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DEPARTURE STATEMENT

This has been a very successful visit.

Our discussions have emphasized our strong and broad-based evolving partnership.

We look forward to a unified Korea in the future as a nation with which we will cooperating into the 21st century.

We have reaffirmed our intention to work together to not only defend Korea against aggression, but also to help resolve the security problems of the peninsula and bring peace and unification to Korea on terms acceptable to the Korean people.

North-South dialogue is the primary means of resolving Korea's problems.

Following my September 27 initiative and President Roh's November 8 non-nuclear policy statement, it is now up to North Korea to reciprocate fully and completely.

We will cooperate closely with the ROKG and the international community to assure that North Korea does not have a nuclear weapons capability and that it takes steps to negotiate peacefully its differences with the ROK.

Our own contacts with North Korea will be solely designed to buttress the ROKG's efforts.

Our cooperation on resolving bilateral trade issues will be strengthened, and we must both take actions to ensure a successful Uruguay round.

We renewed our Science and Technology Agreement which will ensure greater cooperation this area, to the benefit of both our countries.

The U.S. is in Asia to stay, and we have no intention of becoming isolationist.

It is the kind of excellent, long-term relations we have with nations like South Korea that make our continuing presence in Asia not only a matter of policy, but one of warm friendship between our peoples.

My personal friendship with President Roh is also strong. I told him that his place in the history books is secure for the uncountable accomplishments he has made for the benefit of Korea.

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Department of State Guidelines
E.O. 12958, SEC 3.4 (B), July 21, 1997
By 11 NARA, Date 06/07/23

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President Roh should take pride in his many achievements in promoting democracy and a more peaceful and secure Korean peninsula.

As I leave Korea, I take with me the warm feeling of friendship extended to me and the people of the United States. I look forward to a new era of partnership for our mutual benefit.

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THEMES FOR REMARKS ON SCIENCE AND TECHNOLOGY COOPERATION AT THE
KOREAN INSTITUTE OF SCIENCE AND TECHNOLOGY

- o Praise Korea for the progress it has made, through intense efforts, in developing sophisticated technological expertise.
- o Commemorate our long history of Science and Technology (S&T) cooperation with Korea, symbolized by U.S. help in founding KIST, and the renewal of the S&T agreement.
- o Note the vital importance of technology imports to the success of the Korean economy, and underline U.S.'s great role in transferring technology, through government programs, commercial ventures, and our universities which have trained thousands of Koreans.
- o Note that for science and technology to flourish and flow freely, intellectual property rights must be protected. As an emerging producer of technology, Korea should see that it will also benefit from protection regimes.
- o Focus on the vital importance of worldwide S&T cooperation, for contributing to greater knowledge, solving common problems, and stimulating economic growth.
- o Emphasize the necessity for expanding basic research, not simply research which has immediate commercial use.
- o Encourage Korean participation in large-scale cooperative research which we are promoting, such as the Superconductor Supercollider and global change research.

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VISIT TO KOREA INSTITUTE OF SCIENCE AND TECHNOLOGY (KIST)

SCENESETTER

You should use your visit to KIST on January 6 to promote increased cooperation in science and technology (S&T). Your visit will highlight the renewal of our Science and Technology Agreement (STA). You should give some short remarks on U.S.-Korean S&T cooperation.

KIST was founded in 1966, with a \$100 million grant provided by USAID. It has become a major research center in Korea, training Korean scientists and engineers, and leading Korea's transformation into a technology-based economy.

KEY OBJECTIVES

Your remarks should:

1. Praise Korean progress in S&T.
2. Commemorate our long history of S&T cooperation with Korea, through government, business, and universities.
3. Note the importance of protecting intellectual property rights to ensure the free flow of science and technology.
3. Encourage Korea to increase its emphasis on basic research, to help advance knowledge for all, and not simply for immediate commercial gain.

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Clearances:EAP/K: JMcHale
OES:LStaheli
D: JWarlick Rm. 7220
P: MMcMillion Rm.7240
E: WWhyman Rm. 7524
C: RWilson Rm. 7250
EB:DJensen Rm. 3329
OSTP: SBowden

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THEMES AND TOPICS FOR PRESIDENT'S AUSTRALIA SPEECHES
(November 26, 1991)

There will be two opportunities for the President to make major speeches while in Australia. The first will be in Canberra on Thursday, January 2, when he addresses a joint session of parliament. The general focus of this address should be on the bilateral relationship, although global regional themes should also be included. A second speaking engagement will be on Friday, January 3, in Melbourne, where he is invited to speak on regional/global themes at a luncheon for business executives and others hosted by Victoria State Premier Joan Kierner.

Parliament Address on U.S.-Australia Bilateral Relations

Themes to Include: Though largely focused on bilateral issues, global themes should be included. The address should recognize the close strategic relationship that has existed bilaterally, the success of this relationship, and the need to maintain our partnership in the face of post-Cold War era challenges. Bilateral, regional and global economic issues should also be touched upon. Finally, there should be reference to expanding cooperation in other areas of particular relevance to younger (post-WW II) Australians such as culture and education, the environment, economics and narcotics.

Continuing Importance of the Alliance:

- o Our long-standing strategic alliance has served us well. Next year we celebrate the 50th anniversary of the Battle of the Coral Sea. It will be a special commemoration of the close and special defense partnership that had origins in the Second World War. (The President's personal involvement in the Pacific theater during that war can lend special significance to this testimonial.)
- o However, looking ahead over the next fifty years, the post-Cold War Era presents new challenges for our alliance. While East-West tensions have diminished, other problems such as ethnic rivalries, nationalist aspirations and territorial or political disputes -- suppressed during the Cold War period -- are now arising.

- o In these endeavors, Australia has and continues to play an important role:
 - Note contributions to the Gulf War, refugee assistance and the ongoing naval interdiction effort in the region. Express appreciation for Australian public support during the Gulf War for the Coalition and its policies.
 - Note Australia's active role in developing a framework for the current peace process which is taking place in Cambodia, as well as Australia's contribution to the peace keeping force.
 - Note strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons proliferation.
- o Our partnership on these and other issues has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

Stress Cooperation on Multilateral Trade Issues:

- o The New Order that is being shaped encompasses not just the political realm but the economic. Both our countries have been at the forefront, pushing hard for free and open markets in the world. We must avoid the creation of trading blocs. And we must continue our joint efforts to shape an international trading system which will foster rather than obstruct free trade, particularly through a successful conclusion of the GATT Uruguay Round.
 - Acknowledge Australia's leadership in establishing APEC and in shaping its development as an important international economic entity.
 - Note Australia's bipartisan efforts to press the EC to end agricultural subsidies and for a successful conclusion to the Uruguay Round.
 - Note that what we are pursuing in the NAFTA is not a bloc. We intend to lower internal barriers, not create external barriers. NAFTA will be GATT consistent.

Reassure on U.S. Engagement in the Region:

- o Our reasons for remaining engaged and active in Asia and the Pacific are obvious. The Asia-Pacific region is now America's largest trading partner, with trans-Pacific commerce totalling more than \$300 billion in annual two-way trade. This is nearly one-third larger than that across the Atlantic.
- o We will remain committed to our allies and to fulfilling our security obligations. The U.S. will remain engaged in Asia and the Pacific.
- o Our bilateral and multilateral arrangements in this region have worked well. These arrangements will continue to be key to our mutual security in the decades ahead.
- o The regional partnerships which the U.S. enjoys with Australia and other countries have provided the foundation for economic and political stability in the region.

Future Relations Between Australia and the U.S.

- o We have points of differences, but overall our relations are excellent. We share common histories and similar values. And we see this relationship strengthening further in the years ahead. Some trends to point to:

In culture and education:

- Australian culture increasingly influences American music, cinema and sports.
- There is also a solid basis of bilateral academic interchange, including the 40-year-old Fulbright program in Australia and numerous private exchanges involving younger Australians at the secondary level.
- The U.S. 4-H organization, Future Farmers of America, and Rotary are among the groups with active exchange programs with Australian counterparts.

In bilateral economic relations:

- The importance of bilateral trade: after Japan, the U.S. is Australia's largest trade partner. Annual bilateral trade exceeds US\$ 13 billion.
- U.S. firms have over US\$ 15 billion invested in Australia, the second highest in Asia after Japan, much of it in leading edge technology in telecommunications, aviation, and informatics, as well as manufacturing, mining, agriculture, and energy.
- Tourism remains very big business for both countries. Nearly one-half million people travel each way each year. United Airlines and Northwest both inaugurated new routes to Australia in 1991.
- We are broadening economic dialogue, this year initiating bilateral consultations on agricultural issues and continuing our consultations and joint efforts in important international economic fora such as APEC and the GATT.

In environmental and resource management:

- Cooperation in conservation and environmental protection is expanding; we have many shared interests and similarities in resource endowments (i.e., coal, oil, gas, hard rock minerals) and topography. There are many recent examples of cooperation:
- Our two governments have established a High Level Group on Energy to exchange information on energy policy, programs, demand; to review ongoing research and development; and to engage in joint research efforts.
- US Interior Department (DOI) Minerals Management Service has recently signed a bilateral MOU with Australia's Department of Primary Industries and Energy (DPIE) for sharing data on offshore minerals development, including environmental protection aspects.

- DOI Bureau of Land Management has initiated a dialogue with DPIE that is focused on the need to balance the extraction of minerals, oil, gas, and timber with the growing demands for recreation, and management of cultural resources, and wildlife and fisheries habitats. Plans include an exchange of technical personnel between our countries.
- USDOC/NOAA officials have recently met with their Australian counterparts to discuss ways in which our two nations can strengthen efforts regarding the important environmental problems of driftnet fishing, endangered species, and the monitoring/assessment of the global warming threat.
- In APEC, where Australia leads the Energy Working Group, our two governments are cooperating closely to establish a regional clean coal technology utilization center.
- The U.S. and Australia recently co-sponsored the creation of an International Forestry Research Institute to focus on issues related to the conservation of tropical forests and the arrest of deforestation and environmental degradation.

In fighting illicit narcotics:

- Australia has done much to assist regional countries in their counternarcotics efforts and is an active member of the "Dublin Group" of donor nations that coordinates counternarcotics aid to producer nations.
- Our countries are united in the worldwide fight against drug abuse and trafficking, which is becoming a security threat of the 1990s.

Other issues:

- o There are some issues on which we do not meet eye-to-eye but which should also be mentioned.
 - Encourage continued Australian support for an ambitious Uruguay Round package including disciplines on Trade Related Investment Measures (which Australia continues to oppose) and services, where Australia has been more forthcoming recently.
 - Australia remains on the Special 301 Priority Watch list for local content requirements on television broadcasting. This is barrier to cultural interchange. We hope to see a phase-out, not a phase-in, of local content requirements.
 - IPR: On parallel import of books, there have been slight improvements in this area, but we urge the GOA to adopt provisions that would completely exempt foreign textbooks from parallel imports.
 - IPR: We also are concerned by the Australian Attorney-General's rejection of a proposed amendment to the copyright law to provide an exclusive rental right for sound recordings. While Australia works for stronger standards for IPR in the Round, its actions at home are not consistent with this.
- o One particularly difficult issue is Australian continuing concern over the impact on Australian farmers of the U.S. Export Enhancement Program for agriculture. This issue should be confronted sympathetically but directly:
 - Note the plight of American as well as Australian farmers, our legitimate stake in world grain markets, our intention to continue EEP as leverage on the EC, and our hope that export subsidies will be sharply reduced in the Uruguay Round.

- Recognize and regret that EEP is a factor affecting Australian farmers, but note other factors -- especially EC dumping, higher global production, Australia's transport/port inefficiencies affecting competitiveness, the drought, the high cost of agricultural inputs, and the simultaneous collapse of the wool market.
- Stress that we take Australian interests into account in implementing EEP, including setting up a bilateral consultative mechanism that met in August for the first time, and will continue.

Melbourne Luncheon Speech on Global/Regional Issues

Also emphasize business

Overall themes: Begin with the changes in Europe and move on to the latest initiatives in the Middle East and Southeast Asia. While addressing the changing political winds in the world, the President should also assure continued U.S. commitment to regional stability in Asia and the Pacific. Finally, focus should be placed upon international economic issues of mutual concern.

Recognize Australia's Growing International Role:

- o Express appreciation for the leadership role Australia has assumed in the world.
 - Australia's contribution to the Gulf War
 - Active role in working toward a settlement in Cambodia
 - Leadership in forming APEC
 - Strong efforts on proliferation issues, particularly regarding nuclear and chemical weapons
- o Our partnership has become increasingly important, especially in the wake of the tremendous changes that have occurred in the world over the last two years.

U.S. Regional Role to Remain Strong:

- o The regional partnership which the U.S. has enjoyed with Australia and other countries has been the foundation for economic and political stability in the region.
- o Despite the changes elsewhere in the world, the U.S. will remain engaged, concerned and active in Asia and the Pacific, both in strategic and economic terms.

Facing Challenges Ahead:

- o This is not to say that there are no challenges ahead:
 - The proliferation of chemical, nuclear and biological weapons of mass destruction remains a problem; Australia's role in achieving international safeguards to reverse the proliferation trend has been critical to this effort.
 - We share a common view that the formation of protective trading blocs must be avoided, and support for cooperative frameworks such as APEC must be vigorously continued.
 - We should do all we can to open markets and foster free trade in order to strengthen international economic cooperation, confidence and recovery.

POSSIBLE LANGUAGE FOR THE PRESIDENT'S AUSTRALIA SPEECHES
(NOVEMBER 26, 1991)

INTRODUCTORY REMARKS

-- This is only my second visit to Australia, but my impressions of your vast and beautiful country will always be very special ones.

-- (Insert complimentary remarks on Canberra, Sydney and Melbourne -- depending on itinerary. Could also make reference to Australia's size by noting that several states the size of Texas would fit in Western Australia.)

THE ALLIANCE

-- It isn't just Australia's natural beauty that draws Americans "down under." We share a long-standing friendship established by the special alliance that has served our two countries so well.

-- I was deeply moved by my visit to the Australian War Memorial. It evoked memories of the sacrifices that both our countries have made, often side by side.

-- Yanks and Aussies fought together in World War I, helping to liberate France. The first U.S.-Australian military cooperation took place when elements of the U.S. 33rd Division joined Australian troops in the capture of Le Hamel, France.

-- And in World War II, our troops again fought side by side, and half a million U.S. military men and women served in Australia through that war.

-- Together, U.S. and Australian forces fought throughout the Pacific, in tough land, sea, and air combat. Our alliance and partnership has been solid ever since -- in Korea, Vietnam, and most recently in the Persian Gulf.

RECOGNIZING AUSTRALIA'S INDEPENDENT INTERNATIONAL ROLE

-- While our close and important strategic relationship will continue to be of great mutual benefit, Australia has matured to become a positive force of its own in world affairs. We welcome this; your views are valued and while we may not see eye-to-eye on every issue, the direction of your policies are complementary to our own. Let me cite some examples:

-- In the post-Cold War era, we are witnessing a reinvigorated role for the United Nations. Much credit goes to Australia for facilitating this.

-- Your initiative and persistence was key to shaping the framework for the Cambodia peace settlement finally agreed to by all warring factions last October. And Australia continues to ensure that the process toward democracy and lasting peace in Cambodia does not falter.

-- You were among the first to dispatch aid and technical support under the United Nations Transitional Authority in Cambodia (UNTAC), to which an Australian was appointed by the UN Secretary General to command.

-- Australians also serve under the UN banner in the Western Sahara and are a vital part of the Multinational Interdiction Force, ensuring that UN sanctions against Iraq are enforced under international law. In the Middle East, as in Cambodia, you have been quick to provide humanitarian relief. Last May your defence force provided medical teams and water purification equipment and services to Kurds and Iraqis fleeing Saddam's oppression.

-- But even long before the Gulf War, Australia had the foresight to focus world attention on the problems which are now emerging as key concerns for the world community. Thanks to your efforts, the "Australia Group" was established in 1984, and is currently comprised of 22 nations dedicated to preventing the use and spread of chemical and biological weapons throughout the world.

-- Australia also plays a lead role in international economics. It was Prime Minister Hawke who pushed the idea of a regional effort to promote freer trade by eliminating trade barriers and establishing common policies. Through his vision and efforts was born the Asia-Pacific Economic Cooperation, a key economic forum we know as APEC. And since its first ministerial in Canberra two years ago, APEC has succeeded in mobilizing the support of all fifteen participants to push for substantive progress in this key GATT Uruguay Round.

-- Clearly, Australia has established itself as a strong promoter of multilateral solutions to important international problems, be they military, social, political or social in nature. And in large measure, your goals are shared by the United States.

ASSURING CONTINUED U.S. ENGAGEMENT IN THE REGION

-- Let me take this opportunity to assure you that we, too, are committed to remaining engaged throughout the world. There are some naysayers who wrongly predict that recent events in Europe and Asia will lead to a more isolationist America. This could not be farther from the truth.

