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re Article on Foreign Affairs

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THE WHITE HOUSE

Office of the Press Secretary  
(Seoul, Korea)

For Immediate Release

January 6, 1992

REMARKS BY THE PRESIDENT  
AT U.S. CHAMBER OF COMMERCE LUNCHEON

Shilla Hotel  
Seoul, Korea

1:24 P.M. (L)

THE PRESIDENT: Thank you. Please be seated. Well, thank you all very much and good afternoon. And let me first say thank you to our master of ceremonies, my old friend and our very able Ambassador here, Don Gregg. Thank you for that introduction.

And I'd like to also acknowledge Minister Han Pong Su, the Minister of Trade, and, of course, our able Secretary of Commerce Bob Mosbacher. He is heading up, as I think everyone here knows, our delegation of top American business leaders as they come here to explore new opportunities for American goods and services, not just here but all around the world.

I also want to single out and thank our hosts, Don Myers of the AmCham, and Kim Sang Ha of the Korean Chamber of Commerce, for bringing together some of the top business leaders from both countries this afternoon. This American Chamber of Commerce in Seoul is leading the way toward free and open trade throughout Asia. And it's playing what I am told is a vital role in expanding business ties between the United States and Korea -- ties which are growing into a true economic partnership.

Let me begin by telling you why I'm here. As you might expect, with tough times at home in the United States, my highest priority is stimulating economic growth and jobs for Americans. And one way to get our economy growing is to increase trade between our two nations. Opening more markets here in Korea for quality American goods and services clearly means more exports and more good jobs in America. And as you all know, that also hold true for Korea as well.

And so I've come to the capital of one of the world's leading economic success stories -- success based on hard work, market orientation, and access to international capital and markets. Your nine percent growth rate may seem mediocre to you compared to some previous years, but back home, I'd settle for that like that. (Laughter.)

With a generation, Korea has transformed itself from one of the world's poorest states into the world's 13th largest economy, on the cutting edge of high-tech growth. The generation that created that success knows that enduring security comes not through aggression, but through hard work and effort by free people working through free markets. And if we are to secure the opportunities of the post-Cold War era, we must rise to the call of three daunting demands: the new requirements of peace and security; the challenge of fostering democracy; and the summons to generating greater economic growth and prosperity for the peoples of the world.

First, the challenge of ensuring peace and security. The world has learned that weakness tempts the warlike. We saw, with Saddam Hussein's naked aggression, that the misery of war results

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when tyrants doubt the commitment of the powerful to defend the security of the powerless. And that's why, as long as I'm President, the United States will remain absolutely opposed to isolationism. As a nation straddling two great oceans, the U.S. remains committed to engagement in both the Atlantic community and the emerging community of the Asia Pacific region.

The emerging post-Cold War era that we face presents the United States with an opportunity to restructure its defenses. Now, I know there's been some concern about how we'll proceed with that complex and difficult task. But let me assure you and your Asia Pacific neighbors that our restructuring, such as the closing of bases in Subic there in the Philippines, does not mean the end of American engagement in the Pacific area. We will remain a visible, credible security presence in the Asia Pacific area with our forward deployed forces and through bilateral defense arrangements with our friends. (Applause.)

And let me be clear: maintaining our security presence is not some kind of a charitable exercise. Your security and your economic growth are in our interests, because together we will thrive in a stable, developing world. An unstable -- an unstable Asia does not serve our interests. And nor does a poverty-stricken or repression-ridden Asia. We need an Asia Pacific region that is free and productive. And our security presence provides a foundation for mutual prosperity and for shared defense.

Strong, stable security arrangements enable us to meet the second challenge, and that is the call to democracy. The tyranny of totalitarianism is dead -- and freedom is being born and reborn in nations from Latin America to Eastern Europe to Cambodia and to Mongolia. The Soviet Union, as we've known it, has vanished, and with it, the delusions of communism.

The Republic of Korea has stood strong for democracy, particularly since the momentous events of 1987. This year, Korea will put this renewed faith in democratic institutions to the test in several elections. And I am confident that, again this year, the Korean people will demonstrate that freedom's way is the way of the future in Asia. Nations which build their prosperity on the freedom of their people know that there is no alternative.

This worldwide movement toward democracy leads us to the third challenge that's awaiting us -- that of promoting economic growth and building a world of free and open markets.

Korea and the United States have a tremendous amount at stake in their economic relations -- the U.S. is Korea's largest export market; and Korea is our sixth-largest export market. The business executives, with this wonderful team that we brought out with us today, believe in building stronger economic ties with you. They stand ready to work side by side with Korean businessmen. And like you, they seek to build even more growth, opportunity and stability for our two nations.

In building this world of free enterprise and economic growth, we know we have much to do. The United States is taking steps to boost our own competitiveness in foreign markets -- improving education, working to bring down our budget deficit, and enhancing productivity. We're working overtime to produce quality products at affordable prices -- products that win in the marketplace.

And while Korea has made great progress in removing visible trade barriers to foreign business over the last five years, doing business in Korea is still more difficult than it should be for such a proud and successful country. Korea must address fundamental problems that stifle the ability of foreign firms to compete in your

MORE

great country -- problems like some certain unjustified standards and regulations, or cumbersome customs procedures, delays in scheduled reductions of duties and these financing restrictions.

Attitude towards imports must change. And while the notion of frugality isn't inherently bad, import restrictions hurt your own consumers and weaken the competitiveness of your firms. And while numerous restrictions in foreign trade have been lifted -- such as certain performance requirements and sectoral restrictions -- we look to Korea to remove all nontariff barriers to free trade.

Free trade has propelled Korea into a position of economic prominence and leadership. And because of this, Korea has a growing responsibility to lead in strengthening the whole world trade and financial system. The General Agreement on Tariffs and Trade, GATT, can play an especially crucial role in expanding economic frontiers. On each stop of this trip, I've called for urgent action on behalf of the international trading system. And I am urging the world's trading nations to join with us in working towards a successful conclusion of that all-important Uruguay Round, with GATT Director Dunkel's proposed draft agreement, incidentally, as its basis.

And while every one of us has problems with some portions of that draft, none of us can afford to let the progress that it symbolizes slip through our fingers. The time has come for a strong collective response. A successful conclusion to the Uruguay Round will pave the way for even greater trade liberalization in the coming years -- with greater prosperity for absolutely everyone.

In order for Korea to build upon its own spectacular growth, it will need a more open financial system. I know that American businesses are particularly concerned with restrictions in the financial system here which prevent them from trading and investing in the Korean economy. But the bottom line is that broader access for foreign financial firms is in your best interest -- it is in Korea's best interest because a more open economy will benefit Korean businesses and their customers.

But there's more to it than that. During the last 50 years, engagement and free trade have produced peace and prosperity. Here, in Korea it's been remarkable -- throughout the Asia Pacific region, in Europe, and, indeed, in the United States. This prosperity has gone hand in hand with the growth of democracy -- a fact that illustrates the indivisibility of security and political and economic liberty.

In the emerging post-Cold War era, economic engagement and expanded markets will ensure prosperity and stability for the people of the world. And that's why we've come here today. We want to build hope for a better life for our people; we want to create opportunity for all men and women; and we want to leave as our legacy peace for our children. And so it is in that spirit of hopeful anticipation that I say thank you to all of you. What a remarkable -- what a great job you have done, and yet what tremendous work lies ahead for us all.

May God bless your wonderful country. May God bless the relationship between our countries. And thank you for this opportunity to speak to such a distinguished group of business leaders.

Thank you very, very much. (Applause.)

END

1:38 P.M. (L)

THE WHITE HOUSE

Office of the Press Secretary  
(Seoul, Korea)

For Immediate Release

January 5, 1992

REMARKS BY THE PRESIDENT  
IN WORKING BREAKFAST WITH U.S. AND KOREAN BUSINESS GROUP

Hotel Shilla  
Seoul, Korea

8:17 A.M. (L)

THE PRESIDENT: First, let me just thank our Korean business guests for taking time away from fantastically busy schedules to be with us today. I view this as an important meeting. I view this as a meeting where I undoubtedly will learn.

Secondly, I'd like to comment overall on our trip. A lot of this trip is about business and how we can do more and thus creating opportunities in the United States -- job opportunities; and similarly, if you believe as we do, and I'm sure everyone here does of free trade, job opportunities here in Korea.

But in saying that, I wanted to also emphasize that I am not neglecting because of this emphasis my sincere concern about security considerations that bind us together, the cultural aspects, the scientific aspects that bind Korea and the United States together. So the trip's about a lot of things. But this breakfast, and obviously and properly, the focus is on business.

We watch in admiration the success of the companies that you all represent around here. We have with us a distinguished group of American businessmen who have been -- taken a lot of time from their own busy lives to go with me. And I wondered at beginning how all of this would be received by our foreign hosts. But in Australia and Singapore and then just a preliminary feeling here, I think it's been a wonderful idea. And I think they've learned and I hope you've learned from the interchange with these business leaders from the States. And they are not only representative of their companies, but many of them, as you know, are our leading -- heads of our leading business groups, large and small. So they'll go back and take back the message of how we further business opportunity.

I will say that I'm determined as President of the United States to fight the waves of protection that are almost inevitable when one's own economy is not doing well. But one way to make things do less well is to resort to protectionism. And I am not going to do that. But we're in an election year, and I'm sure some of you all wonder what the heck does this mean in terms of the U.S. commitment to free and fair open trade. And I just want to assure you that we will remain committed. I think the American people want that in spite of the siren's call of protection.

I would like to urge that every business person here from the United States and Korea use whatever influence you have with your trading partners in Europe and elsewhere to get a successful conclusion of the GATT Round. The one thing that I think is vitally important now, the thing that's most -- should most be targeted is the successful conclusion of that trading round. And it really is important.

And the last point I'll make is, I know that some look at the North American Free Trade Agreement in Asia and wonder, is the

MORE

United States worried about perhaps the GATT round not finishing properly, successfully -- planning on forming a trading bloc in North America and South America that would spill on down past Mexico into South America?

Let me tell all of you here -- our Korean friends -- that I don't -- we will not be trying to acquiesce in dividing up the world into trading blocs. And the NAFTA in our view, when successfully concluded, will open up markets, force Korean businessmen in a more prosperous Central and South America. We're convinced in the United States -- I am, and I think the businessmen here are -- that a successful conclusion of that round means more jobs for Americans. But it also means broader trading markets for our friends in Asia.

And I've stated this to the leaders in Australia, to the leaders in Singapore, and I just wanted you to hear from me directly that we aren't having some fall-back position or a North American bloc that in any way would detrimentally affect the private business interests here in Korea. You're doing too much, you're moving out in exactly the way we respect.

And I am grateful, as I walked around the room, hearing about the American and the Korean partnerships and about the investments that some of your companies have made in the United States. That means jobs to us. It means opportunity for Americans. So we don't view that with alarm, we view that as something that is very, very good. And the only thing I'd like to ask is that all of us do our level best, whether it's in -- after the successful conclusion of this GATT round to be sure that all markets are open and free and fair. Trade is the goal. And I think that will ensure the prosperity of the people, not only in my country, but the people -- the average man on the street in Korea.

So thank you all very much for coming. And now I came to listen. I talked too long already. But I want to hear what you all have -- and please don't hold back. If there's some criticism or suggestions as to how the U.S. government can do things better, I want you to let me know, because this is a good opportunity.

END

8:30 A.M. (L)

Grant / Bunton  
A:KOREA.BUS Draft one  
December 13, 1991

**PRESIDENTIAL REMARKS: AMERICAN CHAMBER OF COMMERCE BREAKFAST  
SEOUL, KOREA HOTEL SHILLA  
MONDAY, JANUARY 6, 1991  
8 A.M.**

T-PROMPTER  
CO-PRESIDENTS/MANAGEMENT LEVEL

[CONSECUTIVE TRANSLATION?]

[Acknowledgements]

First of all, I'd like to thank our hosts, the American Chamber of Commerce, for bringing together some of Korea's top business leaders this morning. The American Chamber of Commerce here in Seoul is leading the way toward free and open trade throughout Southeast Asia, and is playing a vital role in expanding business ties between the United States and Korea -- ties which are growing into a true economic partnership.

It is a pleasure to be here today, in the capital of one of the world's top economic success stories -- success based on hard work, market orientation, and access to international capital and markets. Korea has transformed itself from one of the world's poorest states into the world's 13th largest economy -- on the cutting edge of high-tech growth -- all in the span of a single generation.

