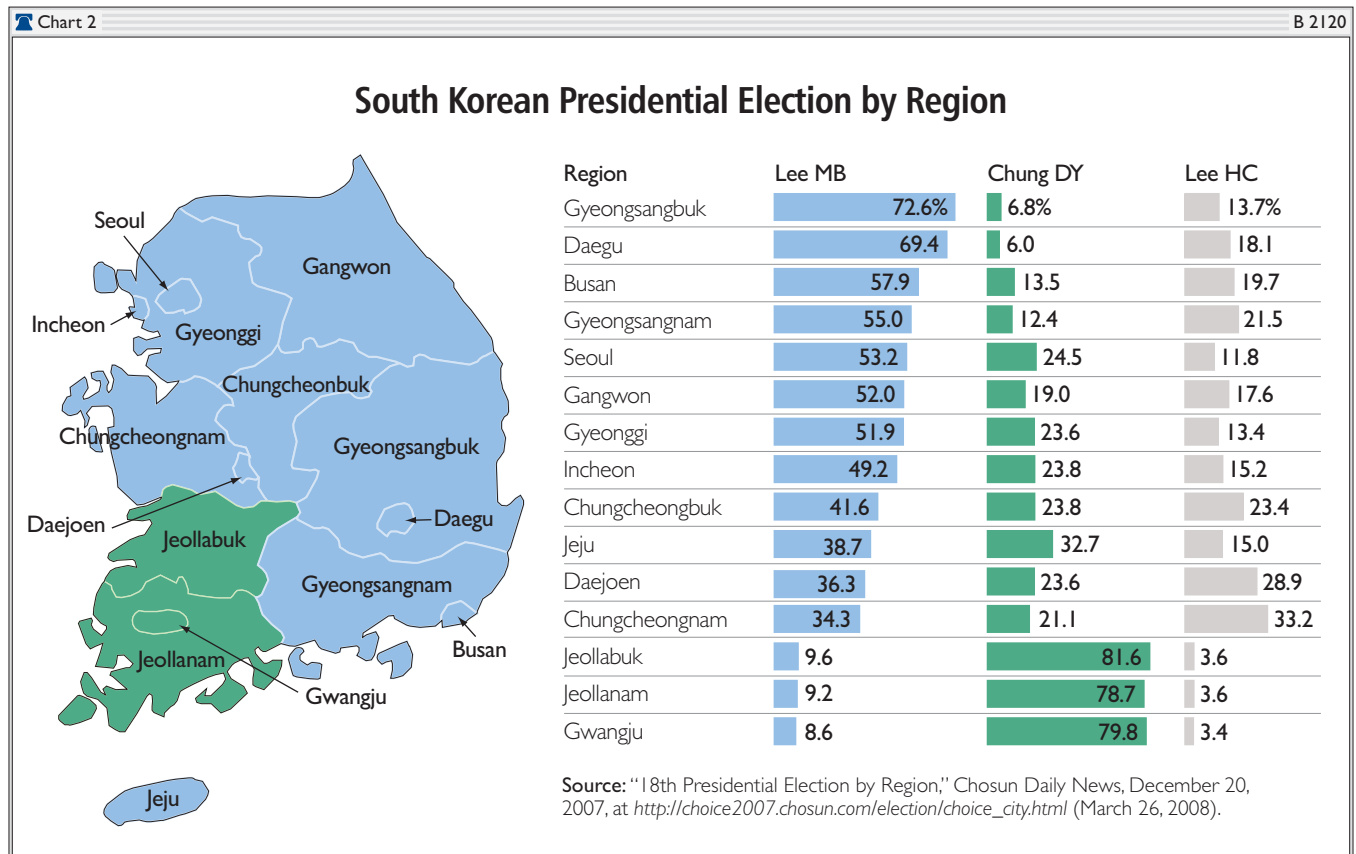
*Fourth*, the progressives’ failure to unite behind a single candidate and party was a lost opportunity. If they had done so, they would have provided a formidable challenge to Lee by providing a rallying point for the 30 percent of the populace that still identifies itself as progressive.

*Fifth*, progress in the six-party talks at the time of the election and the inter-Korean summit did not

resonate strongly with the public. A series of broken North Korean promises has inoculated the populace against inter-Korean euphoria. There has also been growing criticism over Roh’s unconditional engagement policy of providing massive benefits to Pyongyang without securing political reform and moderation in North Korean behavior.

