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Speech: Korea National Assembly Materials [1]

Staff Office-Individual:

Legislative Affairs-Rosner, Jeremy

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Daniel Poneman to Jeremy Rosner re Korea Speech (3 pages)	06/25/1993	P1/b(1)
002. notes	handwritten, draft of part of speech to Korean National Assembly (1 page)	07/00/1993	P1/b(1)

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Clinton Presidential Records
National Security Council
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Assembly Speech: Korea National Assembly Materials [1]

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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or
financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President
and his advisors, or between such advisors [(a)(5) of the PRA]
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personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed
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PRM. Personal record misfile defined in accordance with 44 U.S.C.
2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of
an agency [(b)(2) of the FOIA]
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information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of
personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement
purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of
financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information
concerning wells [(b)(9) of the FOIA]

SPEECH AT NATIONAL ASSEMBLY

WORKING OUTLINE

Word
Outline

I. Introduction

- o Some opening related to Korea and democracy, reflecting the fact he's at the National Assembly building, in the first-ever civilian government in Korea.
- o State the thesis of the speech: vision, challenges, U.S. policies/initiatives

II. Vision

- o The end of the Cold War has altered the balance of power in Asia. The security environment is changing with startling speed. Asian countries are coming into their own as major players on the world stage. The future architecture of the region -- security and economic -- will be shaped by the way new relationships are nurtured. What future do we want to paint for ourselves?
- o Four possible alignments among the major powers:
 - Dominance of one power (China, Japan, Russia)--creating a less competitive economic situation and supplanting U.S. security presence by another.
 - Asian bloc--defines Asia for Asians, creates an inward-looking bloc, economically and on the security front.
 - Antagonistic polarity--ongoing military modernization and territorial disputes contribute to an Asian arms race, producing a militarily unstable, confrontational geopolitical situation and straining democratization.
 - New balance of power--based on regional approaches to security and economic challenges. This will create open dynamic economic policies, stimulate new security institutions and spur political liberalization (China, Vietnam, North Korea).
- o Our preferred architecture is the fourth--building new mechanisms and institutions that will generate confidence in one another as members of the Asia Pacific community.

III. Challenges

- o There are four: nuclear threat (proliferation points), regional aggression (North Korea), democratic reform (Russia, China) and the imperative of seeing economics as national security (the link between stability, peace and healthy economies).
- o Nuclear: state our overall proliferation policy, reaffirm the goal of a non-nuclear peninsula, and speak to the status of North Korea's withdrawal from the NPT, China's status in the MTCR, and export controls.

- o Regional conflict/aggression: The rising tide of ethnic, religious and civil wars, as well as the North Korean conventional threat, require continued presence of American forces outside the United States. State unequivocally we will keep ground forces in South Korea as long as the South Korean government wants us.
- o Democracy: The former Soviet Union is the single most important crisis facing us. Review reform package from the G-7, touch on our support for peaceful reunification. Perhaps mention China/Taiwan/Hong Kong/ASEAN. *Our commitment to Korean security has advanced the cause of democracy.*
- o Economics: National security can't exist without healthy national economies. We support an open multilateral trading system and the use of APEC as a vehicle to spur regional cooperation and integration (Pres. may be able to announce his participation in an APEC event depending on the outcome of our decision memo on this point). It would be nice to be able to push the free trade area idea with Asia.

IV. U.S. Policy Stance

- o Sustain our military presence--forces on the ground in Korea and throughout the region. Contributions from allies like Korea and Japan make this possible. South Korea pays \$220 million in 1993 in direct contributions to U.S. forces, a 400% increase over 1989.

Don't mistake adjustments we've made in ground and air forces as lessening the U.S. commitment. We've made modest force reductions in Japan, but have halted withdrawal of 6,500 troops from South Korea. We will supplement South Korea's military capability with advanced anti-tank, anti-air and anti-missile defense technologies.
- o Support a stable Korea--return to U.S. and Korean interests in a stable and peaceful Korean peninsula. Preventing nuclear proliferation in Korea is central to sustaining a non-nuclear future and averting a broader Asian arms race.
- o Involve the key players (China, Japan, Russia). Look to create new mechanisms for security dialogue. Use ASEAN PMC as a vehicle to address Southeast Asian concerns. Engage in confidence building measures.
- o Promote democracy: China, Hong Kong, Taiwan, plus emphasize Clinton-KYS shared values (human rights, empowerment)
- o Continue market-oriented economic reforms: GATT, APEC, U.S.-Korean Dialogue for Economic Cooperation (will be negotiated at the June 24 US-ROK Economic Subcabinet). Cover Framework with Japan and reaffirm support for Taiwan, PRC GATT membership. Suggest exploring links between ASEAN FTA and NAFTA.

*put in
1/18/94
memo*

V. Conclusion

- o It is vital to U.S. economic prosperity and security to maintain stability and access to Asian markets and human resources.
- o Asia wants the U.S. as a strategic ally, economic power, and source of technology.
- o U.S. is an Asia-Pacific power, and intends to remain so.
- o Express the hope that we are up to the challenge and that the U.S.-Korea alliance can be a cornerstone of the foundations for a new balance of power.

> Supporting Korean (+ Asian, perhaps mention Philippines?) security strengthen democracy

Seoul--National Assembly Speech Themes

o It is a pleasure and an honor to be here with you today and especially to speak to the people of Korea through their elected representatives. I was last in Seoul as Governor of Arkansas just before the Olympics. I was struck then, as I am now, by the vibrancy of your society, politics, and economy.

o Today I would like to talk with you about our efforts to help build an Asia Pacific community and our views of the deepening ROK-U.S. relationship, across its political, economic, and security dimensions.

REGIONAL SECURITY ISSUES

o With the end of the Cold War, Asian countries have come into their own as major players on the world stage. For the first time in this century, there are no major fault lines among the great powers in Northeast Asia. Serious security problems remain, but the post-Cold War period invites dialogue to prevent arms races, competing national alignments, and efforts by one power or groups of powers to dominate this strategic region.

o The future international system will be shaped in part by the new relationships that are emerging in the Asia Pacific region.

o Since the end of the Cold War and the closing of our bases in the Philippines, concern has arisen that we might pull out of Asia, taking with us the stability that our forward-deployed military presence has provided. I want to assure you that the United States sees itself as part of this region; we will not disengage.

o The foundation of our security presence in East Asia and the Pacific is our strong bilateral mutual defense relationships--especially those with Japan and Korea--and the maintenance of a substantial forward military presence.

o In addition, we enjoy many other bilateral defense relationships throughout Asia. We intend to strengthen all these bilateral defense ties in the years ahead.

o This administration recognizes that many voices in Asia are calling for a regional security dialogue. In today's period of change, we share the view that multilateral security discussions can help ease suspicions, avoid tension, and accelerate cooperation in the region.

o Now that the Cold War is over, we have new opportunities to think about how best to manage this more dynamic, complex, and tightly linked regional environment -- where, unlike the past, there are no clear adversaries. Thus, we are prepared to participate actively in discussions to explore ways of promoting

democracy
peace, security, and cooperation in the Asia Pacific region.

o There has already been considerable official and unofficial discussion of these questions within the region, and this dialogue has now matured to a point where we need to be engaged. We welcome, for instance, increased security consultations within the framework provided by the ASEAN's Post Ministerial Conference, as well as multilateral dialogue on Northeast Asian security issues.

o The United States is committed to helping build a new Asia-Pacific community. Our challenge is to ensure that economic, technological, and political change in the region is managed not through more assertive national policies, but through greater reliance on dialogue and mechanisms for regional cooperation.

o Democracy and human rights are a key component of a broader conception of security. We respect the religious, social, political, and cultural characteristics that make each of our countries unique, but these differences should not be used to justify denying the universality of human rights. Those of us who live in diverse societies have a special responsibility to foster tolerance, respect for the rights of minorities, and reliance on the rule of law.

o We seek a process of dialogue to reduce tensions and establish a framework for long-term stability and prosperity that includes all the countries of the Asian Pacific region.

o We see particular value in such consultative dialogue in Northeast Asia, where four great world powers come together in the vicinity of the Korean Peninsula. As we consult with others on the North Korean nuclear issue, we may lay the foundation for an eventual sub-regional security dialogue in Northeast Asia.

o We are still in an exploratory phase as we consult with others on security in the Asian Pacific area. We need to consider how to make the best use of ongoing and new discussions on regional security issues. Institution building will grow from the consensus that eventually emerges from these discussions. Together, we can explore new Asian Pacific paths to security.

o The consultations of which I have spoken and our engagement in dialogue are designed to complement, not replace, our alliances and military presence in Asia. They will anchor us more firmly in the region.

ECONOMIC OPPORTUNITY

o It is becoming increasingly clear, moreover, that security cannot be defined solely in political and military terms. It also has a significant economic dimension. For over a century, U.S. policy towards Asia has been shaped by the concept of an

"Open Door," and we remain committed today to an open international trading system.

o In recent years, the economic relationship between the United States and Asia has become increasingly important; it is crucial to the revitalization of the U.S. economy. Two-way trade totals more than 300 billion dollars annually, and U.S. firms have invested upwards of 62 billion dollars in Asia. Two and a half million American jobs depend on our economic links with the Asia Pacific region.

o As economic interdependence grows, so does our common challenge to facilitate regional trade liberalization, to deal with increasingly important economic issues among APEC members, and to promote continued growth and prosperity in the Asia Pacific region. Trade liberalization within APEC is not only consistent with the principles of GATT, but, in fact, provides a powerful and enduring complement to other multilateral efforts at trade liberalization.

o The United States assumed the chairmanship of APEC in the fall of 1992 and will hold it until the ministerial meeting in Seattle in November, 1993. We have three goals for our chairmanship: first, to challenge APEC to undertake far-reaching trade liberalization and promote market-oriented solutions to problems associated with regional economic integration; second, to encourage a greater role for the private sector in APEC, which will help achieve these goals; and third, to strengthen APEC as an institution to make it the preeminent economic organization in the Asia Pacific region.

o We will continue to work with Korea as a partner in APEC, the ASEAN dialogue, and other multilateral fora and organizations. The ROK already has contributed significantly to building a new Asia Pacific community by setting in motion in Northeast Asia a process of normalization of relations and reduction of tensions. From the start, the United States has strongly backed Korea's policy of Nordpolitik, which helped Korea establish diplomatic ties with Russia in 1990, with China last August and began dialogue with the North. We also recall with appreciation the important role Korean officials played in establishing APEC, including finding a solution to the "three Chinas" question.

o Progress in inter-Korean dialogue is important not only for its own sake but also to support and accelerate the building of a new Asian and Pacific Community. The reconciliation agreement and denuclearization declaration that you concluded with the DPRK in December 1991 were milestone events. Much remains to be done, and we will support you in these efforts.

o More recently, President Kim Young Sam articulated a new "forward-looking diplomacy" towards Japan designed to help resolve the bitter legacy of the past. And just two months ago, President Kim outlined a "new diplomacy" aimed at promoting

"peace, coexistence, and common prosperity" and at pledging support for multilateral security consultations on the basis of the ROK-U.S. security alliance.

o Korea has also been an active participant in supporting international institutions. Your entry, along with the DPRK's, into the United Nations in September, 1992 was long overdue. I want to thank this legislature for voting to approve the ROK's contribution to the United Nations' Persian Gulf effort and, just a few months ago, to assist UN peacekeeping operations in Somalia.

ROK-U.S. POLITICAL AND ECONOMIC RELATIONS

o This is a unique moment in the ROK-U.S. relationship. In both our countries, there is a sense of change. President Kim and I took office within weeks of each other, and I feel a sense of kinship with him in the effort each of us is making to widen political participation and spur economic renewal in our countries.

o The ROK-U.S. relationship has now developed to a point where we must speed up our efforts to transform a Cold War military alliance into a fuller partnership that addresses the vital political, economic, and security interests our nations share. Our ties have moved to a new basis of full equality and partnership.

o Last December's election of President Kim Young Sam was the capstone of a remarkable five-year process of democratization initiated by former President Roh Tae Woo. The election is evidence of a new politics in South Korea based on a strengthened electoral system and democratic pluralism. As Korea has moved away from authoritarianism, our security and economic ties have been strengthened.

o We welcome the plans that President Kim Young Sam announced in March for deregulation, liberalization, and internationalization of the Korean economy, including the areas of finance and trade. (Update this with comment on the Five-year economic reform plan scheduled for release at the end of June.) These plans for a "New Economy" should help improve the economic environment in Korea and the possibilities for U.S.-Korea economic cooperation.

o Despite recent economic liberalization measures, many foreign businessmen say it is still too difficult to do business in Korea. Korea still has a long way to go to achieve the status of a truly open market, a status that goes hand in hand with its new importance in the world economy.

o Improving the climate for doing business in Korea will allow us to build on our past cooperative initiatives. We hope to strengthen the foundation of our economic partnership through a

new "Dialogue for Economic Cooperation." (Update based on results of Subcabinet consultations on June 24.)

Put in brief memo

o No nation has gained more from the liberal international trading order than Korea. With success comes responsibility, and Korea-- like other major trading nations --bears a special responsibility for ensuring that the Uruguay Round is concluded successfully, and soon. We are seeking renewal of fast track legislative authority, which would require us to conclude a Uruguay Round agreement by December 15. In the few months before this deadline, Korea and other major trading countries must take action to enable us to reach a comprehensive and balanced resolution acceptable to all nations.

NORTH KOREA AND UNIFICATION ISSUES

o On July 27, we will mark the fortieth anniversary of the Korean War armistice. When the armistice was signed in Panmunjom, it brought to an end a conflict that killed more than 3 million people. The key to reducing tensions in Northeast Asia and to building a new Pacific community is easing tensions on the Korean peninsula and implementing the agreements you have already reached with Pyongyang.

o It is only in the last few years that the hostility spawned by that conflict has begun to abate. We welcome the more intense dialogue that has been underway for the past several years.

o As you know, we have been holding talks with the DPRK on its nuclear program. We welcome the successful outcome of the initial round of talks in New York, which led to the agreement of North Korea to suspend its withdrawal from the Nonproliferation Treaty. This agreement is a first but vital step to ensuring North Korean participation in a strong international nonproliferation regime, a goal that will benefit all nations. Preventing the proliferation of nuclear weapons is one of my highest priorities, and we will continue to strongly urge the North Koreans to comply fully with international standards and to move towards the goal of a nuclear-free Korean peninsula. (This section will almost certainly need updating.)

o We hope that inter-Korean dialogue will continue to progress. It is up to the two sides to work out the specific arrangements to bring closer together the two halves of your tragically divided country. We will do our utmost to support you in this process. I want to assure you, once again, that the United States fully supports reunification on terms acceptable to the Korean people. It is our sincere hope that what has been divided can be made whole again.