That new generation knows that enduring security comes not through aggression, but through shared values -- free people and free markets. In the emerging post-Cold War era, economic engagement and expanded markets will ensure prosperity and stability for our peoples.

SEC.  
BAKER  
SPEECH

Foreign  
Affairs  
article  
Week 91

Robert  
Manning  
647-6600

*377-3911*  
*Dept. Trade Sec. Office*  
*Tim Houser USTR*  
*Account (LHR) USTR / comm. 2 state reports*  
*Oct. 91*  
*Stanley Knislof 395-6813*  
*USTR*  
*Asia Pacific*  
*Nancy Adams*  
*Tommy*

Korea and the United States now have a tremendous amount at stake in their economic relations -- the U.S. is Korea's largest export market, and Korea is our seventh largest export market. With me today are ((number)) executives from major American businesses ((names)). These business leaders believe in strong economic relations with Korea, and they stand ready to work side by side with Korean businessmen. Like you, they seek to build even more growth, opportunity and stability for our two nations.

And while Korea has made great progress in removing visible trade barriers to foreign business over the last five years, doing business in Korea is still difficult. Korea must take steps to address fundamental problems which strangle the ability of foreign firms to compete in Korea -- problems like certain unnecessary standards and regulations, customs procedures, and financing restrictions. Until a level playing field exists, we will continue to look for ways to work with the Korean government to remove these barriers.

As a ranking economic power which has benefitted tremendously from the open world trade and financial system, Korea has a special responsibility to strengthen that system. Korea's largest contribution to open world trade could be this: to take actions to actively conclude the Uruguay Round in all its aspects: agriculture, market access, services, intellectual property and finance. I urge the government of Korea to act quickly and decisively.

Let me say a word about finance. A more open and liberal financial system would better serve Korea's dynamic economy. I know that American businesses are particularly concerned with restrictions in the financial system here which prevent them from trading and investing in the Korean economy. But the bottom line is that broader access for foreign financial firms is in Korea's best interest -- because a more open economy will benefit Korean producers and consumers.

It is in their name -- the producers and consumers of our two nations -- that we seek stronger economic ties. We want to build hope for a better life for our people; we want to create opportunity for all men and women; and we want to leave as our legacy peace for our children. So it is in that spirit of anticipation that I say thank you to all of you. What a great job you have done, and what tremendous work lies ahead for us all.

God bless you and thank you.

# # #

THE WHITE HOUSE

WASHINGTON

December 19, 1991

*draft*

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVE DEMAREST  
TONY SNOW

FROM: MARY KATE GRANT *MKG*

SUBJECT: PROPOSED REMARKS FOR THE AMERICAN CHAMBER OF  
COMMERCE BREAKFAST, SEOUL, KOREA

I. SUMMARY

*lunch 11:55pm*

*lunch*

On Monday, January 6, 1992 at 8:00 a.m. you will deliver remarks to an audience of 800 at the American Chamber of Commerce Breakfast at the Hotel Shilla in Seoul, Korea. Secretary Robert Mosbacher, members of the American business delegation, and American and Korean corporate executives will be in the audience.

II. DISCUSSION

Your remarks (approximately 6 minutes / teleprompter) focus on Korea's world economic success based on market orientation and access to international capital and markets, and challenge the Korean government to take steps to remove barriers to competition.

*obj econ  
David  
Walkers 3583  
USA*

December 19, 1991

MEMORANDUM FOR THE PRESIDENT

THROUGH: DAVE DEMAREST  
TONY SNOW

FROM: MARY KATE GRANT

SUBJECT: PROPOSED REMARKS FOR THE AMERICAN CHAMBER OF  
COMMERCE BREAKFAST, SEOUL, KOREA

I. SUMMARY

On Monday, January 6, 1992 at 8:00 a.m. you will deliver remarks to an audience of 800 at the American Chamber of Commerce Breakfast at the Hotel Shilla in Seoul, Korea. Secretary Robert Mosbacher, members of the American business delegation, and American and Korean corporate executives will be in the audience.

II. DISCUSSION

Your remarks (approximately 6 minutes / teleprompter) focus on Korea's world economic success based on market orientation and access to international capital and markets, and challenge the Korean government to take steps to remove barriers to competition.

THE WHITE HOUSE

Office of the Press Secretary

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For Immediate Release

December 13, 1991

STATEMENT BY THE PRESS SECRETARY

President Bush has invited a group of business executives who will serve as representatives of various industry sectors to accompany him on his trip to Asia and the Pacific. The President has asked Secretary of Commerce Robert Mosbacher to lead this delegation.

This trip will provide an opportunity for American business executives to exchange views freely with foreign government officials and their business counterparts and to promote and expand United States export opportunities.

Exports play a vital role in creating jobs for Americans and strengthening our economy. This mission lays the foundation for future progress on increasing opportunities for American companies to export their products and services to countries in Asia and the Pacific.

The President will meet with this group in the White House on Thursday, December 19 at 10:30 a.m. to discuss the trip.

- more -

Presidential Business Delegation Members

- ① **Dexter F. Baker**  
Chairman, President and CEO  
Air Products and Chemicals, Inc.  
  
Chairman, National Association of Manufacturers
- ② **Dr. Winston Chen**  
CEO  
Solectron Corporation  
  
Baldrige Award Winner
- ③ **Beverly F. Dolan**  
Chairman and CEO  
Textron, Inc.  
  
Vice Chairman, President's Export Council
- ④ **Robert Galvin**  
Chairman, Executive Committee  
Motorola, Inc.  
  
Baldrige Award Winner/Vice Chairman, U.S.-Japan Business Council
- ⑤ **Joseph T. Gorman**  
Chairman and CEO  
TRW, Inc.  
  
Chairman, Industry Policy Advisory Committee
- ⑥ **Maurice R. Greenberg**  
Chairman and CEO  
American International Group  
  
Chairman, U.S.-ASEAN Business Council

⑦ **Bronce Henderson**  
Chairman  
Detroit Center Tool

Japan Corporate Program Participant

⑧ **James Herr**  
Chairman  
Herr Foods, Inc.

Chairman, National Federation of Independent Business

⑨ **Lee Iacocca**  
Chairman and CEO  
Chrysler Corporation

⑩ **Robert J. Maricich**  
President  
American of Martinsville

Japan Corporate Program Participant

⑪ **Raymond Marlow**  
President  
Marlow Industries

Baldrige Award Winner

⑫ **John C. Marous**  
Chairman and CEO Emeritus  
Westinghouse Electric Corporation

Chairman, U.S.-Japan Business Council

⑬ **Harold A. Poling**  
Chairman and CEO  
Ford Motor Company

⑭ **Heinz Prechter**  
Chairman and CEO  
ASC, Inc.

Chairman, President's Export Council

(15) **John P. Reilly**  
President and CEO  
Tenneco Automotive

Chairman, Auto Parts Advisory Committee

(16) **James D. Robinson, III**  
Chairman and CEO  
American Express

Chairman, President's Advisory Council for Trade Policy and  
Negotiations

(17) **David M. Roderick**  
Chairman Emeritus  
USX Corporation

Chairman, U.S.-Korea Business Council

(18) **C. J. Silas**  
Chairman and CEO  
Phillips Petroleum Company

Chairman, U.S. Chamber of Commerce

(19) **Robert C. Stempel**  
Chairman and CEO  
GM Corporation

(20) **Michael von Clemm**  
Executive Vice President  
Merrill Lynch & Company, Inc.

Chairman-elect, U.S.-Korea Business Council

(21) **Patrick Ward**  
Chairman and CEO  
Caltex Petroleum Corporation

Chairman, U.S.-ASEAN Business Council - U.S.-Thailand  
Committee

U.S. Chamber  
Commerce

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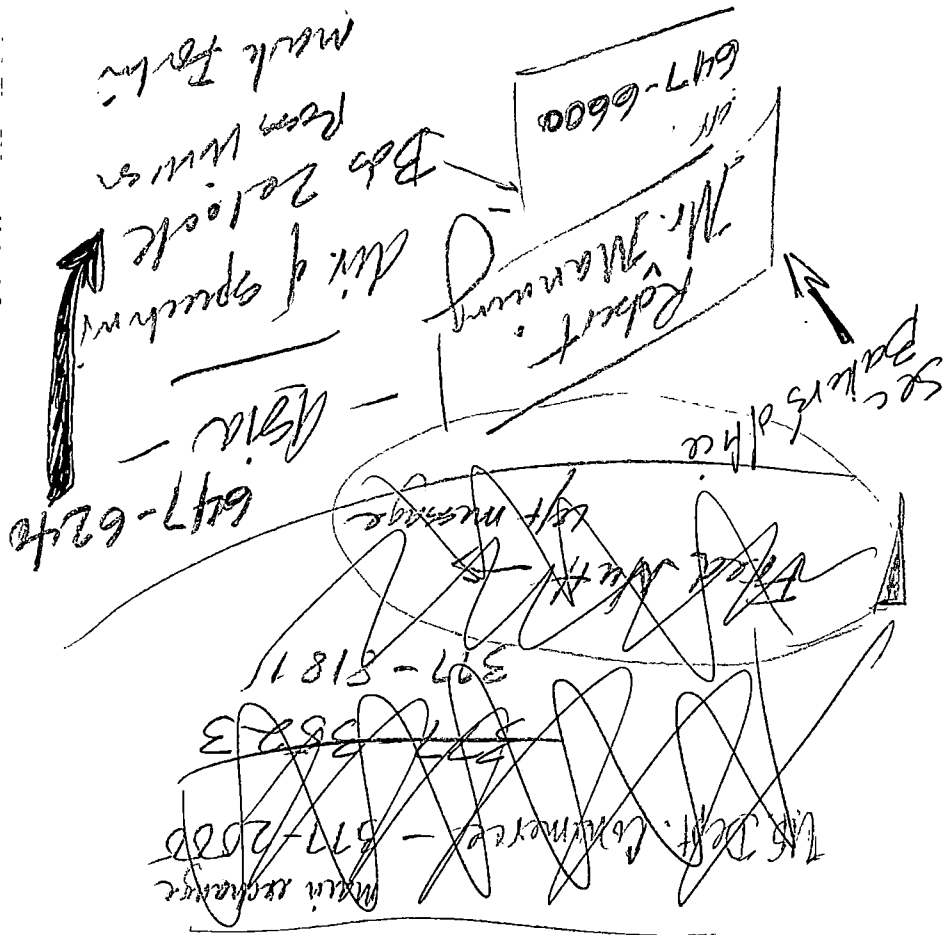
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Tommie  
Johnson

Korea desk @  
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imp/exp together  
~~1990 figure~~ 1990 figures

still  
~~our 6th largest market for US exports~~



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MARK VAN FLEET

Asma/Pacific Desk

U.S. Chamber of Commerce

— End with Commerce — 12/16/91

Went on Com Domestic  
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of Korea 16<sup>th</sup> in size  
in world economies



UNITED STATES DEPARTMENT OF COMMERCE  
International Trade Administration  
Washington, D.C. 20230

International Trade Administration  
TRADE INFORMATION & ANALYSIS  
U.S. Department of Commerce  
Office of Trade and Investment Analysis  
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*Directorate of  
Intelligence*

# **Handbook of Economic Statistics, 1991**

**A Reference Aid**

Research for this report was  
completed on 1 August 1991.

*CPAS 91-10001  
September 1991.*

REC-16-91 MON. 14:15

**Preface**

The changes in Eastern Europe necessitated a revamping of the format and content of the *Handbook of Economic Statistics, 1991*. The major groupings for all tables, with the exception of aid, are OECD, USSR and Eastern Europe (USSR/EE), and Other. The data series for the united Germany fall under the OECD. Albania and Yugoslavia form part of the USSR/EE grouping. The Other grouping in a table will include, when appropriate, OPEC countries, newly industrializing economies, and other pertinent producers.

All references to Communist countries, developed countries, and less developed countries, except in aid tables, have been eliminated. A number of tables presented in previous editions have been eliminated because they are no longer considered significant. New data entries on high technology topics and environment issues have been added. Most of the totals presented in previous years have been eliminated. The 1991 *Handbook* is a transitory edition; future editions will evolve with the realignment of regional economic groupings.

More current data can be found in CIA's *Economic and Energy Indicators*, published every two weeks, and *International Energy Statistical Review*, published monthly. In addition, The Central Intelligence Agency produces annually *The World Factbook*, a basic reference of 247 nations and other entities which includes regional maps. Each national

**Purpose and Scope**

The *Handbook* provides basic statistics for comparing economic performance worldwide.