*Sixth*, public support for the U.S.–South Korea relationship, which Roh and the progressives were seen as having needlessly strained, has rebounded. The decline in anti-Americanism, which was prevalent during the 2002 presidential campaign, coupled with declining support for Roh’s engagement policy, which failed to prevent the North Korean missile and nuclear tests, resulted in more domestic support for maintaining strong military ties with Washington.

*Seventh*, President Roh had short political coat-tails. Even the ruling Uri Party and its successor ran away from the unpopular Roh. The presidency did not influence the election because no one wanted his endorsement.



*Eight*, regionalism remains a factor. Lee Myung-bak gained votes from the conservative Gyeongsan provinces while Chung Dong-young ran strongest in the traditional progressive stronghold of the Cholla provinces. Lee's stint as mayor of Seoul gained him stature in the capital city as well as in the surrounding Gyeonggi province. (See Chart 2.)

### Implementing a Principled Engagement Policy

Lee Myung-bak's pragmatic demand for conditionality in Seoul's engagement with North Korea will increase allied leverage in the six-party talks and reduce Pyongyang's ability to play the U.S. and South Korea against each other. A realistic policy that requires reciprocity and transparency from North Korea will also be more consistent with the six-party talks' goal of using coordinated multilateral diplomatic efforts to leverage Pyongyang's implementation of its nuclear commitments.

Under President Roh, South Korea pursued a unilateral, uncoordinated policy that undermined the multilateral and conditional approach of the six-party talks. By providing billions of dollars in unconditional aid and promises of yet more largesse, Seoul minimized its influence over Pyongyang and marginalized its effectiveness in the talks. With a guaranteed pipeline of benefits from South Korea, North Korean leader Kim Jong-il had less need to comply with the "action for action" requirements of the talks.

Lee will maintain South Korea's engagement policy but will condition economic, humanitarian, and political benefits on the pace of North Korean denuclearization. This is a significant departure from Roh's approach of unconditional, asymmetric provision of benefits without demanding any reciprocal economic or diplomatic concessions from North Korea.

Although Lee has promised more conditionality when engaging North Korea, his policy toward North Korea remains vague enough to be a Rorschach test that allows for diverse and even contradictory interpretations. After Lee's election, U.S. analysts concluded that his demand for

imposing conditionality when engaging North Korea represented everything from mere campaign rhetoric that masked a desire to maintain the status quo to a full embrace of a neoconservative hard-line strategy.

As articulated during the presidential campaign, Lee's strategy contains both progressive and conservative aspects, linking offers of significant economic incentives for North Korean development with concrete progress toward North Korean denuclearization and implementation of political and economic reforms. His proposal to raise the individual North Korean living standard to \$3,000 per year and allocate \$40 billion to an international cooperative fund would have been castigated by conservatives as needlessly extravagant if President Roh Moo-hyun had proposed it.

### Lee Myung-bak's North Korea Policy

Seoul will help to provide economic assistance if North Korea dismantles its nuclear weapons programs. Specifically, it will:

- **Boost** North Korean per capita income to \$3,000 in 10 years.
- **Establish** five free trade areas.
- **Establish** 100 manufacturing companies that can each export over \$3 million annually.
- **Educate and train** 300,000 North Korean workers.
- **Create** a \$40 billion international fund to develop the North Korean economy.
- **Condition** expansion of the Kaesong Industrial Complex on North Korean denuclearization.
- **Reassess** all projects agreed to during the October 2007 inter-Korean summit.
- **Provide** humanitarian assistance but request that North Korea return POWs and abductees.

Progressives in South Korea and the U.S. have seized on these economic incentives to deny the ideological nature of the presidential election and discount the degree to which Lee will alter the engagement policy. Conversely, his stated intention to review all ongoing and proposed inter-Korean economic projects has caused progressives to worry that he will suspend the engagement policy, and they have expressed concern over Pyongyang's possible reaction.

Although Lee's North Korean policy remains uncertain, a number of recent actions and statements suggest that Lee is making a greater break from Roh's engagement strategy than is commonly assumed. Specifically, Lee has:

- **Proposed eliminating the Ministry of Unification.** Lee sought to downgrade the ministry to a department within the Ministry of Foreign Affairs and Trade. Although defeated by National Assembly opposition, the attempt manifests Lee's intention to reverse Roh's prioritization of inter-Korean relations above Seoul's partnership with Washington.
- **Stated that inter-Korean projects will be subject to political and economic conditions.** On February 1, Lee articulated that future inter-Korean cooperation would depend on progress on North Korean denuclearization, economic feasibility, availability of resources, and national consensus.<sup>3</sup>
- **Promised to raise sacrosanct issues.** Lee and his advisers have stated that Seoul will raise contentious issues such as North Korean human rights during inter-Korean meetings. The Roh and Kim Dae-jung administrations avoided raising sensitive issues or supporting U.N. resolutions condemning North Korean human rights abuses for fear of angering Pyongyang and undermining Seoul's engagement efforts. Yoo Jong-ha, a senior Lee adviser, stated that Seoul may condition economic incentives on North Korea's return of 485 South Korean POWs.<sup>4</sup>