CONCLUSION

o In conclusion, let me congratulate you on the success of Korea's efforts in democratization. We look forward to the implementation of President Kim Young Sam's plan for a "New Economy," which promises to accelerate the process of deregulation, liberalization, and internationalization of the Korean economy.

o This is a period of change and opportunity for Asia. In such a time, it is important to preserve what has proven to be reliable. The United States is a Pacific nation; we will remain engaged in the region. Our existing alliances will continue to be the bedrock of our security policy in Asia and the Pacific.

o The United States is actively engaged in seeking solutions to the problems which threaten security in Asia. We will maintain our forces in Korea. We will support South-North dialogue as the primary means for resolving the problems of the Korean peninsula. We will continue to support efforts to prevent nuclear proliferation. We are ready to improve our relations with the DPRK if it cooperates in the resolution of fundamental issues.

o Korea's tragic historical fate has been, it is said, to be a shrimp crushed between whales. Because of that experience, your country has keenly felt the need to work to actively shape a new regional security environment based not on the old calculus of international politics, but on new values of cooperation, mutual respect, and common benefit. Through your establishment of diplomatic ties with Russia and China and dialogue with North Korea, you have begun a process of normalization and relaxation of tensions in Northeast Asia. We hope the examples that Korea and other like-minded countries have set will spread throughout the region. The United States is committed to actively participating in an enhanced multilateral security dialogue in the Asian Pacific region, and we look forward to cooperating with you to realize our shared vision.

NATIONAL SECURITY COUNCIL

24-Jun-1993 09:51 EDT

UNCLASSIFIED

MEMORANDUM FOR:

Jeremy D. Rosner

(ROSNER)

FROM:

Sandra J. Kristoff
(KRISTOFF)

SUBJECT:

Seoul Speech

Jeremy--

Tony asked that you try to work into the Seoul speech the following notion which came up in the Han credential presentation ceremony:

- o Northeast Asia undergoing tremendous growth and change
- o Korea is at the center of the region and the change
- o Seoul is two hours by plane from Shanghai, Tokyo, Beijing and one hour from Vladivostock.

Sandy K.

CC: Records

(RECORDS)

CC: Sandra J. Kristoff

(KRISTOFF)

Korean Natl Assembly

* Bremen on Nukes

* for at ctr of NE Asia, area of great change & growth; Seoul is 7 hours by plane from Shanghai, Tokyo, Beijing & 1 hour from Vladivostok

* for now 33,000 + KIA.

Get $\Rightarrow$ * # of Koreans killed (N/S)

Get $\Rightarrow$ * anything on 5-yr plan, released end of Jan/Lead

Korea

* word outline highlights

Get ⇒ * Te Ginn - founder of Korean nation
date? text?

* US lost 30k+ ; Koreans lost 100 times more (3-4m)

* Friendship formed in blood

* 6/25 war started

* Goal is not simply to keep N Korea in
WOT but to get rid of their
nuclear program.

* "Friendship formed in blood"

* MacArthur Incheon

we stood together at the Pusan Perimeter

* Impassable steel mills, shipbuilding

* S. Kor^{forces} stood w/ us in Desert Storm.

* Kor. has provided model for Asian devel.

A ~~illustration~~ of our relationships from US by
ultimate ~~of~~ creator

* New agreements w/ Singapore & Thailand for
access etc.

* Rely increasingly on leadership & guidance of
Koreans

Kent
(2) →

* In Korea, Malaysia, Thailand & elsewhere,
have important links between our
defense establishment & industries — this
helps meet our security needs but also
domestic needs of our partners.

→ * milit exchanges between US & Asian
countries (or just Korea?) improves inter-operability
of our forces while maintaining close ties
between US & Korea.

* we're engaging in order to stay, not to leave

* Rpt on N/S differences?

* People who have produced an exceptionally
healthy ^{even} civilization in the face of
great adversity. ~~Threats~~

* The security & stability of the K Pen is
a vital US interest. Our security alliance
remains essential & strong. US forces
will remain in K Pen as long as the
K Pen people want us ~~to be~~ here.

* There is no security in stasis.
Strength requires that our weapons change.
Strength requires that our forces change to
meet & reflect new threats. Our basing
arrangements may change as they have
over 3 yrs. But our interests in
K Pen & Asia are enduring. So our ^{force presence} commitment is enduring as well.

In the
face of new
technologies,
our
weapons
must change.

* Arthur Truman

* mentoring bi-partisan ship

* Age of Korean culture → ~~when Columbus was~~
Columbus had not yet discovered
America when ~~the~~ Korea built the
Bae Chang Dok (Dook) Palace w/ its
magnificent architecture & beautiful gardens.

* Actively ^{engaged} ~~involved~~ in regional security
discussions and give full encouragement
to ^{the} numerous regional initiatives to
resolve security issues.

* SE Asia important to US & industrial
world due to strategic position on
shipping lanes for oil & global commerce.

* Signs of engagement:

- as NK Nuke issue has arisen, we have
frozen troop withdrawals & increasing
capabilities of air, naval & ground forces in region

- sought increased access for our forces in SE Asia
to facilitate our presence & project power beyond
the region, if required

- In Japan, replaced Midway w/ USS ^{+ battle group} Independence,
~~most~~ largest & most modern in world

- Deployed Belleau Wood amphibious group into
Sasebo

- worked in Thai war reserve

- support & enhance bilateral, such as Australia

* Asia Demo Radio

* We are in Asia^{Pac} to make money. We are in Asia to stop wars. We are in Asia^{Pac} to solve global problems. But above all, we are in Asia^{Pac} because we are part of Asian Pac.

* Anti-corruption Campaign of KYS.

* Russia

* China's GATT application?

* Vietnam?

* NE Asia, where 4 great world powers come together (Rus, Chin, Jpn, ?)

* KYS & I took office w/in weeks of each other.

* "Lord:
In a period of change, it is important to present what has proven to be reliable. The U.S. is a Pacific nation. We will remain engaged in the region. Our security in the Pacific will continue to be based upon our alliances w/ J, K, Aus, Phil & Thai. These alliances have endured because they serve the interests of the people of the region.

Perry:

- * Same concern V.B. is not focused on Asia. Policy could be further. FM Asian Affairs keep on focus there [?]

[OK] $\Rightarrow$ * $\frac{1}{3}$ of NK's million man Army deployed w/in 30 miles of the DMZ [Perry-DoD says 100km = 60m]

- * , such as the conflict concerning the Spratlys, a conflict which could engage many of the region's nations and threaten passage through the critical sea lanes that traverse the South China Sea.

* ~~See~~ Even part of security.

- * The substantial show that US ~~shows~~ focus in region makes presence (as) effective & serves as clear indicator of importance host countries place on our presence in the region.

(Perry)

- * Nations of region have primary responsib. Yet we do believe US presence in Asia has been a check on potential adventurism $\rightarrow$ aggression and has created a climate of stability that has permitted economic & democratic progress.

- * Region will be defined by robust economic competition, steady ^{if uneven} progress toward democ, rough balance of power w/ V.B. as ultimate guarantor on some issues, as balancer on other.

Get $\Rightarrow$ * Get Baker For Asia Vol 70 #5 Winter 9/92

* Interests: protect US; suggest global deter policy;
preserve econ & polit access [?]; maintain
power balance to prevent rise of regional
hegemony; strengthen western orientation of
Asian nations; foster growth of democ &
norm rht; deter nuke prolifer; ensure
freedom of navigation.

Robert
Gilpin
?

* "The fundamental problem of international
relations is the problem of peaceful
adjustment to the consequences of
uneven growth" -

[ct] $\Rightarrow$ * We have over 100,000 military personnel
in Asia.

* increasing flows of products, services, labor &
capital w/in Asia itself will create more
bonds

* I contribute to Joint Staff/Should \$130B

* Half our nation's carrier & amphibious
forces are oriented toward East Asia
& the Pacific region [DoD paper p22]

* Training, exercises, information exchanges,
dialogues on issues of mutual concern,
military access [+other]

* Drugs: Burma now world's largest producer of opium & heroin.

* N Korea has already produced over 450-500 SCUD missiles & is developing a longer range missile that would hit anywhere in K Pen & much of Japan

~~1/11~~ * "A Strategic Framework for the Pac Rim"
Date? - USD JULY 13 92.

- * A few yrs ago, few would have predicted:
- S Korea & Sov. Union (Rus) would normalize relations
 - Beijing would open an official commercial office in Seoul
 - S & N Korea both in UN
 - N & S both sign a non-aggression pact & agree to forswear development of nuclear

* US firms have more than \$2 B invested in Africa.

* Oceans are America's lifeline; as a maritime power, the US will always view Pacific as a major commercial & strategic artery.

* Big, monolithic ^{central} ~~global~~ centrally driven organizations don't work.
 Freedom works. That's why comm-ist states, which relied on central direction, have fallen. It is only, even in our own country, policies that were once centralized, from welfare policy to economic development, are now increasingly driven by states — who can change, learn, & innovate more quickly.

* 99% of the world's population that still lives under the yoke of Communism live here in Africa

* Africa — no common enemy. don't require a unanimity of purpose, but a regularization of dialogue

* 10 N. Koreans (NKS)

* Korea: Dec 91 non-aggression agreement
 then at end of 91 agreed to ban nukes from peninsula
 (but ultimate guarantee of non-aggression is down self-rule & unification)

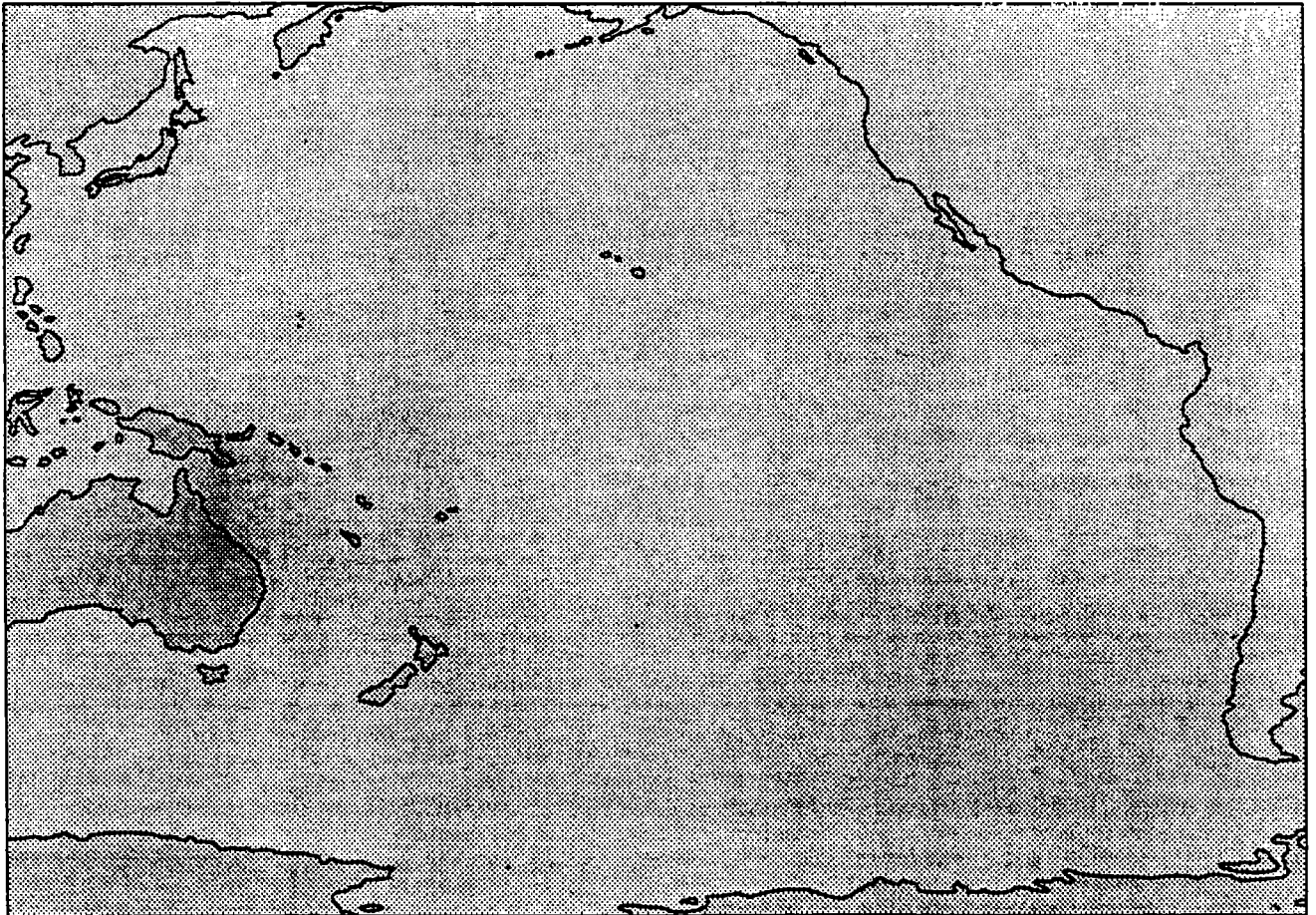
* Contrasts between N & S Korea

Today the north plans to build up expenditure to S. over ^{last 40 years} ~~last 40 years~~
 The north ~~knows~~ knows —, S. knows —
 We take no pleasure at the North's mis/w/fac but we take great pride in

A STRATEGIC FRAMEWORK FOR THE ASIAN PACIFIC RIM:



REPORT TO CONGRESS



ASIA-PACIFIC STRATEGIC FRAMEWORK REPORT

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SECTION I

INTRODUCTION

Since the initial East Asia strategy report was submitted to the Congress in April 1990, we have witnessed a fundamental transformation of the international system. The dissolution of the Soviet Union, and the demise of its external empire, was the result of global trends reshaping the world: the bankruptcy of communism as an economic and political system; a movement towards democratization and market-oriented economics; and global economic integration sparked by rapid technological change.