In general, the data in the *Handbook* are for 1960, 1970, 1980, and for individual years in the period 1985-90. Data for the presented countries have been adjusted, where necessary, to achieve comparability and therefore may differ from data presented in the original sources. Footnotes have been used liberally to give definitions, exceptions, and methodology. The base year for average annual rates of growth is the year prior to the stated period.

**Presentation of Data**

In general, zeros appearing after the last non-zero number following the decimal point are not significant but are computer generated.

**Abbreviations**

The abbreviation NA (not available) is used when data do not exist or when information about the existence of the data or the magnitude of the data is not available. The abbreviation NEGL (negligible) is used when the magnitude of the data is less than one-half of the final unit employed in the table.

**Sources**

The data given for the most recent years are frequently preliminary and subject to revision. The data for countries presented are official data from the country cited, CIA estimates, or estimates made by other organizations.

**Notes:**

**Real Versus Current Dollars**

Estimates of gross national product (GNP) or gross domestic product (GDP) are presented in real terms, that is, in 1990 US dollars. In contrast, foreign trade figures are presented in current dollars, that is, in dollars of the year to which the figure pertains.

**GNP/GDP Methodology**

GNP/GDP dollar estimates for the OECD countries and the USSR/EE are based on purchasing power parity (PPP) calculations rather than on conversions at official currency exchange rates. PPP dollar estimates give more accurate real comparisons of national outputs, but substantially all of the GNP/GDP dollar estimates for other countries are still based on exchange rate conversions.

entry gives the latest available information under the headings of Geography, People, Government, Economy, Communications, and Defense Forces. These publications can be obtained wherever the *Handbook of Economic Statistics* is available.

DEC-16-91 MON 14:15

Table 7  
Estimated Real Gross National Product

Billion 1990 US \$

	1960	1970	1980	1985	1986	1987	1988	1989	1990
<b>OECD countries <sup>a</sup></b>									
United States	2,189.1	3,176.4	4,189.9	4,757.3	4,892.7	5,057.3	5,280.6	5,413.2	5,465.2
Australia	80.6	133.7	186.2	216.5	220.6	230.1	239.2	250.4	254.4
Canada	149.6	247.6	383.3	439.1	451.8	470.7	497.2	512.0	516.7
Japan	324.2	879.1	1,385.7	1,682.0	1,727.1	1,807.3	1,911.2	2,003.0	2,115.2
Sweden	59.8	94.0	114.1	124.9	127.8	131.5	134.6	137.4	137.8
Switzerland	57.1	90.6	102.6	109.9	113.0	115.3	118.7	122.8	126.0
<b>European Community</b>									
Belgium	53.8	87.0	119.7	124.3	126.1	129.0	134.9	140.1	144.8
France	284.9	491.5	703.3	753.7	772.8	789.7	820.0	849.8	873.6
Germany (West)	403.7	625.8	819.5	870.7	889.6	902.9	935.8	971.4	1,016.1
Italy	269.4	467.2	680.9	730.0	749.3	770.7	802.7	828.1	844.7
Netherlands	84.0	137.6	183.4	192.6	196.5	198.0	203.3	211.5	218.0
Spain	114.5	232.5	326.7	349.7	361.2	381.6	401.6	421.1	435.9
United Kingdom	416.4	554.9	666.4	739.3	772.8	805.4	837.5	851.5	858.3
<b>USSR and Eastern Europe <sup>b</sup></b>									
USSR	1,053.7	1,797.4	2,349.2	2,540.6	2,628.4	2,675.8	2,733.4	2,759.5	2,660.0
<b>Eastern Europe</b>									
Bulgaria <sup>d</sup>	21.4	37.5	49.5	51.5	52.9	53.5	53.6	53.0	49.9
Czechoslovakia <sup>d</sup>	65.9	87.7	115.2	122.4	125.2	126.3	129.2	130.6	126.8
Hungary <sup>d</sup>	35.0	48.9	63.6	65.7	67.2	68.4	69.6	68.1	64.2
Poland <sup>d</sup>	81.7	123.3	174.9	180.3	186.1	182.9	187.2	183.4	167.1
Romania <sup>d</sup>	31.7	52.7	83.6	85.5	87.9	86.2	85.8	82.6	73.7
Yugoslavia <sup>d</sup>	NA	76.6	125.2	133.5	139.2	138.2	136.6	135.1	126.6

13th and climbing margin

Billion 1990 US \$

Table 7 (continued)  
Estimated Real Gross National Product

	1960	1970	1980	1985	1986	1987	1988	1989	1990
<b>Other countries <sup>c</sup></b>									
Argentina	54.7	71.0	94.2	81.4	88.9	87.5	91.2	85.7	82.7
Brazil	86.0	147.9	319.0	353.2	380.1	393.8	392.6	406.7	388.0 (10)
China (Taiwan)	13.4	31.8	80.8	99.0	112.3	124.7	133.7	143.3	150.8
Egypt	9.1	13.0	24.4	33.9	35.9	35.9	36.6	36.6	37.0
India	74.3	108.4	148.9	194.8	206.9	216.0	233.3	243.1	254.0 (11)
Mexico	55.0	108.4	205.4	222.2	214.0	217.0	227.9	224.8	233.6 (12)
Pakistan	10.8	14.9	23.7	32.8	35.4	37.3	39.2	41.2	43.3
Philippines	12.7	21.0	38.1	40.7	37.5	39.2	41.8	44.1	45.2
South Korea	23.2	51.9	118.0	156.5	164.9	184.2	204.6	218.3	238.0 (13)
Thailand	9.2	20.5	39.5	52.0	54.5	58.3	64.8	71.8	79.0
<b>OPEC countries</b>									
Indonesia	19.1	27.6	59.6	74.4	77.4	80.1	83.5	88.7	94.0
Nigeria	11.6	21.5	35.9	32.7	32.9	33.5	34.8	36.2	37.2
Saudi Arabia	30.6	37.6	106.8	110.5	92.6	96.9	94.4	98.2	110.0
Venezuela	15.1	28.5	40.7	38.6	41.2	42.4	44.2	40.6	42.4

\* Data were converted to US dollars by the use of purchasing power parities used by the OECD.  
 † The dollar values of Soviet GNP most likely overstate Soviet GNP to some extent because of an incomplete allowance for the poor quality, narrow assortment, and low performance characteristics of Soviet goods and services. For a discussion of this phenomenon, see "US and USSR: Comparisons of GNP," in *Soviet Economy in a Time of Change* (Washington, DC: Joint Economic Committee, US Congress, 1979). The dollar values of the East European countries have been adjusted downward in comparison with *The 1989 Handbook of Economic Statistics* because the United Nations Statistical Commission and the economic Commission for Europe made large reductions in their estimates of the dollar values of the GNPs of Poland, Hungary, and Yugoslavia (see *International Comparison of Gross Domestic Product in Europe, 1985*, United Nations, New York, 1988). These reductions are intended to more accurately account for the low productivity of employees in the health, education, and government administrative services and for the low quality of most goods and services in these countries relative to other European countries. Many of these adjustments were introduced, however, only for these East European countries, making the dollar value of their GNPs incomparable with those of other countries at a similar level of development.  
 The procedure for calculating Soviet GNP in US dollars is as follows:  
 • The geometric mean of the Soviet and US GNP comparisons in rubles and dollars for each year is constructed.  
 • US GNP values in 1982 dollars are multiplied by the geometric mean for each year.

• The resulting estimates of Soviet GNP in 1982 dollars are converted to current prices using the US GNP implicit price deflator.  
 • All figures shown for 1990 are preliminary and subject to greater uncertainty than usual. The estimated decline of -2.4 percent in total GNP and all figures for individual components of GNP are based on the routine application of standard CIA estimating methods. Corrections for two measurement problems that worsened sharply in 1990 would change the decline in total GNP to about -4 to -5 percent, but we do not have enough data to estimate corrections for the components of GNP.  
 The first measurement problem is that we estimate year-to-year changes in GNP from data on gross output (the total value of output in a given sector), while the standard definition of GNP includes only the value added by primary inputs of labor and capital. We believe that this simplification usually does not lead to substantial errors in our estimates, but, given the breakdown in transportation and distribution that occurred in 1990, when materials were tied up in freight cars and warehouses, value added almost certainly fell more than total output. Data reported by an official of the Soviet State Planning Committee suggest that a rough correction for this problem might lower our estimate of the change in 1990 GNP by 1 or 2 percentage points. Second, we use Soviet data on ruble values of output in supposedly constant prices to calculate the change in some components of GNP. Almost all Western experts believe that these data overstate output growth—and understate inflation—because new products are introduced at prices that include overly generous allowances for improvements in quality that are often illusory. We believe that these data have not had a severe impact on our estimates in the past, but price controls weakened seriously in 1990, and inflation

accelerated sharply. Our estimate of the change in GNP might be reduced by roughly one-half of a percentage point on this count.  
 The above corrections for overestimation might be partly offset, however, by an adjustment for underreporting of output in physical units. In the past production managers had incentives to overstate the output they reported to the statistical authorities because a considerable share of their incomes—and that of their workers—depended on reported output. Incentives for underreporting may have increased in 1990, partly because acute shortages made barter deals between factories more attractive than deliveries to the central supply system. Unfortunately, the impact of such a change in reporting cannot be quantified at this time.  
 † GNP estimates for Hungary, Poland, and Yugoslavia are based on benchmark figures for 1985, in 1985 dollars, in the European Comparison Programme's *International Comparison of Gross Domestic Product in Europe—1985*, New York 1988, and the OECD report *Purchasing Power Parities and Real Expenditures—1985*, Paris 1987. GNP indexes in constant domestic currencies derived from official data were combined with the 1985 benchmarks to yield time series in 1985 dollars. The US GNP deflator was then applied to the series to convert 1985 dollars to 1990 dollars. For Bulgaria, Czechoslovakia, and Romania, 1970 benchmarks were shifted to 1985 in proportion to the geometric mean of the benchmark shifts for Hungary, Poland, and Yugoslavia. The US GNP deflator was again applied to move these series to 1990 dollars. The 1970 benchmarks were taken from *UN Economic Bulletin for Europe*, vol. 31, no. 2, 1980.  
 • Data were converted from domestic currencies by using current market exchange rates.

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**U.S. Government Officials Briefed by  
AmCham in Seoul during 1990**

Richard Solomon, Assistant Secretary of State  
 Robert Fauver, Deputy Assistant Secretary of State  
 Desaix Andersen, Deputy Assistant Secretary of State  
 Richard Johnston, Deputy Assistant Secretary of Commerce  
 Janet Steiger, Chairman, Federal Trade Commission  
 Ambassador Donald P. Gregg  
 Sandra Kristoff, Assistant U.S. Trade Representative  
 Nancy Adams, Deputy Assistant U.S. Trade Representative  
 Sen. Richard Lugar, R-IN  
 Sen. Frank Murkowski, R-AK  
 Rep. David Dreier, R-CA  
 Governor Terry E. Branstad, R-IA

**U.S. Government Officials Briefed during the  
ACCK Doorknock, 2-4 April 1990**

Robert A. Mosbacher, Secretary of Commerce  
 Wayne Berman, Counsellor to the Secretary of Commerce  
 Eugene McAllister, Assistant Secretary of State  
 John J. Easton, Jr., Assistant Secretary of Energy  
 Michael P. Skarzynski, Assistant Secretary of Commerce  
 Thomas J. Duesterberg, Assistant Secretary of Commerce  
 John Shaw, Deputy Assistant Secretary of Commerce  
 William F. Rope, Deputy Assistant Secretary of State  
 Robert Bestani, Deputy Assistant Secretary of the Treasury  
 Carl Jackson, Special Assistant to the President, NSC  
 Sandra Kristoff, Assistant U.S. Trade Representative  
 Nancy Adams, Deputy Assistant U.S. Trade Representative  
 Sen. Robert Dole, R-KS  
 Sen. Mitch McConnell, R-KY  
 Sen. Frank Murkowski, R-AK  
 Sen. Steve Symms, R-ID  
 Rep. Robert J Lagomarsino, R-CA  
 Rep. Carlos Moorhead, R-CA

**AmCham-Korea Officers, 1990**

**Executive Committee**

Jeffrey W. Baus	Roger W. Peck
Robert J. Gregory*	Russell C. Proctor*
Jeffrey D. Jones	James H. Riddle*
Richard M. Lieber	Robert J. Selder
Donald A. Myers	James W. Booth

\*Denotes past/present AmCham-Korea President

**Board of Governors**

Martin H. Cohen	R. Allen Patrick
John S. Dolson	David I. Shackleton
William L. Frizzell	J. Robert Spiller
Larry L. Greenwald	Marion Spina
James E. Gregory	William K. Spruce
Arthur J. Hocevar	Hugh J. Terreri
R. Bick Lesser	Richard C. Warmington

**The American  
Chamber of Commerce  
in Korea**



**The President's Report  
1990**

**January 1991**

## Highlights of 1990

If publicity is a measure of effectiveness, then, by all accounts, 1990 was an unusually productive year for the American Chamber of Commerce in Korea! In reality, however, the true gauge of our effectiveness is always measured by assessing the extent to which AmCham continues to do what it has historically done best: being responsive to the needs of its members by providing them with information and the opportunity to exchange views on matters critical to them.