-- America tried to politically isolate itself from the world in the past, and we ended up fighting two bloody world wars. We also tried economic isolation that only helped to set off a devastating world depression.

-- Current trends point to our strengthened engagement in Asia and the Pacific in the decades ahead. This region has become our largest and fastest growing trade partner. Two-way trade between the region and the U.S. now amounts to more than \$300 billion, nearly one-third larger than that across the Atlantic.

-- American firms have invested more than \$61 billion in the region, and that will certainly grow. On the other hand, investors from the Asia-Pacific have invested more than \$95 billion in the U.S.

-- Our bilateral trade relationship with Australia is strong and growing. Total bilateral trade exceeds US\$ 13 billion, having grown over 20 percent in the last five years. After Japan, the U.S. is Australia's most important trading partner, taking 12 percent of her exports, and providing 23 percent of her imports. At US\$ 14 billion, Australia is the largest recipient of total U.S. direct investment in the Asia-Pacific region, again next to Japan.

-- In everything from automobiles to microchips, from baseball to Australian rules football, we grow closer -- not isolated -- with each day.

-- Cooperation and dialogue on economic issues can only benefit our respective economies. We must continue this openness in our relationship, and indeed work for greater openness in our trade relations, particularly as we both continue to face economic difficulties on the domestic front.

REMARKS ON THE EXPORT ENHANCEMENT PROGRAM

-- But while we generally agree on the goals, we sometimes differ on the means. Our use of the Export Enhancement Program to counter the agricultural subsidies of the European Community is one point of difference.

-- Let me be clear in stating that I don't favor subsidy programs. They are a burden to the taxpayer. They weaken the mechanism and reduce the benefits of a free trading system. And subsidies take the competitive edge out of industry.

-- But let me be equally clear in pointing out that we did not start the wheat war. Talks with the EC on this issue had previously led nowhere. And it is our farmers in the U.S. and Australia who have been badly hurt by continued EC subsidies of wheat.

-- We must both remember that the root cause of depressed international agricultural prices, which have been hurting both our farm sectors, lies with the European Community.

-- We are now seeing glimmers of hope. And I believe it is because we have countered EC subsidies with the EEP.

-- The U.S. will be unwavering in its efforts to counter EC subsidies with our EEP. I believe it is in the long-term interest of all non-subsidizing nations that this pressure on the EC be maintained.

-- At the same time, I have promised to do my utmost to limit the harm that our EEP does to non-subsidizers like Australia. I have also agreed to greater bilateral dialogue on this and other economic issues of bilateral concern. On both points, I have kept my word and will continue to do so.

-- Any mature relationship, even between close allies, cannot be without differences. We must continue to seek understanding and work to iron out our differences.

THE NEXT FIFTY YEARS

The Environment

-- We can be proud as we look back over the accomplishments of the last five decades. But we can and must do more to expand our bilateral relationship in ways which will be beneficial to future generations of Australians and Americans. A key area is the environment.

-- We share common energy interests which are derived from our large domestic energy resource bases. Together, we are the world's largest coal exporters. Ministerial meetings were held here last year to discuss upgrading our cooperative research and development efforts in the area of energy.

-- At the ensuing high level group meeting held in Washington last April, Australia and the U.S. agreed on the importance of pursuing energy policies that will help promote our energy exports while addressing environmental issues.

-- Together, U.S. Energy Department officials are working with their Australian counterparts to develop clean coal technology, energy efficient technologies, and other programs of importance to the environment.

-- Our governments also have agreed to share information on offshore minerals development, which include environmental protection aspects. And there is an increase in our sharing of experiences in balancing the extraction of minerals, oil, gas, and timber with the growing demands for recreation, better management of cultural resources, and environmental preservation.

-- Our scientists also are working alongside your scientists to better understand the global climate system. The U.S. National Oceanic Atmospheric Administration, NOAA, collaborates with Flinders University of South Australia in tidal research. NOAA and the University of Tasmania also have a cooperative arrangement for climate and global change research.

-- We are collaborating on providing regional governments much needed information and training in preserving endangered forests. Toward this end, the Australian and U.S. Governments are co-sponsoring an International Forestry Research Institute to address conservation, deforestation, and environmental degradation.

-- And in managing the delicate balance of our ocean fisheries, Australia and the United States have shared concerns over driftnet fisheries for albacore and other tuna in the South Pacific. We have joined other nations in remedying this serious conservation threat to tuna stocks in the Pacific.

Cultural and Educational Interchange

-- I began my remarks today noting that Australia is a country graced with much natural beauty. But it is really the spirit of your people which has made it a country so admired by Americans and others throughout the world.

-- We see this in the arts, with the creative works of Australians in all media, including painting, sculpture, dance and, of course, film making. And we hear it in your music, where Australian artists remain extremely popular in the United States.

-- We must continue to facilitate this rich interchange between our people. Let me give you one recent example. Our Consul General in Perth last November invited American musical artist Paul Simon, who was in Australia then on tour, to meet with a number of West Australian Aboriginal musicians in his residence. After the guests had arrived, it was the Australians who made the first move, setting up their

traditional instruments on the coffee table. Soon, Mr. Simon and his fellow American musicians were receiving didgeridoo lessons. And by the end of the evening, he was sharing a few of his own skills with the guitar, completing an evening of musical fellowship.

-- In Sydney, at a more institutional level, we have recently initiated a Fulbright-supported American studies lecture series at the University of Sydney American Studies Center. The lecture series is a program which developed from Prime Minister Hawke's initiative to begin a similar program at the Edward A. Clark Center for Australian Studies at the University of Texas, Austin, in 1989.

-- While we may have our differences over the EEP program, our young people look beyond the present. In preparing for this trip I was very pleased to learn that our 4-H program and our Future Farmers of America have active exchange programs with young people in your farm communities.

Easing Travel Access

-- Nearly one-half million Australians visit the U.S. each year, and an equal number of Americans come here.

-- To facilitate freer travel between our countries, which should be of help to both our tourism industries, my government has offered to extend the privilege of waiving the issuance of visitor visas to Australian nationals if the Australian government agrees to allow reciprocal treatment for U.S. nationals. Our offer stands, and I hope we will be able to provide this benefit to our respective publics in the near future.

-- And to help Australian investors who seek to do business in the U.S., we are prepared to extend "E" visa privileges to your citizens provided U.S. nationals are accorded reciprocal nonimmigrant treatment.

-- These examples are real indications of the cooperative spirit that exists between our two nations as we seek to strengthen our economic, cultural and educational ties. They are positive signs of the shape which our bilateral relationship will take over the next five decades.

-- Let us continue to work closely together to ensure that the future of our relationship will be as productive a partnership as it has been over the last fifty years.

POSSIBLE THEMES FOR SPEECH IN SINGAPORE

Security/New World Order

-- My generation fought a world war -- in Asia and the Pacific, in Europe, in North Africa. Those of us who experienced that war vowed that it would be the last world war, that the forces of totalitarianism must be resisted and their aggressive designs frustrated. As visionaries, we founded the United Nations; as prudent men and women, we also established a structure of alliances to contain totalitarianism.

-- In the largest sense, we have achieved our goals. Despite -- and perhaps in some ways because of -- the advent of weapons of mass destruction, the threat of global war today is smaller than at any time since 1945; indeed, it has almost vanished. The specter of world communism has disappeared; state-controlled economies are discredited; the democratic tide is higher than it has ever been, with elected governments in many nations on all continents; the advantages of the free-market system are evident worldwide.

-- For many years the United States, by its military presence and its influence, has fostered stability in several parts of the world. Nowhere have the benefits of that stability been greater than here in East Asia, where many nations have prospered to a degree beyond anything that might have been imagined 20 years ago: first Japan; then the Dynamic Asian Economies of Singapore, Hong Kong, the Republic of Korea and Taiwan; and now Malaysia and Thailand. Others such as Indonesia are following rapidly. Economic growth in East Asia today far outstrips growth anywhere else in the world.

-- The alliance structure succeeded in containing totalitarianism and preventing global conflict, but it did not preclude smaller wars or other kinds of regional or local conflict. We are still dealing with some of those situations, but the end of superpower rivalry has made the search for solutions more productive. We have reached a stage at which we can realistically discuss what I have called the New World Order, under which nations will resolve their disputes without resort to the use of force.

-- We have already seen the United Nations take on new vitality and begin to exercise the role its founders intended for it, most notably in rolling back the invasion of a small state, Kuwait, by a much larger one, Iraq. We have enjoyed good cooperation from the Soviet Union in convening a historic Middle East peace conference.

-- Here in Southeast Asia multilateral diplomacy has achieved what we trust will be a notable and lasting success: the case of Cambodia. I will not try to trace here the history of that

unhappy country -- a history in which the United States itself is of course involved. But I want to record my appreciation for the solidarity of Singapore and four other ASEAN members with Thailand, the nation immediately threatened in the 1970s and 1980s by the potential spillover of combat. More recently, another ASEAN member, Indonesia, together with France, has led the search for a settlement, in which the four other Permanent Members of the Security Council have joined, together with the United Nations, Australia, Japan and other governments. That long search reached a milestone six weeks ago in Paris with the signing of the settlement documents.

-- A settlement in Cambodia truly means the start of a new era. For virtually the first time since World War II, Southeast Asia is without serious conflict. For the United States, that settlement makes possible a process of healing in our relations with the states of Indochina: representation in Cambodia for the first time since 1975, accredited to the Supreme National Council headed by Prince Norodom Sihanouk; a restoration of our diplomatic relations with Laos -- never broken -- to the pre-1975 level; and the start of the process of normalization with Vietnam. Just how far and how fast we move in that process with Vietnam will depend on progress in resolving the cases of our military personnel missing in action -- but the trend in recent months has been decidedly positive.

-- For the people and the governments of Indochina, the settlement in Cambodia holds great promise. The embargos on trade and investment which many governments imposed can now be lifted; travel and communications can be opened up; the international financial institutions will be able to lend freely for worthwhile projects. Most important, perhaps, Vietnam, Laos and Cambodia will be able to emerge from their isolation and, if they chose, free themselves of the policy constraints that have hindered their development. In fact, Laos and Vietnam in recent times have both shown a receptiveness to foreign private investment. The United States looks forward to this new era, as, I am sure, do the peoples of Singapore and the other five ASEAN nations.

-- Clearly, then, the situation in East Asia has improved in recent months, as has the world situation generally. But we remain in a transitional phase; we cannot wish away continuing threats to peace and stability in such areas as the Korean peninsula, and we cannot rule out sudden threats to world peace and the rule of law such as the one that arose in the Persian Gulf only sixteen months ago.

-- For those reasons, the United States will remain engaged militarily in East Asia and the Pacific for the foreseeable future. Here, as in Europe, we will take advantage of reduced

levels of threat and of increases in the speed, range and lift capability of our ships and aircraft to slim down our forward-deployed forces and the number of our bases. The character of our presence will change; we will place more reliance on access to a larger number of facilities owned and controlled by others. Our total numbers may be reduced, but our presence in the region could be more widespread and more frequent.

-- The agreement signed in Tokyo a year ago by then-Prime Minister Lee Kwan Yew and Vice President Dan Quayle exemplifies this new type of arrangement. Under its terms, our ships and aircraft -- based elsewhere -- are making increased use of Singaporean military facilities. They exercise jointly with Singapore's forces as well as on their own. They are gaining familiarity with the geography and the operating conditions of this part of Asia. We are open to the possibility of similar arrangements with other nations of the region.

-- The eruption of Mount Pinatubo in the Philippines in June settled the fate of Clark Air Base there. If we are able to remain at Subic Bay, we shall do so, but if not we shall continue to honor our treaty commitments. We have already relocated headquarters, troops and equipment to Guam. Meanwhile, United States forces will remain in Japan and Korea. Our treaty relationship with Australia, the country I shall visit next, is stronger than it has ever been. We hope the day will come when New Zealand allows us to resume defense cooperation under the historic ANZUS alliance.

-- In short, we will stay on the scene in East Asia. The test of our security policy, or of any nation's, is not the size or location of our forces; rather, it is the ability to deal with any and all likely threats to the peace, and to deal quickly and decisively with unpredictable crises, and that is precisely how the United States and its partners in the multinational coalition -- acting through the United Nations -- dealt with the Iraqi invasion of Kuwait.

Economic Cooperation

-- Interdependence and cooperation are equally important in the world economy. That lesson is fully understood here in Singapore, where total trade is three (??) times the value of your gross domestic product. If the prosperity that so much of East Asia already enjoys is to continue and spread, we must have an open global trading system. To reach that goal, we need a framework for economic integration, and we must avoid regional fragmentation.

-- Trade across the Pacific has expanded dramatically in recent years, in step with dramatic economic growth in many East Asian countries. Some ten years ago America's trade with the Pacific surpassed our trade across the Atlantic; today, it is nearly one-third larger. The ASEAN countries, taken together, constitute America's fifth-largest trading partner. Singapore alone is a bigger export market for U.S. goods than Italy, Spain or the USSR. Nations on the eastern rim of the Pacific, from Mexico to Chile, are eager to join in this booming trans-Pacific commerce. I urge U.S. firms take advantage of these dynamic markets and to redouble their efforts to export to and invest in the ASEAN countries.

-- The Pacific Basin is a natural trading region, and it is logical that the governments of the region concert to promote that trade by eliminating barriers and establishing common policies. An excellent forum for doing so already exists: the Asia-Pacific Economic Cooperation, or APEC, grouping. The concept had occurred to a number of people in several countries, but it was Prime Minister Bob Hawke of Australia who developed the idea and convoked the first APEC ministerial meeting in Canberra two years ago.

-- APEC has since met twice more, here in Singapore last year and again last month in Seoul. Its original group of twelve participants has grown substantially with the simultaneous addition of China, Hong Kong and Taiwan, and APEC can look forward to further growth in the years ahead.

-- APEC is performing many useful functions, but none is more important than mobilizing the support of all fifteen participants for a successful conclusion of the Uruguay Round of multilateral trade negotiations to update and extend the system known as the General Agreement on Tariffs and Trade. The nations of APEC are convinced that the GATT system must cover world trade in agricultural products, as it has long covered manufactured goods, and that it must be extended to new realms such as intellectual property rights, services, and investment.

-- The alternative is a likely failure of the global trading system, a reversion to exclusionary trading blocs, and, eventually, the constriction of world trade. It is incumbent on all of us -- in North America, in Asia, in Europe -- to overcome parochial interests, abandon protectionist rules and tactics, and expose our economies to the rigors of competition.

-- Even while we pursue reform of the global system in the Uruguay Round, we can reduce and eliminate barriers to trade with our immediate neighbors. That is what the United States and Canada are doing right now, and what we and Canada propose

to do with Mexico, thereby creating a North American Free Trade Area, or NAFTA, which will have few internal barriers and will be more accessible than at present to other world traders such as Singapore.

-- Thailand has proposed that ASEAN establish a free-trade area of its own over the next fifteen years, and the other five governments have agreed. Such action is the direct parallel of what we in North America are doing in NAFTA, and the United States applauds this decision by the ASEAN nations.

The Spread of Democracy

-- The most inspiring single event of the last few years was the tearing down of the Berlin Wall. The Wall symbolized the worst of totalitarianism, and its destruction stands for the desire of people everywhere to control their destinies and to be governed only by their own consent.

-- To a gratifying degree, that is happening. The democratic impulse is alive, whether fed by relative prosperity, as seemed to be the case in China, or by economic failure, as in the Soviet Union and Eastern Europe. And in many places the impulse is flourishing. In recent years elected governments have come to office everywhere from the Philippines to Poland and from Nicaragua to Mongolia.

-- There are basic human rights, universally recognized though not universally observed, but there is no copyright on democracy and no one form of government or set of practices to which every nation must adhere. The United States recognizes the legitimacy of diversity.

-- What the United States cannot condone, however, is the suppression of the popular will -- and that is what has occurred in Burma, where the military leadership permitted elections last year but, when the results proved not to the military's liking, refused to allow the winners to take their rightful seats and organize a government. So long as this situation continues, the people of Burma will remain victims, subject to torture and intimidation and deprived of the chance to share in the general prosperity and well-being which so many of their neighbors already enjoy.

(NEEDS CONCLUSION)

-- 31 years ago this month, on a cold, snowy day in Washington, newly elected American President John Kennedy articulated Americas commitment to our friends and allies throughout the world. That we would stand with them in their efforts to resist Communism, embrace freedom and support efforts to develop economically and thus improve the lives of their people.

-- It was a commitment that was to bear a heavy price, over 58,000 dead in Indochina and billions of dollars spent on assistance and maintaining a military presence in the region.

-- But it was a commitment that has been shared by Republican and Democratic presidents alike.

-- It is appropriate that standing here now in a country which represents one of the most remarkable economic success stories in the world, we can look back and see that the outcome we all worked and sacrificed for has indeed become a reality.

-- It is with great pride that I say that history will record that America did indeed keep its commitment to its friends in SE Asia and that together we have built a region which is at once free, at peace, and experiencing unprecedented prosperity, part of the new world order which offers the promise of enduring global stability.

