A little more than a year ago, I came to Korea as part of a study, sponsored by the Korea Society and Stanford University, entitled “New Beginnings.” Shortly after that, I was pleased to return to Korea to attend the inauguration of President Lee Myung-Bak. What we saw a year ago in Korea was a dynamic new President, elected by the largest margin in history, brimming with confidence that he could lead his nation on a new path of economic growth. His public support seemed secure. We were envious in America, where the Bush Presidency was in its final months, already deemed by many to have been a failure. We had no idea where a uniquely lengthy and competitive Presidential race would take us, but we were obviously ready for a new beginning.

What a difference a year makes! Of course, none of us foresaw the kind of domestic problems that made President Lee’s first year in office a difficult one. And few of us could then predict with any confidence that Barack Obama would be America’s new leader. More fundamentally, a year ago, few of us could imagine the scale of the economic challenge that lay ahead –
a global economic and financial meltdown that would dash President Lee’s hopes for 747-like growth and present our new President with perhaps the most difficult task of any President since Franklin D. Roosevelt. Those of us who drafted the New Beginnings Report last year hardly imagined that the main topic in the first phone conversation between our two new presidents would be a global economic crisis and that their first fact-to-face encounter would be neither in Washington nor Seoul but in London at a meeting of the G-20 aimed at coping with the global emergency.

I begin my presentation to this security forum by talking about economics because the global economic crisis is obviously the most pressing challenge facing the world today. The new US Director of National Intelligence told the Senate the other day that he considers the global economic and financial meltdown to be the biggest security threat to the world today. The economic crisis also vividly illustrates a new fact about the US-Korea relationship -- we have reached a point where the health of bilateral US-Korea ties depends not only how we address our common security concerns relating to North Korea and the issues arising from our bilateral trade but also on our ability to work together to support our common interests in the world, including the state of the global financial and economic systems.
In his first weeks in office, our new President has taken vigorous steps to stimulate the US economy and restore liquidity to the financial system; President Lee has taken similar steps to reinvigorate the Korean economy. In the coming months they must work together in the G-20 and elsewhere to promote a concerted approach by the world’s leading economies. As leader of the world’s largest economy, President Obama has made clear his willingness to exercise leadership in this process. As a member of the G-20 Troika, and G-20 president next year, Korea will also have an unprecedented opportunity to play a lead role in the international approach to the crisis. I was glad to see Korea’s veteran international economist Sakong Il appointed to represent President Lee in G-20 preparations. I am also glad that one of Korea’s leading economic policy makers will be Seoul’s next Ambassador to Washington. We need his wisdom in Washington at this critical juncture.

I’ve been asked to talk today about prospects and challenges for the Obama Administration’s policy toward the Korean Peninsula. In terms of sheer urgency, the economic crisis is obviously challenge number one. It has become trite to point out that in Chinese characters crisis is opportunity spelled backwards. Anyone who follows the stock markets knows altogether
too well that crisis can have clear downsides. But, short-term risks notwithstanding, I do believe the current crisis offers Korea a chance to demonstrate its core strength and resilience. Korea has been tested before, and come out ahead. It will take time for all of us to dig our way out of recession, and to fix the international financial system, but if it adopts the right policies, Korea will have an opportunity to strengthen its economic fundamentals and enhance its role in global affairs. As an ally, the United States can only be pleased with this development,

President Obama has made strengthening ties with our allies a centerpiece of his foreign policy, and the inclusion of Korea in Secretary of State Clinton’s first overseas visit is a concrete manifestation of that priority. Secretary Clinton has declared that the main purpose of her current trip to Asia is to reassert the US commitment to our allies and partners in Asia. In Korea, I believe she will be building upon a solid base of accomplishment over the past several years. Although much has been said in both countries about a perceived drift in the relationship, I believe we have actually achieved quite a lot in recent years. Public perception notwithstanding, our alliance has been broadened and strengthened in many ways. We have launched the most extensive modernization of our defense relationship in 40 years and
worked together in Iraq and Afghanistan. Korea now has NATO-equivalent status for purposes of defense cooperation. We have negotiated a far-reaching Free Trade Agreement. Koreans finally have the visa waiver status they have long deserved. And, going beyond our bilateral ties, we have begun building a broader strategic partnership as we pursue our common values and interests on issues of global and regional concern. Clearly, we have not made as much progress as we would like on North Korea, and that remains a matter of grave concern in both countries, but in the six party talks we have common starting point for moving forward on a broad agenda.

