

NOVEMBER 13-14, 2012

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ORGANIZATION FOR SECURITY AND COOPERATION (OSCE)/AUSTRIAN
CENTER FOR INTERNATIONAL STUDIES
VIENNA, AUSTRIA

THE KOREAN PENINSULA AND THE EUROPEAN EXPERIENCE

WITH POLITICAL TRANSITIONS COMPLETED, IN PROCESS OR
APPROACHING IN THE DIRECTLY AFFECTED COUNTRIES, THE TIMING
FOR THIS CONFERENCE IS PROPITIOUS.

I COMMEND DR. MAUTNER MARKHOF FOR HER PRODIGIOUS LABORS
AND THANK HER FOR THE PRIVILEGE OF PARTICIPATING - AND
SERVING AS MODERATOR OF A PANEL DISCUSSION WHICH BOASTS:
DR. MARK BYUNG MOON SUH, A POLITICAL SCIENTIST WHO TAUGHT
AT THE FREIE UNIVERSITY FOR MORE THAN 20 YEARS AND HAS BEEN
ACTIVE IN MANY VENUES, INCLUDING THE PUGWASH COUNCIL, AND
SERVED ON MANY MISSIONS TO NORTH KOREA, CHINA, VIETNAM
AND MONGOLIA - OFTEN FOCUSING ON ENERGY AND
ENVIRONMENTAL ISSUES.

SANG-JUN LEE IS SENIOR RESEARCH FELLOW AND HEAD OF THE
CENTER FOR THE KOREAN PENINSULA AND NORTHEAST ASIAN
STUDIES OF THE KOREA RESEARCH INSTITUTE FOR HUMAN
SETTLEMENTS.

THEY ARE WELL QUALIFIED TO DISCUSS ECONOMIC COOPERATION
AND DEVELOPMENT, BROADLY DEFINED FOR THIS PANEL TO
REFLECT A RECOGNITION THAT THE POLITICAL AND THE ECONOMIC
ARE INTEGRAL. ECONOMIC INTEGRATION WHICH HAS BEEN
DEVELOPING RAPIDLY IN EAST ASIA, ALBEIT SLOWING DOWN
SLIGHTLY AS SOME EAST ASIANS INTEGRATE OUTSIDE THE REGION,
GIVES ALL PARTIES A STAKE IN THE POLITICAL STABILITY OF ALL
OTHERS - AND AN INCENTIVE TO RESOLVE DIFFERENCES THROUGH
NEGOTIATION AND COOPERATION. POST WORLD WAR II EUROPE IS
THE PRIME EXAMPLE OF THIS INTEGRATION OF THE POLITICAL AND
ECONOMIC.

ECONOMIC INTEGRATION, CONFIDENCE BUILDING AND COOPERATION GO HAND IN HAND. BUT IN EAST ASIA THEIR FRAMEWORKS ARE STILL UNDERDEVELOPED THOUGH FREE TRADE AGREEMENTS ARE SPREADING, ALBEIT STYMIED IN NORTH EAST ASIA. MYANMAR, NEVER ISOLATED BY ASIAN NATIONS, IS FINALLY BEING ACCEPTED BY WESTERN AND WILL SOON HOST PRESIDENT OBAMA. NORTH KOREA IS THE TRAGIC EXCEPTION - ISOLATED FROM WITHOUT AND FROM WITHIN.

WE CAN HOPE THESE POLITICAL TRANSITIONS, IMPORTANTLY THE FORTHCOMING PRESIDENTIAL ELECTION IN SOUTH KOREA, WILL GIVE GOVERNMENTS A CHANCE TO BREAK OUT OF THE POLITICAL STASIS. BUT THAT IS NOT SOMETHING WE CAN ASSUME. SOUTH AND NORTH KOREA REMAIN AT WAR. NEGOTIATIONS FOR A JAPAN, CHINA, SOUTH KOREA TRADE AGREEMENT ARE STALLED. NATIONALISM, EASILY STIMULATED, IS ON THE RISE IN JAPAN, CHINA AND ELSEWHERE.

CHINA WILL PROBABLY EMERGE FROM ITS TRANSITION WITH A CONTINUATION OF PRAGMATIC, STEP BY STEP POLICIES TO DIVERSIFY THE ECONOMY, REFORM LARGE STATE OWNED COMPANIES, INTERNATIONALIZE THE RENMINBI AND REDUCE INCOME DISPARITIES WHILE STRENGTHENING THE SOCIAL SAFETY NET AND CONTINUING ITS URBANIZATION OF AN AGING POPULATION. ITS ECONOMY IS RECOVERING MOMENTUM. BUT THESE ARE TOUGH CHALLENGES. AND AN AGING POPULATION, PERCEPTIONS OF CORRUPTION, HARSH WORKING CONDITIONS FOR SOME AND ENVIRONMENTAL DEGRADATION WILL LEAVE THE GOVERNMENT RIGHTLY SENSITIVE TO POTENTIALS FOR UNREST WITHIN ITS VAST AND HETEROGENOUS POPULATION. AFTER ITS "CENTURY OF HUMILIATION" CHINA HAS A PROUD AND NATIONALISTIC POPULATION. THERE ARE FLASH POINTS IN THE SOUTH AND EAST CHINA SEAS; FEVERS ARE EASILY AROUSED ON ALL SIDES. MUCH DEPENDS ON THE U.S.