-- To judge just how far we have come and to see what we have accomplished, it is instructive to look back 25 years and recall the situation in SE Asia at the time Singapore was first charting its independent course.

-- In January 1967, the concern was about the rapid spread of Communist ideology. Almost every country in SE Asia had or was about to have an active Communist insurgency.

-- As the war in Vietnam raged, from Jakarta to Rangoon and from Bangkok to Manila, the worry was about falling dominoes. The nightmare vision was of a radical ideology being imposed throughout the region.

-- It is important to keep in mind that while there was a large U.S. military presence in the region in the mid 60's, U.S. economic interaction with Southeast Asia was still rather small.

-- On the eve of the Tet offensive, the U.S. had a higher trade turnover with Latin America than with East Asia.

-- Today, the situation is dramatically reversed. The steadfastness of our military commitments and the

stability which they promoted, gave the countries of the region time to grow economically and deal effectively with the political challenge. Having collapsed in Europe and the Soviet Union, Communist is no longer a viable threat, and is acknowledged as a failed and bankrupt economic and political philosophy.

-- Democracy, personal freedom and free market economies are demonstrably the keys to real improvement in the quality of people's lives.

-- And this has been accompanied by an explosion in trade between the U.S. and Southeast Asia, particularly the six ASEAN countries.

U.S. two way trade with Singapore grew from 2 billion dollars to 20 billion dollars since the end of the Vietnam War.

In the same period, Thailand went from 700 million dollars to 9 billion dollars.

-- This has made the U.S. ASEAN's number one customer. We take one fifth of all of ASEAN's exports, while ASEAN imports from the U.S. have increased 1600 percent since 1975.

-- As a result, today U.S. two way trade with ASEAN stands at over 46 billion dollars - just about equal to our commerce with Germany - and exceeded by only three other U.S. trading partners.

-- To put it in better perspective, in 1990 the U.S. exported:

More to Singapore than to Italy or Spain

More to Thailand than to India

More to Malaysia than the Soviet Union

More to Indonesia than all the rest of Eastern Europe put together.

-- But it is not just trade that has brought us closer together.

-- Satellites and the expansion of telecommunication technology mean that more messages and images are going back and forth between our people than ever before.

In 1975 there were about 300,000 T.V. sets in Indonesia, today there are 7 million (and it seems at least that many more for sale in all of Singapore shopping malls.)

Direct dial long distance phones and FAX machines means someone in Manila, the Philippines can place an order in Manila, Iowa in less than a minute.

-- We understand each other because of the flow of people between us.

In 1975 there was only slightly more than a million Americans of Southeast Asian origin.

Today that figure has quadrupled to over 4 million, including one senior member of my White House staff Sicwan Siv who survived the horrors of the Khmer Rouge run Cambodia.

Based on this population of SE Asian origin, the U.S. would rank as the fifth largest ASEAN country.

There are more Lao in the U.S. than in Vientiane

There are more Filipinos in California than in Cebu.

-- All of these developments - people telecommunications, jet aircraft, trade, investment, security commitments, and common belief in economics and freedom have created a web of interaction, knitting us together as never before.

-- Our challenge is to use this structure to promote continued peace, stability and increased economic progress. And common efforts to deal with the challenges we face in terms of the environment, narcotics, human rights and other scientific and technical areas such as public health.

-- There are two mechanisms which promote and enhance this new reality:

The ASEAN-Post Ministerial Dialogue in which our foreign ministers and those of ASEAN's other dialogue partners meet to discuss issues and coordinate approaches to dealing with problems;

and

APEC, which offers the increasingly real promise of cooperation on the full range of economic issues across the entire Asian-Pacific region.

-- Having invested so much in this region in terms of American lives and national treasure and having attained, together with you, so many of our policy goals, the U.S. is not now going to turn its back on South East Asia.

-- The U.S. is committed to meeting its obligations in SE Asia and will continue to play the positive role by maintaining our military presence, even with our three year phase out from Subic Bay.

Our new Access Agreement with Singapore contributes importantly to this goal.

-- The U.S. is committed to a successful transition to a freely elected government in Cambodia. In that regard, I am today announcing that the U.S. has lifted its trade embargo and all other economic restrictions against Cambodia. This should permit increased economic activity which will help solidify and maintain the process.

-- The U.S. is prepared to move forward in our relationship with Vietnam, provided that progress continues to be made in Cambodia and on our POW/MIA issue.

The countries of Indochina have real promise for economic growth if there can finally be an end to violence and they join the rest of the region in emphasizing development.

-- The U.S. is committed to working productively with our friends in addressing global problems and so therefore I am today announcing a new environmental initiative aimed at enhancing our work together in preserving our planet and natural resources.

-- We are truly embarking on a new era - one in which the last remnants of the Cold War are being put behind us

-- For America, our Vietnam syndrome is a thing of the past.

Korea

National Assembly-Speech themes (DRAFT)

- o Thank you for providing me with this opportunity to speak to you again. Since I last spoke here in February 1989 the world has changed immensely. We have in fact entered a new era in world history.
- o We are very pleased with the triumph of freedom and free enterprise economics throughout most of the world, and with the continued progress, economically and politically, of the Republic of Korea. However, we remain saddened by the persistent conflicts in many parts of the world, and by the continued division of the Korean peninsula, a situation that is anachronistic in the post-Cold War world.
- o As we have stated on numerous occasions, the United States supports the peaceful unification of Korea on terms agreeable to all Koreans. We believe that North/South dialogue offers the best path toward eventual discussion of unification and related issues. Consequently, we support strongly the Prime Ministerial dialogue that has been in progress for more than a year, and stand ready to facilitate in any appropriate way.
- o Our support for the process of peace does not, however, blind us to reality and to the threat from the North that still remains. Therefore, our commitment to the security of South Korea remains as strong as ever, and we will continue to consult on matters that affect our mutual interest. To further strengthen security in the region, both of us should also consult and cooperate with our friends the Japanese, who have the economic power to play a vital role in promoting regional stability.
- o We continue to regard the unsafeguarded nuclear program of North Korea as the greatest threat to security in region, and call upon the leaders of that country to meet the international obligations it accepted when it acceded to the Non-Proliferation Treaty in 1985.
- o North Korea should know that neither the United States nor the Republic of Korea poses a threat to its society or way of government. However, we cannot ignore the situation as North Korea builds nuclear weapons, and will use all diplomatic means to assure that it meets its international obligations under the International Atomic Energy Agency (IAEA).
- o As we begin this new era in international relations, U.S.-Republic of Korea relations are growing in many areas. With the Cold War behind us, we are transforming our relations from a security relationship to a broader-based security, economic, and political partnership.

- o Of crucial importance in this transformation is your own progress toward democracy, well illustrated by the enhanced prestige and power of this body. The ROK's movement to a democratic government, with the military clearly subordinate to civilian government, has been crucial in winning for you the respect of the international community and the stability and credibility necessary for an influential world role.
- o The challenge now is to continue down the road toward full democratization. You have won the political contest with the North and should consider amending your National Security Law, which provides a propaganda advantage to the North, to take account of your strength and confidence.
- o Further steps in democratic development might include greater accountability for public officials and greater transparency in both your political and economic systems. Initiatives in these areas would be consistent with your overall economic and political modernization, and would further strengthen your position vis-a-vis the North.
- o The ROK's democratization is but one of the features that distinguishes it from North Korea, but it is one of the most important, and it is an achievement which should make all Koreans proud.
- o Another of the ROK's greatest accomplishments has been membership in the United Nations. Your entry in the United Nations was long overdue, and your ultimate success is due in large part to wise leadership and persistent effort. However, South Korea's emergence as a full member of international political and economic institutions, carries with it added responsibilities.
- o Over the years, the Korean people have gained tremendously from the open international trading system. Indeed open markets for exports have been a major contributor to your new prosperity. Korea has now become an economic power in the region and the world.
- o Now it is time for the ROK to lend its support to the open international trading system from which it has prospered by actively supporting the Uruguay Round of negotiations, opening its own domestic market to foreign products, and liberalizing its financial system. Your support is vital to assure that the international trade system remains open and that countries like Korea can continue to prosper.
- o The U.S.-ROK friendship has now endured more than four decades of dramatic world events. Yet in the beginning, our close relationship was not one that either of us sought, but rather one into which we were both thrust as a result of World War II.

- o In those years the U.S. entered into its relations with Korea with a keen sense of responsibility, and with determination to preserve the benefits of freedom for the Korean people. It demonstrated its commitment during the Korean War, when more than 33,000 American soldiers and thousands more Koreans, both military and civilian, died to keep freedom alive.
- o Clearly, over the past forty years the American role in Korea has not always been a easy one, and the political environment in East Asia has frequently been one of crisis. Consequently, in carrying out what we perceived to be our responsibilities we have made mistakes.
- o Yet we entered the relationship with the Republic of Korea with the highest ideals, and we have, I believe, pursued the correct path in the long run. Therefore, we too are enourmously proud when we see the great nation you have built from the ruins of war.
- o Today, we again approach the future in the aftermath of a war--a Cold War, and together we have the opportunity to shape and influence a new era as much as we did nearly 50 years ago. We can also define for the next generation a new relationship, a partnership that encompasses much more than merely security cooperation.
- o Our new partnership should be political, economic, nad cultural, as well as security. I urge the people of both countries to look toward the future rather than the past, and to seize the moment to build on our excellent relations, to expand cooperation so we all benefit, and to march into the future as friends and neighbors working together to build a safer and more prosperous world community.

Sensitive issues which the Embassy thinks should be addressed explicitly:

1. Make clear our willingness to continue consulting with the ROK on security issues.
2. Describe how we see the Japanese role in the region complementing ours and that of the ROK.
3. Make it clear that transparency and accountability are important to Korea's economic relations with the rest of the world.
4. State clearly what the DPRK must do for improved relations with the U.S.
5. Make it clear that the National Security Law plays into Pyongyang's hands and can be counterproductive to the ROK's North-South goals.

Remarks to American Chamber of Commerce

Themes Could include:

- Strong support for the work of the U.S Chamber of Commerce, which has been vital to U.S. business interests in the ROK.
- Korean economic maturity and U.S./Korean economic/trade interdependence have brought the two nations to a new era of partnership.
- Mutual interest in further development of open, liberal international trade and financial regimes, in particular, successful conclusion of UR.
- Responsibility on both countries to ensure that their domestic trade and financial markets are open and liberal for the other; that domestic markets are fully integrated into international trade and financial regimes; and that their producers and consumers understand the benefits of two-way open, liberal markets.

At a science/education/technology event themes could include:

- The long history of U.S. support for Korean science and technology; nuclear energy is a good example.
- Our admiration for the great strides Korea has made in developing its technological base;
- Recognition that scientific and technological development can only flourish where the economic value of the intellectual property associated with discovery is protected for the benefit of the discoverer.
- Our willingness to continue and enhance cooperation with Korea, symbolized by the U.S.-ROK Science and Technology Agreement;
- Our confidence that Korea will be able to make significant contributions to world scientific research and technological development.
- Recognition that Korea can now assume rights and responsibilities shared by other industrialized countries in world scientific research and technological development through;
 - a. Greater contributions to the world scientific knowledge by increased basic research funding and
 - b. Cooperation with U.S. and other countries through participation in basic megaprojects such as the Superconducting Super Collider (SSC)

Themes/Phrases for Presidential Speeches

Camp Casey

Thirty years ago, in 1961, President John F. Kennedy spoke within sight of the Berlin Wall and lamented the divisions between people there at the front line of the Cold War.

As he spoke, the barrier a few miles from here, the DMZ, stood as a parallel tragic division between peoples.

As we celebrate the end of the Cold War and the overcoming of barriers between peoples throughout the world, it is tragic that that barrier remains, the last remnant of the Cold War.

It also stands as a visible reminder of the ideological battles which once divided the world, and now continue sadly to divide the Korean people from one another.

For over forty years the United States has been proud to have played a role in assuring that that barrier against renewed aggression was strong and steadfast.

All Korean war veterans and the men and women who have participated in this important and vigilant effort to protect freedom should be proud of their contribution to Korea's security.

Throughout that effort, the United States has consistently looked forward to the day when that barrier would no longer be necessary, when the very real threat of North Korean aggression would be no more.

As I stand here today within sight of the Berlin Wall of Asia, I renew that hope and that appeal, that someday soon there will no longer be barriers between peoples striving for unification and reconciliation.

The atmosphere for leaving behind the fears and hatreds of the Cold War has never been better. The support of the international community for a peaceful unification of the Korean peninsula has never been stronger.

I can look forward to the day when it is no longer necessary for U.S. troops to be stationed in Korea to defend against the threat of North Korea, when that threat is relegated to the history books, when North Korea becomes fully committed to resolving its differences with our good friend and ally in the South.

Until that time, I assure the North that our commitment to the security of the South remains rock-solid and unwavering. Nothing will ever change that commitment or the equal commitment to have available the means to protect our ally, the Republic of Korea against aggression.

But there remains a parallel commitment to move toward improved relations with North Korea, as long as it remains an independent state, and to cooperate in ways which can enhance the security of this region and the welfare of its people. The North knows what it will take to achieve that objective, and I hope to see significant movement in that direction in the near future.

I know that the people of South Korea and North Korea both are committed to unification, and I assure them that the people of the United States are in full and complete support of that objective.

Earlier today I endorsed President Roh's call for a multilateral approach to resolving the security problems of this region. The United States will do all in its power to make this endeavor a success. We can do no less to enhance the security of our Korean brothers, both South and North.

Thus I call on North Korea to come out from behind those barriers, from the bastions of military strength, to present to your countrymen the hand of peace and reconciliation.

I for my part offer my hand to North Korea across the divide. Come, work with us for peace and security on the Korean peninsula, in the Northeast Asia Region, and in the world.

Key Elements for the Presidential Speech in Japan

Historical Setting

-- Friendship between the two nations has deep roots. Even before Commodore Perry sailed into Shimoda with his black ships in 1853, a young man from Kyushu named John Monjiro had found his way to Boston and begun the process of cross-cultural communication. It is important to remember that except for the dark period of the 1930s and early forties, productive relations between the two countries have been the norm.

-- It is in this context that the American people approached the commemoration in Hawaii of the fiftieth anniversary of Pearl Harbor. We see this event and the war that followed as an aberration in the long positive history of our relationship. As we pay tribute to those who died in the conflict, we will take pride in the strong US-Japan alliance relationship that both countries have built since the end of the war which has made a major contribution to the prosperity of both countries and is the foundation of peace and stability in Asia today.

The enduring importance of cooperation

-- Rarely in history have two nations with such different geographic and cultural roots formed such an enduring relationship. This relationship is based on shared interests and values and an appreciation of the mutual strategic, economic, and political benefits both countries derive from close cooperation.

-- The basis for cooperation is stronger today than it has ever been.

- The US-Japan Security Treaty remains the cornerstone of stability in East Asia, a region that still has a range of unresolved conflicts. This treaty allows the US to maintain forward deployed forces in East Asia which serve American, regional, and we believe, Japanese interests. Close cooperation between our military forces and the two-way flow of defense technology makes the most efficient use of our defense resources and helps maintain a strong political link between the two countries.

-- Our economies are increasingly interdependent; Japan will sell about \$90 billion worth of goods and services to the US this year and the US will sell more than \$40 billion to Japan, making each country the others' largest overseas trading partner; Japanese investment in the US creates more than jobs

and is an important source of technology and management innovation for the American economy.

-- The US and Japan are the world's two largest donors of foreign economic assistance and are destined to play key roles in addressing regional and global issues by virtue of their economic strength and political interests. These roles can best be performed by working together rather than independently.

-- The human connections between us are growing. There are more Americans working and studying in Japan than ever before and there are more Japanese residing in the US.

America as a Pacific player

-- The US has been a major player in the Pacific throughout the twentieth century but it is only recently that Americans have become aware that their country's future orientation will be as much toward the Asia-Pacific region as toward Europe. America's trade with Asia exceeds our trade with Europe. Asian-Americans are the most rapidly increasing ethnic group in America and are becoming politically active. And American security continues to be vitally linked to the security and stability of the Asia-Pacific region.

America's View of Japan

-- For America, Japan is the center of Asia, and US relations with Japan are the heart of our policy toward the Asia-Pacific region.

-- As seen from Japan, there may be the impression that most Americans see Japan in negative terms. Polls show the "Japan challenge" ranking ahead of the "Soviet challenge"; and various books and articles predict a crisis in US-Japan relations.

-- These opinions are present in the US, but the vast majority of Americans admire Japan's economic performance, have warm feelings toward the Japanese people, and regard Japan as an indispensable partner for the post-Cold War era.

-- Let me say a word about the impact of the Gulf crisis on American views of Japan. There was considerable criticism in the US press and in the Congress of what was seen by some as Japan's slow and reluctant support of the coalition effort, but this negative impression has all but disappeared. In fact there is now widespread appreciation

of Japan's extremely generous \$13 billion contribution to the effort, \$10 billion of which went to the United States, and to the strong political support of your government. We know the Gulf crisis raised many fundamental questions in Japan about your country's appropriate role in such coalition efforts and that reaching a consensus takes time. This is an issue for the Japanese people and the Japanese political process to decide, but we welcome efforts Japan has made to participate more directly in peace keeping operations.