Looking beyond the financial crisis, what are our main challenges? Alliance management is a crucial long-term challenge. A relationship as broad and intensive as the one between our two countries requires constant tending. First and foremost, we have got to get our security relationship right. North Korea remains a threat, even though we all want to move peacefully toward reconciliation and eventual unification. The United States remains committed to the ROK’s defense and we will retain sufficient forces in Korea and elsewhere to fulfill that commitment. Our forces in Korea also form an important element of our broader contribution to peace and security in the Asia Pacific region. Clearly, we should do nothing to suggest any
weakening of our mutual commitment and capabilities. Col Finegan will no doubt talk in more detail about our effort to modernize the military relationship. Suffice it to say I consider the troop redeployments and new roles and missions now contemplated to be appropriate to current challenges and reflective of our respective capabilities to contribute to our common defense needs. I personally believe we can carry out the scheduled shift in wartime operational control without diminishing our ability to fight together successfully if necessary, but we should, of course, maintain some flexibility in case future developments suggest otherwise.

The Free Trade Agreement will add an important new element to our bilateral relationship. The KORUS FTA represents an historic opportunity to not only bolster our trade and investment ties but also to reinforce our countries’ vital political and security partnership at a time of dramatic change in Asia. In dollar terms the scale of this agreement – for the US, the largest since NAFTA – is enormous. It entails significant new export opportunities for both countries, something we both need even more as we cope with deep recession. It provides a vehicle for Korea to further open its economy and thereby enhance its international competitiveness. Equally
important, if approved by legislatures in both countries, KORUS will stand
as a new sign of solidarity between staunch allies in Northeast Asia.

I have argued to American audiences that it is highly significant that our first
FTA in Northeast be with the ROK. For more than fifty years, the United
States’ political and economic commitment to Asia has contributed to the
region’s stability and prosperity. Nowhere has our engagement been more
positive than with the ROK. Since the Korean War, the world has witnessed
Korea’s rise from war-torn economy to a vibrant democracy supported by a
world-class economy. The KORUS FTA will strengthen America’s
relationship with a long-time ally and, in doing so, enhance our presence and
influence in the region. I think Korea has a similar interest in underscoring
our solidarity.

The challenge before us now is to secure ratification by both sides. We
Americans admire President Lee’s political courage in opening Korea’s beef
market despite strong domestic opposition. We also admire the efforts by
President Lee and others to steer the agreement through the National
Assembly despite uncertainties on the US side. I am convinced that it is not
a question of whether the US Congress will approve KORUS, but, rather, a
question of when approval will occur. We will have to be patient.

Economic stimulus and financial reconstruction are the obvious first priorities of the new administration and Congress for the first half of this year. Beyond that the US public needs reassurance that those losing their jobs to trade will be given new opportunities. President Obama made clear during the campaign that he would want to build a new consensus in favor of international trade before moving ahead with pending trade agreements, including KORUS. Although it is too soon to make any predictions, I am hopeful that such a consensus will begin to take shape as credible steps are taken to revive the economy and employment begins to rise. Although international trade is now seen in some quarters as a threat to American jobs and livelihood, the case must be made that exports can be an instrument for job creation and an effective form of stimulus.

President Obama also stated during the campaign that he could not support KORUS in its current form, primarily due to a perceived failure fully to address the concerns of the US auto industry about inadequate access to the Korean market. Secretary Clinton, who also opposed KORUS during the Presidential campaign, addressed the issue somewhat more positively in her Senate confirmation hearing, voicing her concerns over autos while at the
same time stating a willingness to reengage with Korea to resolve these concerns to the satisfaction of both parties. The collapse of the auto industry makes it all the more politically imperative that the issue be addressed in some way. Our trade negotiators will have to have further discussions, and adjustments will be needed. This is a problem that calls out for a creative solution, something our two countries have mustered before. The way forward will not be easy, but with political will on both sides, I am convinced that a way will eventually be found to bring the KORUS FTA into effect. It is basically a good agreement, and in both economic and political terms too important to fail.