By this measure, we believe 1990 was a successful year: the Chemical Sub-Committee, focusing on environmental and safety issues, achieved full standing committee status; a Small Business Committee was launched to address the needs and problems of one of our larger, but under-represented constituencies; and a Consumer Relations Committee was established to advise on how best to dispel the misconceptions that surround imported goods in Korea.

The AmCham office was renovated to become a more effective and pleasant working environment. A multi-year office automation project was commenced to ensure that our staff can keep pace with the increasing demands that continue to be put upon them by our growing membership and our increasing number of activities.

AmCham-Korea continues to enjoy access to senior U.S. Government officials, with briefing breakfasts held for Senators Richard Lugar and Frank Murkowski, Assistant Secretary of State Richard Solomon, and Assistant U.S. Trade Representative Sandra Kristoff, among others. These briefings provide a valuable opportunity to present the Chamber's views on U.S.-Korea trade issues to policy making officials. Our objective is to be a major positive force in U.S.-Korea trade policy and it is gratifying that these individuals continue to seek out AmCham-Korea's views in this vital area.

## Business issues

The Korean economy enjoyed a strong 9 percent economic growth rate during 1990, despite the hangover of 1989's rapid increase in wages, labor unrest, and quality control problems. This growth was not driven by exports, but by domestic consumption and construction, a trend which Korean policy makers believed to be "unhealthy." Exports staggered along with an increase rate of 3.3 percent, while imports grew at a healthy 10.4 percent clip. The trade balance dipped into the "red" by \$5.0 billion and the slowdown in exports fostered a crisis mentality within the Korean Government, resulting in a complete turnover of the economic ministerial team in March — and a deteriorating business climate for foreign companies. According to the U.S. Department of Commerce, Korea's trade surplus with the United States fell by one-third, to about \$4.5 billion.

The Chamber believes that Korea's loss of economic competitiveness is due to the flow-through effect of the rapid, almost uncontrolled, wage rate increases and labor unrest that took place in 1988 and 1989. These factors had a severe impact on productivity, which affected export pricing and the quality of export goods. Greater wage restraint in 1990 is to be applauded,

but the substantial increases in the cost of living do not bode well for labor negotiations in 1991. These higher production costs are exacerbated by the continuing high cost of and difficulty in obtaining investment capital. Nevertheless, AmCham-Korea is encouraged by the Korean Government's efforts to control wage rate increases and promote productivity and believes that Korea will emerge stronger from this economic travail.

**Credit Availability:** American companies depend upon their U.S. banking relationships to assist them in securing financial resources for their overseas ventures. For foreign banks in Korea, access to local currency has been through "funding swaps," which the Korean Government has indicated will be phased out—with no alternative sources of local currency in the offing. The dwindling availability of local currency makes it more difficult for foreign banks to support American companies in Korea. This lack of credit availability is probably the single greatest impediment for new firms entering Korea and for existing firms trying to expand their business activities.

As foreign banks seek innovative ways to provide local currency financing, the Bank of Korea has increasingly used the audit mechanism to limit their ability to do so. The central bank has been taking the position that the only allowable activities are those specifically permitted by Korean law—which is itself somewhat imprecise. We encourage the Korean Government to permit foreign banks to develop alternative funding sources, thus enabling them to support American business activities consistent with the government's own market opening measures.

**Implementation of the May 1989 Agreements:** U.S. and Korean trade negotiators concluded three major bilateral agreements in May 1989 which prevented Korea from being named to the "Super 301 Priority Watch List." These agreements covered foreign investment, import restrictions, and agricultural trade. AmCham made a concerted effort to monitor the ROK Government's implementation of these agreements. Through a survey of AmCham members early in the year, we found that the ROK Government's implementation of the accords had been good to that point. Numerous restrictions on foreign investment were lifted, such as performance requirements, and imports of several of the agricultural products liberalized under the agricultural agreement showed notable increases.

A few problems do remain on implementation, however. Several of the products liberalized under the agricultural agreement remain unimportable due to controversial food safety and quarantine regulations. Also, regulations on testing and standards for pharmaceuticals are still not in line with those agreed to under the accord on import restrictions.

## APCAC

Six of our members went to Jakarta in April and four went to Singapore in October for the 43rd and 44th semi-annual meetings of the Asia-Pacific Council of American Chambers of Commerce (APCAC). Both conferences resulted in the adoption of resolutions on business issues that are of common interest to all AmChams in the region. But discussions also focused

heavily on the mission of APCAC itself. The U.S. Agency for International Development (USAID) had sponsored a study that examined the potential role the organization might be able to play in the areas of trade promotion and increased lobbying. At the Singapore conference, however, the delegates decided that before a more ambitious agenda can be undertaken efforts should be focused on streamlining APCAC's current operations and making APCAC's annual Washington Doorknock more effective. The 46th semi-annual APCAC meeting will take place in Seoul during October 1991. All AmCham-Korea members are welcome to assist in the preparations.

### AmCham-ROK Government Conferences

Two conferences, one in Pusan and the other in Seoul, were held with ROK Government officials. Initiated in 1988 at the request of the ROK Government, these informal conferences are held to discuss – and to find solutions to – problems confronting U.S. companies doing business in Korea. While the November conference in Seoul was noted for a very unfortunate spate of misleading and incorrect media reports, these conferences have proven to be a valuable forum for exchanging views and resolving problems and, thus, are beneficial to the participants from both sides. It is our intention to continue to hold these conferences again in 1991 in the same informal atmosphere that has prevailed at all but the November meeting.

### Events/New Programs

AmCham's social calendar was quite full in 1990. The year started out with the Inaugural Ball, at which the year's new officers and Governors were inaugurated. A new formal affair, "Monte Carlo Night," followed in May, at which we raised over \$3,000 for charity. We also had two new members' receptions and our annual Labor Day Picnic. The U.S. Embassy in Seoul sponsored a "Know Your Embassy Day" for our members, which was followed by a reception at the Ambassador's Residence.

At the request of Deputy Secretary of State Lawrence Eagleburger, we surveyed our members on the performance of the U.S. Embassy in Seoul in support of U.S. business interests in Korea. While the Chamber's Board of Governors works very closely with the Embassy and holds monthly meetings with Ambassador Gregg, it was clear from the survey results that many AmCham members are unaware of how much the Embassy can and does do. As a result, we have instituted a new program with the Embassy through which small groups of AmCham members can meet with the Ambassador. The first of these meetings was held in September, and it was beneficial to all participants. We hope to schedule such meetings quarterly. The Embassy also prepared an article for the August issue of *The AmCham-Korea Journal* which details how each of the Embassy's sections can help American business.

### Community Service Fund

This was the second year of operations for AmCham's Community Service Fund (CSF). Through the CSF, AmCham

members donate funds to worthy causes in the Korean community and to programs that directly support AmCham members' families. Sixty-five of our 358 company member contributed a total of almost 26 million won to the fund this year. Recipients included the Bong Chong Dong Community Center, Youth Activities and Scouting programs, the Teen Center, the National Ski Patrol, and the Model UN Program.

### Publications

AmCham's publications improved significantly in 1990. Most notable were the changes in *The AmCham-Korea Journal*, which included well-researched editorials on U.S.-Korea trade issues, an open "Members' Forum," a monthly computer column, and interviews with visiting U.S. congressmen. The lay-out and appearance of the *Journal* also improved with desktop publishing and topical cover photos.

In addition to publishing our annual *Wage and Salary Survey*, *Cost of Living Survey*, and *U.S.-Korea Trade Issues*, we also published a *Telecommunications Survey*, and various position papers. Two of our booklets, *Rules of the Game* and *Pillars of Protectionism in Korea*, attracted a wide readership among U.S. and Korean Government officials.

### The Budget

While AmCham-Korea revenues exceeded expenses again this year, the expenses incurred for the office renovation and office automation projects required us to invade the Chamber's cash reserves. Your Board of Governors carefully reviewed the current and projected financial position of the Chamber through a Five Year Budget forecast prepared by the Treasurer and Executive Vice President. The objective of this study was to determine an appropriate dues basis on which to go forward to ensure that AmCham-Korea's economic viability remains intact and its ability to serve its members remains unimpaired. The conclusion of the study was that a modest dues increase, to take effect in 1991, was essential to achieve those goals.

### Summary

The Chamber continues to maintain a close working relationship with the U.S. Embassy and enjoys the strong support of Ambassador Gregg and the Embassy staff who are stalwart in their support of American business in Korea.

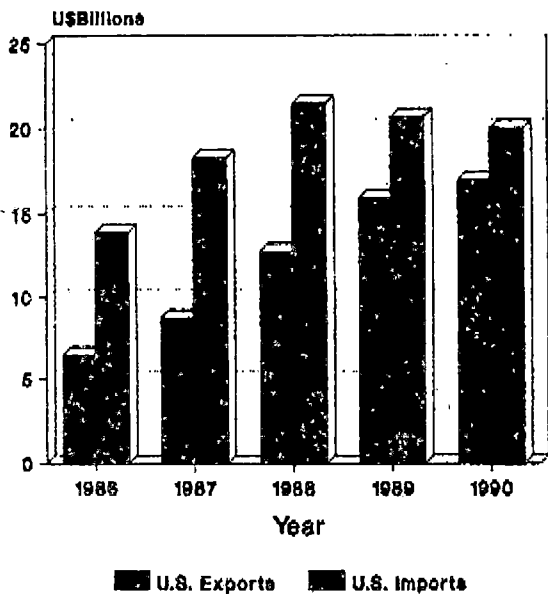
That AmCham-Korea is recognized as a very effective organization is thanks largely to the outstanding support of its members and the willingness of many of those same members to contribute substantially of their time and effort to make the organization work. On behalf of the Executive Committee and the Board of Governors, I would like to express our appreciation to each and every one of you.

Sincerely,



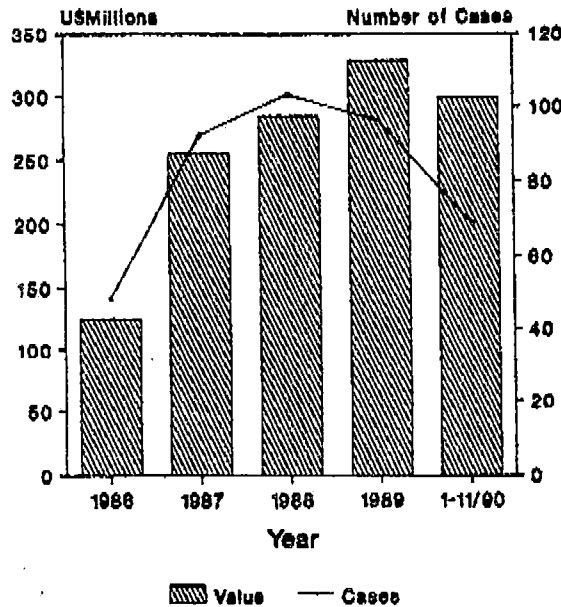
Robert J. Gregory

### U.S.-Korea Trade 1986-90



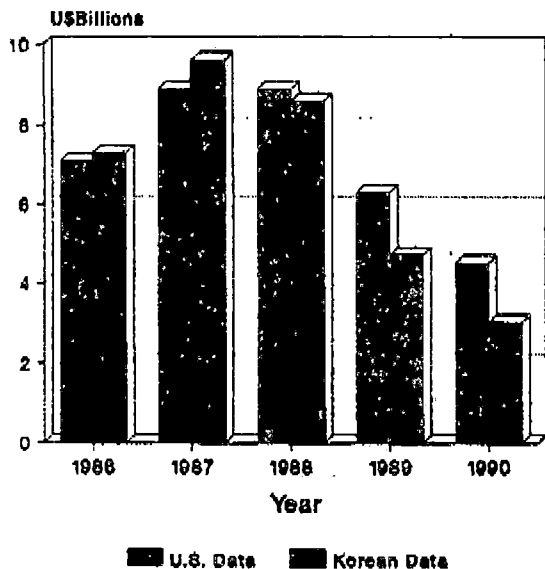
Source: Korea Foreign Trade Association

### U.S. Direct Investment in Korea 1986-90



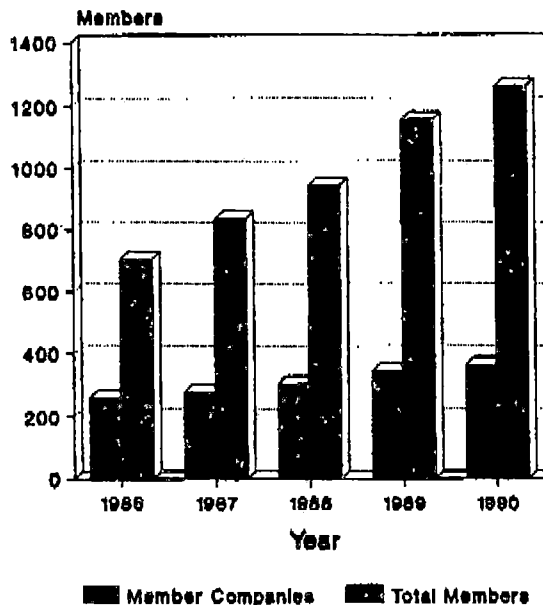
Source: Ministry of Finance

### U.S. Trade Deficit with Korea By Data Source



Sources: KCA, U.S. Dept. of Commerce  
Note: KCA values imports at CIF, exports at FOB