In addition, Lee's national security ministers were critics of Roh's engagement policy. The new ministers of foreign affairs, defense, and unification and the national security adviser are pro-U.S. advocates who are skeptical of North Korean intentions. Nam Joo-hong, Lee's original selection for minister of unification, was derided as a neoconservative, Cold War warrior, and proponent of North Korean collapse.

Lee Myung-bak's vision for conditioning South Korean aid on North Korean behavior is a reversal of the Roh engagement policy, which provided aid in hopes of eventually achieving reform. By the October 2007 inter-Korean summit, Roh's policy had deteriorated to promising a dramatic influx of benefits without any intention of altering North Korea policy and even capitulating to Pyongyang's demand to stop using the word "reform" in an inter-Korean context.

Although Lee will want to focus on domestic economic issues, he will be forced to address North Korean recalcitrance early in his administration. Kim Jong-il's refusal to abide by the data declaration deadline of December 31, 2007, raises serious concerns about Pyongyang's commitment to full denuclearization. Pyongyang may also test the new South Korean administration's resolve with escalatory behavior.

However, it is critical that Lee Myung-bak reject advice for conciliatory measures to defuse a crisis and instead stand firm to set the tone for the next five years of engagement. During the past 10 years, Kim Jong-il has been able to take South Korean acquiescence for granted, to the detriment of the international community's ability to achieve North Korean denuclearization.

### Revitalizing Allied Relations

Lee Myung-bak has declared that repairing Seoul's relations with Washington is his predominant foreign policy goal, citing the bilateral military alliance as the bedrock of South Korean

3. Kim Jun Yop, "Lee's Policy Towards North Korea Will Succeed If Carried Out As Planned," *The Daily NK*, February 5, 2008, at [www.dailynk.com/english/read.php?catId=nk01100&num=3221](http://www.dailynk.com/english/read.php?catId=nk01100&num=3221) (March 24, 2008).  
 4. Jung Sung-ki, "Next Government Wants Aid for POWs," *The Korea Times*, February 13, 2008, at [www.koreatimes.co.kr/www/news/nation/2008/02/117\\_18855.html](http://www.koreatimes.co.kr/www/news/nation/2008/02/117_18855.html) (March 24, 2008).



security. Lee will give the South Korea–U.S. relationship primacy, reversing Roh’s subjugation of foreign affairs to further inter-Korean ties. This is a dramatic change from the tone set by Roh, who during the 2002 campaign asked: “What’s wrong with being anti-American?” Roh’s administration was fraught with a series of tensions brought on by differences over North Korean policy, bilateral security issues, and remarks by the South Korean president that generated suspicions over his views toward the U.S.

The new president would do well to seek common ground in transforming the U.S.–South Korea military alliance to incorporate enhanced South Korean military capabilities while maintaining an integrated U.S. role. Washington and Seoul should conduct a joint study of South Korean missile defense needs, including potential integration into a multilateral ballistic missile defense system.

Yet Lee will risk alienating Washington if he presses too hard on reversing the decision to transfer wartime operational command to South Korea in 2012.<sup>5</sup> Roh’s quest to gain operational command was depicted as regaining national sovereignty and was consistent with his intent to distance South Korea from the U.S. and to carve out an independent role for South Korea in the region.

Conservative National Assembly members and former defense ministers and generals were vehemently opposed to the idea, which they thought would needlessly undermine South Korea’s national security. Moreover, they feared that disbanding the integrated Combined Forces Command could serve as a precursor to further U.S. troop cuts and eventual abandonment by Washington. Reversing the decision has thus become a Holy Grail for Roh’s opponents, who see it as means to secure a long-term U.S. commitment to defending South Korea.

U.S. defense officials are adamantly against reopening the issue. Lee’s transition team appears to

have heard this message during its visit to Washington in January and has since downplayed the issue. In any case, it is better to defer the contentious issue for several years when an assessment of the status of the North Korean threat and South Korean military capabilities may lead to closer agreement.