Even before the invasion of Kuwait and the collapse of the Soviet Union, the Bush Administration recognized the need to adapt United States national security strategy to the rapidly changing international environment. The result of the Administration's internal review was the President's historic announcement of a new national security strategy on August 2, 1990. The new strategy, one oriented toward critical regions of the world, marked the end of our Cold War global containment strategy.

The new strategy recognizes that the world has changed in fundamental ways and continues to do so, in sometimes unpredictable ways, and often at blinding speed. Accordingly, the strategy was shaped to provide the flexibility necessary to manage the unexpected. Its flexibility derives from its focus on regional, not global, conflict; selective engagement in critical regions of the world; and international cooperation with our friends and allies. Integral to the strategy is the maintenance of strong alliance relationships and the close cooperation of our allies.

In many respects, our alliance structure is perhaps our nation's most significant achievement since the end of the Second World War. This system of alliances and friendships constitutes a prosperous, largely democratic, market-oriented "zone of peace" that encompasses more than two-thirds of the world's economy. In the long run, preserving and expanding these alliances and friendships will be as important as the successful containment of the former Soviet Union or the Coalition defeat of Iraq.

The regional defense strategy is a forward looking strategy, one that does more than simply react to events as they take place. By anticipating likely challenges and taking steps to address them, it seeks to shape the security environment in ways favorable to the United States and to our allies and friends.

THE UNITED STATES AND ASIA

Amidst the transformation taking place in international relations, it is useful to bear in mind that US interests in Asia have been remarkably consistent over the past two centuries: commercial access to the region; freedom of navigation; and the prevention of the rise of any hegemonic power or coalition.

By virtue of geography and history, the US is a Pacific power with enduring economic, political and security interests in the Asia-Pacific region. For the United States, a maritime power, the Pacific Ocean is a major commercial and strategic artery; oceans are America's lifeline. Our interests and stake in this dynamic region are large and growing; our future lies across the Pacific no less than the Atlantic.

Our economic and security engagement in the Asia-Pacific region since World War II has been a major factor in the region's emergence as one of the engines of global growth. Our two-way trade across the Pacific last year exceeded \$310 billion -- nearly one-third larger than our trade with Europe. The US exports more to Indonesia than to Eastern Europe; more to Singapore than to Spain or Italy. US exports to East Asia and the Pacific were \$130 billion -- that translates into roughly 2.6 million American jobs dependent on our trade with the region. Moreover, US firms have more than \$62 billion invested in Asia.

Our forward-deployed presence has underpinned stability in East Asia and helped secure its economic dynamism. This presence has made the US the key regional balancer, contributed to regional stability, enhanced US diplomatic influence, and contributed to an environment conducive to the growth of US economic interests.

During the Cold War, Asia, like Europe, faced an ideological and military threat from the Soviet Union. At the same time, on the regional level, there existed a multiplicity of security concerns that continue to this day. They differ from country to country and within the subregions of this vast area. During the Cold War, our security presence in the region addressed the global containment aspect of our strategy as well as these historically diverse security concerns. Our concern with the intentions and capability of the Soviet Union may have masked our regional role at home, but that role has always been recognized by our friends, allies and potential adversaries in Asia.

With the demise of the Soviet Union and the end of the Cold War, the

United States' regional roles, which had been secondary in our strategic calculus, have now assumed primary importance in our security engagement in the Pacific theater. In addition, our presence in the Asia-Pacific region has always been essential to our ability to meet contingencies in the adjacent Persian Gulf/Southwest Asia region.

The key to our forward military presence has been and remains a network of largely bilateral security alliances--with Japan, the Republic of Korea, Australia, Thailand, and the Philippines-- and cooperation with other friendly nations. The current economic and political success of most of our allies and friends in the region makes it possible for them to assume greater responsibilities for meeting mutual security challenges. We are in the process of building more mature and more reciprocal economic, political, and defense partnerships with our allies and friends to meet the demands of a new era and shape the emerging security environment.

The lesson of the Gulf war is that, despite the end of the Cold War, there remain real challenges to our national security interests. Threats to our vital interests could arise with little notice or predictability in the Asia-Pacific region as well.

The social, economic and political transition now under way in Asia is positive but uncertain. Unlike Europe, communist regimes remain in power in East Asia-- China, North Korea, Laos and Vietnam--although leadership and generational changes are underway in these states. The outcome of these transitions could have a major impact on security and stability of the region. In addition, threats of proliferation of weapons of mass destruction, emerging nationalism amidst longstanding ethnic and national rivalries, and unresolved territorial

disputes combine to create a political landscape of potential instability and conflict.

Clearly, the stability of the fastest growing economic region in the world is a matter of national interest affecting the well-being of all Americans. Our economic prospects, the promotion of democratic values and human rights, and our traditional security interests all require sustained engagement by the United States in this important region. Maintaining a credible security presence is an important element in our effort to build a sense of Asia-Pacific community vital to the post-Cold War international system now taking shape.

Our engagement in regional security must take into account changes in the international environment, domestic political realities, and the ability of our allies and friends to share responsibility in shaping a new era. Our objective is to adjust our presence to reflect all these elements. This report discusses ways and means we and our allies and friends are moving toward these goals in the framework outlined in previous Congressionally mandated reports.

This report reflects the reporting requirements mandated in the FY1992-93 Defense Authorization Act which reflects the consensus between the Congress and the Administration on the fundamental precepts of our approach to Asian-Pacific strategy. The Congress found that:

- The alliances between the United States and its allies in East Asia greatly contribute to the security of the Asia-Pacific region.
- It is in the national interest of the United States to maintain a forward-deployed military presence in East Asia.
- The pace of economic, political, and social advances in many of the East Asian countries continues to accelerate.
- The ability of our Asian friends and allies to contribute to their own defense

has increased significantly. Although the level of defense burdensharing by Japan and South Korea has increased steadily, Congress believes it is desirable that they continue to assume greater defense responsibilities.

- Finally, and most importantly, the United States remains committed to the security of its friends and allies around the Asia-Pacific rim.

These findings clearly reflect agreement between the Administration and the Congress on the fundamental approach to our national security interests, and the means to those ends around the Asia-Pacific Rim. Our review of the security environment, current trends and potential sources of instability suggests our policy of a phased approach in determining US military posture in East Asia and the Pacific is appropriate for the foreseeable future.

SECTION II

SECURITY ENVIRONMENT

At the end of World War II, the United States was the predominant power in the Asia-Pacific region. Our national security objectives centered on defending American territory as far forward as possible, global containment of the Soviet Union, and protecting friends and allies.

Our military strategy, dictated largely by the distances involved in transiting the Pacific Ocean, has been to forward deploy forces to permanent base infrastructures, primarily in Japan, Korea and Southeast Asia. We have complemented our presence through the development of a range of bilateral security arrangements. This approach worked well because of the diverse threat perceptions, disparate cultures, histories, political systems, and levels of economic development among our friends in the region.

Our strategy to contain the Soviet Union and to prevent the rise of a regional superpower has been successful. We have deterred another outbreak of war on the Korean Peninsula, and in broad terms, our presence has contributed to regional peace, stability and prosperity. American economic involvement, political leadership, and our military presence in the region have enhanced our influence in the most economically dynamic area of the world. These factors have also contributed to the relative stability that has underwritten East Asia's dramatic economic success and made possible the spread of democracy.

KEY ASPECTS OF ASIAN SECURITY

- The US-Japan relationship remains key to our Asian security strategy. In the past, Japan's strategic location served as a barrier to Soviet aggression; today, US forces and Japanese Self Defense Forces maintain their vigilance as political changes follow their course in Russia and in Northeast Asia. US forces in Japan provide for stability throughout the region, and remain an essential element of the deterrent against North Korean adventurism. The continuing US presence in Japan and the strength of the US-Japan security relationship are reassuring to many nations in the region as well as to Japan.
- One of the encouraging changes in the strategic landscape is the progress being made to end the war in Cambodia. Two years ago, prospects for achieving an end to the fighting in Cambodia while at the same time preventing a return to power of the Khmer Rouge seemed remote. With the leadership of the five permanent members of the UN Security Council and the support of the international community, particularly Australia, Indonesia and Japan, an agreement is now in place that will hopefully lead to permanent peace and a government chosen through UN sponsored elections. Much could still go wrong, but the promise of peace has already had a beneficial impact on the security environment.
- A remarkable development over the past two years is the important role that nature has played in altering our presence in the region. The eruption of Mount Pinatubo diminished, for us, the value of Clark Air Base in the Philippines. As a result of continuing volcanic action and uncertainty regarding future eruptions,

the US decided to relinquish Clark -- a valuable regional logistics hub which included the instrumented air training range known as Crow Valley -- before a final base agreement was concluded with the Government of the Philippines.

- Unfortunately, the Philippine Senate chose to reject the base agreement, laboriously reached over eighteen months of negotiations, and set in motion a total US withdrawal from the Subic Bay complex of facilities -- the last base used by the US in the Philippines. This withdrawal will be completed by the end of 1992, ending nearly 100 years of US presence there. However, our Mutual Defense Treaty remains in force and joint exercises will continue. We remain friends, and depart Subic without rancor.
- Developments in the Philippines accelerated the process, foreshadowed in the 1990 East Asia Strategy Initiative report, of shifting the US military posture in Southeast Asia from a large, permanent presence at a single complex of bases in the Philippines to a more widely distributed, less fixed, posture. This posture consists of regional access, mutual training arrangements, periodic ship visits, intelligence exchanges, and professional military educational programs rather than permanently stationed forces.
- The situation on the Korean Peninsula has undergone significant changes since the April 1990 report; in some ways the situation has improved, while in others it remains uncertain and problematic. Few would have predicted two years ago that South Korea and the Soviet Union would normalize relations, that Beijing would open an official commercial office in Seoul, that both South and North Korea would be in the United Nations, and that North and South Korea would have signed both a non-aggression pact and an agreement to forswear the

possession and development of nuclear weapons. On the other hand, North Korea has not yet implemented these agreements, has still not allowed effective bilateral monitoring and inspection of its nuclear program, and has continued to build up its massive, oversized conventional forces. Until North Korea takes further steps to alleviate tensions and relieve concerns about its nuclear program, the military situation in Korea will remain threatening.

- Despite North Korea's desperate economic situation, we have seen no sign of a slowdown in its accumulation and forward deployment of a massive conventional weapons capability, particularly ballistic missiles. North Korea has already produced some 450-500 SCUD missiles, and is developing a longer range (1000 KM/600 MI) version that could hit targets anywhere on the Korean peninsula and much of Japan.
- Following the demise of the Soviet Union, a scenario that has been the basis of much of our planning—a global war, starting in Europe but quickly spreading to Asia and the Pacific—has become less relevant. But the residual power projection capability of Russian naval and air forces—stationed close to our Northeast Asian allies—in Siberia and Russian Northeast Asia remains a major concern. In addition, Russia retains a formidable nuclear arsenal which must still be factored into our strategic calculus. Recent agreements between President Bush and President Yeltsin have stabilized nuclear arsenals for the remainder of this century.
- China continues to play an important role in the regional balance of power. It is important that this role be a positive one consistent with peace and stability. Its growing industrial and technical capabilities, its large military establishment

(with a military budget which has recently increased), and its immense population make it a major factor in any regional security equation. It now has generally friendly and stable relations with its Asian neighbors. A stable US-China relationship is an important element in the regional equilibrium.

- Taiwan continues to be a political and economic success story. Our sixth largest trading partner in the world, with hard currency reserves over \$80 billion, Taiwan is an essential factor in the economic health of Asia and has played a constructive role in the region. US unofficial relations with Taiwan have been strong and mutually beneficial.
- The steadfast friendship of our close ally Australia continues to provide a source of strength for regional security tasks, economic development and political stability. Australia's area of primary strategic interest covers Indochina, Southeast Asia and the Southwest Pacific. Its willingness to host critical communications and intelligence facilities and to facilitate frequent ship visits and exercises makes it an invaluable strategic partner.

SUMMARY

Clearly, the stability of, and our access to, the fastest growing economic region in the world is a matter of national interest affecting the well-being of all Americans. Our economic prospects, the promotion of democratic values and human rights, and our traditional security interests all argue for the need for sustained security engagement by the United States in this important region. Sustaining a credible security presence for the long term is an important element in our effort to build the post-Cold War international system now taking shape.

Naturally, our security engagement must, and will, take into account changes in the regional and international environment, our own political and economic situation, and the ability of our allies and friends to share responsibility in shaping a new era.

SECTION III US SECURITY STRATEGY IN EAST ASIA AND THE PACIFIC

US SECURITY INTERESTS

Against a background of historic change in the global security environment, United States security interests in Asia endure:

- protecting the United States and its allies from attack;
- maintaining regional peace and stability;
- preserving our political and economic access;
- contributing to nuclear deterrence;
- fostering the growth of democracy and human rights;
- stopping proliferation of nuclear, chemical and biological weapons, and ballistic missile systems;
- ensuring freedom of navigation; and
- reducing illicit drug trafficking.

Our military forces in East Asia and the Pacific must be capable of achieving the following fundamental security missions:

- defending Alaska, Hawaii, and the connecting lines of communication (LOCs) to the continental United States;
- protecting US territories and Freely Associated States for which the US has defense responsibilities;
- assisting our allies in defense; and
- maintaining the security of the LOCs throughout the Pacific as well as the Persian Gulf, Indian Ocean, and the East and South China Seas.