### AmCham-Korea Membership 1986-90



## AMCHAM-KOREA COMMITTEE CO-CHAIRS

**Automotive:** William B. Wilcox  
C.J. Gidea

**Buying/Purchasing:** John O. Raymer  
J. Mark Southard

**Changwon:** Chrls E. Cofer

**Chemical:** Alan D. Kornfeld  
Ulrich Hartig

**Community Services:** Marvin J. Winship

Community Service Fund Sub-Comm: Arthur J. Hocevar

**Consumer Relations:** Martin Cohen

**Financial Services:** William L. Frizzell  
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Banking Sub-Comm: Paul S. Muther  
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Insurance Sub-Comm: Barry J. Brading  
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Gary B. Sullivan

**Manufacturing:** D.J. Allan  
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**Marketing/Program:** Joanne Lee  
Peter T. Rowley  
Gerald M. Williams

**Membership:** Arthur J. Hocevar  
Tami Overby

**Military Affairs:** Bob Watson  
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**Pharmaceutical:** Russell C. Proctor  
Neville T. Pritchard

**Pusan:** William Hanson

**ROK Government:** David H. Johnson  
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**Small Business:** Dawson Barrett  
Joon Chung  
Kevin Wilson

**Taxation:** Janet Brooks  
Peter W. Lee

**Telecommunication:** J. Robert Spiller  
Stephen P. Estes

**Tourism:** Thomas P. Pinansky  
Daniel R. Thorson

**Trade:** James E. Gregory  
Peter Frederick

**Transportation:** Edward A. Gencarelli  
William J. Maid  
James F. Williams

**US Gov/APCAC:** Stanley H. Smith

# The American Chamber of Commerce in Korea



## 1991 Officers

RS



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Marion P. Spina**

**Attorney  
Kim, Chang & Lee  
Law Office**

**Governor  
J. Robert Spiller**

**V. P. & Managing Dir.  
AT&T Korea Ltd.**



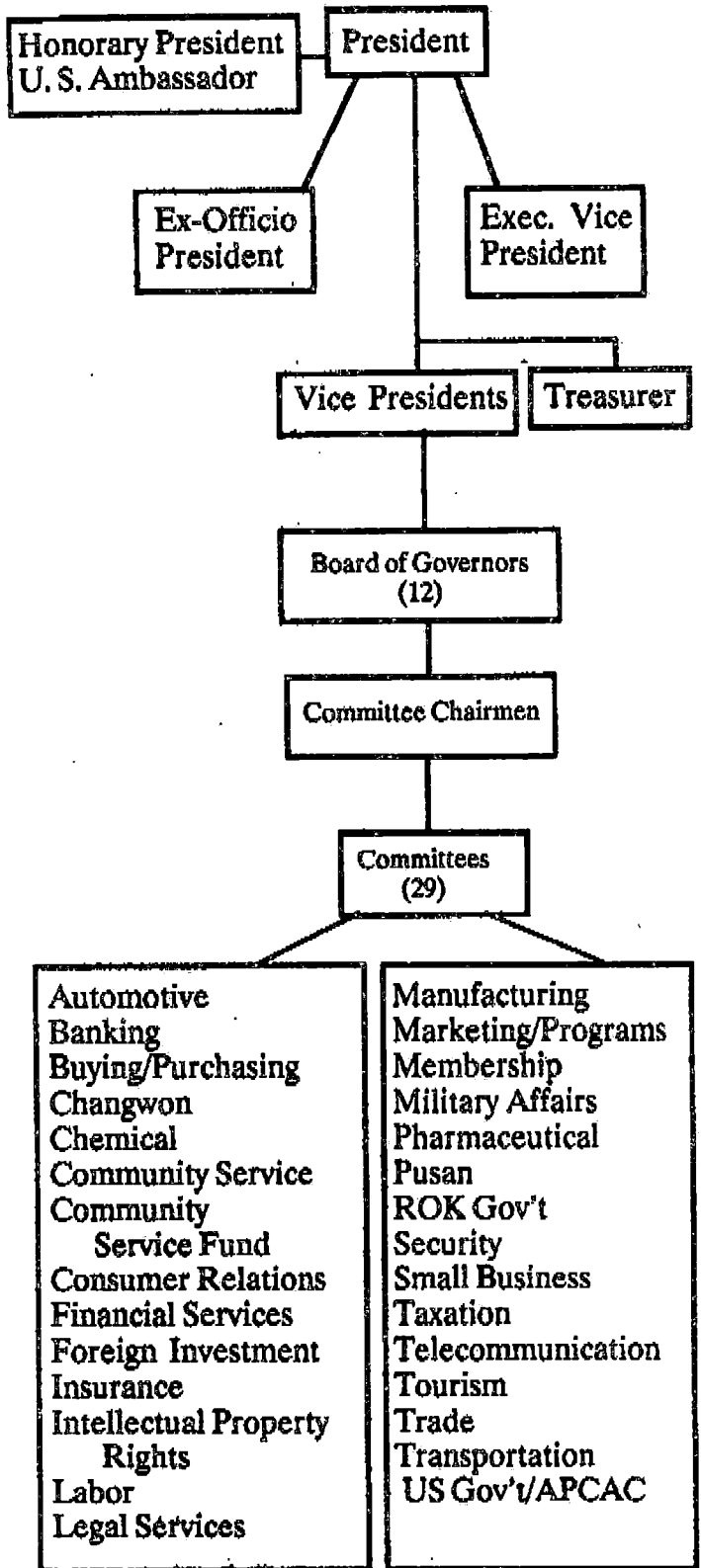
**Governor  
Hugh J. Terreri**

**V. P. & Respresentive  
Director  
Dong Suh Foods Corp.**



**Governor  
Richard C. Warmington**

**President  
Samsung Hewlett-Packard**



# AmCham's 1991 R Executive Committee



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**Robert J. Gregory**

**Resident Director**  
**Honam Oil Refinery**  
**Company, Ltd.**



**Vice President**  
**Jeffrey D. Jones**

**Attorney**  
**Kim & Chang**

**Ex-Officio President**  
**Russell C. Proctor III**

**General Manager**  
**Eli Lilly Asia Inc.**



**Vice President**  
**Donald A. Myers**

**Vice President**  
**Boeing International**  
**Corporation**



**Ex-Officio President**  
**James H. Riddle**

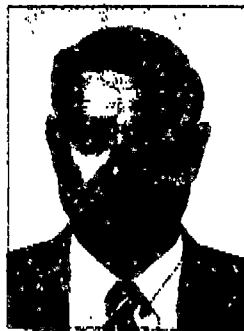
**Vice President**  
**Teledyne**



**Vice President**  
**Larry Greenwald**

**Attorney**  
**Kim, Shin & Yu**  
**Law Offices**

**Executive Vice President**  
**James W. Booth**



**Treasurer**  
**Jeffrey W. Baus**

**Partner**  
**Price Waterhouse/**  
**Seiwha Accounting Corp.**



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/bs1/303/team3/foreignaff/3184/baker

~~James A. Baker, III~~  
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Richard  
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Don

OCT 25 1991

FINAL  
PROOF

James A. Baker, III

AMERICA IN ASIA:  
EMERGING ARCHITECTURE FOR  
A PACIFIC COMMUNITY

Copy for  
Tony

**I**n Asia as in Europe we are in the midst of the first transformation of the international system this century that is not the direct result of global conflagration. This rare moment presents us with new possibilities for reshaping international relationships in Asia to meet the challenges of the post-Cold War world.

President Bush's trip to East Asia marks a point in time when disparate historical lines are intersecting: the commemoration of the fiftieth anniversary of the attack on Pearl Harbor; the end of the U.S.-Soviet confrontation; and the prospect of laying to rest the Vietnam War era. The end of 1991 should see the closing off of several tragic, defining episodes of the American experience in Asia and open a new chapter of U.S. engagement in the region as we approach the 21st century.

I have presented elsewhere the administration's ideas about the new post-Cold War architecture of the Euro-Atlantic community.<sup>1</sup> But America's destiny lies no less across the Pacific than the Atlantic. We have fought three major wars over the past half-century in the Asia-Pacific theater. U.S. economic involvement and defense commitments in the region have been—and remain—defining realities. We also have large and growing interests in the human and material development of the region, as well as in its security. Our success in forging a new international system will require sustained engagement in this diverse and dynamic part of the world, just as it does in Europe and the Americas.

The global trends that are reshaping Europe and the Soviet Union have also been at work in the Asia-Pacific region: the

<sup>1</sup>See James A. Baker, III, "A New Europe, A New Atlanticism: Architecture for a New Era," speech to the Berlin Press Club, Dec. 12, 1989; and "The Euro-Atlantic Architecture: From West to East," speech to the Aspen Institute, Berlin, Germany, June 18, 1991.

## 2 FOREIGN AFFAIRS

bankruptcy of communism as an economic and political system; a movement toward democracy and market-oriented economics; global economic integration of markets for trade, capital and information; and the emerging recognition that transnational challenges in such areas as narcotics, the environment and migration are important components of a comprehensive approach to security. At the same time the dark countertrends that President Bush pointed to in his September 1991 speech to the U.N. General Assembly are also evident in Asia: the reemergence of ethnic rivalries, nationalist aspirations and territorial or political disputes which were suppressed during the Cold War years.

### II

These global factors for change are playing themselves out in Asia amid the region's particular historical, cultural and political circumstances. In contrast to central and eastern Europe and the U.S.S.R., where change has been driven by the failure of a system of political economy, much of the ferment in Asia is a product of the region's unique and dramatic economic success. Barely twenty years ago East Asia was engulfed in war and great-power confrontation, burdened with poverty and challenged by insurgent communist movements. Our trade with the region in the early 1970s was less than that with Latin America.

But the subsequent two decades brought unrivaled progress. Throughout the 1980s East Asia led the world in the innovations of a new economic age. Japan emerged as an economic superpower. New industrial economies of South Korea, Taiwan, Hong Kong and Singapore achieved rapid high-technology growth. China opened economically. And the Philippines, Korea and Taiwan each took strides toward democracy. As a result the combined economies of East Asia are now roughly equal in size to that of the United States.

International political developments have also contributed to a more positive environment. These include the Sino-Soviet rapprochement, the opening of Soviet relations with the Republic of Korea, the admission to the United Nations of both Korean states, the birth of a democratic Mongolia and a political resolution of the Cambodia conflict based on a U.N. settlement plan. The latter, if realized, will bring a new era of peace to Indochina.