In the near term, Lee Myung-bak should request that Washington assuage South Korean security concerns by reaffirming U.S. troop deployment commitments, including the continued presence of combat, attack helicopter, and air-defense units. Lee should also underscore that Washington should treat its alliance with South Korea on an equal basis with the U.S. military relationship with Japan, including Seoul’s inclusion in the U.S.-led “alliance of values” with Japan, Australia, and India.

### Improving Relations with Japan

Lee has already signaled that he hopes to improve relations with Japan, an overture welcomed by Prime Minister Yasuo Fukuda. Lee announced that he will not seek a formal apology from Japan for its occupation of the Korean Peninsula during the early 20th century. He commented to a visiting Japanese delegation that “Korea and Japan must not be tied down by the past in order to set up a new relationship for the sake of the future of Asia and the two countries.”<sup>6</sup>

Lee signaled his intent to improve relations by holding his first summit meeting with Fukuda. Both leaders agreed to resume the biannual summit schedule that foundered under Roh. Trilateral minister-level security policy meetings with the U.S. and Japan should also be implemented.

Lee’s outreach is an attempt to overcome historical animosities, which were exacerbated by then-Prime Minister Koizumi’s controversial visits to the Yasukuni Shrine and President Roh’s appeals to nationalist themes to reverse his flagging public support.

5. South Korea handed over both peacetime and wartime command to the U.S.-led United Nations Command in 1950 at the beginning of the Korean War. Seoul resumed peacetime operational control in 1994.
6. Yonhap, “Lee Vows to Renew Relations with Japan: Aide,” February 11, 2008, at <http://english.yonhapnews.co.kr/news/2008/02/11/0200000000AEN20080211004300315.HTML> (March 24, 2008).

## Stimulating Economic Growth Through Free-Market Principles

Lee will implement a wide-ranging economic reform strategy to reinvigorate South Korea's economy, spur growth, and reverse the country's flagging competitiveness against regional rivals. He will accomplish this through business-friendly policies favoring deregulation, transparency, tax reform, and greater openness to investment in marked contrast to Roh's redistributionist economic policies, punitive real estate taxes, and protectionist policies against foreign investors. The linchpin of his campaign pledge is Plan 747 to achieve 7 percent annual growth and \$40,000 per capita income and to make South Korea the world's seventh-largest economy by 2013.

### Lee Myung-bak's Economic Pledges

- **Plan 747:** Achieve 7 percent annual growth and \$40,000 per capita income and make South Korea the world's 7th largest economy in 10 years.
- **Create** 3 million new jobs.
- **Assist** 50,000 innovative small and medium-size enterprises.
- **Implement** tax reform and reduce corporate regulations to induce business investment.
- **Reduce** discriminatory practices to stimulate increased foreign direct investment.
- **Ease** property development restrictions and reduce new apartment prices by 10 percent.
- **Strengthen** government measures to combat illegal labor strikes.

South Korea's top 10 companies have sat on \$160 billion in cash reserves rather than investing it domestically as a result of uncertainty over Roh's economic policies and excessive regulation.<sup>7</sup> The Federation of Korean Industries estimated that \$23 billion in domestic spending was being delayed because of excessive regulations on investment in the Seoul metropolitan area.<sup>8</sup>

However, President Lee will need to ensure that his business-friendly policy is not construed as overly conciliatory to the *chaebol* (South Korea's large family-owned conglomerates). The *chaebol* fueled South Korea's spectacular economic miracle, but their overleveraged debt magnified the domestic impact of the 1997 Asian financial crisis.

Lee has stressed that enhancing the competitiveness of small and medium-size enterprises will be the pillar of his government's industrial policies and growth strategy because they account for 90 percent of South Korea's employment. In a post-election meeting with representatives of small businesses and high-tech venture firms, he pledged tax cuts, credit guarantees, \$1 billion for the Korean Small Business Innovation Research Program, and a state fund worth an estimated \$54 billion gained from privatization sales of state-owned enterprises.<sup>9</sup>

Economic disparity worsened during the Roh administration despite its pledge to impose greater equality through redistributionist policies aimed at societal transformation. Although the South Korean populace welcomes Lee's economic growth plans, it will grow increasingly critical if the administration makes no progress in reducing economic polarization.

Lee has sought to dampen both excessive expectations and early criticism by downplaying the potential for achieving 7 percent national economic growth during his administration's first year. He emphasized that dismal global economic conditions, soaring oil prices, and the government's already determined annual budget would make

7. "Lee Stresses Lean, Efficient Government," *The Korea Herald*, January 14, 2008.

