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NORTHEAST ASIAN REGIONAL ECONOMIC INTEGRATION:

SINO-KOREAN BILATERAL TRADE, 1992-2007

BY

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Baccalaureate of Arts, University of New Hampshire, 2005

THESIS

Submitted to the University of New Hampshire

In Partial Fulfillment of

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in

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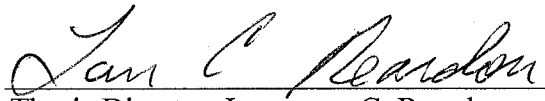
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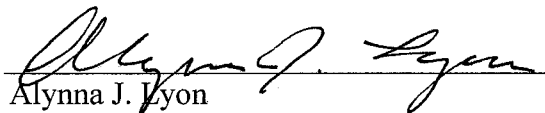
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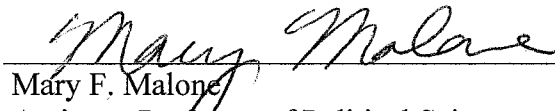
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DEDICATION

This thesis is dedicated to my family who has always taught me the value of education.

Their contribution to my knowledge of international affairs, as well as northeast Asia, has greatly assisted me to pursue my dreams.

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TABLE OF CONTENTS

DEDICATION.....	iii
ACKNOWLEDGEMENTS.....	iv
LIST OF FIGURES.....	vi
ABSTRACT.....	vii

CHAPTER	PAGE
I. PROBLEM.....	1
Possible Hypotheses.....	7
Testing of the Three Possible Hypotheses.....	11
Operationalization and Measurement.....	12
II. CRUCIAL CASE STUDY: SINO-KOREAN BILATERAL TRADE.....	16
Emergence of Globalization and Korea.....	16
South Korean Presidents, 1992-2003.....	20
III. PRESIDENTIAL VIEWS ON <i>SEGYEHWA</i>	32
Kim Young Sam's View on <i>Segyehwa</i>	32
Kim Dae Jung's View on <i>Segyehwa</i>	38
Kim Dae Jung's View on Economy.....	41
IV. SINO-KOREAN BILATERAL RELATIONSHIP, 2000-2007.....	50
Sino-Korean Historical Relationship.....	50
Sino-Korean Disputes.....	57
Rho Moo Hyun Administration and FTA.....	59
Statistical Analysis: Trade.....	63
V. DISCUSSION AND CONCLUSION.....	67
BIBLIOGRAPHY.....	72

LIST OF FIGURES

FIGURE	PAGE
Figure 1: Sino-Korean Trade.....	63

ABSTRACT

NORTHEAST ASIAN REGIONAL ECONOMIC INTEGRATION: SINO-KOREAN BILATERAL TRADE, 1992-2007

By

Rina Lee

University of New Hampshire, May, 2008

This thesis examines northeast Asian regional economic integration with a case study of Sino-Korean trade. Since the Cold War, there has been an increase in regional bilateral economic cooperation. South Korea began to open its market to foreign direct investors in the 1990s. This study asks what contributes to the rise of bilateral trade and tests the following hypothesis using both qualitative and quantitative methods: If a national leader perceives growing pressure of globalization, then there is strong promotion of an integrated trade policy.

The study of Sino-Korean trade reveals that Kim Dae Jung's view on a globalized economy, which created a more competitive international market, has greatly contributed to Korea's economic cooperation with the People's Republic of China. Kim Dae Jung's economic reforms which modified the Korean market to become more accessible to the foreign investors facilitated the trade flows. Moreover, his individual effort to build a companionship with Beijing at the presidential summit also contributed to the rise of Sino-Korean bilateral trade. The Sino-Korean case study provides an implication that an individual decision maker's personal view on globalization can influence a bilateral trade relationship.

CHAPTER I

PROBLEM

Since the Cold War, there have been significant changes in the international political economy. The initial idea of European integration was hatched by six Western Europeans who formed the European Coal and Steel Community in 1951, which eventually evolved into the 28 member European Union (EU), comprising economies from both Western and Eastern Europe.¹ While a somewhat dramatic and long-drawn process, the EU members have removed trade barriers in intra-regional trade and are gradually becoming a coherent and powerful political and economic player in international relations.