## AMERICA IN ASIA 3

For all the region's progress, however, some legacies of the past could impede a promising future. The heavily armed standoff on the Korean peninsula is still one of the world's most dangerous flashpoints, a confrontation now intensified by the ominous threat of nuclear proliferation. In Burma the tyranny of a brutal military dictatorship endures, despite the clear expression of popular will in the elections of 1990 for civilian democratic government. China, along with the other residual communist regimes in Asia, continues to resist democratic political reform. And despite President Gorbachev's historic visit to Tokyo last April, the dispute over Japan's Northern Territories remains an impediment to a major improvement in Soviet-Japanese relations.

These Asian realities—the elements of a promising future and the difficult remnants of times past—now shape the challenges before us. The successes of our policies and those of our friends in the region mean that many of our partners have also become robust economic competitors. Allies such as Japan, South Korea and Australia have become important political and economic players in the emerging international system.

Given the challenges and opportunities we now face in Asia, a viable architecture for a stable and prosperous Pacific community needs to be founded on three pillars. First, we need a framework for economic integration that will support an open global trading system in order to sustain the region's economic dynamism and avoid regional economic fragmentation. Second, we must foster the trend toward democratization so as to deepen the shared values that will reinforce a sense of community, enhance economic vitality and minimize prospects for dictatorial adventures. Third, we need to define a renewed defense structure for the Asia-Pacific theater that reflects the region's diverse security concerns and mitigates intra-regional fears and suspicions—a prerequisite for maintaining the stability required for continuing economic and political progress.

### III

In formulating American policy toward the Asia-Pacific region, we should recognize our historical and continuing interests. Since 1784, when the merchant ship *Empress of China* sailed for Canton from New York, the United States has consistently pursued an open door approach to the Asia-Pacific region. Our interest has resided in maintaining com-

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mercial access and preventing the rise of any single hegemonic power or coalition hostile to the United States and its allies and friends. In today's world a shared focus and the development of an active partnership among the nations of the Pacific Rim are essential to the success of the emerging global system.

The Asia-Pacific region is now America's largest trading partner. America's trans-Pacific commerce is now more than \$300 billion in annual two-way trade—nearly one-third larger than that across the Atlantic. The United States exports more to Thailand than to the Soviet Union, more to Indonesia than to central and eastern Europe and more to Singapore than to Spain or Italy. Moreover, U.S. firms have invested more than \$61 billion in the region, with over \$95 billion of Asian investments in the United States.

Our closest bond to Asia is the growing number of Asian-Americans, some seven million strong, who are America's fastest growing group of immigrants. There are more Laotians today in the United States than in the Laotian capital of Vientiane; more Filipinos in California than in Cebu. These people, along with hundreds of thousands of other Asian-Americans—Chinese, Japanese, Vietnamese, Cambodians, Koreans, Thai and Samoans among them—enrich our society, strengthen our engagement with the region and give us a growing mutuality of interests in an emerging Asia-Pacific community.

What has fostered stability and secured economic dynamism in East Asia for the past four decades is a loose network of bilateral alliances with the United States at its core. Our military presence, our commitment, our reassurance has constituted the balancing wheel of an informal, yet highly effective, security structure that emerged after World War II and endured throughout the Cold War years.

To visualize the architecture of U.S. engagement in the region, imagine a fan spread wide, with its base in North America and radiating west across the Pacific. The central support is the U.S.-Japan alliance, the key connection for the security structure and the new Pacific partnership we are seeking. To the north, one spoke represents our alliance with the Republic of Korea. To the south, others extend to our treaty allies—the Association of Southeast Asian (ASEAN) countries of the Philippines and Thailand. Further south a spoke extends to Australia—an important, staunch economic, political and security partner. Connecting these spokes is the fabric

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of shared economic interests now given form by the Asia-Pacific Economic Cooperation (APEC) process. Within this construct, new political and economic relationships offer additional support for a system of cooperative action by groups of Pacific nations to address both residual problems and emerging challenges.

This system has been successful precisely because its flexibility has respected the vast geographic expanse, political and cultural diversity, as well as the geopolitical realities of East Asia and the Pacific. Unlike Europe there has been no single threat commonly perceived throughout the region. Instead, there is a multiplicity of security concerns that differ from country to country and within the subregions of this vast area.

Today the overlay of U.S.-Soviet competition has been removed from Asia, so the enduring diversity of regional interests and security concerns stand out with even greater clarity. What was a secondary aspect of our Cold War-era security presence is becoming the primary rationale for our defense engagement in the region: to provide geopolitical balance, to be an honest broker, to reassure against uncertainty.

Our forward-deployed military presence and bilateral defense ties to Japan, South Korea, the allies within ASEAN and Australia are widely accepted as the foundation of Asia's security structure. Yet in the post-Cold War world, the enhanced capabilities of our allies and friends—and new security challenges—require adjustments in our force structure, defense activities and in the means of sustaining regional stability.

Asian security increasingly is derived from a flexible, ad hoc set of political and defense interactions. Multilateral approaches to security are slowly emerging. As we have seen in the Cambodian peace process, the combined efforts of the ASEAN countries, Japan, Australia and the U.N. Security Council's Permanent Five have tailor-made a conflict-resolution process. A semiofficial forum on the contested islands of the South China Sea, hosted recently by Indonesia, also reflects such an ad hoc, multilateral approach. Guaranteeing stability on the Korean peninsula may increasingly assume a multilateral form—a solution suited to the character of the problem. At this stage of a new era we should be attentive to the possibilities for such multilateral action without locking our-

## 6 FOREIGN AFFAIRS

selves in to an overly structured approach. In the Asia-Pacific community, form should follow function.

### IV

While Asian security concerns have a diverse, decentralized character, burgeoning intra- and trans-Pacific trade and investment provide areas of broad common interest. Commerce offers the most natural approach to fostering greater regional cohesion. This is why the United States and 11 other Pacific basin economies came together two years ago to initiate the APEC process. We see APEC as an important mechanism for sustaining market-oriented growth, for advancing global and regional trade liberalization and for meeting the new challenges of interdependence. The APEC agenda is expansive. It includes, for example, assessment of regional needs in telecommunications, human resource development, energy, trade and investment, marine resources and tourism, among others.

APEC is as much the hallmark of American engagement in the region as are U.S. security ties. Indeed, one could draw a 21st-century Pacific analogy from a nineteenth-century experience: the development of the American continent. As the pattern of expansion and influence in the American West was determined by the location of telegraph lines and railroads, so the infrastructural links we are building across the Pacific in areas such as telecommunications and transportation will shape the economic and political character of the region and our ties to it.

With the anticipated addition to APEC's membership of China, Hong Kong and Taiwan at November's third ministerial meeting in Seoul, APEC's potential as a major trans-Pacific forum is becoming a reality. The efforts of APEC's ten working groups are laying a solid foundation of economic cooperation on a broad range of issues.<sup>2</sup> APEC is ready to emerge as a key forum that can forge the greater sense of Asia-Pacific community needed to meet the challenges of the post-Cold War world.

Let me also leave no doubt about what APEC is not: it is not a regional economic bloc. To the contrary, it is a product

<sup>2</sup>APEC's ten working groups are: trade promotion, expansion of investment and technology transfers, human resource development, regional energy cooperation, marine resource conservation, telecommunications, transportation, data, tourism and fisheries. In addition APEC has begun regional trade liberalization discussions.

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of—and catalyst for—economic integration and trade liberalization. These developments will not cut off the Asia-Pacific community from the rest of the globe. In fact, by stressing the gains that have been made from open multilateral policies, and by enhancing economic efficiency, APEC should help the Pacific region contribute to a more open trading system. APEC's outlook is inclusive, not exclusive. APEC's members include a number of the great trading nations and offer excellent investment opportunities. The intent of the APEC participants is to overcome barriers and inefficiencies within the region while working for a more open global system.

Similarly, the emerging North American Free Trade Area will support both APEC and the global, multilateral systems for trade and financial flows. Unlike a customs union, NAFTA will not establish common barriers to those outside. Rather it will lower barriers among its participants—a governmental response to the accelerating economic integration already taking place among neighbors. Heightened integration and efficiency will increase the productivity of the U.S., Mexican and Canadian economies. Growth will bring expanding markets for Asian traders and investors, thus strengthening, not weakening, trans-Pacific economic links. Indeed, I believe Mexico views the NAFTA as a vehicle for better integrating its formerly autarkic economy into the global system; more efficient patterns of trade and investment with the United States and Canada will strengthen Mexico's ties with a competitive world economy, not weaken them. This view is supported by Mexico's recent membership in the Pacific Economic Cooperation Council (PECC) and its interest in participating in both APEC and the Organization for Economic Cooperation and Development.

Of course the logic of regional integration is more widely applicable. Indeed, Thailand's proposal for an ASEAN free trade area is a welcome initiative that could strengthen ASEAN and, by stimulating ASEAN growth, also reinforce U.S.-ASEAN economic relations.

The economic future of the United States depends on strong ties with all the regions of the world. As a nation generating some 24 percent of the world's GNP, we cannot operate effectively or efficiently through any other strategy. This is why the United States has demonstrated an unwavering commitment to advancing the General Agreement on Tariffs and Trade (GATT) through the Uruguay Round. It is also why

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we are seeking to complement that effort through a network of initiatives designed to reduce market barriers and support a more open, competitive and growth-oriented system. The NAFTA, the Enterprise for the Americas Initiative, the U.S.-European Community declaration, our trade enhancement initiative for the emerging central and east European democracies, our agreements with ASEAN and APEC each reflect our customized attempts to reach out to all major markets, not to exclude any of them.

Each initiative is tailored to meet special circumstances and to maintain momentum for liberalization by pressing forward simultaneously on a large number of fronts. Our logic is that gains from increasing trade and investment are not calculated according to any zero-sum formula—instead, greater competition leads to efficiencies and growth that benefit the system as a whole. This is a logic that will profit the dynamic economies of Asia, especially if they join with us to reduce barriers that threaten political support for a liberalized global trading system.

The natural partner of market-oriented economics is political pluralism. The public accountability that is the hallmark of democratic political systems is also the best check against tyranny and aggression. As the history of the past two centuries demonstrates, democratic nations rarely engage in armed conflict against each other. Not long ago some argued that democratic politics were unsuited to Asian cultures and traditions. Yet the political developments of the past decade in the Philippines, South Korea and Taiwan demonstrate that economic growth naturally tends to promote democratization.

Perhaps most remarkably, the powerful appeal of the democratic ideal is evident in Mongolia's rejection of its Leninist past and its turn to political pluralism and economic reform. Once the oldest communist government in Asia, Mongolia is the first Asian communist state to purposefully undertake the challenge of a democratic transition.

In sharp contrast, the democratic ideal has been brutally thwarted in Burma. The socialist military regime, by suppressing the results of its own 1990 election, has betrayed the people in their quest for representative government. This denial of the expressed will of the Burmese people will leave Burma mired in isolation and stagnation until the military leadership reverses its repressive policies and transfers authority to the elected civilian leaders of the country. The awarding

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of this year's Nobel Peace Prize to Aung San Suu Kyi will give the Burmese people hope that the world is not ignoring their plight.

China, Vietnam and Laos have embarked on a course of market-oriented economic reform while retaining a Leninist monopoly of political power. But economic reform can be sustained only when it is accompanied by political reform. The tragic violence at Tiananmen Square in 1989 was a reflection of the social and political pressures generated by a decade of rapid economic expansion unaccompanied by concurrent political transformation.

Democratic reform in China and Vietnam, as well as in North Korea, would have a major impact on the character of international relations in Asia. As generational change unfolds in all three of what might be called "Confucian-Leninist" societies, the interplay between economic expansion and the striving for political reform can only become more pronounced.

v

Our ability to help realize the economic and security architecture of the Asia-Pacific community we envisage will rest in no small measure on the successful management of a number of critical relationships with our allies, friends and regional groups. Our ties with Japan, South Korea, ASEAN and Australia are the stabilizing and strengthening spokes in the fan.

*U.S.-Japan Relations*

The keystone of our engagement in East Asia and the Pacific is our relationship with Japan. Nothing is more basic to the prosperity and security of the region, and indeed to the effectiveness of the post-Cold War system, than a harmonious and productive U.S.-Japan relationship.

But U.S.-Japan relations have changed profoundly over the past decade. Our dealings have become more equal, and their form and substance must now be adjusted to reflect this reality if we are to address the sources of tension. I see four basic, interrelated elements as necessary to accomplish this adjustment.