Managing US-Japan Relations for the Future

Global Partnership

-- We see a "global partnership" between Japan and the United States in which the two countries will work in close collaboration to bring their political, technical, and economic resources to bear to address regional and global issues.

-- Global Partnership will be an "equal partnership"
-- we will work together to define common objectives and our respective approaches to these objectives.

-- Global Partnership will not be exclusive, nor will it represent a US-Japan condominium. We will welcome the participation of other like-minded countries and international organizations.

Addressing Economic Issues

-- Global partnership can only succeed if we manage the competitive aspects of our relationship, notably in the economic area.

-- We have made great progress in the last few years in addressing various sectoral problems and the Structural Impediments Initiative (SII) talks have broken new ground in addressing the sources of tension in our trading relationship, but more needs to be done. We welcome the agreement of your government to reinvigorate efforts in these areas.

-- Nothing is more important to sustaining the free trade system than the success of the Uruguay Round. Japan and the United States benefit greatly from free trade and we bear a special responsibility for the successful conclusion of the round. We look to Japan

-- Fifty years ago we fought a tragic war. Today we are each others' indispensable partners in trade, investment, defense, and regional and global affairs.

-- The Cold War helped create this partnership, but cooperation between the US and Japan does not depend on the external pressure of the communist challenge. Rather our alliance is based on fundamental shared interests in virtually all fields, and the reasons for cooperation are stronger today than ever before.

-- It is up to the leadership in both countries to ensure that the competitive aspects in our relationship are managed effectively so that this cooperation can go forward. If we fail, we will have missed an historic opportunity; if we succeed, our citizens, and the citizens of the world can look forward to a more prosperous and stable future. I welcome the commitment of Prime Minister Miyazawa to this joint enterprise and I make the same commitment.

to play a leadership role as we tackle the last remaining, and the most difficult, issues, including agricultural liberalization.

The US Domestic Agenda

-- We recognize that our bilateral trade imbalance reflects far more than the impact of remaining market barriers in Japan. Japan's products are competitive around the world because Japan has saved and invested at a rate double that of the US, focused on applied research and development and new manufacturing technologies, established the world's best quality control systems, developed a highly educated labor and managerial force, and taken a long term view to developing markets abroad. There is much that America should emulate in Japan's example. We are taking steps to improve our competitiveness -- reducing our budget deficit, improving education, and enhancing our productivity.

-- The United States is going through a difficult economic period, but we have tremendous fundamental strengths to draw on. American basic research is still the best in the world; our best universities are the world's best; American technology in such advanced fields as computers and biotechnology is at the leading edge; and we have a diverse, energetic, creative, and talented population.

-- But we need make more productive uses of these basic strengths to prepare our economy and society for the competitive challenge of the 21st century.

The Human Connection

-- For all of our interaction and interdependence, the US and Japan need to know a great deal more about each other. Much is already being done in this area. There are more than 1000 young Americans teaching in Japanese schools under the JET program, and thousands of Japanese are studying in the US. We welcome the Abe fund to support greater exchanges between the US and Japan and we are committed to supporting this and other initiatives. Thanks to these programs, by the end of this century both Japan and the United States will have a much larger group of people who have lived in each other's country, speak each other's language, and understand more fully the great importance of our bilateral relationship.

Concluding Flourish

KOREA -- FROM NATIONAL GEOGRAPHIC, AUGUST 1988

kimchi - incendiary pickled cabbage that no Korean is without
status-conscious country

WWII Korea freed from 35 years of Japanese occupation

Ruled in succession by three dictators: a civilian, Syngman Rhee, and two army officers, Park Chung Hee and Chun Doo Hwan. Following Park's assassination in 1979, Gen. Chun's coup against the military command succeeded because his close friend, Gen. Roh Tae Woo, supported him by bringing troops into Seoul. On June 10, 1987, Pres. Chun picked Roh (no) as his successor, touching off mass demonstrations and abated only when Roh made a surprise capitulation to opposition demands for direct presidential elections, the first in 16 years, which he won -- with 37 percent of the ballots -- over a divided opposition.

Co-ops are essentially governmental and the only elected officials in the country are the president and members of the National Assembly. All other officials are appointed by the central government in Seoul.

Koreans are preoccupied with appearances, especially for foreigners, and they are not comfortable with saying precisely what they think or how they feel.

Centuries of Confucian culture -- authoritarian hierarchy on Korean Society (ruler over subject; parents-children, husband-wife, old-young)

1953 entire peninsula devastated by Korean War, millions dead, 60s still could see bullock carts on streets of Seoul, south bank of Han River (runs through Seoul) was mud flats--today is matriculating with office and apartment buildings on the horizon

26 years ago, 70 percent of Koreans were farmers. Today there are an impressive number of Ph.D.'s among the bright technocrats, and 65% of the population is urban -- a vast sudden uprooting. 1 of 4 South Koreans lives in Seoul.

Traffic jams like Hollywood Freeway -- Seoul is where the money, prestige, influence, power, and smog are

ECONOMY

South Korea claims the world's highest annual growth rate -- 12 percent - in GNP.

Now runs a \$10 billion trade surplus with the U.S. and a deficit with Japan

Koreans have a national savings rate of 33% -- they have no unemployment or retirement benefits and virtually no bank financing for consumers.

SK econ dominated by big conglomerates (Daewoo, Hyundai, Samsung, Lucky-Goldstar)

87 Hyundai Excel hottest import in U.S., Pontiac LeMans roll form Daewoo's plant in Puchon. SK manufactures fuselage sections for the F-16 and wing parts for the 747. SK is the world's 12th largest trading nation.

the Shrimp among whales;

two modern armies - 840,000 troops in NK and 650,000 in SK including 45,000 US soldiers. U.S. soldiers face each other across a no-man's ;and that is dangerous even for browsing deer. As soldiers say - "There ain't no D in DMZ".

Korea freed of hated Japanese only to be occupied by and divided by the armies of the cold war.

→ ideology divided by the 38th parallel

Seoul 25 miles from DMZ; billboards on the buildings and mountains around Seoul screen guns, rockets, and radar, and the sidewalk flower planters are revetments for mortars and machine guns. There are tank traps on the way to the DMZ and boulders stacked over the rail and road cuts, primed with set charges. Buildings have thicker north walls, with tank drive-downs into basements windowed for guns. A wire fence along much of the coast is studded with painted stones arranged in coded patterns. Patrols check for rocks that have been jarred loose or incorrectly replced and for footprints in the swept sand. Cables are stretched across the golf fairways to clothesline Pyonyang's gliders. three Noth Korean tunnels have been discovered beneath the DMZ and US military experts believe there are more.

tae kwon do - Korean martial art

three is a good number in Korea

for years the Korean government has kept wages low to compete in world markets -- in 25 years, per capita income had made a phenomenal leap from \$90 to \$2,800

SK had one of the world's highest percentages of citizens attending college. More than a million do, half of them in Seoul

students have held a niche in Korean society as the "national conscience"

almost 70 percent of Koreans were born after the Korean war

powerful nationalism, proud of their culture and history, proud of being Korean

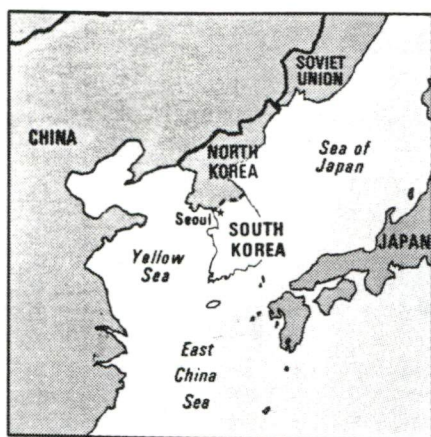
background notes

[South] Korea



United States Department of State
Bureau of Public Affairs

April 1987



Official Name:
Republic of Korea

PROFILE

Geography

Area: 98,500 sq. km. (38,000 sq. mi.); about the size of Indiana. **Cities:** *Capital*—Seoul (over 10 million). *Other major cities*—Pusan (3.4 million), Taegu (2.0 million), Incheon (1.2 million). **Terrain:** Partially forested mountain ranges, separated by deep, narrow valleys; cultivated plains along the coasts, particularly in the west and south. **Climate:** Temperate.

People

Nationality: *Noun and adjective*—Korean(s). **Population** (1986): 43.3 million. **Annual growth rate:** 1.5%. **Ethnic groups:** Korean; small Chinese minority. **Religions:** Buddhism, Christianity, Shamanism, Confucianism. **Language:** Korean. **Education:** *Years compulsory*—6. *Number of students*—11,121,000. *Attendance* (1984)—of those eligible, 98.8% attended middle school, 89.7% attended high school. *Literacy*—over 90%. **Health** (1983): 1 doctor 1,509 persons. *Infant*

mortality rate (1983)—29/1,000. *Life expectancy*—men 64 yrs., women 71 yrs. **Work force** (15.4 million, 1985): *Agriculture*—24.9%. *Industry*—30.5%. *Services*—44.6%.

Government

Type: Republic with power centralized in a strong executive. **Independence:** August 15, 1948. **Constitution:** July 17, 1948; revised 1962, 1972, 1980.

Branches: *Executive*—president (chief of state). *Legislative*—unicameral National Assembly. *Judicial*—Supreme Court and appellate courts, Constitutional Court.

Subdivisions: Nine provinces, four administratively separate cities (Seoul, Pusan, Incheon, Taegu).

Political parties: *Government party*—Democratic Justice Party (DJP). *Opposition parties*—New Korea Democratic Party (NKDP), Korean National Party (KNP). **Suffrage:** Universal over 20.

Central government budget (1985): *Expenditures*—\$17.4 billion.

Defense (1986 est.): \$47 billion, approx. 5.1% of GNP and 31.2% of government budget. About 600,000 active in armed forces.

Flag: Centered on a white field is the ancient Chinese symbol of yin and yang, a divided circle of interpenetrating blue (top) and red (bottom), representing the union of opposites. At each corner of the white field is a different trigram of black bars, symbols of the elements from the ancient pan-East Asian *I Ching* or "Book of Changes." Together, the yin-yang and the four trigrams represent eternal unity.

Economy

GNP (1986 est.): \$91.750 billion. **Annual growth rate** (1961–81): 8%. **Per capita GNP** (1985): \$2,032. **Consumer price index** (1985 avg. increase): 3.2%.

Natural resources: Limited coal, tungsten, iron ore, limestone, kaolinite, and graphite.

Agriculture (including forestry and fisheries, 16.4% of 1985 GNP): *Products*—rice, barley, vegetables. *Arable land*—22% of land area.

Mining and manufacturing (42.0% of 1985 GNP): Textiles, footwear, electronics, shipbuilding, motor vehicles, petrochemicals, industrial machinery.

Social overhead capital and other services: 41.6% of 1985 GNP.

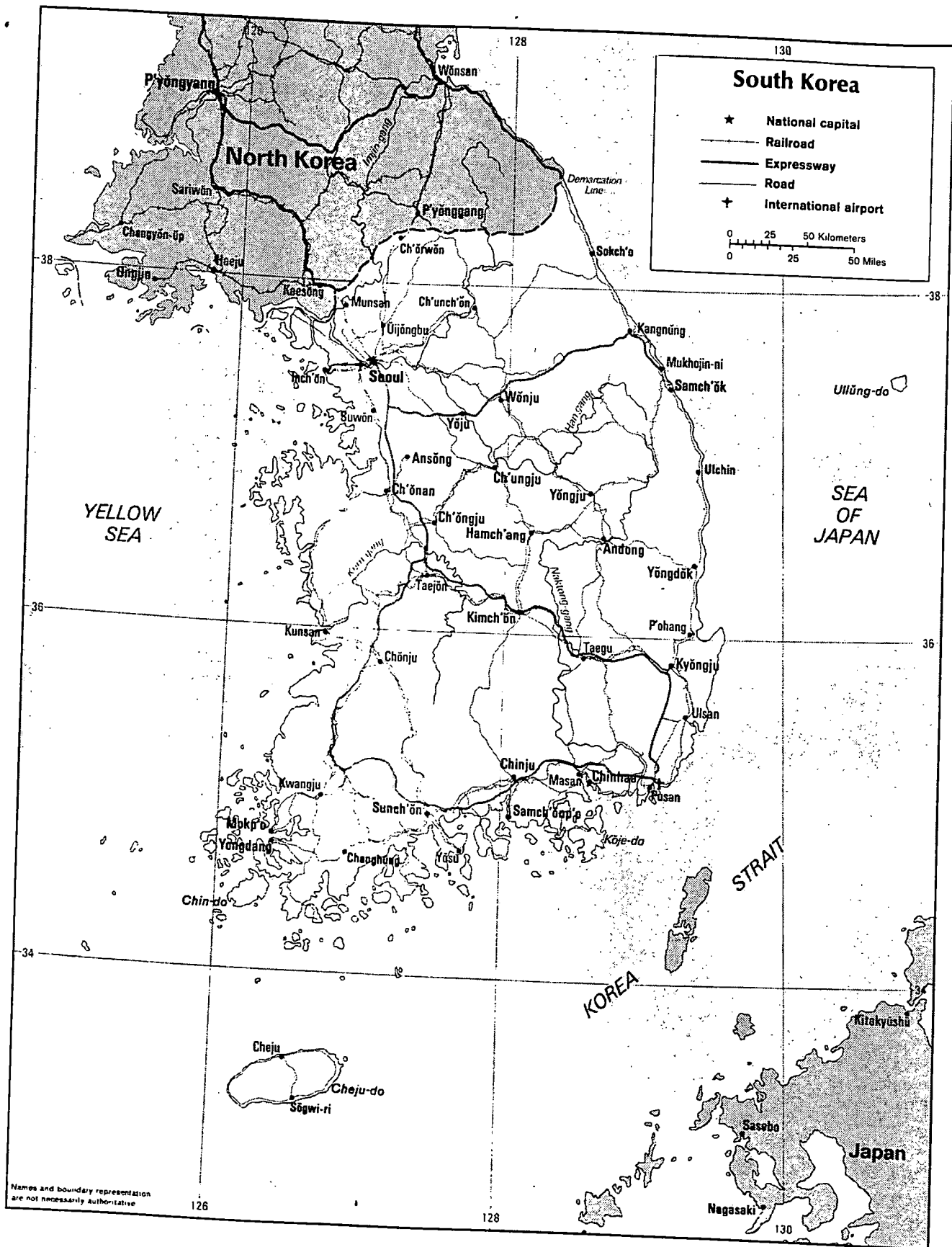
Trade (1986): *Exports*—\$33.9 billion: manufactures; textiles; ships; electrical products; footwear; steel. *Major markets*—US, Japan, European Community, Middle East. *Imports*—\$31.5 billion: crude oil; food; machinery and transportation equipment; chemicals and chemical products; base metals and articles. *Major suppliers*—Middle East, Japan, US.

Official exchange rate (March 1987): 852 won=US\$1.

Fiscal year: Calendar year.

Membership in International Organizations

Official observer status at UN; active in many UN specialized agencies (FAO, GATT, IAEA, IBRD, ICAO, IDA, IFAD, IFC, IMF, IMO, ITU, UNCTAD, UNDP, UNESCO, UNICEF, UNIDO, UPU, WHO, WIPO, WMO, WTO) and other international organizations (Asian-African Legal Consultative Committee, ASPAC, Asian People's Anti-Communist League, World Anti-Communist League, Colombo Plan, Economic and Social Commission for Asia and the Pacific, Geneva Conventions of 1949 for the Protection of War Victims, Asian Development Bank, INTELSTAT, International Whaling Commission, Inter-parliamentary Union, INTERPOL); official observer status in African Development Bank (member of Africa Development Fund), International Labor Organization, and Organization of American States.



GEOGRAPHY

The Republic of Korea (South Korea) occupies the southern portion of a mountainous peninsula, about 966 kilometers (600 mi.) long and 217 kilometers (135 mi.) wide, projecting southeast from China and separating the Sea of Japan from the Yellow Sea. Japan lies about 193 kilometers (120 mi.) east of Pusan across the Sea of Japan (called the East Sea by Koreans). The most rugged areas are the mountainous east coast and central interior. Good natural harbors are found only on the western and southern coasts.

South Korea's only land boundary is with North Korea, formed by the Military Demarcation Line (MDL) marking the line of separation between the belligerent sides at the close of the Korean war. The Demilitarized Zone (DMZ) extends for 2,000 meters (1.2 mi.) on either side of the MDL. The North and South Korean Governments hold that the MDL is not a permanent border but a temporary administrative line.

Seoul, the capital, is less than 48 kilometers (30 mi.) from the DMZ, near the west coast. Seoul's climate is hot and rainy in summer; winters are cold, dry, and windy, with generally light snowfall, and mean January temperature is -5°C (23°F). Fall is traditionally the Koreans' favorite season, with warm days, cool nights, and clear skies; such weather often lasts into mid-December.