North Korea remains an immensely challenging issue that is central to the US-ROK relationship. In her speech to the Asia Society in New York last Friday, Secretary Clinton described North Korea’s nuclear program as the most acute challenge to stability in Northeast Asia. She voiced the Obama Administration’s commitment to work through the six party talks, while urging North Korea to avoid provocative action and unhelpful rhetoric toward South Korea. Secretary Clinton noted that North Korea has committed to abandoning all nuclear weapons and to return to the NPT. If
North Korea is genuinely prepared to completely and verifiably eliminate their nuclear weapons program, she stated, the Obama Administration will be willing to normalize bilateral relations, replace the peninsula’s longstanding armistice agreements with a permanent peace treaty, and assist in meeting the energy and other economic needs of the North Korean people.

The above suggests we can expect great deal continuity in approach to North Korea. Having personally gone through the disastrous break in policy between the Clinton and Bush Administrations, I think this is a very important point. The main vehicle for pursuing our objectives will be the six party talks, although I expect the new administration will continue to bolster the multilateral talks through bilateral engagement. The Obama Administration has clearly signaled the priority it will attach to consultations with Japan and Korea even as we all continue to look to China to lead the six party process. Agreement to satisfactory verification arrangements remains the essential next step.

I am impressed with the line-up of senior officials being selected to deal with North Korea in the Obama Administration. Following the practice being established for other global hotspots, a senior envoy will be appointed
to coordinate North Korea policy. Although no announcement has been made, it is widely expected that Steve Bosworth, my predecessor as Ambassador to the ROK, will be named to that position. I can think of no better person for the job. Bosworth is a tough negotiator who gained deep experience with North Korea as the first Executive Director of KEDO. He is also a farsighted statesman with close ties with all the major players and a clear grasp of global and regional trends. Other experts with deep experience with North Korea will occupy relevant senior positions: Gary Samore, who played a key role in the Agreed Framework negotiations, will be in charge of non-proliferation at the National Security Council. Bob Einhorn will play a key position at State as Under Secretary for International Security Affairs, as will Dan Poneman as Assistant Secretary for Non-proliferation. Another Clinton Administration veteran, Kurt Campbell, will head the East Asia Bureau, although, unlike Chris Hill, he is not expected to be the chief negotiator for North Korea. I understand that Chris Hill’s former deputy, Ambassador Sung Kim, has been asked to stay at least temporarily to help prepare six party talks.

Thus, we start off the new administration with both an ongoing process – the six party talks – and a very solid team to deal with the North Korea issue.
All of these people are tough-minded experts; if anything they may be more demanding on non-proliferation and verification that their predecessors in the Bush Administration. There need be no concern they will tolerate North Korea as a nuclear weapons state. However, unlike some of their predecessors who blocked progress on North Korea for the first six years of the Bush Administration, they believe in the efficacy of engagement and will be willing to roll up their sleeves and make negotiations work. I do not expect the kinds of interagency disputes over North Korea policy that were so crippling to the Bush approach. These are also the kind of people who respect and listen to their allies.

The question, of course, is whether the North Koreans are ready to make progress. Early signs are not good. Outrageous threats against South Korea and preparations for a missile test are not a good way to enter into this new era. The North Koreans need to know, as Secretary Clinton proclaimed, that we are prepared to move forward in ways beneficial to them, but only if they meet their commitments. They also need to know that they cannot divide us from our allies.
A final challenge that I would like to address briefly today is one I mentioned at the outset: how do we turn our often-voiced ambition of forging a strategic partnership or alliance into an operational reality. Our interests in regional security go beyond the Korean Peninsula itself. As market-oriented democracies we have shared values and common interests in building a world where those values can flourish. We have a common interest in finding global solutions to climate change and promoting clean energy development. And terrorism, like proliferation, remains a deep concern for all of us. Afghanistan and Pakistan occupy the key region where the struggle against terrorism will be carried out in the near future. All major nations need to consider how they can contribute to our common objectives of peace, stability and development there. Later this afternoon, Scott Snyder will be discussing possible frameworks for promoting and institutionalizing broader US-Korea cooperation on global and regional security issues, and I will leave the details to him. Suffice it to say that I am sure that cooperation on global and regional challenges of common concern will be an increasingly important test of our relationship in the months and years to come.