8. Moon So-young, "Overly Tight Rules Are Choking Business, Says FKI," *JoongAng Ilbo*, February 22, 2008, at <http://joongangdaily.joins.com/article/view.asp?aid=2886532> (March 24, 2008).

9. "Small-Firms Sector to Get Massive Support," *The Korea Herald*, January 3, 2008, and "President-Elect Lee Pushes Privatization," *The Korea Herald*, January 4, 2008.

reaching the growth target difficult. He commented, “what I want to stress is not the seven percent target, but that we will change the economic fundamentals to eventually achieve that rate.”<sup>10</sup>

### Domestic Factors in Policy Formulation

After Lee Myung-bak’s landslide victory in South Korea’s December presidential election, the GNP seemed guaranteed to sweep the April legislative election, but a series of missteps by the Lee administration and bitter infighting among conservatives lowered initial estimates from winning 180 seats in the 299-member National Assembly to struggling to gain a 150-seat majority.

Lee was forced to withdraw several cabinet minister nominations following allegations of corruption. This had the unfortunate consequence of reminding voters of Lee’s own series of alleged scandals—an image that the progressives sought to exploit.

Lee failed to heal the rift within the conservative movement after he narrowly defeated Park Geun-hye for the GNP presidential nomination. His supporters were perceived as being rude, if not vindictive, toward the former GNP chairwoman. Animosity over perceived slights was exacerbated by a contentious battle over the selection of candidates for the legislative election. The rift caused many pro-Park legislators to leave the party, vowing to run as independent candidates against the GNP.

In addition, Koreans have long believed in a concept of *yeoso yadae* (smaller ruling party, bigger opposition party) to balance power between the executive and legislative branches. The progressives appeal to this concept by declaring dramatically that “if the GNP seizes enough seats to have power to change the constitution, it could pose a threat to democracy as we would have a multiple-party system in name only.”<sup>11</sup> In a February 2 poll by the liberal *Hankryoh* and Research Plus, 49 percent of respondents wanted GNP candidates, while 43 percent wanted “more opposition candidates to keep the president and the ruling party in check.”<sup>12</sup>

The progressive parties will benefit from the GNP’s missteps but remain hampered by its factionalism and uncertain policy message. The progressive opposition remains weak and in disarray after its decimating losses in the presidential election and four previous legislative by-elections. The progressives have not been able to decide on a common message and are still debating whether to combat Lee in the political center or remain on the far left.

However, the February merger of the United New Democratic Party and Democratic Party has provided a rallying point for the country’s progressive voters. The new party—actually a reconstitution of the Millennium Democratic Party, which splintered in 2003—may secure 100 legislative seats, far more than would have been the case if the parties had remained splintered.

In the wake of the legislative election, it is unclear whether the conservative factions would vote together or be more eager to exact retribution over personal slights and gain political leverage than to implement Lee Myung-bak’s agenda.

### What the U.S. Should Do

U.S. policymakers should take advantage of the significant opportunity that Lee Myung-bak’s election provides to repair and broaden Washington’s bilateral relations with South Korea.

**“Principled Engagement” with North Korea.** Washington should call on the Lee administration to:

- *More closely integrate South Korean and U.S. policies toward North Korea* by identifying the conditions that Seoul will impose on its ongoing and future economic incentives with concrete steps that Pyongyang must take toward nuclear compliance. South Korea should distinguish between the October 2007 inter-Korean summit proposals that provide direct economic benefit to Seoul and those that are politically motivated, which should be linked to defined benchmarks in North Korean economic and/or political

10. “Lee Stresses Lean, Efficient Government.”

11. Kim Ji-Hyun, “Parties Gear Up for April Elections,” *The Korea Herald*, February 21, 2008.

12. “Voters Favor Grand National Party for Parliamentary Elections, Poll Says,” *The Hankyoreh*, February 5, 2008, at [http://english.hani.co.kr/arti/english\\_edition/e\\_national/267994.html](http://english.hani.co.kr/arti/english_edition/e_national/267994.html) (March 24, 2008).



reform. No new projects should be initiated without linkages.