PEOPLE

Korea was first populated by a Tungusic branch of the Ural-Altaic family, which migrated to the peninsula from the northwestern regions of Asia. Some of these people also settled parts of northeast China (Manchuria), and Koreans and Manchurians still show physical similarities—in their height, for example. Koreans are racially and linguistically homogeneous, with no indigenous minorities.

South Korea's major population centers are mostly in the northwest area of Seoul-Inchon and in the southern fertile plains. The mountainous central and eastern areas are sparsely inhabited. Between 1925 and 1940, the Japanese colonial administration in Korea concentrated its industrial development efforts in the comparatively underpopulated and resource-rich north, resulting in considerable migration of people to the north from the southern agrarian provinces. This trend was reversed after World War II, when more than 2 million Koreans moved from the north to the

south following the division of the peninsula into U.S. and Soviet military zones of administration. This southward migration continued after the Republic of Korea was established in 1948 and during the Korean war (1950–53). About 10% of the people in the Republic of Korea are of northern origin. With over 40 million people, South Korea has one of the world's highest population densities—much higher, for example, than India or Japan—while the territorially larger North has about 20 million people. Expatriate Koreans live mostly in China (1.2 million), Japan (600,000), the United States (500,000), and the Soviet Union.

Language

Korean is a Uralic language, remotely related to Japanese, Hungarian, Finnish, and Mongolian. Although dialects exist, the Korean spoken throughout the peninsula is mutually comprehensible. Chinese characters were used to write Korean before the Korean Hangul alphabet was invented in the 15th century. These characters are still in limited use in South Korea, but the North uses Hangul exclusively. Many older people retain some knowledge of Japanese from the colonial period (1910–45), and most educated Koreans can read English, which is taught in all secondary schools.

Religion

Korea's traditional religions are Shamanism and Buddhism. Although Buddhism has lost some influence since the Koryo dynasty (A.D. 935–1392), it still commands the greatest number of adherents of any faith—about 18.9% of the population. Shamanism, the traditional spirit worship, is still practiced in some rural areas. Confucianism remains the dominant cultural influence; however, its religious adherents are few and mostly elderly. Christian missionaries arrived in Korea in the 19th century and founded schools, hospitals, and other modern institutions throughout the country. Today, nearly 7 million Koreans, or 16% of the population, are Christian (about 75% Protestant)—the largest figure for any East Asian country except the Philippines.

HISTORY

According to legend, the god-king Tangun founded the Korean nation in 2333 B.C., after which his descendants reigned over a peaceful kingdom for more than a millennium. By the first century A.D., the Korean Peninsula, known as Chosun ("morning calm"), was

divided into the kingdoms of Silla, Koguryo, and Paekche. In A.D. 668, the peninsula was unified under the Silla kingdom, rulership of which was taken over in 918 by the Koryo dynasty (from which is taken the name "Korea"). The Yi dynasty, which supplanted Koryo in 1392, lasted until the Japanese annexed Korea in 1910.

Throughout most of its history, Korea has been invaded, influenced, and fought over by its larger neighbors. Major Japanese invasions occurred in 1592 and 1597, and the Chinese attacked in 1627. To protect themselves from such foreign buffeting, the Yi kings finally adopted a closed-door policy, which earned Korea the title of "Hermit Kingdom." Though the Yis showed nominal fealty to the Chinese throne, Korea was in fact independent until the late 19th century, when Japanese influence became predominant.

In the late 19th and early 20th centuries, Japanese, Chinese, and Russian competition in Northeast Asia led to armed conflict. Having defeated its two competitors, Japan established dominance in Korea, annexing it in 1910. The Japanese colonial era was characterized by almost total control from Tokyo and by ruthless efforts to replace the Korean language and culture with those of the colonial power.

As World War II ended, the United States and the Soviet Union agreed at Yalta that Japanese forces in Korea would surrender to the United States south of the 38th parallel and to the Soviet Union north of that line. This division of Korea was intended as a temporary administrative measure only. However, in 1946–47, the Soviet administration in the North refused to allow free consultations with representatives of all groups of the Korean people for the purpose of establishing a national government, and the United States and the Soviet Union subsequently were unable to reach agreement on a unification formula.

Korean War

In the face of communist refusal to comply with the UN General Assembly resolution of November 1947, calling for UN-supervised elections throughout Korea, elections were carried out under UN observation in the U.S. zone of occupation, and on August 15, 1948, the Republic of Korea (ROK) was established there. The Republic's first president was a prominent Korean nationalist, Syngman Rhee. In September 1948, the

Soviet Union established the Democratic People's Republic of Korea (DPRK) in the North under Kim Il Sung, a former Soviet Army major, who claimed authority over the entire peninsula. On December 12, 1948, the UN General Assembly declared the ROK the only lawful government in Korea.

The United States withdrew its military forces from Korea in 1949. On June 25, 1950, North Korean forces invaded the Republic of Korea. The United Nations, in response and in accordance with the terms of its Charter, engaged in its first collective action through the establishment of the UN Command (UNC), to which 16 member nations sent troops and assistance. At the request of the UN Secretary General, this international effort was led by the United States, which contributed the largest contingent. UN forces initially succeeded in advancing almost to the Yalu River, which divides the Korean Peninsula from China, but large numbers of "people's volunteers" from the army of the People's Republic of China joined the North Korean forces. In December 1950, a major Chinese attack forced UN troops to withdraw southward. The battle line fluctuated up and down the peninsula until the late spring of 1951, when it finally stabilized north of Seoul near the 38th parallel.

Armistice negotiations began in July 1951, but hostilities continued until July 27, 1953, when, at the village of Panmunjom, the military commanders of the DPRK forces, the Chinese people's volunteers, and the UNC signed an armistice agreement. Neither the United States nor the ROK is a signatory of the armistice per se, though both adhere to it through the UNC. No comprehensive peace agreement has been signed in Korea, and the 1953 armistice agreement remains in force. A Military Armistice Commission, composed of 10 members, 5 appointed by each side, is empowered to supervise implementation of the terms of the armistice.

The armistice called for an international conference to find a political solution to the problem of Korea's division. This conference met at Geneva in April 1954, but, after 7 weeks of futile debate, ended inconclusively.

Postwar Developments

Syngman Rhee served as president of the Republic of Korea until April 1960, when university students and others, demonstrating in protest against irregularities in the presidential election

of that year, forced him to step down. A caretaker government was established, the constitution was amended and, in June, national elections were held. The opposition Democratic Party easily defeated Rhee's Liberals, and, in August, the new National Assembly named Chang Myon prime minister. Chang's democratic but administratively ineffectual government—the Second Republic—lasted until May 1961, when it was overthrown in an army coup led by Maj. Gen. Park Chung Hee.

After 2 years of military government under Gen. Park, civilian rule was restored with the advent of the Third Republic in 1963. Park, who had retired from the army, was elected president (and was reelected in 1967, 1971 and 1978). In 1972, a popular referendum approved the Yushin (revitalizing) constitution, which greatly strengthened the executive branch's powers. Key provisions included indirect election of the president, presidential appointment of one-third of the National Assembly, and presidential authority to issue decrees to restrict civil liberties in times of national emergency. Park subsequently issued several such decrees; the best-known of these, EM-9, banned discussion of false rumors, criticism of the constitution or advocacy of its reform, and political demonstrations by students.

The Park era, marked by rapid industrialization and extraordinary economic growth and modernization, ended with his assassination in October 1979. Prime Minister Choi Kyu Ha assumed office briefly (the Fourth Republic), promising a new constitution and presidential elections. In December 1979, Maj. Gen. Chun Doo Hwan and his close colleagues removed the army chief of staff and soon controlled the government. By September, President Choi had been forced to resign, and General Chun, by then retired from the army, was named president.

During this process and in opposition to it, demonstrations by campus activists and others increased through the spring of 1980. In mid-May, the government declared martial law, banned all demonstrations, and arrested many political leaders and dissidents. In Kwangju City, Special Forces units reacted harshly to demonstrators who ignored the ban, setting off a confrontation which left an official estimate of 170 dead. Unofficial sources claim a higher figure. This incident left a wound that has proven slow to heal.

In October, a referendum approved a new constitution, beginning the Fifth Republic. This document retained key features of earlier ones, including a

strong executive and indirect election of the president but limited the chief executive to one 7-year term. Elections were held in early 1981 for a National Assembly and an electoral college; the latter elected President Chun to a 7-year term beginning in March of that year.

Although martial law ended in January 1981, the government, under laws enacted during the martial law period, retains broad legal powers to control dissent. An active and articulate minority of students, intellectuals, clergy, and others have remained critical of the Chun government and from time to time have organized demonstrations against it. Some of these demonstrations, such as those in Inchon in May 1986 and at Konkuk University in the fall of 1986, have been marked by considerable violence.

President Chun, who is barred from succeeding himself, has pledged to step down when his term ends in 1988. In April 1986, the President responded to a signature campaign by the opposition New Korea Democratic Party (NKDP), calling for direct election of the next president by proposing that the assembly try to reach agreement on a constitutional amendment. The government party, the Democratic Justice Party, supported a parliamentary system with a weakened president and a greatly strengthened prime minister, both elected by the assembly. The NKDP carried forward its earlier call for a directly elected president. Neither side has shown a willingness to compromise, and the outcome of the process to create what is hoped will be a more open political system with broad support from the Korean people was uncertain as of early 1987.

Principal Government Officials

President—Chun Doo Hwan
Prime Minister—Lho Shin Yong
Deputy Prime Minister; Chairman,
Economic Planning Board—
Kim Mahn Je
Minister of Foreign Affairs—Choi
Kwang-soo
Minister of National Defense—Lee Ki
Baek
Ambassador to the United States—Kim
Kyong Won
Ambassador to the United Nations—
Park Kun
Speaker of the National Assembly—Lee
Chai Hyung

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

ECONOMY

Over the past 25 years, the Republic of Korea's economic growth has been spectacular. The nation has advanced in a single generation from one of the world's poorest countries to the threshold of full industrialization, despite the need to maintain one of the world's largest military establishments. Lacking natural resources, Korea's greatest asset is its industrious, literate people.

The division of the Korean Peninsula in 1945 created two distorted economic units. North Korea inherited most of the mineral and hydroelectric resources and most of the existing 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. Although both the North and South suffered from the widespread destruction caused by the Korean war, an influx of refugees added to the South's economic woes. For these reasons, South Korea began the postwar period with a per capita gross national product (GNP) far below that of the North.

South Korea's meager mineral resources include tungsten, anthracite coal, iron ore, limestone, kaolinite, and graphite. There is no oil, and energy is a concern for ROK's economic planners. The country's ambitious program to build nuclear power plants is well underway; this year their sixth plant went into operation, and five more are under construction or on order.

The ROK was self-sufficient in rice production in 1977, but rising demand and several disappointing harvests have since made it a net importer. In 1985, Korea purchased about \$1 billion in U.S. agricultural products. Korea is the United States' seventh largest source of imports and its eighth largest market for exports. The resulting trade imbalance was about \$5 billion in 1985. Korea's economy is rapidly approaching full maturity—a marked change from the 1960s and 1970s, when it was a major recipient of U.S. foreign assistance (U.S. direct-aid programs in Korea ended in 1980).

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

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For information on economic trends, commercial development, production, trade regulations, and tariff rates, contact the International Trade Administration, US Department of Commerce, Washington, DC 20230.

national production was rising throughout the 1960s and 1970s, the annual population growth rate declined to the current 1.5%, resulting in a 20-fold increase in per capita GNP in those two decades. Per capita GNP, which reached \$100 for the first time in 1963, now exceeds \$2,000, far above that of North Korea.

Internal economic distortions, the political and social unrest that followed the 1979 assassination of President Park, and the effect of world economic developments, such as the drastic increase in world oil prices in 1979, triggered a severe recession in Korea in 1980. The economy recovered somewhat in the following 2 years, but it was not until the spring of 1983 and the strengthening of economic recovery in the United States that Korean economic performance began to take on the buoyancy of earlier days. Korea's economic planners have shifted their emphasis from high to stable growth. After registering 5% real GNP growth

in 1985, low by Korean standards, the Korean economy rebounded impressively. Nineteen eighty-six is widely viewed as the Korean economy's most successful year ever, as booming exports led once again to double-digit growth of 12%. Korea achieved surpluses in both its current account balance and the trade balance in 1986. Long-term growth prospects remain extremely bright, and Korea continues to successfully manage its large external debt (about \$45 billion, including short-term).

The continuing military threat from the North and the lack of foreign economic assistance require Korea to devote a third of its national budget to defense. In light of this, Korea must continue large defense expenditures while maintaining economic growth.

FOREIGN RELATIONS

South Korea is committed to peaceful settlement of international differences, a commitment best illustrated by its restrained response to a number of armed provocations over the past 15

years. These include the 1968 Blue House raid, the shooting down in September 1983 of a Korean Air Lines airliner by Soviet fighters, and the October 1983 terrorist bombing in Rangoon, Burma, which killed six of the ROK's most valued leaders.

South Korea has cast its lot with the West and the noncommunist world. It is active in international affairs and seeks to enhance its already impressive stature in the world community. Although not a member of the United Nations, South

Korea keeps an observer mission, headed by an ambassador, at the UN General Assembly and is active in many of the UN's specialized agencies.

Following the ratification in 1965 of a treaty normalizing relations between Japan and Korea, the two nations have developed an extensive relationship centering on mutually beneficial economic activity. Although both countries' historic antipathy has at times impeded cooperation, relations at the government level have improved steadily and significantly in the past several years.

Korea's economic growth, energy requirements, and need for basic raw materials and for markets have given economic considerations high priority in the country's foreign policy. In light of these concerns, Korean diplomacy in recent years has concentrated on broadening its international base of support with Third World nations, the Association of South East Asian Nations (ASEAN), and the Middle East.

A recurrent theme in all phases of Korea's foreign relations is its perennial competition with the DPRK for world stature and recognition. In this effort, the ROK has been highly successful: while most of the world's nations recognize the reality of two Koreas, more maintain diplomatic relations with the ROK than the DPRK (122 versus 103, with 67 countries having relations with both). The South's network of international trading relationships is far broader than the North's, and South Korea has been selected to host a series of prestigious international events, including the 1985 International Monetary Fund and World Bank annual conference, the 1986 Asian Games, and the 1988 Summer Olympics (to be held in Seoul).

Negotiating Efforts With North Korea

Throughout the postwar period, both Korean governments have repeatedly affirmed their desire for reunification of the Korean Peninsula, but until 1971 no direct communications or any other contacts took place between the two governments or their citizens except through the Military Armistice Commission.

In August 1971, the DPRK and the ROK agreed to hold talks through their respective Red Cross societies with the stated aim of reuniting the many Korean families separated during the Korean war. Following a secret meeting on July 4, 1972, North and South Korea announced an agreement to work toward national reunification through peaceful

means and to end the atmosphere of hostility that had formerly prevailed. Although official visits were exchanged and regular communication was established through a North-South Coordinating Committee and the Red Cross, no substantive progress was made. The contacts quickly broke down and were finally terminated by the North. This breakdown reflected basic differences in approach, with Pyongyang insisting that immediate steps toward reunification be taken before discussion of specific issues and Seoul maintaining that, given the two sides' history of violence, any realistic approach to reunification must be a gradual, step-by-step process.

President Chun has repeatedly suggested a summit meeting with President Kim of North Korea to discuss any and all proposals, an agreement to normalize inter-Korean relations pending reunification, and other specific measures to reduce tensions and promote humanitarian and cultural exchanges. In January 1982, President Chun, for the first time, addressed the central political issue, proposing that the North and South organize a conference to draft a constitution for a unified democratic republic of Korea. The ROK intends to present its draft constitution and urges the North to do so. The ROK maintains that a dialogue should be based on de facto recognition of each other's existing political, social, and economic systems. Seoul supports the recognition of both Koreas by the major powers in the region (the United States, U.S.S.R., China, and Japan), and the admission of both Koreas to the United Nations pending peaceful reunification. North Korea rejects these ideas on the grounds that they would perpetuate the peninsula's division.

Tension between North and South Korea increased dramatically in the aftermath of the October 9, 1983, North Korean assassination attempt on President Chun in Burma. North-South sports talks the following spring became acrimonious after the Rangoon bombing. South Korea's suspicions of the North's motives were not diminished by Pyongyang's proposal for "tripartite" talks on the future of the Korean Peninsula. This initiative, made public on January 10, 1984, called for talks with the United States, in which "South Korean authorities" would be permitted to participate. The tripartite talks would replace the armistice agreement with a peace treaty, which would provide for withdrawal of all U.S. troops and issue a declaration of nonaggression between North and South.

Travel Notes

Climate and clothing: Korea's temperate, four-season climate is like that of the eastern US. Dress is more conservative than in the US.

Customs: All travelers entering the ROK must have a visa, which may be obtained from a Korean Consulate. Tourist visas are good for 60 days. No immunizations are required of travelers from the US.