SIX PRINCIPLES OF OUR SECURITY POLICY IN ASIA

In Tokyo on November 22, 1991, Secretary Cheney affirmed to our regional allies that US security policy in Asia continues to be guided by six basic principles:

- Assurance of American engagement in Asia and the Pacific.
- A strong system of bilateral security arrangements.
- Maintenance of modest but capable forward-deployed US forces.
- Sufficient overseas base structure to support those forces.
- Our Asian allies should assume greater responsibility for their own defense.
- Complementary defense cooperation.

These principles shape the United States' future East Asian security role. They are not focused on the narrow range of existing threats, but allow for a more diverse range of possibilities that cannot be foreseen.

SOURCES OF EAST ASIAN AND PACIFIC REGIONAL INSTABILITY

Korea

North Korea's quest for a nuclear weapons capability continues to be the most urgent threat to security in Northeast Asia. While South Korea and North Korea have signed a reconciliation pact and a joint declaration for a non-nuclear peninsula, uncertainty over North Korea's compliance will remain until credible inspections are taking place. North Korea's nuclear weapons developments, when seen in light of its conventional military buildup and its ballistic missile program, illustrate that the Korean Peninsula remains a source of potential conflict requiring US and South Korean vigilance and deterrent capability.

The North Korean conventional threat--a million man army, two-thirds of which is deployed within 100 KM of the Demilitarized Zone--persists. Our knowledge of the factors influencing political and military decision making in Pyongyang is limited. Given the uncertainties surrounding the pending political

transition in Pyongyang, South Korea and the US must be prepared for North Korean "worst case" contingencies that range from implosion and collapse to desperate aggression. The outcome will affect not only the future of the Korean Peninsula but stability throughout Northeast Asia.

Communist States in Asia

Of the five remaining Communist regimes in the world, four are in East Asia--the People's Republic of China, Vietnam, North Korea and Laos. As democratic ideas and free market principles continue to expand, these systems are facing the reality of communism's economic and political failure. Many see political pluralism as a threat to the perpetuation of their regimes and react uncertainly, with some countries trying to permit the obvious benefits of free market economics to improve their economies while trying to keep the accompanying political and ideological influences at a distance.

These regimes will change, but it is difficult to predict whether the process will proceed peacefully or violently. Options could range from following the "European model" of Communist change, to evolving into authoritarian governments that would maintain tight political control while permitting free market economic activity and increasing social pluralism. Southern coastal China, for example, appears well on the way toward the latter socioeconomic transformation.

People's Republic of China (PRC)

Chinese politics will almost certainly be volatile as Deng Xiaoping and the current octogenarian leaders pass from the scene. The leadership's ability to effect a successful transition is of great consequence for the PRC's internal stability and the

stability of its immediate neighbors, for continued economic progress, and for the future direction of its foreign policy towards the region and beyond. Beijing's modernization strategy is premised on a peaceful international environment and continuing strong commercial ties with key trading partners. Chinese policies toward Hong Kong, Taiwan, Korea and Vietnam will remain barometers of its orientation.

Beijing's policies with respect to nuclear and missile proliferation remain matters of serious concern to the United States and much of the international community. Not only in the Asia-Pacific region, but in also Southwest Asia and the Middle East, Chinese observance of the Missile Technology Control Regime (MTCR) and the Non-Proliferation Treaty (NPT) guidelines will be important to US security interests.

Taiwan

The situation in the Taiwan Strait remains peaceful, and the relationship between Beijing and Taipei is improving with increasing trade, contact and tourism. It is in our interests to encourage these trends. US policy remains as defined in the Taiwan Relations Act and the three communiques. In keeping with this policy, we will sustain our efforts to enable Taiwan to maintain a sufficient self-defense capability.

Cambodia

Events in Cambodia suggest that the implementation of the comprehensive political settlement agreement signed in Paris on October 23, 1991, which includes a ceasefire, repatriation of refugees, and internationally supervised elections, will be the most complex and expensive operation ever undertaken by the United Nations. The United States supports the Paris Agreement as the best--possibly the only--

means of producing a stable peace and ensuring the right to self-determination through free and fair elections. It is also the best means to prevent a return to power of the Khmer Rouge. Without peace and a stable government in war-torn Cambodia, the tensions that have been at the core of military alliances, weapons procurement, and regional political conflict for over a decade could persist.

Philippines

Despite the establishment of lasting democratic institutions, prospects for instability in the Philippines have not diminished. The 24-year old Communist Party of the Philippines/New People's Army insurgency has stalled in recent years, plagued by internal splits and government penetration. Nevertheless, it remains a viable political and military force in many parts of the countryside, where its exploitation of local grievances and social injustices make it capable of growth should conditions worsen. Its terror tactics continue to pose serious security threats to Philippine and US officials.

Spratly Islands

There are many claimants to all or part of the Spratly Islands—a group of atolls and reefs lying between Vietnam and the Philippines in the South China Sea. China and Taiwan both claim the entire area, Vietnam and the Philippines claim large portions, and Malaysia and Brunei claim parts of the southern fringe of the group. All except Brunei occupy areas within their claims, and none of the claimants has indicated any willingness to abandon its claim or to relinquish territory in a general settlement.

In 1988, there were small naval clashes between China and Vietnam, and these nations continue to be the most likely to engage in armed conflict over the

Islands. Both countries have been actively fortifying forces in and around the area of the Spratlys. In February 1992, China reaffirmed its claim to the Spratlys and, unfortunately, its readiness to use force to back up its claim, although Beijing has also said it is prepared to support a peaceful resolution. Some Southeast Asian leaders have suggested that the territorial claims could be set aside, and joint exploration of the islands' natural resources undertaken -- with a division of profits among the parties involved. However, until such a plan is actually developed and agreed upon, the Spratlys will continue to be a potential source for regional instability.

Burma

The Burmese Government, under the State Law and Order Restoration Council, continues to suppress domestic opposition and has steadfastly refused to implement the results of the 1990 elections. It continues to arrest large numbers of people for political activity. It has also been aggressively purchasing military hardware -- tanks, jets, artillery and naval craft -- from a variety of sources, mostly China. Burma is now the world's largest producer of opium and heroin, and the government has undertaken few law enforcement measures against traffickers. It appears that the military regime has reached accommodation with the insurgent ethnic groups to ignore narcotics activities in exchange for peace.

These policies have led to rising numbers of refugees, tensions with Bangladesh, and conflicts that have spilled across the border with Thailand and caused concern in Bangkok. All of these heighten the prospects for regional instability and serious border problems with immediate neighbors.

Proliferation

Proliferation of weapons of mass destruction in East Asia will continue to be a concern in the 1990s, principally because North Korea, as of this writing, is actively pursuing a nuclear weapons capability. North Korea has also been developing an extended range version of the Scud missile, called the Scud-C, and supplying these missiles and their technology to states in the Middle East. Although China and North Korea are the nations we will monitor most closely, we must also be alert to the development of technologies in other countries that can lay the groundwork for introduction of weapons of mass destruction and ballistic missiles.

Summary

Given the increasing economic interdependence of Asian and American economies, instability in the region can directly affect our interests and well being. We must be prepared to deal with the changing circumstances in the region within the framework of US interests. This is most effectively done through a security concept founded on basic principles that can be adapted to evolving circumstances.

SECTION IV MILITARY POSTURE IN EAST ASIA

OVERVIEW

The United States' military forward presence in the Asia-Pacific region is an essential element of our global military posture. Forward deployed forces in the Pacific ensure a rapid and flexible crisis response capability; contribute to regional stability; discourage the emergence of a regional hegemon; enhance our ability to influence a wide spectrum of important issues in the region; enable significant economy of force by reducing the number of US forces required to meet national security objectives; overcome the handicaps of time and distance presented by the vast Pacific Ocean; and demonstrate to our friends, allies and potential enemies alike a tangible, visible US interest in the security of the entire region.

PHASED APPROACH TO ADJUSTING FORCE STRUCTURE

The phased approach to orderly, rational troop strength adjustments, outlined in the 1990 East Asia Strategy Initiative Report, remains valid today. That approach requires an assessment of the future strategic situation at the end of each Phase. Following this assessment, a judgment is made on what forward deployed force structure meets our security objectives, our allies' security needs, and supports our basic security principles. Rather than trying to create a plan that attempts to anticipate every likelihood and projects troop strength figures well into the next century, we have adopted a more flexible and responsive approach, as illustrated by the decision to postpone Phase II troop adjustments in Korea until we can assess North Korea's nuclear threat. This section reviews the progress that has been made

since the adoption of the three-phased approach and assesses future steps that can be taken to maintain an appropriate force structure forward deployed in East Asia.

STREAMLINING OUR FORCES IN PHASE I (1990-1992)

In November 1990, the Secretary of Defense approved a plan by the unified commander, USCINCPAC, to reduce American presence in the region before December 31, 1992 (the end of Phase I of the April 1990 East Asia Strategy Initiative report). After detailed review of the security environment and projected requirements, the Department of Defense determined it could reduce US forces in Japan, Korea and the Philippines by 15,250. This total fell well within Presidential guidelines calling for reductions of 10 to 12 percent from the total 135,000 personnel stationed in East Asia (including naval forces afloat) at the beginning of 1990.

Specific force reductions during Phase I included more than 5,000 Army personnel, 5,400 Air Force personnel, almost 1,200 Navy personnel, almost 3,500 Marines, and 200 joint organization personnel.

The force reductions included both operational and support units. Selective reductions in the size of some units were made in addition to the withdrawal of entire units. Typical of the reductions were: a restructuring and downsizing of selected Marine units on Okinawa; removal of an Air Force communications unit and the SR-71 squadron from Japan; and the removal of an engineering group, military intelligence and signals brigade personnel and headquarters personnel from Korea.

DEALING WITH THE US MILITARY DEPARTURE FROM THE PHILIPPINES

In June 1991, the United States Air Force began its departure from Clark Air Base, which had suffered extensive damage from the eruption of Mt. Pinatubo. Volcanic damage and uncertainty regarding future eruptions resulted in the decision to relinquish Clark Air Base even before a final base agreement was negotiated with the Government of the Philippines; the base was formally turned over to the Philippine Government in late November 1991. Clark was a valuable regional logistics hub. Its associated instrumented air training range, known as Crow Valley, provided a unique air training capability for US forces and Asian air forces which conducted bilateral and multi-lateral training exercises there. The Air Force is moving much of the training it previously conducted at the Crow Valley range to Alaska.

The Philippine Senate rejected the newly negotiated base agreement and set in motion a total US withdrawal. In late December 1991, after several months of discussions on the possibility of an extended withdrawal agreement, the Philippine Government notified the United States that in accordance with the treaty, US forces must be withdrawn from Subic Naval Base and Cubi Point Naval Air Station by the end of 1992. The high value of the Subic/Cubi Point facility was its geographic location and the availability of all major training and logistics functions at a single site. We will not be able to replicate the structure which existed in the Philippines, nor must we. Subic's logistical functions can be accomplished at other locations, and the Pacific Fleet's carrier-based aircraft will train elsewhere in the region as opportunities arise.

The loss of Subic will not result in a decline in our military capability; the only impact on our Asia-Pacific military "footprint" will be in terms of training and logistics. Our departure from Subic will not result in a reduction in afloat operations by the Seventh Fleet or shrinkage in the number of ships operating in the Western Pacific. The size of the Pacific Fleet is determined by maritime interests in the Pacific, not by our access to Subic Bay. It is doubtful whether nations in Southeast Asia and the Western Pacific will witness any reduction in our naval profile in the region. Without Subic, the Navy will likely be calling at more ports and in more countries than in the past. Ship repair facilities, both military and commercial, and supply facilities throughout the Pacific will be used on a greater scale.

There will, however, be a reduction in the number of naval personnel assigned in the region. Roughly 4,100 of the some 5,900 military billets at Subic will be disestablished. Many of these are positions that supported the base infrastructure (for example, personnel who worked in the Naval Supply Depot or Naval Magazine) and are no longer necessary. Some of these personnel drawdowns would have occurred as a part of the Phase II reductions even if the Philippine Senate had approved the long-term agreement we had negotiated with the Philippine Government.

Of the remainder, some 1,200 military personnel from Subic will transfer to Guam. That move will include VRC-50 (the airborne logistics support squadron for the Seventh Fleet), Naval Special Warfare Unit One (SEALs), Explosive Ordnance Disposal Unit Five, and personnel from a number of other units such as the Ship Repair Facility and the Naval Hospital.

We have an agreement with the Singapore Government to relocate a small logistics staff of roughly 100 people--Commander, Logistics Group Western Pacific--to Singapore. This unit provides logistics support to Seventh Fleet ships.

A small number of naval personnel will go to a variety of locations in Japan.

SUMMARY OF PHILIPPINE WITHDRAWAL, RELOCATION

US Troop Strength in the Philippines after Planned Reductions 11,310

US Air Force	5,882
US Navy	4,328
Army and Marine, and other Positions	1,100*

Disposition of Military Positions after Withdrawal from the Philippines

Positions Reassigned in East Asia/Pacific**	3,000
Positions Reassigned Elsewhere	1,510
Positions Disestablished	6,800

*The 1990 EASI Report included Army troops and Marines from Okinawa temporarily assigned to the Philippines for exercises and enhanced security, respectively.

** Relocations within the region include the US territory of Guam.

RECOGNIZING THE VALUE OF ACCESS

Our impending departure from the Philippines has raised domestic debate over why the US needs or wishes to retain a forward-deployed posture. At the same time, it has fueled an opposing set of questions from foreign friends, questions marked by uncertainty and anxiety about whether the US is disengaging from the region and what this would mean for the stability and prosperity enjoyed throughout the region since the second World War.

Indicative of the regional interest in keeping the US engaged has been the willingness of the Government of Singapore to permit expanded US military access.

Vice President Quayle and then-Prime Minister Lee Kuan Yew signed a memorandum of understanding in Tokyo on November 13, 1990, permitting US use of facilities in Singapore. US Navy ships have been docking in Singapore for more than 25 years for maintenance, repairs, supplies, and crew rest and recreation. Under the terms of this agreement, there has been a modest increase in US use of Singapore's ship maintenance and repair facilities. Singapore's Paya Lebar airfield is also used for short-term rotations by USAF aircraft. It should be emphasized that the US is not constructing a base in Singapore; rather, US forces make use of existing Singaporean facilities at Paya Lebar and Sembawang Port. This is one form of access which represents a new approach to maintaining US presence in the region. This new approach will consist of a network of bilateral arrangements that facilitate training, exercises and interoperability which, in lieu of permanent bases, will permit the US to remain engaged and forward deployed in Southeast Asia.

