

THE U.S.-KOREA SUCCESS STORY
by
Shin-yong Lho
Prime Minister, Republic of Korea

My wife and I are very pleased and honored to be here this evening. I am delighted to have the chance to express personally our great appreciation to The Heritage Foundation for all it has done in the past twelve years to help promote closer Korea-U.S. relations. I would also like to take this opportunity to convey my respect and admiration to President Feulner for his initiatives and leadership.

The roles and achievements of The Heritage Foundation in the United States are well known and widely respected. It has provided important policy directions for the United States. The Foundation has been tapping the vast reservoir of new and practical theories which have come to accentuate American conservatism.

The Heritage Foundation, of course, greatly contributed to improving America's understanding of Korea. The activities and publications of the Foundation's Asian Studies Center under the able chairmanship of Richard V. Allen have deepened this understanding and strengthened Korea-U.S. relations.

I am particularly impressed by the manner in which The Heritage Foundation has helped Americans obtain a greater understanding of our country through various background reports on Korea.

I am also very pleased by Vice President Pines's statement that The Heritage Foundation's Asian Studies Center will highlight the increasingly close and critical relationship between the U.S. and the Pacific Community. It will thus monitor the major directions in which Korean-American relations will advance in the future.

The Korea-U.S. relationship over the past 40 years is a great success story. Due, in part, to U.S. assistance during this period, Korea was able to transform itself from one of the world's poorest nations to a newly industrializing country.

The Republic of Korea's success has demonstrated the superiority of a liberal democracy and a market-oriented economy over the totalitarian systems.

Prime Minister Lho spoke at a dinner in his honor at The Heritage Foundation on October 28, 1985.

In addition, the International Olympic Committee's choice of Seoul as the site of the 1988 Summer Olympics is a confirmation of international recognition of Korea's development.

Korea owes much to the United States for its development. Sharing common values and ideals, Korea and the U.S. have built a strong bond in all fields based on trust and friendship.

In the field of security, our two countries have been working hand-in-hand to maintain peace in Northeast Asia and the Pacific. Our combined efforts to deter North Korean aggression, in particular, have been quite effective.

But as long as North Korea sets the communization of the Korean peninsula as its primary goal and relies upon its military forces as the means to achieve it, we must continue to be on guard and pay careful attention to the growing threat from the North.

As a matter of fact, North Korea has been continuously building up its forces by spending 25 percent of its GNP annually on the military. Maintaining the world's largest commando force of 100,000 men, the North currently enjoys almost a 2 to 1 military advantage over the Republic of Korea.

In addition, intelligence reports show that North Korea has recently deployed its armed forces closer to the Demilitarized Zone.

On the East Asian scene, North Korea is becoming a closer ally of the Soviet Union, which as you know, has been expanding militarily into the region.

We believe that North Korea is in a dilemma: it cannot decide between attempting military aggression and accepting our peace proposals. We thus believe that the next few years will be the most critical period for security in the Korea peninsula.

In this context, I would like to emphasize that the role of the U.S. forces in Korea is a vital one and that it is necessary to enhance our country's defense capabilities.

At the same time, I would like to assure you that we are making every possible effort to expand dialogue with the North with the aim of reducing tension in the region. One of these efforts is the South-North Summit Talks proposed by President Chun Doo Hwan in 1981 and renewed since.

However, as for the current South-North dialogues, I regret to note that no substantial progress has been made so far. Having no interest in our proposal for institutionalizing permanent peace, the North continues to make counterproposals for purposes of political expediency, including the distortion of the Korea-U.S. alliance.

Such an insincere attitude on the part of North Korea reminds us that, historically, whenever North Korea prepares for violence against the South, it either makes seemingly acceptable proposals or pretends to be agreeable to ours.

Nevertheless, no matter how difficult and frustrating our negotiations with North Korea may be, we are determined to carry on the current dialogue with them. We take very seriously our responsibility for helping to keep the peace in Asia.

In this regard, I hope the United States will continue to encourage direct talks between the two Koreas as it has done in the past.

I would ask all our friends, including the U.S., to be patient and wait for tangible results, and to refrain, in the meantime, from contacts with North Korea in order to avoid any adverse effects on the talks.

As America's experience in negotiating with the Soviet Union shows, dealing with communist countries always requires patience and perseverance.

Rejecting Communism, the Republic of Korea long ago adopted liberal democracy as its political ideal. Political development has remained one of the nation's chief objectives. When President Chun Doo Hwan was sworn into office in 1981, he stated formally that his administration's first and foremost goal was establishing democracy in Korea.

I am sure you will all agree that we have made great and visible progress in this regard. Those of you who follow Korea closely will know the remarkable extent to which political expression and freedom of speech have been expanded by President Chun's complete devotion to this ideal.

Korea's commitment to democracy will still further evolve with the first peaceful transfer of power in 1988, as the Korean Constitution provides.

Political and economic development go hand-in-hand. In recent years, trade between Korea and the U.S. has been the subject of considerable debate and concern on both sides. In particular, Korea's trade surplus with America and the U.S. pressures for greater market openings in Korea have been causing considerable friction between our two countries.

First of all, I would like to stress that we should deal with this matter not just in a purely economic context, but in the overall context of Korea-U.S. relations.

At the same time, I would like to point out that trade is the main engine of growth for the Korean economy. It provides resources for our defense, and jobs and wages to help ensure social stability. I would also like to make it clear that we cherish the mutual trust found in fair trade and repudiate whatever profits may be gained in unfair trade.

Unfortunately, many in the United State do not realize that the U.S. has almost always enjoyed a trade surplus with Korea. It was not until 1982 that the trade balance tipped in Korea's favor. I must also emphasize that, if we take into account invisible trade, including principal and interest payments to U.S. banks and purchases of U.S. military equipment, we do not now and never have had a surplus with the U.S.

Korea has learned from its experience with economic development that a free and open market economy is the most efficient means to allocate resources. Out of its belief in free trade, Korea has been liberalizing all aspects of the nation's economy.

As part of this process, Korea's import liberalization ratio will be raised to over 95 percent by 1988, a level comparable to those in the most developed countries. Korea is also taking steps to provide proper protection for foreign intellectual property.

But we remain deeply concerned by growing protectionist sentiments in the U.S. By reducing global trade, protectionism threatens to cause economic stagnation in all trading nations and possibly another worldwide depression.

As part of the effort to reverse these protectionist trends, Korea supports the early launching of a new round of GATT negotiations. We endorse the American position for the inclusion of trade in services in the negotiations.

Please remember that although Korea has achieved economic development, its economy is still immature. In addition, it is saddled with heavy economic and social constraints.

With a per capita income of only \$2,000, Korea must devote 6 percent of its GNP and one-third of its annual budget to defense. Furthermore, Korea has been required to deal with a chronic deficit and a consequent foreign debt of \$45 billion, which makes Korea the fourth largest debtor nation in the world.

For these reasons, Korea has no other choice but to open its market gradually.

In conclusion, ladies and gentlemen, permit me to say this: Although we cannot avoid occasional problems and friction between us,

the future of the Korean-U.S. relationship appears to be bright indeed.

When problems arise, we will solve them together, as we have done in the past on the basis of friendship, wisdom, and restraint. Such cooperation will benefit both our nations and contribute to the coming era of the Pacific community.

As part of that Pacific community, Korea is eager and ready for a greater role in the region. As we approach the Pacific Era, I believe that both our nations will find even more opportunities for cooperation and fruitful partnership.

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