Health: Health services are fair to good in most major cities. Many Korean physicians have been trained in Western medicine, and hospital services are adequate. Outside of the major hotels, water generally is not potable.

Transportation: International airports serve Seoul (Kimp'o), Pusan (Kimhae), and Cheju Island. Extensive intercity air, rail, and bus service is available, as is an excellent network of local bus, taxi, and (in Seoul) subway services.

Telecommunications: Seoul is 14 time zones ahead of eastern standard time (13 hrs. during daylight-saving time). International direct-dial service is available to Korea's major cities. Internal telephone and telegraph services are available.

Tourist attractions: The Yi dynasty palaces in Seoul—Kyongbok, Changdok, and Toksu—are recommended, as are the National Museum of Korea and the Korean Folk Museum. The folk village at Suwon, located less than an hour's drive from Seoul, is a fine example of a "living museum." Sorok Mountain and Cheju Island are popular scenic attractions, while Pusan and Masan are examples of a modern Korean port and industrial site. The southeastern city of Kyongju has many fine antiquities. English is widely spoken at major tourist sites and facilities in the principal cities; in other areas, English speakers may be less readily found.

National holidays: Businesses and the US Embassy may be closed on the following holidays—National Day (Independence Day), August 15; New Year, January 1-3; Foundation Day (commemorating the founding of the nation by the god-king Tangun), October 3; Hangul Day (commemorating the creation of the Korean alphabet in 1446), October 9; Chusok (harvest moon festival), date varies, usually in August or September.

North Korea's offer to provide relief goods to victims of severe flooding in South Korea in September 1984—and South Korean acceptance—signaled the beginning of renewed dialogue between the two parties. Both sides began discussions on a variety of fronts—Red Cross talks that address the plight of family members separated by the division of Korea, economic/trade talks, and parliamentary talks. However, citing the U.S.-ROK Team Spirit joint military exercise, the North suspended these talks in January 1986. In addition, both sides have met under International Olympic Committee auspices to discuss cooperative ways of approaching the 1988 Summer Olympics to be held in Seoul.

U.S.-KOREAN RELATIONS

The United States remains committed, as it has for the past 30 years, to maintaining peace on the Korean Peninsula—a commitment vital to the peace and stability of the entire Northeast Asian region. The United States agreed in the 1954 Mutual Security Treaty to help the Republic of Korea defend itself from external aggression. In support of that commitment, the United States maintains about 39,000 troops in Korea, including the Second Infantry Division and several Air Force tactical squadrons. To coordinate operations between these units and the 600,000-strong Korean Armed Forces, a Combined Forces Command (CFC) has been established, headed by a U.S. four-star general who serves concurrently as Commander in Chief of the UN Command (CINCUNC). These U.S. forces effectively supplement

the Korean people's ongoing and successful effort to deter aggression.

On Korean reunification, the United States believes that direct, government-to-government talks between the authorities of South and North Korea are necessary and that steps to promote greater understanding and reduce tension are needed to pave the way for reunifying the nation. Because the United States believes that the fundamental decisions on the future of the Korean Peninsula must be taken by the Korean people themselves, it has refused to be drawn into separate negotiations with North Korea, as Pyongyang has suggested. The United States stands prepared to participate in any discussions between the representatives of North and South Korea, if so desired by both Korean governments and provided that both are full and equal participants in such talks.

Perhaps the most rapidly developing area in Korean-U.S. relations is that of economics and trade. Korea has become the United States' seventh largest commercial partner. The United States seeks to improve its trade imbalance through greater access to Korea's expanding market and improved investment opportunities for U.S. business. Korea has embarked on an investment liberalization policy designed to open 90% of all industries to foreign investment by 1988. Korean leaders seem determined to manage successfully the complex economic relationship, and there appears to be widespread recognition in Korea of the benefits to be gained from greater U.S. private sector involvement in the country's development process.

Since the 1950s, the U.S.-Korean relationship has developed into one of the most important in Asia. The celebration in May 1982 of the centennial of

Korean-American diplomatic relations and President Reagan's subsequent visit to Korea in the fall of 1983 underscore the special quality of U.S.-Korean relations and the determination of both governments to further develop that relationship.

Principal U.S. Officials

Ambassador—James R. Lilley
 Commander in Chief, UNC—
 Gen. William J. Livsey
 Deputy Chief of Mission—Thomas S. Brooks
 Counselor for Political Affairs—Thomas P.H. Dunlop
 Counselor for Economic Affairs—Donald F. McConville
 Counselor for Administrative Affairs—Robert G. Deason
 Counselor for Public Affairs—John M. Reid
 Consul General—Andrew F. Antippas
 Counselor for Commercial Affairs—George Mu
 Chief, Joint U.S. Military Advisory Group, Korea—Mg. Todd P. Graharr

The U.S. Embassy is located at 82 Sejong-Ro, Chongro-ku, Seoul (tel. 732-2601; telex AMEMB 23108). ■

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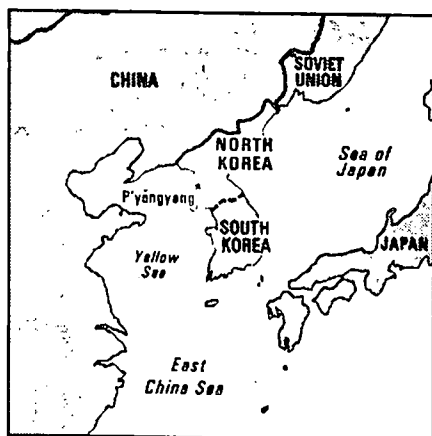
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United States Department of State
Bureau of Public Affairs

July 1989



Official Name:
**Democratic People's Republic
of Korea**

PROFILE

Geography

Area: 121,730 sq. km. (47,000 sq. mi.), about the size of Mississippi. **Cities:** *Capital*—Pyongyang. *Other cities*—Chongjin, Wonsan, Nampo, and Kaesong. **Terrain:** Numerous ranges of moderately high and partially forested mountains and hills separated by deep, narrow valleys, and small cultivated plains. **Climate:** Temperate.

People

Nationality: *Noun and adjective*—Korean(s). **Population** (1988 est.): 21 million. **Annual growth rate:** 2.3%. **Ethnic groups:** Korean; approx. 50,000 Chinese; some 1,800 Japanese

spouses of Korean returnees from Japan. **Religion:** Buddhism, Shamanism, Chongdogyo, Christian; religious activities have been virtually nonexistent since 1945. **Language:** Korean. **Education:** *Years compulsory*—11. *Attendance*—3 million (primary, 1.5 million, secondary, 1.2 million, tertiary, 0.3 million). *Literacy* (est.)—99%. **Health:** Medical treatment is free; 1 doctor for every 700 inhabitants; 1 hospital bed for every 350. *Infant mortality rate*—30/1,000. *Life expectancy*—65.5 yrs.

Government

Type: Communist state, one-leader rule. **Independence:** September 9, 1948. **Constitution:** 1972.

Branches: *Executive*—president (chief of state); premier (head of government). *Legislative*—Supreme People's Assembly. *Judicial*—Supreme Court, Provincial, city, county, and military courts (subordinate to Supreme People's Assembly).

Subdivisions: 9 provinces, 4 province-level municipalities—Pyongyang, Kaesong, Chongjin, Nampo.

Political parties: Korean Workers' (communist) Party. **Suffrage:** Universal at age 17.

Defense (1987 est.): Approx. 24% of GNP, with about 12% of men ages 17–49 in the regular armed forces.

Holidays: National Day, Independence Day, September 9; Kim Il Sung's birthday, April 15; other holidays.

Flag: Two blue horizontal stripes at the top and bottom; two white narrow stripes; and a wide center band on which appears a red star in a white circle.

Economy*

GNP (1986 est.): \$17–\$25 billion. **Per capita** (1986): \$860–\$1,200.

Agriculture (including forestry and fishing, 1982—25% of GNP): *Products*—rice, corn, potatoes, fruits, vegetables, tobacco.

Industry (including mining and manufacturing, 1982—70% of GNP): *Types*—steel, cement, textiles, petrochemicals, machines.

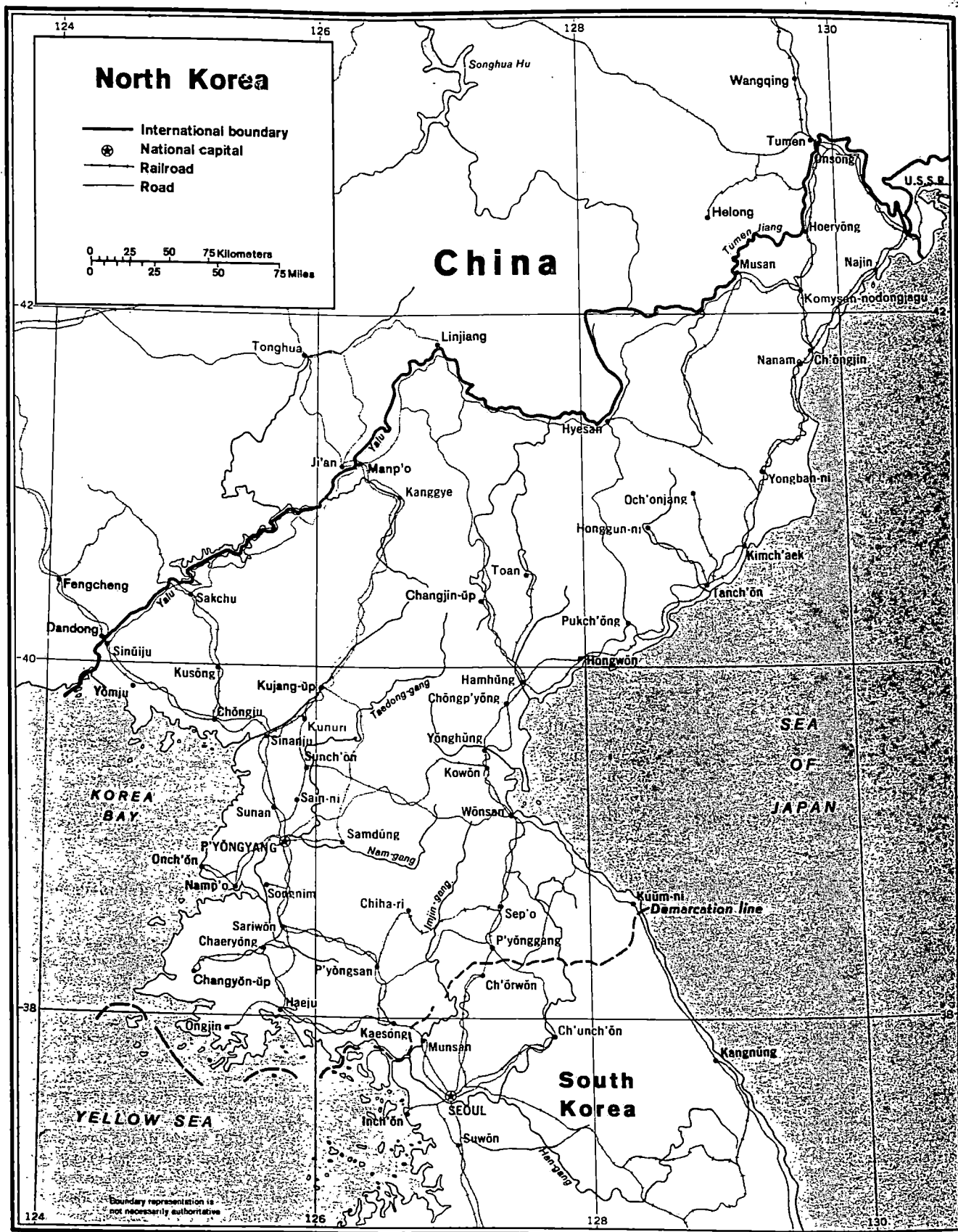
Trade (1986): *Exports*—\$1.5 billion: machinery and equipment, military hardware, iron, steel, metal ores, nonferrous metals, nonmetallic minerals, textile fibers, chemicals, foodstuffs. *Imports*—\$2.1 billion: machinery and equipment, petroleum, foodstuffs, coking coal. *Major partners*—U.S.S.R., P.R.C., Middle East, East European countries, Japan, F.R.G., France. (About 70% is with communist countries.)

Official exchange rate: 2 won = U.S.\$1.

Membership in International Organizations

UN (official observer status). UN-related agencies, including the Food and Agriculture Organization (FAO), International Atomic Energy Agency (IAEA), International Civil Aviation Organization (ICAO), International Postal Union (IPU), UN Conference on Trade and Development (UNCTAD), International Telecommunications Union (ITU), UN Development Program (UNDP), UN Educational, Scientific and Cultural Organization (UNESCO), World Health Organization (WHO), World Intellectual Property Organization (WIPO), World Meteorological Organization (WMO), International Maritime Organization (IMO); International Committee of the Red Cross (ICRC), Nonaligned Movement.

*In most cases, the figures used here are estimates based upon incomplete data and projections.



GEOGRAPHY

The Democratic People's Republic of Korea (D.P.R.K., North Korea) occupies the northern portion of a mountainous peninsula about 966 kilometers (600 mi.) long and 217 kilometers (135 mi.) wide, projecting southeast from China, between the Sea of Japan and the Yellow Sea. Japan lies about 193 kilometers (120 mi.) east of the peninsula, across the Sea of Japan. North Korea shares borders with the People's Republic of China along the Yalu and Tumen Rivers—and, with the Soviet Union—along the Tumen River. The military demarcation line (MDL), marking the line of separation between the belligerent sides at the close of the Korean war, forms the boundary with the Republic of Korea (R.O.K., South Korea). A demilitarized zone (DMZ) extends for 2,000 meters (just over 1 mile) on either side of the MDL. Both the North and South Korean Governments hold that the MDL is only a temporary administrative line, not a permanent border.

North Korea's terrain consists of numerous ranges of moderately high and partially forested mountains and hills separated by deep, narrow valleys and small cultivated plains. The most rugged areas are the north and east coasts. Good harbors are found on the eastern coast. Pyongyang, the capital, near the country's west coast, is located on the Taedong River.

The climate is temperate. July and August are normally the warmest months, with temperatures averaging 30 °C (85 °F) at Pyongyang. January is the coldest; temperatures often drop below -20 °C (-4 °F). Rainfall is concentrated in the summer months, usually occurring in June and July. Snowfall is generally light, but the ground is covered for long periods.

PEOPLE

Korea was first populated by a Tungusic branch of the Ural-Altaic family, which migrated to the peninsula from the northwestern regions of Asia. Some of these peoples also populated parts of northeast China (Manchuria), and Koreans and Manchurians still show physical similarities. Koreans are racially and linguistically homogeneous. Although there are no indigenous minorities, there is a small Chinese community (about 50,000) and an estimated 1,800 Japanese wives who accompanied the approximately 93,000 Korean returnees from Japan around 1959-62.

Beginning in the mid-1920s, the Japanese colonial administration concentrated its industrial development efforts in the comparatively underpopulated and resource-rich north, resulting in a considerable movement of people northward from the agrarian southern provinces. This trend reversed after the end of World War II, when more than 2 million Koreans moved from the north to the south following the division of the peninsula into Soviet and American military zones of administration. This southward exodus continued after the establishment of the Republic of Korea (South Korea) in 1948 and during the Korean war (1950-53). Korea's population is now unevenly divided, with 42 million people in the geographically smaller south (38,000 sq. mi.) and 21 million in the north (47,000 sq. mi.).

Language

Korean is a Uralic language, remotely related to Japanese, Mongolian, Hungarian, and Finnish. Although there are dialects, the Korean spoken throughout the peninsula is mutually comprehensible. Chinese characters were used to write Korean before the invention of the Korean Hangul alphabet in the 15th century. Unlike in the south where these characters are still in limited use, the north uses Hangul exclusively. A number of specialized terms have been introduced in the north, especially in written usage, creating a distinctive vocabulary becoming increasingly difficult to understand in the south.

Religion

Korea's traditional religions are Buddhism, Shamanism, and Chongdogyo. Christian missionaries arrived in the 19th century and founded schools, hospitals, and other modern institutions throughout Korea. Major centers of missionary activity included Seoul and Pyongyang. Although religious groups nominally exist in North Korea, most available evidence suggests that the government severely restricts religious activity, allowing these groups to exist only for the sake of its international image.

HISTORY

According to legend, the god-king Tangun founded the Korean nation in 2333 B.C., after which his descendants reigned over a peaceful kingdom for more than a millennium. By the first century A.D., the Korean Peninsula, known as Chosun ("morning calm"), was

divided into the kingdoms of Silla, Koguryo, and Paekche. In A.D. 668, the Silla kingdom unified the peninsula. The Koryo dynasty (from which is derived the Western name "Korea") succeeded the Silla kingdom in 918. The Yi dynasty, which supplanted Koryo in 1392, lasted until the Japanese annexed Korea in 1910.