First, the foundation of our relationship—the U.S.-Japan security alliance—must be strengthened. We have been pleased with our growing security cooperation with Japan. Japan is continuing to progress toward fulfilling our agreed-

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upon division of defense roles and missions. Japan's ability to secure its air and sea lanes out to 1,000 miles from its shores, the growing interoperability and joint training of our forces—along with generous host nation support, which will increase to 73 percent of the non-salary costs for our forward-deployed forces—are a major contribution to the stability of the region. One area which requires greater cooperation, however, is the goal of a more balanced two-way flow of defense-related technology, as codified by our 1983 Memorandum of Understanding.

Second, we must work to reduce the economic tensions in our increasingly interdependent relationship. The \$140 billion in annual two-way trade, the investment and the burgeoning network of private sector linkages between the world's two largest and most technologically advanced economies underscore the importance of this aspect of our relations.

A solid, balanced economic foundation, with open markets on both sides, is needed if we are to sustain and advance our partnership—one now of truly global dimensions. This requires greater market-opening efforts by Japan, a more competitive U.S. economy and an intensification of the detailed economic dialogue we have begun in the Structural Impediments Initiative. Removing the impediments to external adjustment and building more balanced economic ties—thus creating fair opportunities for traders and investors—are essential to the new harmony we seek.

The SII talks could assume a particularly important role in this process of economic adjustment. Two nations, recognizing the extensive interconnection of their respective economies, have agreed to analyze and pursue microeconomic adjustments in order to harmonize an economic relationship vital to each other and to global economic growth. This makes the SII a microeconomic complement to the Group of Seven leading industrialized nations (G-7), which is designed to improve the coordination of macroeconomic policies among highly interdependent economies.

For its part, the United States is enhancing its competitiveness, as is evident in an 87 percent increase in its exports to Japan since 1987. This export expansion reflects, in part, Japan's removal of structural barriers to market access for goods, services and investment. But many aspects of the Japanese economy are still constricted by exclusionary business practices, to the detriment of new players in the market-

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place—both foreign and Japanese—and of the Japanese consumer. And at home we still have much work to do—from further reducing the cost of capital to American business to encouraging more aggressive marketing of U.S. products abroad—if we are to carry out our part of the *SH* equation.

Third, we must fulfill the promise of the global partnership called for by the president at the Palm Springs summit last year. As democracies and market-oriented economies that together generate nearly 40 percent of the world's GNP, the United States and Japan have the potential to marshal unrivaled resources in support of a better future—if our foreign policies are effectively coordinated. On issues from the Uruguay Round to reform in central and eastern Europe, from preserving the environment to Third World debt relief, we must engage together globally.

For the international system to work, leading powers must lead. This is the lesson we learned from our own reluctance to play an active role in world affairs in the period between the two world wars. This is why today we seek to build a global partnership with Japan—with Tokyo assuming a greater leadership role in a system from which it derives significant benefits. Our broadly convergent interests have already led us to pursue similar policies on many issues. We are committed to developing better consultative mechanisms in order to give greater synergy to our foreign policies.

Finally, we must deepen our understanding of each other's culture. Japanese youth must be introduced to more about American life and values. Fast-food, rock and rap music and Hollywood style are one image we project in the modern world, but America has much else to offer. Similarly, more Americans must gain knowledge of, and appreciation for, Japan's rich history and traditions—in particular, they should learn the Japanese language. The recently created Abe Fund offers one important opportunity to expand a host of exchanges and interactions—intellectual, scientific, cultural and people-to-people—needed to deepen our mutual appreciation and ability to work together.

### *U.S.-Korean Relations*

Another pillar of our engagement in the Pacific is our alliance with the Republic of Korea. South Korea's economic and political achievements rival those of Japan. Economically the R.O.K. has converted itself from a poor agricultural society

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devastated by the war into the world's thirteenth largest economy. Its industry is now on the cutting edge of high-tech growth. Within a generation South Korea's per-capita income has trebled. And its success in building democratic institutions and the accomplishments of *Nordpolitik* in forging new international relationships underscore the significance of our firm support for the R.O.K. over the past four decades.

South Korea's dynamism helps us meet the challenge of transforming what has been primarily a military alliance into a more equal political, defense and economic partnership. This is the logic of the U.S. force restructuring now under way, of Seoul's increased support of our defense presence there, of our economic dialogue and enhanced political consultations.

South Korea's success is all the more remarkable as it has been achieved in the face of unrelenting military and political confrontation with North Korea. Indeed the very real danger of nuclear proliferation on the Korean peninsula is now the number one threat to stability in the Asia-Pacific community.

North Korea's repeated failure to meet its international obligations under the Nuclear Nonproliferation Treaty—requiring it to implement full-scope International Atomic Energy Agency safeguards inspection of its nuclear facilities—has raised serious questions about its intentions. Widespread suspicions about a nuclear weapons program cannot enhance North Korea's security. President Bush's recent initiative in withdrawing worldwide U.S. tactical nuclear weapons renders Pyongyang's preconditions for fulfilling its NPT obligations more specious than ever.

Yet, as important as the NPT regime is, we have seen in the case of Iraq that even IAEA safeguards cannot ensure that a maverick regime will not seek to acquire a nuclear weapons capability. The only firm assurance against nuclear proliferation in Korea is a credible agreement by both Seoul and Pyongyang to abstain from the production or acquisition of any weapons-grade nuclear material on the Korean peninsula.

The key to reducing tensions on the peninsula—and ultimately to the reunification of Korea—is an active North-South dialogue. The Koreans themselves must traverse the road to peace and reunification. President Roh Tae Woo's initiatives to advance the free flow of trade, people and communications between North and South are important steps in this direction. For real progress to occur, a climate of trust and confidence must be established. The recent admission of both Koreas to

1990 figures  
CIA Statistical  
Handbook

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the United Nations and the ongoing prime ministerial talks are hopeful signs that the last glacier of the Cold War in Asia is at last beginning to melt. For our part, we are prepared to enhance our dealings with Pyongyang as the Democratic People's Republic meets its responsibilities as a global citizen.

There is potential for European-style confidence-building measures and, ultimately, Conventional-Forces-in-Europe-type arms reduction on the Korean peninsula. As in Europe, large and heavily armed ground forces confront each other across a clearly demarcated demilitarized zone. Korea is a place in East Asia where arms control initiatives seem particularly timely.

The process of reconciliation and, eventually, reunification on the Korean peninsula need to be based on Korean initiatives; yet the four major powers—the United States, Soviet Union, China and Japan—have important interests that intersect there. As the North-South dialogue progresses, we will explore the possibilities for a ~~forum~~ *formula* for the two Koreas and the four major powers in Northeast Asia that will support the dialogue, help in the easing of tensions, facilitate discussion of common security concerns and possibly guarantee outcomes negotiated between the two Koreas.

### *U.S.-Southeast Asian Relations*

Our relations with the countries of the Association of Southeast Asian Nations are at the core of our engagement in this dynamic subregion. Over the last fifteen years, we have built an impressive structure of economic, political and security cooperation with our ASEAN colleagues. Indeed, just fifteen years ago many feared that countries such as Thailand, Malaysia and Indonesia would become "dominoes" in a communist assault on Southeast Asia. Today the talented, industrious people and market-oriented economies of the ASEAN states are setting global standards for development.

ASEAN today is America's fifth largest trading partner, rivaling U.S. commerce with Germany; and America is ASEAN's largest export market. ASEAN was a leader in launching the Uruguay Round of the GATT, and we look to ASEAN for support in successfully completing the current negotiations. We have worked hard to keep ASEAN at the core of our efforts at regional economic integration, and we will continue to do so.

In the political realm a decade of cooperative efforts with ASEAN has led to the successful conclusion of a comprehensive

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agreement to end the conflict in Cambodia. In the wake of the Paris Conference we look to the building—under U.N. auspices—of a just and durable peace in Cambodia. This should make possible a new era in Southeast Asia, including the integration of Cambodia, Vietnam and Laos into the mainstream of the region.

The culmination of the Cambodian peace process—free and fair elections, the installation of a legitimate government in Phnom Penh, along with substantial resolution of our POW/MIA concerns—will finally provide a durable basis for the United States to normalize relations with Vietnam, Cambodia and Laos.

Two of ASEAN's members, the Philippines and Thailand, are also bilateral treaty allies. Today there is much uncertainty about the future of our military presence in the Philippines. I want to emphasize two points in this regard: our overriding concern is to sustain good relations with a democratic and economically resurgent Philippines. And second, regardless of the future of our military presence at Subic Bay, our security engagement in Southeast Asia will remain undiminished, even if realized through other arrangements.

We are exploring ways to enhance defense cooperation with our friends throughout the subregion in order to sustain an adequate security presence on a more diversified basis. The base-access agreement reached earlier this year with Singapore is a reflection of our commitment to sustaining a defense capability in Southeast Asia—as well as of the region's widespread desire for an active U.S. security presence.

### *U.S. Australian Relations*

Australia is the southernmost spoke in the fan I described earlier, serving as the southern anchor for our links across the Pacific. Moreover, Australia is a bridge between Southeast Asia and the South Pacific island states. Canberra's activism in both global and regional affairs—from efforts to rid the world of chemical weapons to elimination of agricultural subsidies via the Cairns group in the GATT—demonstrates its importance as an ally. In its contributions to the Cambodian peace process, and in its role of honest broker and catalyst for development in the South Pacific, Australia plays a vital part in regional affairs.

In addition, Canberra has been an important bridge to New Zealand, as we have sought to encourage policy changes in Wellington that will make possible a reactivation of the ANZUS

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alliance. President Bush's nuclear disarmament initiative has created a favorable context that we hope will elicit a positive response from New Zealand.

### *China*

The tragic violence at Tiananmen Square in the summer of 1989 shattered the bipartisan consensus in the United States—carefully constructed over two decades by five administrations—for engagement with China. Rebuilding that consensus is in our national interest, but it is proving to be a daunting task.

Looking back over more than 150 years of American contacts with China—since the time of the first missionaries and traders—our views of China have oscillated between extremes of fascination and confrontation. Indeed the influence of the missionary experience in China—evident in the work of novelists, scholars and diplomats—has shaped our romantic perception of this land and its people. We have admired China's exotic culture and its hard-working and long-suffering people.

When the Chinese seemed to adopt our principles—either religious or secular—we enthusiastically welcomed them into the fold. But when periodic upheavals led to disappointment and frequently bloodshed, Americans felt the anger of rejection—of a conversion that failed.

Even in recent years, no foreign event seemed to capture the American public's interest and excitement more than the effort in the 1980s to reform China's Soviet-style economy and to open up the country to the modern world. And then, overnight, our hopes for a new, democratic China turned to revulsion at the sight of tanks crushing unarmed students. The subsequent advance of political reform in the Soviet Union has made China's setback all the more poignant.

We cannot forget those who were halted by a backlash of fear, but we will not help the eventual success of their cause by again turning our backs on China. The pendulum of U.S. relations with China must stop its sharp swings. China is home for almost a quarter of mankind. We cannot simply wish away their problems.

That is why President Bush has pursued a policy of engagement toward the People's Republic. We can eventually solve our problems with China only if we maintain the ability to make our case to the Chinese. Our agenda is open for all, Chinese and American, to see. We want to protect human

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rights and advance liberty. We want to counter the threat of nuclear and missile proliferation. We want free and fair trade that benefits both countries and the region.

Our ideals and values must be an essential part of our engagement with China. We will fight against political repression and religious persecution. Yet political liberty is not easily or long separated from economic freedom. As President Bush pointed out at Yale University in June, no nation has yet discovered a way to import the world's goods and services while stopping foreign ideas at the border. It is in our interest that the next generation in China be engaged by the Information Age, not isolated from global trends shaping the future.

That is why we believe it is important to maintain China's most-favored-nation trading status. MFN has been a critical catalyst in the growth of our bilateral ties and in the overall expansion of China's foreign trade during the 1980s to more than \$100 billion annually. MFN has also facilitated development of a large market-oriented sector—in Guangdong province it now exceeds the state sector. This engagement has led to the integration of China's coastal provinces with Hong Kong, Taiwan and the global economy.

Of course, if China is to become fully drawn into the world economic system it must further deregulate its economy, adopt the transparency needed to enter the GATT and protect foreign intellectual property rights. Resolving these issues—and additional ones on our bilateral economic agenda, such as market access and the export of prison-labor products—can only be pursued through a policy of active engagement.

Finally, China's international role spans a growing range of global and regional issues affecting our interests: from concerns about missile and nuclear proliferation, to cooperation in the gulf crisis, to resolving regional conflicts. This underscores the need for sustained engagement with China on issues of common concern. Our recent experiences in working with Beijing on the Cambodian peace process and in reducing tensions on the Korean peninsula suggest that our engagement can produce results.