THE U.S. WILL REMAIN DISTRACTED BY ITS FISCAL IMBALANCES, BY INSTABILITIES IN THE MIDDLE EAST, CENTRAL ASIA AND NORTH AFRICA. BUT TO BALANCE A PERCEIVED RISE IN CHINESE

ASSERTIVENESS AND ASSURE ITS FRIENDS IN ASIA WHILE NEGLECTING CHINA'S MILITARY MODESTY RELATIVE TO ITS HUGE POPULATION, VAST TERRITORIAL BOUNDARIES, EXPANDING GLOBAL COMMERCE AND U.S. MILITARY MIGHT, THE OBAMA ADMINISTRATION APPEARS TO HAVE REVERSED THE COURSE OF ENGAGEMENT WITH CHINA WITH A "PIVOT" TO EAST ASIA. IT EXPANDS NAVAL EXERCISES WITH JAPAN AND SOUTH KOREA, INCREASES TROOP LEVELS IN SOUTH KOREA , SELLS MORE ARMS TO THE PHILIPPINES, SENDS U.S. MARINES TO AUSTRALIA, RESTORES DEFENSE COOPERATION WITH INDONESIA AND NEW ZEALAND. IT EVEN SIDES WITH ASIANS IN INTRA ASIAN TERRITORIAL DISPUTES, NAMELY WITH THE PHILIPPINES' AND VIETNAM'S CLAIMS TO THE SPRATLY ISLANDS. ON THE ECONOMIC FRONT, THE U.S. PROPOUNDS A COMPREHENSIVE TRANSPACIFIC PARTNERSHIP FOR TRADE. THE NUMEROUS PARTIES TO THIS EFFORT INCLUDE BRUNEI AND PERU - BUT NOT CHINA!

CHINA'S GOVERNMENT, GIVEN THE COUNTRY'S LONG VICTIMIZATION BY THE WEST AND JAPAN, ITS SENSITIVITY TO RISING NATIONALISM AND PUBLIC PRIDE IN ITS EXTRAORDINARY PROGRESS, ITS EXPANDING INFLUENCE IN A WORLD OUTSIDE THE SHRINKING WEST - CHINA WILL PUSH BACK. IT WILL INCREASE SPENDING ON ARMS. IF THE US FORSAKES COOPERATION, CHINA WILL, TOO. IT WILL REVERSE COURSE. IT ALREADY VETOES SANCTIONS AGAINST IRAN AND PURCHASES IRAN'S OIL, STANDS WITH RUSSIA AND THE UN MISSION CHIEF IN SYRIA. NEWLY ELECTED PRESIDENT MORSI OF EGYPT MAKES BEIJING HIS FIRST DESTINATION ABROAD.

PERHAPS NOWHERE DOES THE US DO MORE TO DAMAGE ITS SECURITY INTERESTS THAN IN THE KOREAN PENINSULA. CHINA APPEARS TO HAVE GIVEN UP ITS EFFORTS TO PERSUADE NORTH KOREA TO ABANDON ITS NUCLEAR PROGRAM AND WITHDRAWN SUPPORT FOR THE SIX PARTY TALKS. NORTH KOREA CONTINUES TO DEVELOP ITS NUCLEAR WEAPONS CAPABILITY. THE U.S. CUTS OFF HUMANITARIAN ASSISTANCE. CHINA INCREASES FOOD AID, IMPORTS MORE NORTH KOREAN MINERAL RESOURCES AND MAKES INVESTMENTS IN NORTH KOREAN MINING, INFRASTRUCTURE AND MANUFACTURING.

AIMING TO BALANCE A RISING CHINA, THE US SPARKS CHINA'S COMBATIVENESS AND PRIDE. SUBSTITUTING CONFRONTATION FOR ENGAGEMENT, THE U.S., UNCHASTENED BY HISTORY'S LESSONS, DAMAGES ITS SECURITY INTERESTS AND RISKS ACCELERATING ITS DECLINING INFLUENCE. CHINA WILL SOON HAVE THE WORLD'S LARGEST ECONOMY. THE US IS ALREADY DEPENDENT ON CHINA FOR CAPITAL AS WELL AS MARKETS. THE DOLLAR DECLINES AS THE RENMINBI IS INTERNATIONALIZED. CHINA IS CONFLICTED BY ITS INVESTMENT IN THE DOLLAR. IT DISINVESTS AND DIVERSIFIES PRUDENTLY - AS ALWAYS, STEP BY STEP. MORE AND MORE TRANSACTIONS ARE DENOMINATED IN THE RENMINBI. THE WORLD BEGINS TO SEEK AN ALTERNATIVE TO THE FAILING DOLLAR AS ITS RESERVE CURRENCY. BUT NOW THAT THE POLITICAL DISTEMPERS ARE SUBSIDING IN THE US, A NEW OBAMA ADMINISTRATION MAY PRUDENTLY AGAIN SEEK ENGAGEMENT AND CHINA'S COOPERATION - IN THE KOREAN PENINSULA, IN THE INTERNATIONAL MONETARY FUND, ON ALL FRONTS.