Throughout most of its history, Korea has been invaded, influenced, and fought over by its larger neighbors. Korea was under Mongolian occupation from 1231 until the early 14th century and was devastated by a large number of Chinese rebel armies in 1359 and 1361; Hideyoshi launched major Japanese invasions in 1592 and 1597. To protect themselves from such frequent buffeting, the Yi kings finally adopted a closed-door policy, earning Korea the title of "Hermit Kingdom." Although the Yi dynasty paid nominal fealty to the Chinese throne, Korea was, in fact, independent until the late 19th century. At that time, Japanese, Chinese, and Russian competition in Northeast Asia led to armed conflict. Having defeated its two competitors, Japan established dominance in Korea. The Japanese colonial era was characterized by tight control by Tokyo and by ruthless efforts to replace the Korean language and culture with those of the colonial power. Japan formally annexed Korea in 1910.

At the April 1945 Yalta Conference, the United States and the Soviet Union agreed to establish a joint trusteeship for Korea. The trusteeship was intended as a temporary administrative measure, pending democratic elections of a Korean Government. To effect the Japanese surrender after the war the United States proposed—and the Soviet Union agreed—that Japanese forces surrender to U.S. forces south of the 38th parallel and to Soviet forces north of that line.

In the North, the Soviets initially transferred the administrative powers of the former Japanese colonial government to "people's committees," and later to a five-province administrative bureau, under the nationalist, Cho Man-Sik. Cho was later purged for opposing the decision of allied foreign ministers at the Moscow Conference for a 5-year trusteeship, during which a Korean provincial government would prepare for full independence. The joint Soviet-American commission provided for by the Moscow Conference met intermittently in Seoul but deadlocked over the issue of free consultations with representatives of all

Korean political groups for establishment of a national government. In September 1947, the United States submitted the Korean question to the UN General Assembly.

Korean Conflict

The Soviet Union and the Korean authorities in the North refused to comply with the UN General Assembly resolution of November 1947, which called for UN-supervised elections throughout Korea. Elections, nonetheless, were carried out under UN observation in the south, and on August 15, 1948, the Republic of Korea was established. A Korean nationalist leader, Syngman Rhee, became the Republic's first president. On September 9, 1948, the Soviet Union established the Democratic People's Republic of Korea in the north under Kim Il Sung, a former guerrilla who, after fighting against the Japanese in Manchuria during the 1930s, served with the Soviet Army in the Far East during World War II. Although Kim claimed authority over the entire peninsula, the UN General Assembly, on December 12, 1948, declared the Republic of Korea the only lawful government in Korea.

Sporadic guerrilla fighting between South and North Korea intensified during the spring of 1948. After the United States withdrew its military forces from Korea in the spring of 1949, border clashes commenced.

On June 25, 1950, North Korean forces invaded South Korea. In response, the United Nations, in accordance with the terms of its Charter, engaged in its first collective action, establishing the UN Command (UNC), to which 16 member nations sent troops and assistance. At the request of the UN Secretary General, the United States, which contributed the largest contingent, led this international effort.

UN forces initially fell back to the Pusan perimeter but, after a successful surprise landing at Inchon, rapidly advanced up the peninsula. As the main UN force approached the Yalu, large numbers of Chinese "people's volunteers" intervened, forcing UN troops to withdraw south of Seoul. The battle line fluctuated back and forth until the late spring of 1951, when a successful UNC offensive was halted to enhance ceasefire negotiation prospects. The battle line thereafter stabilized north of Seoul near the 38th parallel.

Armistice negotiations began in July 1951, but hostilities continued until July 27, 1953. On that date, at Panmunjom, the military commanders of the North Korean People's Army, the Chinese people's volunteers, and the UNC signed an armistice agreement. Neither the United States nor South Korea is a signatory of the armistice per se, although both adhere to it through the UNC. No comprehensive peace agreement has replaced the 1953 armistice pact, which remains in force. Thus a condition of belligerency still exists on the divided peninsula. A Military Armistice Commission composed of 10 members, five appointed by each side, supervises implementation of the armistice.

The armistice called for an international conference to find a political solution to the problem of Korea's division. This conference met at Geneva in April 1954 but, after 7 weeks of futile debate, ended without agreement or progress.

Reunification Policy

North Korea has pursued its goal of reunification by regular and irregular military measures, by terrorism, and by negotiations.

Military Measures. North Korea took no military action during the political turmoil in the South in the early 1960s, but subsequently perpetrated a number of violent acts directed both at U.S. and South Korean forces and South Korean Government officials. These efforts included the 1968 infiltration into Seoul by a 31-agent team, which attempted to assassinate President Park Chung Hee; the seizure 2 days later of the U.S.S. *Pueblo* in international waters and the subsequent imprisonment and torture of its crew; and the shooting down in 1969 of an unarmed U.S. EC-121 reconnaissance aircraft in international airspace. In 1976, North Korean troops, wielding axes wrested from an UNC work party, killed two U.S. Army officers in the DMZ.

In the early 1970s, as the North scaled back its sabotage and infiltration efforts against the South, it began a major long-term conventional military buildup. The extent of this buildup went undetected until the late 1970s. The disparity between the North and South Korean forces, which resulted from this military expansion, led the U.S. Government in mid-1979 to cancel further planned withdrawals of U.S. ground combat forces from South Korea.

The comparative military balance continues to favor the North. The North has more than 1 million armed personnel, compared to about 630,000 in the

South. North Korean forces are well equipped and have a substantial advantage (approximately 2 or 3 to 1) in several key categories of offensive weapons—tanks, long-range artillery, and armored personnel carriers. The North has perhaps the world's second (after the Soviet Union) largest commando force (55,000) designed for insertion behind the lines in wartime. North Korea now has the fifth largest army in the world. It also has more than twice as many combat aircraft as the South, although South Korean-U.S. forces have a slight qualitative edge. North Korean exercises suggest an impressive sophistication in terms of joint and combined forces operations.

In addition to their size and capabilities, factors of time and distance compound the challenge posed by North Korean forces. The North (and the South) deploys the bulk of its forces well forward, along the DMZ. Over the last several years, North Korea has moved even more of its rear echelon troops to hardened bunkers closer to the DMZ. Given the proximity of Seoul to the DMZ (some 25 miles), South Korean and U.S. forces are likely to have little warning of any attack. Consequently, a high state of readiness is required at all times. The United States and R.O.K. continue to believe that the U.S. troop presence remains an important deterrent against North Korean aggression. Recent North Korean infiltration efforts include construction of several military tunnels under the DMZ. This tunneling effort continues.

Terrorism. North Korea also is believed to have dispatched the assassin who, while attempting to kill President Park in 1974, killed Mrs. Park. In October 1983, North Korean Army officers set off a bomb in Rangoon, Burma, killing 17 members of an official South Korean delegation and four Burmese. Although former President Chun Doo Hwan escaped harm, four South Korean cabinet ministers and several senior advisers were among those slain. Most recently, on November 29, 1987, two North Korean agents sabotaged a Korean airliner (KA-858) causing the death of all 115 persons on board.

Negotiating efforts. Throughout the postwar period, both Korean Governments have repeatedly affirmed their desire to reunify the Korean Peninsula, but until 1971 the two governments had no direct, official communications or other contact.

In August 1971, North and South Korea agreed to hold talks through their

respective Red Cross societies with the aim of reuniting the many Korean families separated following the division of Korea and the Korean war. Following a series of secret meetings, both sides announced, on July 4, 1972, an agreement to work toward peaceful reunification and an end to the hostile atmosphere prevailing on the peninsula. Officials exchanged visits, and regular communications were established through a North-South Coordinating Committee and the Red Cross; however, the two sides made no substantive progress. These initial contacts broke down and ended on August 13, 1973. The breakdown reflected basic differences in approach, with Pyongyang insisting on immediate steps toward reunification before discussing specific concrete issues and Seoul maintaining that, given the long history of mutual distrust, reunification must be a gradual, step-by-step process.

South Korea maintains that a meaningful dialogue should be based on *de facto* recognition of each other's existing political, social, and economic systems. South Korea supports the recognition of both Koreas by the major powers in the region (United States, U.S.S.R., P.R.C., and Japan) and the admission of both Koreas to the United Nations, pending peaceful reunification. North Korea rejects these ideas, although it applied for UN membership in 1949 (following the lead of the R.O.K.) and supported a Soviet Union draft in 1957, resubmitted in 1958, which called for "simultaneous UN admission." The North now argues that this proposal would perpetuate the peninsula's division.

Tension between North and South Korea increased dramatically in the aftermath of the October 9, 1983 Rangoon bombing. North-South sports talks the following spring broke down in acrimony over Rangoon; Pyongyang ultimately boycotted the Los Angeles Olympics in a show of support for the Soviet Union.

South Korea's suspicions of the North's motives were undiminished by Pyongyang's proposal for "tripartite" talks on the future of the Korean Peninsula. This initiative, made public on January 10, 1984, called for negotiations with the United States, in which "South Korean authorities" would be permitted to participate. The North's tripartite agenda would include replacing the armistice agreement with a peace treaty, providing for withdrawal of all U.S. troops, and drafting a declaration of non-aggression between North and South.

North Korea's offer to provide relief

goods to victims of severe flooding in South Korea in September 1984, and South Korean acceptance, led to revived dialogue on several fronts—Red Cross talks to address the plight of separated families, economic and trade talks, and parliamentary talks. In January 1986, the North unilaterally suspended all talks, arguing the annual R.O.K./U.S. Team Spirit military exercise was inconsistent with dialogue. The North also announced a unilateral moratorium on large-scale military exercises and called upon the United States and R.O.K. to do the same, which responded by reiterating their longstanding offer to allow D.P.R.K. officials to observe Team Spirit and by proposing prenotification of military exercises. These proposals were rejected by the North, and, in 1987, the North resumed large-scale exercises.

In a major new initiative on July 7, 1988, South Korean President Roh Tae Woo called for new efforts to promote South-North exchanges, family reunification, inter-Korean trade, and contact in international forums. He also said South Korea was willing to cooperate with the North to promote relations with the United States and Japan and that the South would seek better relations with the U.S.S.R. and China. North Korea initially responded negatively, calling it a "splitist" proposal designed to legalize a two-Koreas policy.

President Roh's initiative provided renewed momentum to South-North dialogue. Later in July 1988, the National Assemblies of each side exchanged letters over the South's request to discuss participation in the 1988 Summer Olympics. (North Korea, which had demanded to cohost the games and had rejected Seoul's offer to host five events, declined to participate and asked fellow socialist countries to join a boycott. Only seven obliged.) Small parliamentary delegations met at Panmunjom several times from August to December in an inconclusive attempt to arrange a joint meeting of the two assemblies, to which each had agreed in principle. The North insisted the assemblies adopt a mutual nonaggression declaration; the South argued that this was properly the role of the executive branch. At year's end, when the two sides were nearing agreement on an agenda and arrangements for a joint session, the North introduced a new demand to discuss the annual U.S.-R.O.K. Team Spirit military exercise. In early February 1989, North Korea refused to attend further preparatory meetings until Team Spirit ended.

The Roh and Chun administrations have repeatedly suggested a summit meeting with President Kim to discuss any and all proposals, an agreement to

normalize inter-Korean relations as a step toward reunification, and other specific measures to reduce tensions and promote humanitarian and cultural exchanges. President Roh, in a speech to the UN General Assembly in October 1988, offered to go to Pyongyang at any time to discuss any issue, including North Korea's call for a mutual declaration of nonaggression. In turn, Kim Il Sung has periodically reiterated proposals for a North-South confederation, first proposed in 1960. In his September 9, 1988 National Day address, Kim Il Sung repeated that a summit must first take up the confederation plan and withdrawal of U.S. forces. In his 1989 New Year's address, Kim suggested that Roh come to Pyongyang as a party head in a group with southern opposition and dissident leaders.

In early 1989, as other dialogue proposals made little progress, both sides expressed hopes for high-level talks headed by the respective prime ministers. Two preliminary meetings to discuss arrangements were held in February. In other forums, the two National Olympic Committees met to discuss forming a joint team for the 1990 Asian Games in Beijing. But in April, North Korea suspended both sets of talks, blaming South Korea's arrest of a dissident clergyman who visited North Korea without government approval.

Following the R.O.K. Government's 1988 decision to allow trade with the D.P.R.K., South Korean firms have begun to import North Korean goods, all via third-country contracts. The D.P.R.K. has denounced and denied this trade. By contrast, the North publicized a late January 1989 visit by Hyundai founder Chong Chu Yong as well as the protocol he signed to develop tourism and other projects in the North. In April 1989, these projects were put on hold amidst the acrimony following the dissident clergyman's visit.

GOVERNMENT

North Korea has a centralized government under the rigid control of the Korean Worker's (communist) Party (KWP). It is dominated by one man, Kim Il Sung, who, in addition to his titles of general secretary of the KWP and president of North Korea, is generally referred to as "Great Leader." A few minor parties are allowed to exist in name only, presumably to present a facade of representative government to the outside world.

In December 1972, the Fifth Supreme People's Assembly (SPA) ratified a new constitution replacing that of 1948. The 1972 document created the position of president and a super-cabinet called the Central People's Committee (CPC). In theory, the SPA is the highest organ of state power. Its members are elected every 4 years. Usually only two meetings are held annually, each lasting a few days. A standing committee of 19 members elected by the SPA performs legislative functions when the assembly is not in session. In reality, the assembly serves only to ratify decisions made by the ruling KWP. The constitution designates the Central People's Committee (CPC) as the government's top policy-making body. Headed by Kim Il Sung, who also nominates the other 24 committee members, the CPC makes policy decisions and supervises the cabinet (State Administration Council). The council is headed by a premier and is the dominant administrative and executive agency. The judiciary is subordinate to the Supreme People's Assembly. The SPA's Standing Committee appoints judges to the highest court for 4-year terms concurrent with that of the assembly.

Politically, North Korea is divided into nine provinces and four provincial-level municipalities—Pyongyang, Chongjin, Nampo, and Kaesong. It also appears to be divided into nine military districts.

Little is known about the actual lines of power and authority in the North Korean Government despite the formal structure set forth in the constitution. It is clear, however, that 77-year-old Kim Il Sung, who has ruled North Korea continuously since 1948, wields dictatorial power. Kim and a dwindling number of long-time loyalists, all ranking members of the Korean Workers' Party, dominate the political system and the economy through an elaborate party structure and through the civilian and military bureaucracies. At the innermost circle are the three members of the Standing Committee of the KWP Political Bureau: Kim Il Sung, his son Kim Chong Il, and Armed Forces Minister O Chin U. Kim Il Sung is the object of an intensive and far reaching personality cult. A similar cult is developing around Kim Chong Il, 47, who has been groomed to succeed his father. Many observers now credit the younger Kim with day-to-day management of domestic affairs. Should this father-to-son transition succeed, North Korea would become the first country ruled by a Marxist hereditary dynasty.

Principal Party and Government Officials

President, KWP Politburo Standing Committee (1 of 3), KWP General Secretary, Supreme Commander of the People's Armed Forces—Kim Il Sung
KWP Politburo Standing Committee, KWP Secretary (1 of 10), son of Kim Il Sung and de facto heir apparent—Kim Chong Il
KWP Politburo Standing Committee, Minister of the People's Armed Forces—O Chin U
Premier, Politburo Full Member (1 of 12)—Yun Hyong Mok
Vice President (1 of 3), Politburo—Pak Song-ch'ol
Vice President, Politburo—Yi Chong-ok
Politburo, Chairman KWP Inspection Comm—So Ch'ol
Politburo, KWP Secretary—Kye Ung-t'ae
Vice Premier, Foreign Minister, Politburo—Kim Yong-nam
KWP Politburo, KWP Secretary, Chairman of Comm. for Peaceful Reunification of the Fatherland—Ho Tam
Politburo, KWP Secretary—Chon Pyong-ho
Chairman, Supreme People's Assembly Standing Committee—Yang Hyong-sop

ECONOMY

The division of the Korean Peninsula in 1945 resulted in imbalances of natural and human resources, with disadvantages for both the North and the South. By most economic measures, after partition the North was left better off in terms of industry and natural resources. The South, however, had two-thirds of the work force. In 1945, about 65% of Korean heavy industry was in the North but only 31% of light industry, 37% of agriculture, and 18% of the peninsula's total commerce.

North and South both suffered from the massive destruction caused by the Korean war. Since that time, North Korea's command economy has concentrated its labor force (estimated at 8.4 million in 1986) and natural resources in an effort to achieve rapid economic development. Large amounts of aid from other communist countries, notably the Soviet Union and China, assisted the regime. In the years immediately after the end of the Korean war the North's economy experienced a high growth rate.

During the early 1970s, North Korea, probably noting the more rapid economic development of the South, attempted a large-scale modernization program through the importation of Western technology, principally in the heavy industrial sectors of the economy. By the end of 1986, the North's hard-currency debt had reached more than \$4 billion. It also owed nearly \$2 billion to communist creditors. Unable to finance its debt through exports, it became the first communist country to default on its loans from free market countries. In 1979, North Korea was able to renegotiate much of its international debt, but in 1980 it defaulted on all of its loans except those from Japan. In 1986, however, the Japanese also declared the North in default of more than \$200 million.