In sum we need to recognize that China is in a time of transition. An anachronistic regime has alienated us by lashing out, by seeking to repress an irrepressible spirit. A return to hostile confrontation will not help the people of China nor serve our national interests. The only sensible course is to move ahead with our agenda, secure improvements where

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possible and create the context for managing the change that will come some day.

*The U.S.S.R. in Asia*

Any discussions of the future of the Asia-Pacific region would be incomplete without mention of the Soviet Union and Russia, which have interests in Asia as well as in Europe. Increasingly we see the Russian Republic taking a more active role in the Asia-Pacific region. And despite the turmoil in the U.S.S.R, Moscow has been playing an increasingly positive role in the region. Soviet cooperation on Cambodia and in the Persian Gulf, as well as the normalization of relations with South Korea, illustrate the potential for new forms of cooperation on Asian issues between Washington and Moscow.

Yet Soviet forces in the Far East still remain large, and market reforms that are the prerequisite for participation in the Asian economic miracle have yet to be implemented in the Soviet Union. No nation that spends 20 percent or more of its GNP on the military can expect to compete economically in the dynamic Asian region.

We welcome the growing interest in forging new economic ties between Soviet Asia and the nations of the Pacific Rim. The opening of Vladivostok, the establishment of a free trade zone at Nakhodka and resolution of the Northern Territories issue are important steps that can pave the way for greater participation in the Asia-Pacific community. As Soviet market reforms take shape, the potential for economic exchange with the market-oriented economies of the Pacific Rim will undoubtedly grow. In this regard I am pleased to welcome Soviet membership in the semi-official Pacific Economic Cooperation Council.

VI

President Bush's trip to East Asia and the Pacific highlights our hopes for the future of this promising region. Sustaining American engagement in East Asia and the Pacific is vital to U.S. interests—not just in the region, but to the international system we are trying to forge. Our defense commitments remain at the core of the Asia-Pacific security structure, but they will evolve to reflect new circumstances and partnerships based on the enhanced capabilities of our allies and friends. Supporting democratic trends and helping to shape a frame-

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work for economic integration are key policy goals which will enhance the sense of Asian-Pacific community.

Yet we cannot fully enter the future while still burdened by legacies of the Cold War era, particularly the military confrontation on the Korean peninsula and the dispute over the Northern Territories. Moving from the Korean armistice to a stable peace and advancing Soviet-Japanese bilateral ties to make possible a peace treaty would be major steps in transcending those legacies. Only when true peace comes to Cambodia, when all the states of Indochina have normal relations with the rest of the world, when Korea is unified on terms acceptable to all Koreans and when the Northern Territories are returned to Japan can we finally turn a new page in the history of the Asia-Pacific region.

For the next millennium to be one of the Pacific, a strong sense of community must emerge based on shared prosperity and common values. The agenda and architecture I have discussed here hold the promise of building that sense of community. By accommodating Asia's diversity in security, uniting around shared principles and interests, and forging the economic ties that bind the region, our vision can be realized and a new trans-Pacific partnership achieved.



5:11 pm

Jeannie -

Bob Manning (State) called

647-6603

He has the answer to your question.

CBA

assembly than in the past. In 1988, the government released several hundred political prisoners and restored the civil rights of former detainees. In 1989, the government asserted its prerogatives to maintain public stability, raising concerns over human rights issues.

The nation was stunned in January 1990 when the 3 political parties led by President Roh, Kim Young Sam, and Kim Jong Pil merged to form a new majority party, the Democratic Liberal Party (DLP). This new alliance left Kim Dae Jung and his Party for Peace and Democracy (PPD) as the primary opposition, since the tiny Democratic Party (DP) controlled just eight seats in the National Assembly. In July 1990, the DLP passed several significant bills without debate, and the PPD and the DP precipitated a legislative crisis by announcing a boycott of the national assembly. The PPD returned to the assembly in November, only after getting assurances on several issues, including greater local autonomy. In March 1990 the ROK held its first local elections in 30 years. Further local elections were planned for June 1991, and the trend toward greater democratization continued to gain momentum.

**Principal Government Officials**

- President—Roh Tae Woo
- Prime Minister—Roh Jae Bong
- Deputy Prime Minister; Chairman, Economic Planning Board—Lee Seung Yun
- Minister of Foreign Affairs—Lee Sang Ock
- Minister of National Defense—Lee Jong Ku
- Ambassador to the United States—Hyun Hong Choo
- Ambassador to the UN—Roe Chang Hee
- Speaker of the National Assembly—Park Jyun Kyu

Korea maintains an embassy in the United States at 2320 Massachusetts Avenue NW., Washington, DC 20008 (tel. 202-939-5600).

**ECONOMY**

Over the past 25 years, the Republic of Korea's economic growth has been spectacular. Despite the need to maintain a large military, South Korea, one of the world's poorest countries only a generation ago, is now the United States' seventh largest trading partner and a

middle-ranking industrial power. Lacking natural resources, Korea's greatest asset is its industrious, literate people.

The division of the Korean peninsula in 1945 created two unbalanced economic units. North Korea inherited most of the peninsula's mineral and hydroelectric resources and most of the heavy industrial base built by the Japanese. South Korea was left with a large, unskilled labor pool and most of the peninsula's limited agricultural resources. Both north and south suffered massive destruction in the Korean war, but an influx of refugees added to the south's economic woes. South Korea began the postwar period with a per capita gross national product (GNP) far below that of the north. It received large amounts of US foreign assistance until the 1970s. All US direct aid was stopped in 1980.

South Korea's meager mineral resources include tungsten, anthracite coal, iron ore, limestone, kaolinite, and graphite. There is no oil, and energy is a continuing concern for the ROK's economic planners. An ambitious program to develop nuclear power is well underway; Korea now has eight nuclear plants in operation, one under construction and two planned. The nation's successful industrial growth program began in the early 1960s, when the Park government instituted sweeping economic reforms emphasizing exports and labor-intensive light industries. The government also carried out a currency reform, strengthened financial institutions, and introduced flexible economic planning.

From 1963 to 1978, real GNP rose at an annual rate of nearly 10%, with average real growth of more than 11% for the years 1973-78. While Korea's national production was rising throughout the 1960s and 1970s, the annual population growth rate declined to the current 1%, resulting in a 20-fold increase in per capita GNP. Per capita GNP, which reached \$100 for the first time in 1963, now exceeds \$4,000, or four times that of North Korea.

The political and social unrest that followed the 1979 assassination of President Park and the effect of world economic developments, including the drastic increase in world oil prices in 1979, triggered a severe recession in Korea. In the early 1980s, external debt was a serious concern, peaking at \$47 billion in 1985. The economy had already recovered

somewhat by the spring of 1983 when a strengthening US economy helped stimulate Korean economic performance. From 1986 to 1988, booming exports led once again to high growth rates averaging 12% per year. Current account surpluses reached a total of \$14 billion by the end of 1988, at which time foreign debt had decreased to \$31 billion—18% of GNP and 44% of exports.

Korea registered bilateral trade surpluses of about \$10 billion with the US in 1987 and 1988. In 1989, Korea's global trade and current account surpluses and bilateral surplus with the US declined dramatically, due to a number of factors: appreciation of the won, labor disputes, cumulative wage increases and strong domestic demand. The surplus remained approximately \$4 billion in 1990. It has yet to be demonstrated, however, whether a structural, lasting decline in Korea's surplus has begun. Long-term growth prospects remain bright. External factors will remain important. Korea continues to emphasize exports, while the quickly expanding domestic market provides greater economy of scale. The ability to adapt to a more open system suitable to a growing democracy and to Korea's greater role in the world economy are important to the continued success of the Korean economy.

**FOREIGN RELATIONS**

South Korea is committed to peaceful settlement of international differences, a commitment best illustrated by its restrained response to a number of provocations by North Korea over the past 15 years. These include the 1968 Blue House raid, the October 1983 bombing in Rangoon, Burma, which killed six of the ROK's most prominent leaders, and the November 1987 bomb explosion aboard Korean Air Lines flight 858, in which 115 lives were lost. Captured North Korean agents confessed to all of these acts.

South Korea is becoming increasingly active in international affairs. Although not a UN member, it has launched a campaign to join that organization. However, North Korea opposes separate admission to the UN on the grounds that it would perpetuate the division of the peninsula; some of its allies support this contention. South Korea presently has a UN observer mission headed by an ambassador and is active in most UN

THEMES FOR BREAKFAST SPEECH TO AMERICAN CHAMBER OF COMMERCE

- Korea is one of the world's top economic success stories--success based on hard work, market orientation, and access to international capital, and markets.
- This success has made Korea an economic power in the region and the world.
- Korea and the U.S. have a tremendous amount at stake in their economic relations -- the U.S. is Korea's largest export market, and Korea is our seventh largest export market.
- The American Chamber of Commerce has played a vital role in expanding business ties between the U.S. and Korea -- ties which are growing into a true economic partnership.
- Healthy economic relations are an increasingly important part of the emerging new world order, which will need expanded and strengthened open markets to ensure prosperity and stability.
- As a ranking economic power which has benefitted enormously from the open world trade and financial system, Korea has a special responsibility to strengthen this system.
- Korea can contribute most by taking actions necessary to actively conclude the Uruguay Round in all its aspects: tariffication of agriculture, finance, market access, services, intellectual property.
- Korea has made great progress in removing visible trade barriers over the past five years, but doing business in Korea is still difficult. Standards, regulations, customs procedures, and financing restrictions limit our ability to do business together. We are looking for ways to work with the Korean government to resolve these issues.
- A key sector is finance. A more open and liberal financial system would better meet the needs of Korea's dynamic economy. Broadening access for foreign financial firms would greatly contribute to a more efficient Korean economy.
- U.S. businesses are particularly concerned by restrictions in the financial system which prevent them from fully participating in the Korean economy, in both trade and investment.
- A more open economy will benefit Korean consumers and producers, as well as foreign businesses.
- Executives of major U.S. corporations joined this trip to show the importance they attach to economic relations with Korea, and their desire to work with Korea to help improve these relations.

# U.S. Department of State

91 DEC 9 P3:59



## EAP FAX

Date: 12/9

TO: Jeannie Bunton

FAX Phone Number: 456-~~4773~~ 6218

Addressee's Phone: 456-6218

FROM: EAP / K Jonathon McHale

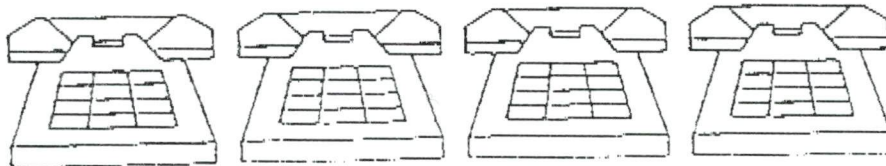
FAX Phone Number: 647-~~7771~~ 7388

Sender's Phone: 647-7717

NUMBER of PAGES INCLUDING COVER SHEET 2

Remarks: Voila, Proverbs, and Nat. Assembly  
& toast to come, when available

### UNCLASSIFIED ONLY



12 DECEMBER 1991

MEMO FOR MK

FROM: JB

SUBJECT: KOREA/CHAMBER BREAKFAST

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What we know: (Per State Dept.)

Time - 8 a.m.

Place - TBD, May be held jointly w/ Korean Chamber

ACKS: Sec. Mosbacher

Robert [Bob] Gregory, president of the American Chamber

Commerce Said: About 800 audience/ Am. chamber & Korean chamber  
and industry, various Korean governt officals---  
CEOS, Board members, upper management, Senior  
company reps for that country

Dr. Bromley may be on trip

CEOS! Final list to come from Judy at Commerce -- 377-3942

BUFFETT [Gary Foster]  
Am. Express post AM running at  
today?

See - Mosbacher L b

Robert Gregory Pres.  
(BOB)

Arneri Chamber in Sears

diff of diff countries/country  
addition  
CEDS INSTEP

AM. EXPRESS

AM. INT'L

(Bob Chew) (Chin desk)  
- long

LINDA PROGGER (COMMEN)

REWARD AMADORE

377-1390

Dr. Bromley → sci.

Style of analysis / composition  
number  
held for  
in person  
in chamber

fine → might be a lunch 8. a.m. (PURE TBD)

A Sci/Tech event -  
after (Maurer event?)

W/  
Gammma  
Thyrum Corp  
Program

FROM ASIA SOC. CONTACTS:

Kevin Boyd

© Speechwriter

377-5853