However, this regional integrative process has not been confined to Western Europe. In August 1967, Indonesia, Malaysia, the Philippines, Singapore, and Thailand established the Association of Southeast Asian Nations (ASEAN).² Intra-ASEAN trade has grown dramatically as members have actively collaborated to enhance intra-regional free trade agreements (FTA) and expanded membership to include other neighboring nations. Similar regional or bilateral agreements have also linked together regional economies in North America (North American Free Trade Agreement), Latin America

¹ EUROPA, "Member States of the EU," http://europa.eu/abc/european_countries/eu_members/index_en.htm (accessed April 15, 2008).

² ASEAN, "Overview Association of Southeast Asian Nations," <http://www.aseansec.org/64.htm> (accessed April 15, 2008).

(Central Community), the Middle East (Greater Arab Free Trade Area), and Africa (Common Market for Eastern and Southern Africa).

Thus, as the promise of the Bretton Woods system has become endangered by internal conflicts encountered during the current Doha Development Round, global economies seem more willing to abandon multilateral trade negotiations to pursue regional and bilateral economic collaborations. This is to facilitate their trade and investment flows, including the United States. In 2003, President George W. Bush signed a bilateral trade treaty between the United States and Singapore. The bilateral agreement on the U.S.-Singapore Free Trade Agreement allowed the United States to strengthen American market access in goods, services, investment, and government procurement.³ Under the agreement, Singapore ensured non-tariff treatment on all U.S. products. But this was not solely an agreement between two economies; the U.S.-Singapore FTA serves as the foundation of America's economic relationship with the ASEAN initiative (EAI).⁴ Additionally, the People's Republic of China (PRC) and Venezuela have developed their bilateral relationship recently. China and Venezuela signed a trade agreement in November 1985.⁵ After the establishment of the bilateral trade relationship, there were five economic and trade committee meetings. China-Venezuelan bilateral trade was only about \$1.4 million in 1974, but increased to \$ 478 million in 2002.⁶ In 1997, Australia and the European Union negotiated a bilateral

³ Office of the United States Trade Representative, "Quick Facts: U.S.-Singapore Free Trade Agreement," http://www.ustr.gov/Document_Library/Fact_Sheets/2003/Quick_Facts_US-Singapore_Free_Trade_Agreement.html (accessed May 6, 2008).

⁴ Ibid.

⁵ Ministry of Foreign Affairs of the People's Republic of China, "Venezuela," <http://www.fmprc.gov.cn/eng/wjb/zzjg/ldmzs/gjlb/3538/default.htm> (accessed May 6, 2008)

⁶ Ibid.

agreement. The European Union is Australia's largest trade partner with the amount of € 22,415 million which accounts for 18 % of Australia's trade. Australia exports agricultural goods to the European Union and imports medicaments, motor vehicles, machinery, telecommunication equipment, and paperboard from the European Union.⁷

Besides the U.S.-Singapore, China-Venezuelan, and EU-Australian bilateral relationships, there are more than 30 bilateral trade agreements negotiated between countries as of 2008.⁸ There are still many bilateral talks pending to be approved such as South Korea-U.S. FTA, which was a main topic of conversation during the April 2008 meeting between President Bush and the newly-elected South Korean leader, Lee Myung-bak. Regardless of the geographical distance, there is an increase of the bilateral trade agreements and the participating countries continuously seek other possible partners for mutual economic benefits.

Until the late 1980s, the United States was South Korea's number one trading partner. Even though South Korea had bilateral treaties with other countries, such as Japan and Germany, Washington DC was South Korea's major destination for both imports and exports. South Korea was somewhat reluctant to open its market to other foreign investors. Yet South Korea started opening its doors to foreign investors in the early 1990s. Seoul, the capital of South Korea, began to trade with the European Union and other Asian countries, such as China and ASEAN. Seoul discussed a bilateral treaty with Chile and signed a FTA deal. Seoul's exports to Mexico and Canada increased.⁹

⁷ European Commission, "Trade Issues,"

http://ec.europa.eu/trade/issues/bilateral/countries/australia/index_en.htm (accessed April 15, 2008).

⁸ Bilaterals. Org, "Negotiations," http://www.bilaterals.org/rubrique.php3?id_rubrique=2 (accessed April 15, 2008).