Largely because of these debt problems but also because of a prolonged drought and governmental mismanagement, North Korea's industrial growth slowed in 1976. In that same year, for the first time, the North's per capita GNP fell below that of the South, and by the end of 1979, per capita GNP in the North was about one-third of that in the South. The causes for this relatively poor performance are complex, but a major factor is the disproportionately large percentage of GNP (more than 20%) that the North devotes to the military.

In April 1982, Kim Il Sung announced a new economic policy giving priority to increased agricultural production through land reclamation, development of the country's infrastructure—especially power plants and transportation facilities—and reliance on domestically produced equipment. Recently, there have been signs of a shift in policy emphasis toward expanding trade. In September 1984, North Korea promulgated a joint venture law to attract foreign capital and technology. Currently, North Korea's default on its foreign debt is largely responsible for scant foreign interest in joint ventures. The new verbal emphasis on expanding trade and acquiring technology, however, has not shifted internal economic priorities away from support of military industry.

FOREIGN RELATIONS

After 1945, the Soviet Union supplied the economic and military aid that enabled North Korea to mount its invasion of the South in 1950. Soviet aid and influence continued at a high level during the war; the Soviet Union was, in large part, responsible for rebuilding North Korea's economy after the cessation of

hostilities. However, the assistance of Chinese "volunteers" during the war and the presence of these troops until 1958 gave Beijing considerable influence in Pyongyang. In 1961, North Korea concluded formal mutual security treaties with the Soviet Union and China, which continue in force.

The establishment of diplomatic relations between the United States and China, the Soviet-backed Vietnamese occupation of Cambodia, and the Soviet occupation of Afghanistan created strains in North Korea's relations with each of the two major communist powers. Pyongyang generally has tried to maintain an equidistant position between Moscow and Beijing, obtaining aid from both and avoiding dependence on either. Since Kim Il Sung's 1984 and 1986 visits to Moscow, Pyongyang has markedly strengthened its ties with Moscow. Over the last 4 years, the Soviets have dramatically increased assistance, providing a comprehensive array of advanced military hardware to North Korea. In return, the North allows Soviet overflights and port calls, as well as adhering more closely to the Soviet line on important international issues. Still, Pyongyang and Beijing continue frequent leadership consultations.

Despite reliance on Soviet military and Chinese economic aid and its recent parroting of Soviet positions, North Korea proclaims a militantly independent stance in its foreign policy in accordance with President Kim's continued emphasis on the doctrine of self-reliance ("Juche"). Pyongyang seeks to enlarge its representation abroad wherever possible and has had some success. However, following the October 1983 assassination attempt on the South Korean President in Rangoon, Burma broke relations with North Korea, and several other countries followed suit. Similarly, after KA-858, two other governments broke ties with the D.P.R.K., and several more took other diplomatic measures against the North. Moreover, various incidents, mostly smuggling and blackmarketing offenses by North Korean diplomats, have caused some countries to be reluctant to open relations with North Korea and others to expel or decline to admit North Korean missions. North Korea has increasingly emphasized its relations with Third World nations and aspires to a leadership role in the Nonaligned Movement. As of May 1989, North Korea had diplomatic relations with 103 countries, South Korea with 131, and 72 nations had diplomatic relations with both Koreas.

Further Information

These titles are provided as a general indication of the material published on this country. The Department of State does not endorse unofficial publications.

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U.S. POLICY TOWARD NORTH KOREA

The U.S. Government supports the peaceful reunification of Korea on terms acceptable to the Korean people. Recognizing that the North's isolation is an inherently destabilizing factor in the Northeast Asia region, and an impediment to the peaceful reunification of Korea, the United States is committed to drawing the D.P.R.K. out of its isolation and bringing it more fully into the world community.

To advance this goal and in support of President Roh's 1988 reunification initiatives, the U.S. Government on October 31, 1988, announced the following steps regarding relations with the D.P.R.K.

- Authorize U.S. diplomats to hold substantive discussions with D.P.R.K. officials in neutral settings;
- Encourage unofficial, nongovernmental visits from the D.P.R.K. in academics, sports, culture, and other areas;

ECONOMIC THEMES FOR THE PRESIDENT'S TRIP TO ASIA

Both the U.S. and Asia benefit from free trade and open markets:

- o Our economic relationship is not a zero-sum game for either partner.
- o The American economy and American jobs increasingly depend on free trade and open markets.
 - In the United States, nearly half (49%) of our GNP growth between 1985 and 1990 was attributable to exports.
 - In 1991, U.S. will export close to \$700 billion worth of merchandise and services.
 - Record 7.2 million jobs were supported directly and indirectly by U.S. merchandise exports alone in 1990.
 - More than 19,000 jobs are supported per billion dollars of U.S. exports.
- o Asia's stake in the trading system is greater than ours. The export strength and economic growth of Asian economies will continue to be dependent upon open international markets for goods, services, and investment.
 - Asian economies are relatively more dependent than the U.S. economy on exports and imports.
 - In 1990, exports amounted to 32% of GNP in Korea and 15% of GNP in Japan; by comparison, U.S. figure is 10%.
- o If the open trading system cannot be preserved and expanded in the Uruguay Round, Asia's prosperity could be jeopardized by stagnant world trade.

Asia is increasingly important to the U.S. economy:

- o The United States is a Pacific power, with vital economic, as well as political, interests in the region.
- o Asia is an important and growing market for U.S. exports and a source of U.S. job creation.
 - Japan (#2), Korea (#6), and Taiwan (#9) were among top 10 markets for U.S. exports in 1990.
 - In 1990, U.S. manufacturers sold \$115 billion of goods in the Asia-Pacific region (29% of total U.S. exports); by comparison, \$113 billion in goods were sold in Western Europe.

- Exports to Japan and the four Asian NIE's alone support an estimated 1.7 million U.S. jobs.
- o Trade with Asia accounts for large and growing proportion of total U.S. trade.
 - In 1980, U.S.-Asia trade accounted for 24% of total U.S. trade (imports and exports). By 1990, Asia accounted for 34% of total trade.
- o Asia is also a large consumer of U.S. services, including financial services, an area in which the United States has special expertise.
 - In 1990, U.S. sold \$22.9 billion in services to Japan and Australia alone.
- o The westward shift of U.S. population, immigration patterns, and increased cultural diversity in the United States point to ever closer economic relations with Asia and the Pacific.
 - The U.S. population is increasingly concentrated in the Western states (21.2% of total U.S. population in 1990).
 - A large and increasing share of U.S. GNP is produced in the Western states.
 - Asians represent growing share of U.S. population (6.9 million in 1990 or 2.8% of total vs. 1.6% in 1980) and growing share of U.S. immigration.

Asia needs our exports:

- o Asia's demand for imports -- our exports -- will increase as Asian economies grow wealthier.
- o Asian consumers need access to foreign goods and services if they are to raise their standard of living and enjoy the fruits of their labors.
 - Japanese Prime Minister Miyazawa, for example, recently stated that Japan should become a "lifestyle superpower". This will benefit our economy by increasing opportunities for U.S. exporters.

Asian countries have cooperated with the U.S.:

- o The U.S.-Asia relationship helps reinforce global cooperation for the benefit of citizens of all nations.
- o Several Asian nations helped shoulder the economic burden of

the international effort to counter Iraq's aggression.

- \$10.4 billion was committed by Japan (\$10.0 billion) and Korea (\$355 million) to offset U.S. military costs of Operation Desert Storm.
- \$2.8 billion in economic assistance was committed by Australia (\$14 million), Japan (\$2.7 billion), and Korea (\$115 million) to ease impact of Gulf Crisis on the frontline states in the Middle East (Egypt, Turkey, and Jordan).
- o In the G-7 and Economic Summit fora, Japan has helped foster sustainable world growth with low inflation.
- o Japan has also supported U.S. initiatives to resolve the international debt problems of the developing nations. For example:
 - It pledged \$500 million for the Multilateral Investment Fund (MIF) for Latin America, one third of total MIF funding.
 - Japan contributed almost \$500 million to international efforts to clear the arrears owed by Panama, Nicaragua, and Panama to the international financial institutions.
- o Asian countries have helped the U.S. in efforts to strengthen market forces in Eastern Europe and in developing countries. This will help open up these economies for U.S. trade and investment.

Treasury Department
December 10, 1991

KOREA

FINANCIAL SERVICES

- o The Korean financial system is antiquated, over-regulated, and ill-suited to the needs of Korea's dynamic economy.
- o U.S. banks and securities firms face numerous barriers to entering and operating in the Korean market.
- o In addition, elimination of Korea's pervasive controls over interest rates, credit allocation, and capital flows is essential if U.S. financial institutions are to enjoy long-term competitiveness in Korea, and U.S. businesses are to find adequate funding sources.
- o The Treasury Department and Korean Ministry of Finance have made some progress in bilateral talks in addressing both specific national treatment issues and broader financial liberalization. However, much work remains to be done.
- o The USG has also sought Korean cooperation in bringing about a strong financial services agreement in the Uruguay Round; Korea's support thus far has been very disappointing.
- o Our specific objectives for the President's trip include:
 - A public statement by the ROKG of its commitment to financial liberalization, including support for a strong Uruguay Round financial services agreement.
 - Issuance of a comprehensive blueprint for financial market liberalization, with a clear timetable for implementation.
 - Implementation of a commitment last spring to ease restrictions on deferred payment terms for imports by the end of 1991.

Treasury Department
December 10, 1991

JAPAN

ECONOMIC THEMES

- o The U.S. and Japan have the single most important bilateral economic relationship in the world.
 - With the world's two largest economies, their actions impact many other nations, as well.
- o Despite disputes over trade issues, Japan has cooperated closely with the U.S. (e.g. in the Economic Summit and G-7 framework) to foster sustainable world growth with low inflation, and has been very supportive of a number of U.S. initiatives, including resolving the debt crisis in developing countries.
- o However, a number of contentious economic issues in the area of trade, financial services, and investment plague the bilateral relationship, despite continuous bilateral consultations.

Uruguay Round:

- o Agriculture is the key to compromise; Japanese need to show leadership and contribute to a successful conclusion.
- o Also need liberalization in financial services area.

Japan's External Surpluses:

- o We are concerned about Japan's rising current account surplus
 - Surplus is expected to rise from \$36 billion in 1990 to \$68 billion in 1991, according to the IMF). This imbalance can disturb financial markets and feed protectionism.
- o Although the U.S. trade deficit with Japan fell from a peak of \$57 billion in 1987 to about \$42 billion last year, it is beginning to increase again and still accounted for two-thirds of the overall U.S. trade deficit through September, 1991.
- o This highlights need for Japanese to maintain economic growth and open markets.

Export Dependency and Bilateral Trade:

- o Although both the U.S. and Japan have major stakes in preserving the open trading system, Japan is somewhat more dependent on exports than the U.S.

- Japan's exports of goods and services accounted for 15 percent of GNP in 1990. For the U.S., the figure was 10 percent.
- The U.S. is Japan's most important market, accounting for almost 32% of Japan's exports and almost 22% of Japan's imports in 1990.
- Japan is the U.S.' second most important market, accounting for 12% of U.S. exports and 18% of U.S. imports in 1990.
- In finance-related service transactions (royalties and license fees, financial services and insurance) the U.S. has a surplus with Japan. U.S. receipts amounted to \$4.0 billion in 1990, compared to payments of \$1.4 billion.

Foreign Investment:

- o The U.S. market is far more open to foreign direct investment than Japan's. This has fed Congressional and popular concern in the U.S.
- o Cumulative direct investment inflows into the U.S. during the period 1981-90 amounted to \$355 billion (\$80 billion from Japan alone), compared with only \$6 billion in the same ten year period into Japan from all sources.
 - During the period 1981-90, cumulative foreign direct investment in the U.S. represented about 5.7% of total U.S. fixed investment. In Japan, the equivalent number was 0.1%, a difference of more than 50:1.

Exchange Rate:

- o Yen/dollar rate has been quite stable since October 1991 G-7 Ministers meeting.
- o U.S. believes rates in G-7 countries are consistent with balance of payments adjustment needs and underlying economic fundamentals.

Japanese Financial Markets:

- o Despite U.S. efforts to open up Japan's financial markets, Japanese banks are far more important in the U.S. than U.S. banks in Japan. Japanese banks in the U.S. hold 11% of U.S. banking assets; U.S. banks in Japan hold less than 1% of Japanese bank assets.

- o We have been negotiating with the Japanese since 1984 to liberalize financial markets. Significant progress has been achieved, but more needs to be done.
- o Recent financial scandals are symptomatic of the continued lack of transparency and competition in the Japanese market. Japan needs to take steps to reform its system and restore international confidence.

Structural Impediments Initiative (SII):

- o SII represents an important initiative to reduce impediments to competition and adjustment of external imbalances. SII success can help to head off protectionism.
 - For example, U.S. has urged Japan to: increase public infrastructure investment to improve economic well being; reduce monopolistic effects of keiretsu business practices; and open up distribution system to imports,
- o Some progress has been achieved, but it is essential that we re-energize the SII process by introducing new commitments on both sides.

Treasury Department
December 10, 1991

AUSTRALIA

ECONOMIC THEMES

- o Australia has been an invaluable negotiating partner in the Uruguay Round, especially on agricultural issues like the CAP.
- o Facing its fourth year of declining agricultural income, Australia has pressed the U.S. on farm issues:
 - It has complained about U.S. subsidized wheat sales, is unhappy with having to negotiate with the U.S. a voluntary restraint agreement on beef, and is concerned about a 34% cut in its sugar import quota due to increased U.S. production.
- o Australia's financial markets have been relatively closed to foreign entry. However, under reforms recommended to Parliament in November, foreign banks would be allowed easier entry and operation.

Treasury Department
December 10, 1991

SINGAPORE

FINANCIAL SERVICES

- o Singapore is an important offshore financial center, and maintains a relatively open market for foreign firms.
- o However, U.S. firms face discrimination in the significantly smaller domestic market.
- o The U.S. seeks Singapore's support for a strong financial services agreement in the Uruguay Round. At a minimum, the U.S. would like to see Singapore stop blocking progress and play a more constructive leadership role.
 - The lack of support from Singapore and the other ASEAN countries for a strong financial services agreement in the Uruguay Round has been very disappointing.
- o In the bilateral financial services negotiations, the U.S. seeks a commitment from Singapore for a level local playing field in both the banking and securities sectors.

Treasury Department
December 10, 1991

SII - U.S. Commitments

Issue:

GOJ officials have criticized the USG for not following through on as many of its commitments as the GOJ has done. By their count, Japan has completed 80 percent of its commitments, while the USG has completed 20 percent, at best.

Suggested Talking Points:

- What matters most in SII is the significance of the undertakings, not the quantity.
- The U.S. deserves credit for making substantial progress on its commitments, which, in many respects, have been more difficult politically than those that Japan has undertaken.
- There is an asymmetry to U.S. and Japanese undertakings. In many cases, Japan is being asked to open up its economy and improve the lifestyle of its people, while the U.S. is trying to cut public expenditures to reduce its budget deficit and stave off protectionist pressure to close the U.S. market.
- The GOJ may have passed a larger number of pieces of SII legislation than in the U.S., but the U.S. has resisted a larger number of protectionist and budget-busting bills than Japan.
- In both countries, we are trying to deal with ingrained structural problems in a way which will have a lasting effect, even if it takes some time for their effects to be felt.
- The two most important efforts by the United States include:
 - o undertaking major budget reforms, which are holding the line on deficit spending, even in a difficult recession year;
 - This package included tax increases that were undertaken at great political cost, and an even tighter rein on discretionary spending.
 - We haven't seen a sustained reduction in the deficit numbers yet; nor has Japan in its trade numbers. The U.S. budget deficit will come down, though, and the reduction will be lasting.
 - In comparison, the parallel Japanese commitment to increase public infrastructure spending benefits numerous Japanese constituencies and is politically popular.

o **vigorously defending open investment policy;**

- Administration has maintained its open investment policy in the face of numerous protectionist proposals and growing mood of isolationism.
- In contrast, Japan's commitments are aimed at opening its markets, with benefits for the consumer.

[May wish to note Presidential Statement strongly reaffirming open investment policy, if released.]

-- In addition, U.S. has taken a number of other measures:

- o **intensified export promotion efforts, with a particular focus on Japan;**
- o **embarked on an ambitious program to improve workforce education and training;**
 - In April 1991, President Bush outlined strategy to achieve national education goals, called "America 2000," which involves major reforms to primary and secondary education system.
- o **increased Federal support for research and development efforts;**

-- The FY 1992 budget proposed to allocate about \$76 billion for R&D in 1992, an increase of over \$8 billion, or 13 percent over 1991 levels. This is the highest level ever.

and

- o **continued to work toward strengthening incentives for private saving and long-term investment (e.g., reduction of capital gains tax; enhanced IRAs; Family Savings Accounts), despite strong political resistance.**

-- U.S. intends to intensify these efforts.

12/9/91
Treasury