The presence of US forces in Southeast Asia helps foster stability and regional security, and contributes to the region's growing prosperity. We have friendly and growing defense relationships with several Southeast Asian states, and we have always considered our defense ties to these countries important; this will not change with our departure from the Philippines. Training, exercises, information exchanges, dialogues on issues of mutual concern, and military access are important elements of any close defense relationship. The scope and pace of expanding security ties will be determined by the needs and concerns of our friends. For our part, we recognize that military contacts and defense cooperation with other countries in Southeast Asia may well become one of the most meaningful signs of our continued interest in the region.

We have no intention of either disengaging militarily or attempting to

replicate the large permanent presence we had in the Philippines. New bases would not only be prohibitively expensive and excessive for our post-Cold War requirements, but also would not be welcomed by many in the region. Instead, we are capitalizing on circumstances to change the nature of our military presence in Southeast Asia to one that more accurately reflects the post-Cold War strategic situation.

SUMMARY OF PHASE I, 1990-1992:

- During the period 1990-1992, the Department of Defense restructured and reduced its forces in the region without jeopardizing its ability to meet its security commitments. Adjustments in our combat forces of about 12% were proposed and that target was met. Planned reductions of 15,250 will be completed by the end of 1992.
- In addition to the planned reductions in Phase I which were reported to Congress on February 28, 1991, the Mt. Pinatubo eruption and the Philippine Senate's failure to ratify an arrangement for continued use of the Subic Naval Base will result in an additional withdrawal of some 8,100 personnel assigned in East Asia and the Pacific by the end of 1992.

FORCE ADJUSTMENTS IN PHASE II(1993-1995)

PROJECTION OF PERMANENTLY FORWARD DEPLOYED PERSONNEL IN JAPAN AND KOREA END OF PHASE I (December 31, 1992)

Japan		Korea	
TOTAL	45,227*	TOTAL	37,413*
Army:	1,978	Army:	27,000
Navy (shore-based):	6,498	Navy (shore-based):	400
Marines:	21,511	Marines:	500
Air Force:	15,440	Air Force:	9,513

*Does not include relocations from the Philippines currently in progress

Overall Pacific Posture

Pacific forces will be structured for an essentially maritime theater, placing a premium on naval capabilities, backed by essential air and ground forces for enduring deterrence and immediate crisis response. Additional ground forces withdrawals from Korea were planned in Phase II, but suspended in light of North Korea's nuclear weapons development program. Half of our nation's carrier and amphibious forces are oriented toward the East Asia and Pacific region. This includes one forward deployed carrier battle group, an amphibious ready group and a Marine Expeditionary Force positioned in Japan. Air Force posture will be 2 to 3 fighter wing equivalents in Korea and Japan. Crisis response forces focused on the Pacific region include those stationed in Hawaii, Alaska and the continental US. These include more than one division, one fighter wing, five carrier battle groups, and amphibious forces. The peacetime operations of Pacific region forces, particularly those that are forward deployed, reinforce the network of US bilateral relations and provide the common glue that holds together this framework of diverse relationships.

Active bilateral and multilateral exercise programs between the US services and the armed forces of friendly and allied nations will provide tangible evidence of our commitment to the region while increasing the operational readiness and capabilities of our Pacific forces. Major joint exercises with our allies in Japan, Korea, Australia, the Philippines and Thailand take place annually, as do a large number of smaller military-to-military exercises. For example, small training exchanges and exercises by US Army units stationed in Hawaii, Alaska and Okinawa with many of the region's ground forces have mutually benefitted all participants and clearly demonstrated the value of conducting forward presence operations.

REAFFIRMING OUR PRESENCE IN JAPAN

Japan continues to be America's key Pacific ally and the cornerstone of US forward deployed defense strategy in the Asia-Pacific region. The Japanese archipelago affords US forward deployed forces geostrategically crucial naval, air and ground bases on the periphery of the Asian land mass. Under the US-Japan Treaty of Mutual Cooperation and Security, Japan provides a stable, secure, and low-cost environment for our military operations and training. Japan also supplies by far the most generous host nation support of any of our allies, over 3.3 billion dollars in Japan's Fiscal Year ending March 1991. The high level of Japanese support makes Japan the least expensive place in the world, including the US, to station our forces.

Despite the breakup of the Soviet Union and the ensuing decreased military threat to the region, our presence in Japan remains a vital aspect of our forward deployed posture. US Military forces based in Japan contribute to the security of Japan and are well located for rapid deployment to virtually any trouble spot in the

region. US forces operating from bases in Japan are committed not only to the defense of Japan, but also to the preservation of peace and security in the entire Far East region, and are prepared to deal with a wide range of local and regional contingencies. Given the great distances associated with the Pacific theater, forces maintained in Japan fill the requirement for forces capable of dealing with regional contingencies.

As a result of the division of roles and missions between the U.S. and Japan, Japan has concentrated on defense of the home islands and sea lane defense out to 1000 nautical miles while the U.S. has assumed a more regional perspective. The continuing Japanese defense buildup has made Japan more secure, and significantly enhanced bilateral security in the post-Cold War environment. However, some defensive shortfalls do exist in the areas of sea lane defense -- including airborne early warning and ship borne anti-air capability -- and air defense -- particularly anti-missile capability.

In Japan, Phase II adjustments will involve minor overall change, continuing the Phase I restructuring of the USAF presence in Okinawa where a composite Air Force wing has been organized and 200 billets eliminated. This new concept placed under one command (18th Wing) the AWACS, tankers and F-15s located in Kadena. In Phase II, additional organizational changes will result in the reduction of approximately 200 US Air Force billets in Okinawa. The number of F-15s per squadron will be reduced from 24 to 18 aircraft, resulting in an additional reduction of approximately 500 positions. The 432 Fighter Wing (F-16s) at Misawa will not change.

MAINTAINING DETERRENCE IN KOREA

The United States and South Korea could defeat an invasion of the South by North Korea. But in the process of doing so, large areas of South Korea might be devastated, particularly Seoul, which is only some 26 miles from the Demilitarized Zone . Seoul is the economic, political and cultural center of Korea and would likely be one of North Korea's initial objectives, just as it was in 1950. Therefore, it is important to recognize that the issue in the Republic of Korea (ROK) is not just being able to win a war, but more importantly, to deter aggression from North Korea.

While planning to retain a ground and air presence on the peninsula, US forces will continue to shift from a leading to a supporting role within the coalition. The transition of the ROK to the leading role in its own defense is an essential element of our long-term strategy. It reflects both the maturity and growing capabilities of the ROK armed forces and the desires of the ROK. Over the long-term, US forward peacetime presence will be reduced somewhat, while sustaining the ability to reinforce the ROK in wartime. Additionally, the US will continue to assist the ROK military in force improvement, while at the same time adjusting coalition structures and capabilities to match "leading to supporting" objectives. One example is through training and frequent combined exercises, such as TEAM SPIRIT, ULCHI-FOCUS LENS, and FOAL EAGLE. Another is to help the ROK purchase or produce military systems that improve its military capabilities in critical warfighting functions.

The strategy for implementing the "leading to supporting" initiatives recognizes that full self sufficiency will be unaffordable and unattainable over the short- or mid-term. Certain capabilities, such as strategic and operational

intelligence, strategic and prompt tactical air power, naval support, and selected ground combat capabilities, will continue to be provided. The US will also continue to support South-North tension reduction efforts. We envision a US presence in the ROK as long as the Korean people and government want us to stay and threats to peace and stability remain. As progress in tension reduction continues, further adjustments will be made.

The ROK's transition to a leading role in its own defense is proceeding as planned. In 1991, a ROK Army major general replaced a US flag officer as Senior Member of the United Nations Command, Military Armistice Commission (UNCMAC). Although since that time, North Korea has refused to meet within the MAC at the flag officer level, some meetings continue to occur below the flag officer level. We also began withdrawal of US personnel from positions directly on the DMZ. In 1992, we will deactivate the Combined (ROK/US) Field Army, and a ROK Army four-star general has been assigned, for the first time, as the Combined Ground Component Commander.

FROM A LEADING TO SUPPORTING ROLE IN KOREA

- | | |
|--------------|--|
| 1991: | <ul style="list-style-type: none"> • Assigned ROK Army Major General as senior member of UNCMAC • Began withdrawal of US troops from DMZ |
| 1992: | <ul style="list-style-type: none"> • Deactivate Combined Field Army • Assigned ROK Army four-star general as Combined Ground Component Commander • Complete the withdrawal of US 2nd Infantry Division from DMZ |

Phase II in Korea

In November 1991, Secretary Cheney decided to postpone planned Phase II troop reductions in Korea until the dangers and uncertainties surrounding the

North Korean nuclear weapons program have been thoroughly addressed. In the future, should reductions be appropriate, we would still leave in place both a combat and support structure with an emphasis on sustainability and logistics infrastructure—key elements of deterrence because they represent the means to rapidly reinforce our forces. Specifically, by the end of Phase II in December 1995, our combat posture in Korea would include, at a minimum, the 2nd Infantry Division, with a strength of one mechanized and one combat aviation brigade, and the US 7th Air Force, with an equivalent strength of one Tactical Fighter Wing.

Combined Forces Command (CFC) Disestablishment

Should the North Korean threat sufficiently diminish, the CFC may be disestablished. An assessment of the threat will be completed no later than December 1994. Based on that assessment, a decision will be made whether the CFC headquarters can be disestablished—the final step in the transition to a ROK leading role—or whether it should remain beyond the end of Phase II (December 1995).

SUMMARY OF PHASE II-1993 through 1995:

- Reductions in combat forces, particularly in Korea, have been and will continue to be undertaken cautiously and after close consultation with the ROK Government. Any changes will be made in ways which ensure that potential adversaries do not misread our deterrent capability and intentions. Secretary Cheney deferred planned reductions from South Korea because of the uncertainty posed by North Korea's nuclear weapons program.
- Small reductions of US Air Force personnel in Japan are due to a reorganized US Air Force posture in Okinawa.
- Progress continues toward shifting from a leading to a supporting role in South Korea.

PHASE III AND BEYOND (beginning 1996)

In Japan, we envision little basic change in our force posture after implementation of Phase II (end of 1995). The US military will be at Base Force strength level at that time. Forward deployed naval and air forces will be primarily regionally oriented in their mission and ready to assist Japan, as required, against any unforeseen aggression. Japan will continue to develop its capability to provide for its own territorial defense, as well as continue to develop its air defense capabilities and the capability to conduct sea lane defense out to 1000 nautical miles. In Korea, force posture will be dictated by the North Korean threat, deterrence considerations and the potential regional role of our forces. In Southeast Asia, we hope to have access agreements for US forces with several countries throughout the region. Through wider regional access in Southeast Asia, we intend to promote our continued, stabilizing presence in the region into the next century.

Following Phase III, our broad concept is to enter the 21st century with a presence in the Asian-Pacific region that comports with the overall military structure of the United States, known today as the Base Force. As long as we are welcome in East Asia, we plan to maintain a modest but appropriate presence in Japan and Korea. In Southeast Asia, our military engagement will continue to be through a network of various arrangements, (the Singapore access arrangement being one possible type) and exercises that allow us to contribute to regional stability without a permanent base structure.

ENHANCED INTEROPERABILITY WITH OUR ALLIES

One aspect of the principle of complementary defense cooperation deserves

special attention—the importance of management of the regional arms trade and military technology development. US policy on arms sales is clear; we will avoid introduction of new types of equipment that 1) substantially increase power projection capabilities, 2) burden economies and/or political systems, or 3) create or escalate arms races or create destabilizing military imbalances. We consider nuclear, biological and chemical weapons and ballistic missile transfers inherently destabilizing.

Within these policy guidelines, the US will remain engaged in armaments cooperation in the region to promote interoperability and improved capabilities for the US and our Asian friends, strengthening deterrence and enhancing stability. With identical equipment, US alliance partners almost invariably share training, maintenance, logistics, and doctrine. The resulting human and material connections at every level are the force multiplying sinews of effective defense cooperation.

The flow of arms and military technology between the US and our friends and allies in the Pacific Rim region involves primarily Australia, Japan, the Republic of Korea, and the Association of Southeast Asian Nations (ASEAN: Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand). Australia, Japan, and the Republic of Korea have obtained US defense manufacturing technology through these programs, and a number of other countries in the region (particularly Singapore and Malaysia) have developed repair and maintenance technology .

The flow of arms and technology normally takes place through commercial sales of defense articles, Foreign Military Sales (FMS) agreements, and coproduction

or licensed production of US defense equipment. In total, foreign allies' purchases of US defense articles have increased slightly every year, and commercial arms deliveries parallel FMS agreements. Both Burma and China are exceptions, since commercial sales and FMS to these countries have been suspended because of human rights abuses.

US allies in the region are striving to diversify their sources of defense equipment. Traditionally, the flow of arms has been one way, from the US to these nations. While that is changing as economies and defense industries become increasingly sophisticated, the reliance upon the US for the most sophisticated weapon systems has not been affected significantly. A few allies appear to be capable of some degree of self-sufficiency through domestic development and production. For other allies in the Pacific Rim, diversification means giving serious consideration to what European nations have to offer.

There is mounting pressure from allies to combine the transfer of technology with defense sales. Because of the time required to negotiate and conclude defense research and development arrangements with DoD, and stringent US constraints on technology transfer and third-country sales, some nations have begun to enter into technology cooperation agreements with other countries. For example, the Republic of Korea has concluded umbrella Defense Industrial Cooperation agreements with France, Italy, and the United Kingdom, and is discussing cooperative defense arrangements with several other countries. In order to avoid an adverse impact on US-allied interoperability, the US will have to intensify efforts to remain competitive throughout the Pacific.