- *Maintain the Kaesong industrial zone and Kumgangsan tourism projects at existing levels*, but condition the planned expansion of Kaesong to successful completion of Phase II of the six-party talks, including a viable data declaration.
- *Emphasize that the Northern Limit Line is the inter-Korean maritime boundary* and that South Korea's sovereignty will not be abrogated by vague and one-sided "peace zones."
- *Require North Korea to implement extensive verification measures*, including provisions for short-notice challenge inspections of non-declared facilities to resolve current and future suspicions.
- *Join the U.S.-led Proliferation Security Initiative* to monitor North Korean airborne and maritime shipments and interdict suspicious shipments.
- *Integrate South Korea's unilateral aid to North Korea into the conditionality of the six-party talks process* and implement World Food Program monitoring standards to ensure that Pyongyang does not divert humanitarian assistance.
- *Integrate North Korean human rights issues into Seoul's engagement policy* by acceding to U.N. resolutions condemning North Korean human rights abuses, insisting on discussions of North Korea's retention of 500 Korean War POWs and 400 South Korean post-war abductees, and demanding an expansion and acceleration of the reunion of separated families.
- *Review available financial sanctions to implement U.N. Resolution 1718* if the six-party talks break down.

**Strengthening Allied Relations.** The Lee Administration should:

- *Defer until 2011—not reopen—the issue of transferring wartime operational command*, pending a reassessment of the North Korean threat and South Korean military capabilities.

- *Consult closely with U.S. counterparts to evolve the U.S.–South Korea military alliance* by incorporating enhanced South Korean military capabilities while maintaining an integrated U.S. role.
- *Call on Washington to reaffirm U.S. troop deployment commitments to South Korea*, including the continued presence of combat and air defense units.
- *Conduct a joint study on South Korean missile defense needs*, including possible South Korean integration into a multilateral ballistic missile defense system.
- *Expand South Korean diplomatic and peace-keeping operations* to assume a greater international security role. South Korea should join the U.S.-led values-based initiative with Japan, Australia, and India.
- *Institutionalize trilateral coordination by resurrecting the Trilateral Coordination and Oversight Group.*
- *Implement annual "2 + 2 meetings"* of the secretaries of defense and state and their South Korean counterparts, such as the U.S. conducts with Japan.
- *Consider trilateral minister-level security policy meetings with the U.S. and Japan.*
- *Improve bilateral relations with Japan* by resuming regular summits with Tokyo.

**Implementing Free-Market Principles.** Implementing the South Korea–U.S. (KORUS) Free Trade Agreement (FTA) would improve South Korea's trade freedom, help the economy to lock in further economic reforms, send a powerful signal to foreign and domestic investors, and provide a new growth engine to improve competitiveness.<sup>13</sup> To facilitate this, Seoul should:

- *Remove the beef obstacle.* The political reality is that South Korea must resume unimpeded imports of U.S. beef before Senator Max Baucus (D–MT) and the U.S. agricultural industry will support the FTA. This issue has become an

13. For a fuller discussion of South Korea's economic challenges and extensive policy recommendations to redress them, see Bruce Klingner and Anthony B. Kim, "Economic Lethargy: South Korea Needs a Second Wave of Reforms," Heritage Foundation *Background* No. 2090, December 7, 2007, at [www.heritage.org/Research/AsiaandthePacific/bg2090.cfm](http://www.heritage.org/Research/AsiaandthePacific/bg2090.cfm).

impediment to far greater geostrategic interests for both countries. South Korea should open its markets in accordance with international standards, and the U.S. should accept any reasonable additional health safety standards that Seoul requests.

- *Ratify KORUS prior to a summit meeting.* Although South Korean implementation would not force reciprocal congressional action, it would remove an excuse for U.S. inaction.
- *Affirm its commitment to free-market principles.* Lee Myung-bak should announce unilateral measures that remove potential discriminatory barriers and ensure regulatory transparency. This will counter U.S. critics who claim that South Korea will continue to use non-tariff barriers to impede foreign businesses, especially in the auto sector.
- *Engage Congress on KORUS.* During his U.S. visit, Lee should highlight to U.S. Members of Congress KORUS's importance to the strategic interests of both countries. The U.S. auto companies and associated labor unions will never support the FTA, not because they have problems

with the details of the text, but because it threatens their interests. They are a lost cause for ratification. The real goal is to convince enough Democratic Members of Congress from non-auto districts to vote for the FTA to benefit their own constituents.

## Conclusion

The U.S.–South Korean relationship should improve under Lee Myung-bak because he shares common values and policies with the United States to a greater degree than Roh Moo-hyun did. Lee's pro-market economic principles, understanding of regional threats, and willingness to impose conditionality in South Korea's engagement policy are more in line with principles shared by U.S. Republican and Democratic leaders. If he effectively implements these values, South Korea will have a strong bond with Washington, regardless of which party occupies the White House after the 2008 U.S. election.

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