GIVEN THE RISKS OF CONTINUED POLITICAL STASIS AND INSTABILITY, INCLUDING RISKS OF NUCLEAR PROLIFERATION FROM NORTH KOREA TO UNSTABLE PARTS OF THE WORLD, WE MIGHT GIVE SOME THOUGHT TO THE PART NON STATE PLAYERS COULD PLAY IN BREAKING OUT OF THIS CONDITION.

AFTER U.S. MILITARISM HAD FAILED IN VIETNAM - THE U.S. AND SOUTH EAST ASIANS WERE PARALYZED, STILL FEARFUL OF FALLING DOMINOES. BUT THE U.S. REPRESENTATIVE TO THE STANDING COMMITTEE OF THE PACIFIC ECONOMIC COOPERATION COUNCIL (PECC) TRAVELED TO HANOI, RECEIVED A WARM WELCOME AND SUGGESTED THAT VIETNAM SEEK MEMBERSHIP IN THE PECC. HE SOUGHT NO APPROVAL FROM PECC - OR FROM ANY MEMBER GOVERNMENT. HE SIMPLY INFORMED THE SECRETARY OF STATE THAT HE WAS GOING TO HANOI FOR THAT PURPOSE, SEEKING SOME PROTECTION, WHILE CONFIDENT THAT SECRETARY OF STATE WARREN CHRISTOPHER WOULD NOT PROTEST.

PECC MEMBERSHIP FOLLOWED - AND MEMBERSHIP IN ASIA PACIFIC ECONOMIC COOPERATION (APEC). THE U.S. AND ASEAN MEMBER

STATES NORMALIZED RELATIONSHIPS QUICKLY. TRADE AGREEMENTS FOLLOWED - AND ALL IN SHORT ORDER. THE PROCESS REQUIRED A TRIGGER. NO GOVERNMENT WOULD TAKE THE INITIATIVE - BUT NONE WOULD STAND IN THE WAY. THIS INCIDENT IS INTENDED AS AN ILLUSTRATION - NOT A PRESCRIPTION. SITUATIONS ARE RADICALLY DIFFERENT. BUT WITH A PRESIDENT OBAMA NO LONGER FACING A CHINA BASHING OPPONENT AND NO POSSIBILITY OF RE ELECTION, WITH A NEW GOVERNMENT IN CHINA AND, HOPEFULLY, A NEW GOVERNMENT IN SOUTH KOREA THAT WILL REEMBRACE A SUNSHINE POLICY - MAY BE A NON GOVERNMENTAL TRIGGER COULD BE FOUND TO START A PROCESS WHICH LED TO AN END OF WAR, MUTUAL RECOGNITION AND THE OPENING UP OF NORTH KOREA TO MORE TRADE AND INVESTMENT, IMPORTANTLY FROM RUSSIA AND CHINA IN COOPERATION WITH SOUTH KOREA AND PROBABLY THROUGH ECONOMIC ZONES INITIALLY - ON THE CHINA MODEL - AND WITH SOME ASSURANCE THAT THE NORTH KOREAN NUCLEAR PROGRAM IS BROUGHT UNDER INTERNATIONAL SAFEGUARDS. THE U.S. WOULD RESUME HUMANITARIAN ASSISTANCE AS PART OF THE BARGAIN. IT WILL BE NEEDED FOR A LONG TIME TO COME.

FOR YEARS PECC AND APEC BROUGHT TAIWAN (CHINESE TAIPEI) AND THE MAINLAND TOGETHER. THE NEW CHINA CENTER FOR INTERNATIONAL ECONOMIC EXCHANGE MIGHT BE A VENUE. PERHAPS THERE IS A ROLE FOR THE OSCE. VENUES FOR COOPERATION ON TRADE, FINANCE, ENERGY AND DEVELOPMENT ASSISTANCE EXIST WITHIN THE UN. THEY NEED NOT BE CONFINED TO THE REGION.

THE POLITICAL WILL HAS BEEN IS LACKING. THIS CONFERENCE CAN HELP RESTORE IT IN OUR NEW POLITICAL ENVIRONMENT WITH NEW IDEAS AND INITIATIVES.