Nevertheless, there are numerous examples of productive and innovative

arrangements. Japan's FS-X program and the Korean Fighter program represent significant and successful cooperative ventures under these new conditions. The FS-X is a co-development program based on the F-16 airframe; the details of the production phase have yet to be determined. The KFP, unlike the FS-X, is a co-assembly and co-production program. Korea will acquire 120 F-16's: 12 purchased off the shelf, 36 aircraft kits to be assembled in Korea, and 72 to be produced under license in Korea.

SECTION V MANAGING THE COST ISSUE

RECENT PROGRESS

The US government's success in negotiating new cost-sharing arrangements with Japan and Korea demonstrates our allies' desire to support US forward presence in the region. In an agreement signed in January 1991, the Japanese government pledged to assume roughly three-quarters of the costs of stationing US forces in Japan (not including US military and DoD civilian personnel costs). The United States and South Korea agreed in June 1991 that the ROK would assume one-third of the won-based costs of stationing United States forces in Korea by 1995. The ROK also signed a wartime host-nation support agreement with the US in November 1991.

Sharing Roles and Missions

We continue to work closely with allies to identify responsibilities that can be assumed by host nations. A key way for the allies to do more is to accept greater responsibility for combined operations, thereby reducing the requirement for that part of the US infrastructure associated with the performance of these responsibilities. As examples, Korea has increased its responsibility in UN Command truce supervision and has begun assuming a greater role in its own defense, and Japan has agreed to provide the US control center access to increase interoperability between our two nations' forces. In Japan, we will continue to work toward agreement on an Acquisition and Cross-Servicing Agreement and other areas to further enhance defense cooperation. Having identified areas where our allies can participate more fully in their own defense, we will work closely with them to ensure they develop the force structure necessary to support an increased

role.

JAPAN

Japan's willingness to assume a substantial and increasing share of the costs of stationing US forces in Japan is a clear indication of the value Japan places on our security partnership. Because of Japan's cost-sharing contributions, it is especially cost effective to station US forces in Japan. In general terms, the United States pays only for the salaries of military and civilian personnel, operations and maintenance for US forces, operations and maintenance for US family housing, limited military construction costs, and expenses due to currency fluctuations. The Government of Japan has agreed to assume most of the appropriate yen-based costs of maintaining our forces there. Japan funds the Facilities Improvement Program (which pays for almost all military construction in Japan), leases for land used by US forces, environmental compensation, utilities, and labor cost sharing. The Government of Japan also incurs indirect costs such as waived land use fees, foregone taxes, tolls, customs, etc.

Under the Special Measures Agreement for host nation support which Secretary Baker and former Foreign Minister Nakayama signed on January 14, 1991, Japan's already substantial contributions increased through the addition of utilities costs and all local labor costs over the next five years. By 1995, we estimate that Japan will be paying about 73% of the cost of stationing US forces in Japan (less US salaries).

The consolidation and reversion of excess US military facilities in Japan is an ongoing process. Under the auspices of the US-Japan Joint Committee, facilities are

consolidated or realigned when possible to eliminate unnecessary costs and reduce the impact of military operations on host communities. Other facilities are returned as appropriate when suitable replacements are provided by the Government of Japan.

Japan's worldwide contributions to Operations Desert Shield and Desert Storm amounted to over \$13 billion. Early in the crisis, Japan earmarked \$2 billion for the frontline states and directed \$22 million toward refugee assistance, and later pledged another \$38 million to assist refugee related problems. Separately, Japan designated \$2 billion for direct assistance to the multinational forces. In January, 1991, the Government of Japan pledged an additional \$9 billion to the multinational forces, almost all of which was provided to the US in cash. Japan has fulfilled its Desert Shield/Desert Storm financial commitments. In addition, a Japanese Maritime Self Defense Force minesweeping flotilla worked closely with the US Navy and other allied forces in the spring and summer of 1991 to clear mines from some of the most difficult areas of the Persian Gulf.

KOREA

The consultations on restructuring the ROK-US security relationship during Secretary of Defense Cheney's visit to Seoul in February 1990 began a process of transition for US forces from a leading to a supporting role in ROK defense matters. In addition to presenting the phased proposals discussed earlier, we asked that Seoul substantially increase its contribution to cost sharing.

US cost sharing proposals have centered on Korea assuming an increasing share of the won-based costs associated with supporting US forces. US Forces in

Korea (USFK) won-based costs are defined as total peninsula stationing expenses, excluding US military and DoD civilian personnel costs. These costs may amount to approximately \$900 million in 1995 depending on the level of US presence. Under the US-ROK agreement, Korea will pay 1/3 of won-based costs by 1995. Two key new elements in US-ROK cost sharing are ROK contributions to indigenous labor costs and an increase in military construction funding. We have also sought greater flexibility in administering the various cost sharing programs already in place.

The Department of Defense and the Department of State (Ambassador-at-Large for Burdensharing) have conducted extensive negotiations with the Republic of Korea aimed at expanding Korea's cost-sharing contributions. In 1991, the ROK contributed \$150M, a 115% increase over the 1990 level of \$70 million. The 1992 contribution is \$180 million, a 20% increase over the 1991 contribution. Further increases are anticipated over the next three years in order to reach one-third of won-based costs by 1995.

A bilateral cost sharing committee has been established to identify and resolve administrative problems hampering cost sharing execution. Additionally, the ROK has agreed to changes in how construction costs are shared, allowing greater flexibility in construction of essential warfighting projects needed by US forces. Agreement has also been reached between the ROK and US Governments on a legal basis for labor cost sharing, a key element of cost sharing programs. The ROK National Assembly approved \$43 million in labor cost sharing for 1991 and subsequently \$58 million was authorized for 1992. Furthermore, both governments have agreed to discuss a future (post 1995) cost sharing program based upon an indexing formula to determine future ROK monetary contributions. Both governments see this method as useful to providing an orderly mechanism to

facilitate out-year planning and negotiation. The details of these future implementation issues will be addressed in upcoming negotiations. In addition to the support outlined above, the ROK provides: land at no cost for US bases and training areas; 5,800 personnel to augment the US Army forces on the peninsula; an increasing portion of the cost of maintaining the Joint US Military Affairs Group in Korea; and the maintenance and storage cost of allied war reserve munitions.

In order to lower the visibility of American troops in Seoul, the ROK and US agreed in 1988 to relocate all US military units out of Seoul. The ROK promised to provide equal or better facilities at its expense for the relocated units. The relocation is scheduled to be completed by 1997. As the drawdown of US forces continues, we will consolidate those troops in three enclaves. These relocations will also better align US force dispositions with wartime missions, reduce the costs of forward stationing through consolidation and return of uneconomical facilities, return selected historically important properties to the ROK, and reduce the visibility of US forces forward deployed.

In addition to Korea's cost sharing contributions, South Korea's support for Desert Shield and Desert Storm was timely and generous. The Republic of Korea was the first nation to respond with vital airlift and sealift support. Subsequent offers of assistance included over \$500 million dollars to the anti-Iraq coalition of which \$355 million was pledged to support the US military effort (over \$200M in cash, \$82.5M in transportation, \$122.5M in military equipment and materiel).

The Republic of Korea also dispatched a medical support group consisting of some 154 personnel, and deployed five C-130 aircraft, including 156 ground support personnel to the Gulf. The cost of these two units is in addition to the \$500 million

in cash, transportation, and assistance-in-kind that was pledged by the ROK. Korea has converted pledged assistance that was not used, because of the war's early conclusion, to other forms of support. This final package includes \$104M of military equipment, materiel, services, and infrastructure improvements identified by USFK. These contributions will be over and above the defense cost sharing program.

Improved ROK Capabilities

Planned reductions of US forces stationed in Korea are made possible because of steady improvements in ROK defense capabilities. The ROK defense budget for 1991 was approximately \$10.8 billion, roughly 4 percent of ROK GNP. Under its current Force Improvement Program (FIP III), South Korea continues to devote about one-third of its defense budget to investment in force upgrades.

Improvements in ROK defense capabilities have come in all areas of the South Korean military. New Chinook helicopters provide the South Korean Army with an improved medium to heavy lift capability, and tactical reconnaissance capability and tactical air defenses are improving with the acquisition of additional RF-4C and F-4D/E aircraft and the proposed Korean Fighter Program. New army combat units are being organized, and South Korea has begun adding some high technology radar and electronic warfare equipment. Some of these improvements have also come from South Korea's own defense industry, such as its domestically produced main battle tank.

Section VI

Findings

In addressing the questions posed by the Congress, we were required to review the assumptions and strategy of the 1990 East Asia Strategic Initiative report. This re-examination, factoring in both historic international change and Asia-Pacific regional continuities, has confirmed the findings of the initial report. The Asia-Pacific region is vital to the United States. To protect and advance our interests, we must retain a forward-deployed military presence there, while at the same time, adjusting it in response to changes in the strategic environment.

In the Asia-Pacific region, unlike Europe where the end of the Cold War has fundamentally transformed the security equation, many crucial aspects of the security environment endure -- communist regimes, facing generational and leadership change, continue in power; the Korean Peninsula remains a critical flashpoint, only intensified by the threat of proliferation.

Despite the demise of the Soviet Union, US interests in the region have changed little. We have a large and growing economic stake in the region; we are committed to the promotion of human rights and democratic values; and we still see it in our strategic interest to ensure that no single state dominates the region. Our sustained security engagement serves to further our interests in this dynamic and vital region. The combination of our regional military presence, our economic engagement, and political leadership has given the United States a unique voice in Asian-Pacific affairs. Under American aegis, an environment supportive of economic growth and open to democracy has evolved.

We will remain militarily engaged in the region, but the physical aspects of our engagement have and will continue to evolve. We will vacate the Philippines by the end of 1992; the huge, permanent base structure there will not be replicated elsewhere. We will rely on the cooperation of our friends and allies and work to build access arrangements to support our forward deployed presence. The presence of US forces will enhance our overall bilateral security relationships and improve the interoperability of our respective military forces.

We reaffirm the conclusions of the 1990 report that:

- our engagement in the Asia-Pacific region is critical to the security and stability of the region;
- our forward deployed presence is the very foundation of stability in region and allows the United States to play its unique role as regional balancer and honest broker;
- stability in the Asia-Pacific region serves the vital national interest of the United States and the interests of our allies;
- accordingly, the United States can and must play a role in securing the future of this vast, complex, and dynamic region.

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

July 13, 1992

TEXT OF A LETTER FROM THE PRESIDENT
TO THE CHAIRMEN AND RANKING REPUBLICAN MEMBERS
OF THE SENATE COMMITTEES ON APPROPRIATIONS,
ARMED SERVICES, AND FOREIGN RELATIONS
AND THE HOUSE COMMITTEES ON
APPROPRIATIONS, ARMED SERVICES,
AND FOREIGN AFFAIRS

July 13, 1992

Dear Mr. Chairman: (Dear Senator:) (Dear Congressman:)

Pursuant to section 1043(c) of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102-190), I have the honor to transmit the enclosed report on the strategic posture and military force structure of the United States in Asia and the Pacific, including the forces in Hawaii.

Sincerely,

GEORGE BUSH

#

State - Asia 6/22.

Wing, Bennett, RKR, Don Turillo, Rusty -

(Baker spent more time in Me-golia than Japan)

More milit events in Europe (3 wars)

... My vision of the community.

Japan - no matter what govt, interests & priorities are early
20-30%

Japan polit/security $\Rightarrow$ Econ $\Rightarrow$ Asia econ.

4/16: 3 baskets - evenly balanced - not just econ.
must address econ because if we don't
it will undermine other aspects of relationship

Turillo. Remain assertive on econ.
he won't paper over differences.

Don't look like he's tilting against Miyazawa

Cite Japan's contributions in ~~Japan~~ Cambodia,
Korea, Des Storm, Senegal, Mozambique,
largest donor in aid, enviro.

straightforward talk about the probs
US - Japan here - as partners.
joint challenge.

In both of our self interest to move
prior to crisis.

Common goals - peace, stability,

Play to ^{Japan's} sense of duty.

Engaged in discussions on framework to redefine
US-Japan relationship

Being done in interests of improving
world trading system.

Addressing both macro-econ of Japan's
surpluses & role in world econ +
also sectoral issues - that affect access
to ^{Japanese} Japanese markets & consumers.

Phil
Lincoln

There is an asymmetry in our econ relations -
^{right now} they derive greater benefit than
we do.



Seeking to open Japan to all
nations incl. those of region.

GATT



Asia (China, Korea, APEC, ASEAN)

Econ engagement.

Most dynamic; source of technology; increasingly
integrated;

Good econ relations w/ Japan are key to
good relations in Asia.

Sy he is going to APEC.

Encourage polit & biz presence in region.

If we screw up US-Japan, it'll screw up region

But takes two to tango — intellect.
prop rights; others; market access.

Phil: Growth of middle class in Asian
countries

→ Was developing world when we were
growing up; now is developed.
~~These~~ These people are consumers.

Chuck
Huffman

Korea

3 element security ties/econ devel → democ.

↳ do as Korea, then region

House zeroed out Phill. MAI

ESF '93 rescinded

} how do these
affect mss.

SB
TL → Get Pentagon not to announce anything
contradictory

7 carrier task forces on west coast/pacific

goal: architecture or
"policy into the next century" →

Leave room for adjustments; any changes will
"be on the margin & in consultation
"we will retain a substantial military
presence in the Pacific into the next cent."

for: transition from mounting Cold War commitment
to helping to broker unification effort.

Give nod to Roe Taw who
made transition to democracy possible.

→ Chuck will get pre-'90 speeches.

Nat'l assembly is the people's house
him is first member of assembly
to become pres.

A hit on rights

Democ as key to both ~~inter~~ security & even
decentralization of power.

Trends: Cambodia, Mongolia, ^{S.} Korea, Taiwan →
all way away from centralized,
authoritarian regimes

Gen: can't give people ^{freedom} for ^{business},
but not their politics

Dialogue is better for immediate structure,
not ~~to~~ as pretext for withdrawal. Will
be based on continued forward
deployment & naval presence.

Chris speech - Atlanta 6/30
1st Pillar.

WASHFAX RECEIPT
DEPARTMENT OF STATE

C

B

S/S #

'93 JUN 25 P5:23

MESSAGE NO. 100846 CLASSIFICATION ~~CONFIDENTIAL~~ No. Pages 2

FROM: PETER TOMSEN EAP _____
(Officer name) (Office symbol) (Extension) (Room number)

MESSAGE DESCRIPTION _____

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>WHITE HOUSE</u>	<u>JEREMY ROSNER</u>	<u>305-3055</u>	
_____	_____	_____	_____
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FOR: CLEARANCE ☐ INFORMATION ☐ PER REQUEST ☐ COMMENT ☐

REMARKS: _____

UNCLASSIFIED UPON REMOVAL
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Initials JD Date: 04/06/13

2009-0528-F

S/S Officer: CR

OFFICE OF THE DEPUTY ASSISTANT SECRETARY
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS
DEPARTMENT OF STATE

6/25

Jeremy,

Here is a cable from Seoul
in response to our message,
which asked for the word -
pictures, literary quotes, etc.
We've gone back & asked
for more in the idea realm.

This is mostly statistics,
KYS quotes etc. but may help
Peter

PRIORITY

~~CONFIDENTIAL~~

INCOMING

ACTION

EAP/L CARDS CENTER

PAGE 01 OF 02 SEOUL 06240 00 OF 02 250946Z 037067 S040730
ACTION: EAP (03)----- 25/1903Z A2 DMT (TOTAL COPIES: 003)
ACTION EAP-00INFO LOG-00 OAS-00 TEDE-00 ADS-00 ONY-00 SSO-00 CORE-00
/001W-----CFA32E 251029Z /21 38
P 250945Z JUN 93
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC PRIORITY 6743~~CONFIDENTIAL~~ SEOUL 06240

FOR EAP PDAS TOMSEN FROM A/DCM RATIGAN

E.O. 12356: DECL: OADR
TAGS: AMGT
SUBJECT: OFFICIAL-INFORMAL

REF: STATE 19630

1. AS REQUESTED IN REF 01, HERE ARE SOME STATISTICS THAT MAY
BE USED TO ADD FLAVOR TO THE PRESIDENT'S SPEECHES IN TOKYO AND
SEOUL.

2. ON KOREA'S DYNAMIC ECONOMIC GROWTH:

-- KOREA HAD THE HIGHEST ANNUAL AVERAGE GROWTH RATE IN THE
WORLD DURING 1980-1991. BETWEEN 1986 AND 1990, KOREA HAD
AVERAGE REAL GDP GROWTH OVER 10 PERCENT. (1986-12.4, 1987-12,
1988-11.5, 1989-6.2, 1990-9.2, 1991-8.5, 1992-4.8, PROJ.

1993-6.1)

-- IN 1960, PER CAPITA INCOME IN KOREA WAS USD 100; THIRTY
YEARS LATER IT WAS USD 5,659 AND IS PREDICTED TO REACH USD
7,400 IN 1993. KOREA MOVED FROM A LEAST-DEVELOPED TO AN
INDUSTRIALIZED MIDDLE-INCOME NATION IN ONE GENERATION.-- TEN YEARS AGO THERE WERE A MILLION PEOPLE PROTESTING IN THE
STREETS OF SEOUL; TODAY THERE ARE A MILLION CARS. (OVER 500
NEW CARS (NET) ARE REGISTERED EVERY DAY IN THE CITY OF SEOUL.)-- KOREA'S LEVEL OF INDUSTRIAL PRODUCTION (INDUSTRIAL
PRODUCTION INDEX) HAS GROWN AN AVERAGE OF 16.2 PERCENT IN THE
YEARS 1960-1991. (11.8 PERCENT 1981-90)-- MUCH OF KOREAN INDUSTRY IS NOW WORLD CLASS; A KOREAN COMPANY
(SAMSUNG) IS THE WORLD'S NUMBER-ONE SELLER OF MEMORY
SEMICONDUCTORS.-- HOWEVER, KOREA IS NOW COMING OUT OF A SLOW-GROWTH PERIOD.
(REAL GNP GROWTH IN 1992 WAS 4.8 PERCENT.) LIKE PRESIDENT
CLINTON, KYS RAN ON A PLATFORM OF ECONOMIC RENEWAL.

3. ON TRADE AND INVESTMENT:

-- KOREA IS THE WORLD'S 13TH LARGEST TRADING NATION, THE 8TH
LARGEST TRADING PARTNER OF THE U.S. AND THE 4TH LARGEST
IMPORTER OF U.S. FARM PRODUCTS.

-- U.S. EXPORTS TO KOREA HAVE DOUBLED IN PAST FIVE YEARS.

MAJOR U.S. EXPORTS TO KOREA IN 1992 WERE (IN USD BILLION):
MACHINERY (3.7), ELECTRONICS & ELECTRICAL EQUIPMENT (2.9),
CHEMICALS (1.5), AIRCRAFT (1.6).

-- THE U.S. IS KOREA'S LARGEST MARKET AND SECOND LARGEST

SEOUL 06240 00 OF 02 250946Z 037067 S040730
SUPPLIER. TWO-WAY TRADE WAS USD 36.4 BILLION IN 1992.-- HOWEVER, KOREA WAS ALONE AMONG COUNTRIES IN ASIA IN SEEING
ITS 1992 EXPORTS TO THE U.S. DECLINE. (KOREAN EXPORTS TO U.S.
HAVE DECLINED THE LAST 4 YEARS AND ARE ROUGHLY UNCHANGED FROM
1987 TO 1992.) THERE HAS ACTUAL DISINVESTMENT ON THE PART OF
U.S. FIRMS IN KOREA.-- KOREA RANKS, ON A GNP BASIS, NINTH OUT OF NINE ASIAN
COUNTRIES FOR FOREIGN DIRECT INVESTMENT.

4. KYS REFORMS:

-- KYS, IN HIS SEMINAL ECONOMIC SPEECH OF NOVEMBER 1992, STATED
THAT HE WOULD "COMPLETE THE PROCESS OF DEMOCRATIZATION OF THIS
NATION WITH THE CONSTRUCTION OF THE 'NEW ECONOMY.'"-- IN HIS INAUGURAL ADDRESS IN FEBRUARY, KYS SAID THAT HE
WOULD EMPHASIZE THE RELATIONSHIP BETWEEN KOREA AND THE U.S. "IN
ALL ITS FACETS."-- HIS MARCH 19 STATEMENT ON ECONOMIC MEASURES UNVEILED HIS
FRAMEWORK OF A "NEW ECONOMY" POLICY, ONE "WHICH IS BASED ON
PARTICIPATION AND CREATION RATHER THAN GIVING ORDER AND
IMPOSING CONTROL. CONTROL WHICH USED TO BRIDLE BUSINESSACTIVITIES WOULD BE DRASTICALLY CURTAILED." HE SET OUT THE
THREE PRINCIPLES OF THE NEW ECONOMY AS "AUTONOMY (CIVILIAN
CONTROL), CONSISTENCY AND TRANSPARENCY."-- KYS' KEY ECONOMIC ADVISOR AND HEAD OF THE BLUE HOUSE
ECONOMIC STAFF, PARK JAE-YOON, SAID IN A SPEECH MARCH 27 THAT
THE REFORMS PLANNED UNDER THE FIVE-YEAR PLAN WOULD FOCUS ON

DEREGULATION.

5. BILATERAL ECONOMIC COOPERATION

-- MOFA DG IN HIS OPENING REMARKS TO THE BILATERAL TRADE
SUBGROUP IN MARCH 1993 STATED THAT, "THE KOREAN GOVERNMENT
RECOGNIZES THE GREAT BENEFITS THAT ACCRUE FROM FREE TRADE." HE
ADDED THAT, "WE SHOULD STOP TREATING TRADE NEGOTIATIONS AS A
CONTEST. INSTEAD, ANY MEASURES TAKEN SHOULD BE JUDGED ON THEIR
EFFECTIVENESS AT PROMPTING TRADE AND BUSINESS BETWEEN OUR TWO
COUNTRIES, REGARDLESS OF WHICH SIDE HAS TO MAKE ADJUSTMENTS."-- THE JUNE 24 ECONOMIC SUBCABINET CONSULTATIONS IN SEOUL
AGREED TO ASK THE PRESIDENTS OF THE U.S. AND KOREA TO LAUNCH A
NEW DIALOGUE FOR ECONOMIC COOPERATION, TO SEEK TO IMPROVE THE
BUSINESS CLIMATE BETWEEN THE U.S. AND KOREA AND STRENGTHEN THE
FOUNDATION FOR ECONOMIC COOPERATION.-- THE DIALOGUE WOULD SEEK TO DEVELOP RECOMMENDATIONS ON
ECONOMIC DEREGULATION AS IT AFFECTS KOREA-U.S. ECONOMIC
RELATIONS AND TO ENHANCE ECONOMIC COOPERATION BETWEEN THE TWO
COUNTRIES.-- AN UMBRELLA GROUP, CHAIRED AT THE LEVEL OF ASSISTANT
MINISTER OF MOFA AND ASSISTANT SECRETARY OF STATE, AND
CONSISTING OF AGENCIES ON EACH SIDE WITH AN INTEREST IN OR
WHOSE WORK AFFECTS THE ECONOMIC ENVIRONMENT, WILL BE ESTABLISHED.-- THE UMBRELLA GROUP WOULD BEGIN WORK IN AUGUST 1993 AND
SUBMIT A FINAL REPORT IN ONE YEAR TO THE U.S.-KOREA ECONOMIC
CONSULTATION.

HENDRICKSON

DECLASSIFIED E.O. 13526
Department of State Guidelines,
September 11, 2006~~CONFIDENTIAL~~By MA NARA, Date 04/06/15
2009-0528-F

TREASURY NEWS



Department of the Treasury

Washington, D.C.

Telephone 202-622-2960

AS PREPARED FOR DELIVERY
FOR IMMEDIATE RELEASE
JUNE 14, 1993

REMARKS OF LAWRENCE H. SUMMERS
UNDER SECRETARY OF THE TREASURY
FOR INTERNATIONAL AFFAIRS
BEFORE THE U.S. - KOREA BUSINESS COUNCIL
WASHINGTON, D.C.

It's a pleasure to be here meeting with corporate leaders of Korea and the United States. As a Treasury official and an economic analyst, I find your focus this year on financial sector liberalization to be highly appropriate. As we meet today, we have the opportunity to highlight the tasks facing both our countries as we prepare our economies to meet the twenty-first century.

The Challenges of the 1990s

The United States and Korea now confront the challenge of renewal in order to keep pace with the rapidly evolving world. The United States is facing up to its responsibilities to contribute to a growing global economy. Korea also has a major responsibility to help make that happen. Importantly, we must work together to bring about the changes needed if all our futures are to be secure and prosperous.

First, in the United States we are focusing on reinvigorating macroeconomic coordination with our G-7 partners to spur economic growth. Growth in Europe is weak, and little better in Japan, despite the stimulus program. Japan's large trade surplus continues to grow and serve as a drag on other economies. We are seeking additional action to spur growth.

We have worked hard to restore U.S. credibility in the international economic arena. The President has offered a sound plan to reduce the U.S. budget deficit and improve domestic savings and investment, with the emphasis on social and physical infrastructure -- specifically roads, plant, and equipment to raise our future productivity. The markets, which are the most critical judge, have responded positively with a substantial decline in long-term interest rates. Most recently, signs of emerging strength in job creation are generating some confidence that our growth may strengthen as well.

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Second, our focus on growth leads us to what we might call export activism -- for services as well as goods. Korea, and its leaders of industry meeting here today, know only too well that strong export growth can fuel rapid domestic expansion and rising living standards. In the United States, our export growth offset weak domestic demand growth in the United States until recently and kept our economy moving forward, albeit slowly. Our export activism recognizes that we cannot have imports without exports, or exports without imports. As President Clinton said "we must compete, not retreat."

Our export activism is directed at expanded trade, not managed trade. It is directed at getting other countries to expand their imports, not reduce their exports. Export activism recognizes that markets are not perfect and that governments sometimes need to help contribute to a better functioning market. Now our governments need to make markets more open.

Broadening this to a "market access activism" approach leads us in the financial sector to open financial markets abroad to U.S. firms, just as foreign firms have access to our market. Secretary Bentsen expressed this view when he voiced concern during his confirmation hearing that some foreign countries still do not give U.S. banks and securities firms a fair opportunity to compete in their financial markets. I think it is fair to say that Korea could be counted among those countries, as I will detail in a few moments.

Korea's Economic Future

The high growth achievements of Korea and other Asian nations have been spectacular. These accomplishments have come as a result of hard work, high savings, and an uncanny sense of the direction of global markets. Asian firms have moved swiftly to capture major shares of key industrial markets and have provided low cost, high quality products.

As we move towards the G-7 summit in Tokyo next month, I believe that many global economic leaders will be looking beyond Japan. Many other Asian powerhouses will be providing the basis for strong regional and perhaps even global growth as we move into the twenty-first century. In the United States we have a keen appreciation of Asian competitive skills and the potential expanse of Asian markets.

Our skill at developing a fully integrated, truly multilateral global economy will be tested in the coming months. The United States will be hosting the next APEC Ministerial in Seattle this fall and looks forward to that opportunity to solidify and convey our regional aspirations. A United States dis-engaged from Asia will be a United States diminished -- this Administration will not let this occur.

Korea's growing global influence is demonstrated by several unique and some

shared characteristics. Korea's importance to the United States is borne out by the fact that it is the first bilateral visit of our President outside of the G-7. Korea's role in the Uruguay Round, its high profile participation in APEC, and its border with one of the world's few remaining hard-line communist regimes will generate tremendous challenges and opportunities in the years to come. But if the Republic of Korea is to meet those challenges it must build on the achievements of its first 45 years. There is much to be proud of:

- In 1962 per capita income was \$82 and now exceeds \$6700, more than doubling in the last five years alone.
- Over the past 30 years, Korea's real economic growth has averaged over 8 percent.
- In 1962 Korea's exports totalled just \$43 million, compared to \$75 billion last year.
- Today, Korea is the United States' eighth largest trading partner. Korean shipbuilding, steel, and construction firms are among the most respected internationally, and many Korean consumer products have become household names world-wide.

On the political front as well, the Republic of Korea has made truly impressive strides, perhaps most clearly reflected by the election of President Kim Young Sam, the first civilian President in more than 30 years. Like President Clinton, President Kim was voted into office on an agenda for economic and political change. His ambitious anti-corruption campaign has garnered strong popular support, giving him the confidence that we hope will bring equally fundamental changes to the Korean view of its place in the global economy. Competitiveness will continue to be paramount to every economy; the opportunity to compete must be open to all players, whether domestic or foreign.

That is the real challenge facing Korea today: does it have the foresight to test the economy's competitiveness, and in so doing strengthen it? Or, will barriers to market access in Korea continue to dull the edge of Korean industry while remaining a major irritant in relations with major trading partners? The next few weeks will provide the answers to these questions as President Kim and his new government complete their work on the five year economic plan.

Korean Financial Sector Reform: The Credibility Test

As many of you know, the Treasury Department has engaged the Korean Ministry of Finance in Financial Policy Talks since early 1990. Over a year ago, in March 1992, the Korean authorities committed to preparing a blueprint for financial sector liberalization. Our interests in this process are two-fold.

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First, we seek opportunity for all our competitive sectors. We want our industry to be able to invest in Korea and once in Korea, to be able to continue operating on a sound and equal footing. Korea's domestic market consists of increasingly sophisticated individuals and firms, making Korea potentially attractive for a wide range of investment.

Second, our financial services industry is a global leader and should have full access to this important market. Our own financial market is so open and competitive that, to paraphrase Frank Sinatra, if our firms can make it here, they can make it anywhere. Our banks, securities firms, and other financial services providers have technological advantage in many products, including derivatives, syndicated loans, and securitization. Broadened access to the Korean market would help U.S. firms diversify internationally their asset portfolios. And the earnings of these financial firms are an important offset to our merchandise trade deficit.

In the coming weeks the Korean administration will be finalizing its five year economic plan, which will include a focus on the financial sector. The financial plan should include the following:

- First, decontrol domestic interest rates and cease reliance on "window guidance."
- Second, ease restrictions on capital account and foreign exchange transactions more generally, including restrictions on deferred payments for imports and on underlying documentation required for foreign exchange transactions.
 - These restrictions impact most severely on foreign financial institutions, given their natural business.
- Third, abandon directed credit schemes, which limits banks' abilities to lend to what they perceive to be the most profitable ventures.
- Fourth, adopt more indirect means of monetary control, which would free banks from mandatory purchases of government bonds and allow for freer movement of capital flows.
- Fifth, enhance foreign financial institutions' access to won funding sources which serve no purpose but to limit the ability of foreign firms to do business in Korea.
- Sixth, make the Korean regulatory environment transparent, consistent and open.

We believe that these measures are needed to open the Korean financial sector. If such clear steps in the direction of market opening are undertaken in this new plan, I believe we will see the initiation of an expanding bilateral economic relationship with symbiotic benefits to both the United States and Korea.

From Korea's point of view, such steps would bring down painfully high domestic interest rates and restore incentives to invest in Korea. Enhanced intellectual property protection and a revamped foreign investment environment would also contribute to attracting foreign investment and securing leading edge technology.

Steps to open further the stock market to foreign participation would increase the capitalization of the Korean stock market and help Korean firms diversify away from an overwhelming focus on debt financing. The Korean capital market would deepen with such a forward moving approach, making a critically important contribution to Korea's future.

Uruguay Round

Our bilateral efforts to promote financial sector opening are paralleled in the Uruguay Round financial services negotiations. A major effort is underway to reach agreement on market access issues among the G-7 countries by the time of the Tokyo summit. Our efforts in financial services, however, have been hampered by the large number of free riders. The most favored nation (MFN) provision of the Dunkel text requires countries that have open financial markets to extend these benefits to all countries, even those with closed markets. It provides little incentive for countries with significant barriers to market access to liberalize.

It is for this reason that the United States has taken an MFN exemption in financial services and it is our intention to retain that position unless and until others undertake significant liberalization that will provide meaningful market access for our financial firms. I would venture to say that without a substantially improved financial services offer, Korea stands a chance of falling into that category. Korea's dependence on an open international trade regime for the foundation of its economic success, highlights Korea's need to take a leadership role in bringing the Uruguay Round to a successful conclusion. An acceptable Uruguay Round financial services offer would also enhance greatly the credibility of Korea's liberalization plan.

Conclusion

As Korea moves to join the OECD, a commendable goal, new standards of economic behavior will be required. Announcing a far-ranging financial sector reform plan, incorporating it into the Uruguay Round and achieving membership in the OECD will make Korea a first class economic power. A strong financial sector will be key to sustaining Korea's economic powerhouse, a goal now all the more important with unification of the Korean peninsula looming on the horizon.

Korea and the United States both are launching new Administrations voted in with a mandate for change. Like the U.S., Korea faces new challenges, both political and economic, and the time has come to devise new approaches to these challenges.

- 6 -

With expanding trade and financial linkages a positive sum game, I believe that Korea and the United States can work together to achieve our shared goals. We want to succeed and we want Korea to succeed.

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UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

→ Jeremy
To Korea speech
a
June 30, 1993
JMK

NOTE FOR: Bo Cutter, Sandy Berger and Jeremy Rosner

Bo, Sandy and Jeremy:

At our annual Economic Subcabinet Consultations with the Korean government on June 24, we took an important step to strengthen our relationship with Korea. We agreed to recommend that at their meeting July 10, President Clinton and President Kim jointly launch an intensive new effort to improve economic relations under a "Dialogue for Economic Cooperation" (DEC).

The DEC will focus on the positive, shared goal of promoting a stronger U.S. Korea economic partnership. However, it will recognize that to achieve real partnership, we must resolve outstanding problems. The Dialogue therefore will proceed on two tracks. It will examine ongoing economic deregulation efforts in Korea with the aim of reaching joint recommendations to resolve the many frustrating "doing business" problems U.S. firms encounter there. At the same time, it will seek to identify ways in which we can deepen economic cooperation -- a longstanding aim of the ROKG, which also has potential benefits for us. The DEC will be conducted intensively over 12 months by a broad interagency group under the Subcabinet, a structure which will ensure that keep our overall goal and a balance of benefits and concessions in mind.

The positive and mutually beneficial orientation of the DEC, building on a more modest effort completed last year, is a promising new approach in the conduct of our economic relations with Korea. It is not unlike our proposal for a new economic Framework with Japan, which also seeks to combine cooperation with problem resolution. This approach could well prove to be a model for relations with other Asian trading partners as well.

We would envision the two Presidents agreeing on the Dialogue in their meeting and formally launching it in their press statements following the meeting. The President should also refer to it in his National Assembly speech and in his remarks to the American Chamber in Korea. Additional background on the DEC is attached.


Joan E. Spero

Attachments: As stated

Background on the "Dialogue for Economic Cooperation"

-- In March 1993, the Korean government indicated that it wished to explore a new economic initiative with the USG focused on deregulation, a major domestic economic reform objective of the new Korean administration. (President Kim will issue a major five year "New Economy" deregulation plan just prior to President Clinton's visit.)

-- The Koreans also have a keen interest in greater economic "cooperation" with the U.S. (such as stronger business to business relationships, strategic alliances, technology cooperation). Such cooperation could well hold benefits for us.

-- U.S. business, however, continues to face many difficult "doing business" problems in Korea. This impedes our ability to cooperate more closely. Business representatives believe that strong USG support is essential to resolve the problems.

-- Our overall relationship with Korea is maturing, evolving from a military alliance to a broad-based economic and political partnership. We need to be proactive to ensure that our economic relations contribute to this evolution.

-- Against this backdrop, and building on a successful 1992 initiative aimed at solving doing business problems, the June 24 Subcabinet approved a proposal for a new U.S.-Korea "Dialogue for Economic Cooperation," and agreed to recommend that the Presidents launch it at their July 10 meeting.

-- The DEC will focus on economic deregulation as it affects the business climate and economic exchanges between the U.S. and Korea, and will explore ways to enhance economic cooperation. This allows us to piggyback on a major Korean presidential initiative which already enjoys broad public support, and to ensure that issues of key concern to U.S. business are given priority in the ROKG's general deregulation effort.

-- A broad interagency group chaired at the Assistant Secretary level and working under the Economic Subcabinet will develop joint recommendations in these areas in 12 months.

-- The American Chamber of Commerce in Korea has expressed strong support and pledged to work with the USG throughout the process. Korean officials who believe that economic reform and partnership with the U.S. are essential to Korea's continued economic success also strongly support the DEC.

-- A Presidential imprimatur is important to demonstrate the Clinton administration's strong support for U.S. business; galvanize the often recalcitrant Korean bureaucracy to act; and to encourage the Koreans' domestic economic reform and problem solving efforts, by holding out the prospect of a stronger partnership with the U.S.

DRAFT PRESIDENTIAL PRESS STATEMENT

President Kim and I reviewed multilateral efforts in the GATT Uruguay Round and agreed on the need to take steps to ensure a successful conclusion of the round in all areas.

We reviewed the domestic programs each of us is pursuing to revitalize our economies. I congratulated President Kim for the vision of his program to build a "New Economy" through the deregulation, liberalization and internationalization of the Korean economy. When fully implemented, the program will go far towards moving Korea into the high technology world of the 21st century.

President Kim's ambitious economic reform effort also holds the promise of advancing our bilateral economic relationship. Agreeing that we need to strengthen further the foundation for a true U.S. - Korea economic partnership, we instructed our Administrations, under the leadership of the Chairs of the U.S. - Korea Economic Consultation, to conduct a bold new Dialogue for Economic Cooperation. The dialogue will examine deregulation as it affects the business climate and economic exchanges between our countries and explore means to enhance bilateral economic cooperation. It is our hope that the dialogue will launch a new era in our economic relationship.

DRAFT

FACT SHEET

U.S.-KOREA DIALOGUE FOR ECONOMIC COOPERATION

President Clinton and President Kim, at their meeting in Seoul in July, agreed on the need to strengthen further the foundation for a U.S. - Korea economic partnership. Accordingly, they instructed their Administrations, under the leadership of the Chairs of the U.S. - Korea Economic Consultation, (which meets at the level of United States Under Secretary of State and Republic of Korea Vice Minister of Foreign Affairs) to conduct a bold new Dialogue for Economic Cooperation.

This dialogue will seek to improve the business climate between the U.S. and Korea and strengthen the foundation for economic cooperation. The dialogue would seek to develop recommendations on economic deregulation as it affects Korea - U.S. economic relations and explore means to enhance economic cooperation between the two countries.

To conduct this dialogue, an umbrella group, chaired at the level of Assistant Minister of MOFA and Assistant Secretary of State and consisting of agencies on each side with an interest in or whose work affects the economic environment, will be established. The umbrella group will review and, where appropriate, seek to develop agreed recommendations on economic deregulation as it affects Korea - U.S. economic relations and other means to enhance U.S. - Korea economic cooperation. As necessary, counterpart groups will be established to address specific issues.

Recognizing the important role that business must play in expanding our economic partnership, both sides will coordinate closely with their business communities.

The umbrella group would begin work in August 1993 and submit a final report in one year to the U.S. - Korea economic Consultation.

DRAFT

U.S. - KOREA DIALOGUE FOR ECONOMIC COOPERATION

Overview and Objectives

The ROKG and USG agree that increasing economic interdependency and the changing international environment call for a strengthened economic partnership between the two countries. Both governments further agree that economic deregulation as it affects Korea-U.S. economic relations and enhancement of economic cooperation between the two countries provide effective means to achieve the goal of an expanded economic partnership.

Structure

To achieve these objectives, the June 1993 Economic Consultation agreed to set up an umbrella group with participation by agencies on each side with an interest in or whose work affects the economic environment. The umbrella group would be chaired by the Assistant Minister of MOFA and the Assistant Secretary of State.

As necessary, ad hoc counterpart groups would address specific issues and report back to the umbrella group.

Process

In the umbrella group, the two sides would report on planned deregulation activities and explore options for enhanced economic cooperation. Each side would be free to present for consideration areas for deregulation by the other party as well as suggestions for enhancing economic cooperation.

Results

The umbrella group would review progress on economic deregulation in areas that affect Korea-U.S. economic relations and, where appropriate, it would seek to develop agreed recommendations. Each side would be responsible for implementing recommendations directed to it.

In regard to economic cooperation, the umbrella group would also seek to identify and make recommendations on steps, including possible agreements, to strengthen this cooperation.

Timing

The umbrella group would begin work in August 1993. It would report on the progress and status of deregulation and economic cooperation efforts to the chairman of the Economic Consultation by December 1993 and submit a final report to the next Economic Consultation.



United States Department of State

Washington, D.C. 20520

FAX COVER SHEET**OFFICE OF THE UNDER SECRETARY FOR ECONOMIC
AND AGRICULTURAL AFFAIRS**June 30, 1993**Date****Page 1 of 5**

TO: Sandy Berger
Office: NSC
Phone: 456-2257
FAX: _____

FROM: Joan E. Spero
Phone: 647-~~8834~~ x7575
FAX: 647-9763

SUBJECT: U.S./Korea Economic Subcabinet Consultations:
Dialogue for Economic Cooperation

REMARKS: _____

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Daniel Poneman to Jeremy Rosner re Korea Speech (3 pages)	06/25/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Jeremy Rosner (Legislative Affairs)
OA/Box Number: 9

FOLDER TITLE:

POTUS [President of the United States] Speech Files G-7 Trip Korea, National
Assembly Speech: Korea National Assembly Materials [1]

2009-0528-F
kc1461

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

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Freedom of Information Act - [5 U.S.C. 552(b)]

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- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Withdrawal/Redaction Marker

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. notes	handwritten, draft of part of speech to Korean National Assembly (1 page)	07/00/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Jeremy Rosner (Legislative Affairs)
OA/Box Number: 9

FOLDER TITLE:

POTUS [President of the United States] Speech Files G-7 Trip Korea, National
Assembly Speech: Korea National Assembly Materials [1]

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