⁹ Seung Koo Oh, *Hanmi Dongmangeu Mirawha Hankookeu Sontak* (Future of U.S-Korean Alliance and Korea's Choice) (Seoul, Korea: Samsung Economic Research Institute, 2005), 40.

Korea also looked at the Middle East. South Korea's active interaction with other states for trade resulted in the diversification of trading partners. Seoul's changing attitude towards other countries poses a question of why Korea opened its market to other countries during this time. In order to find what influenced Korea's openness, this thesis examines Korea's relationship with the People's Republic of China as a case study.

The case of South Korea's bilateral trade is a good example for bilateral economic relationships. Exports make up approximately 40 percent of South Korea's Gross Domestic Product (GDP).¹⁰ Similarly to South Korea, many East Asian countries, such as Taiwan and Singapore, heavily rely on exports, so they pursue outwardly oriented economy. South Korea is currently negotiating for bilateral treaties with the European Union, India, Canada, Mexico, MERCOSUR (Southern Common Market), and the Gulf Cooperation Council (GCC).¹¹ Singapore and the United States have a Free Trade Agreement. China is discussing bilateral free trade agreements with Australia, Thailand, ASEAN, and India. Vietnam is cooperating for trade with Japan. Despite the differences in history and government ideologies, these states continuously pursue bilateral trade for economic benefits. Thus, the case study of Sino-Korean bilateral trade will provide tools to examine other Asian outwardly oriented countries' bilateral relationships as well as Korea's other bilateral negotiations.

This political economic phenomenon occurs between the People's Republic of China (PRC) and the Republic of Korea (ROK). The PRC and ROK have shared a long historical relationship due to their geographical locations. Before China's defeat in the

¹⁰ Jung-a Song, "Emerging markets drive S Korea exports," *Financial Times*, 1 May 2008, http://www.ft.com/cms/s/0/9fcc4112-1727-11dd-bbfc-0000779fd2ac.html?nclink_check=1 (accessed May 1, 2008).

¹¹ Ministry of Foreign Affairs and Trade, "Free Trade Agreement," http://www.fta.go.kr/user/fta_korea/info.asp?country_idx=25 (accessed May 3, 2008).

Sino-Japanese war of 1894-95, Korean politics, economics, and culture were overwhelmingly dominated by China. The ancient Chinese dynasties, which had great influence on their neighboring countries in East Asia, regarded Korea as their puppet, thus discouraging Koreans from exercising their own independence and sovereignty for more than five hundred years. The Qing Empire (1644-1912) defended its dynasty in Korea by “intervening directly, not only to preserve its geopolitical position but also to promote its commercial interests.”¹² China did not allow Korea to enjoy its own sovereignty, resulting in China’s approval of the succession of Korean rulers and where Korea could trade. Because of this historic hierarchical relationship, Korean leaders have always sought to distance themselves from China in order to enjoy unfettered sovereignty.

Following the signing of the 1953 Korean Armistice, South Korea (hereafter referred to as Korea) was on the path toward capitalism and democracy aided by the United States. The civil war “destroyed over 40 per cent of industrial facilities and damaged 20 per cent of the housing stock.”¹³ With economic and military aid from Washington, Seoul, reconstructed and adopted outwardly oriented development in 1962.¹⁴ Moreover, its exports to the U.S. resulted in an increase of the importance of the United States as a trading partner as well as Korea’s self-confidence.

Sino-Korean bilateral trade was only about US \$40,000 in 1979.¹⁵ The PRC and the ROK signed a bilateral treaty on August 24, 1992, yet it was not widely known

¹² Kirk Larson, *Tradition, Treaties, and Trade: Qing Imperialism and Chosŏn Korea, 1850-1910* (Cambridge, Massachusetts: Harvard University Press, 2008), 45.

¹³ OECD, *OECD Economic Surveys* (Paris, France: OECD Publication, 1994), 13.

¹⁴ Lawrence C. Reardon, *The Reluctant Dragon* (Seattle: University of Washington, 2002), 15.

¹⁵ Scott Snyder, “China-Korean Relations: Hu Visits the Two Koreas,” *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations* (January 2007): 105.

http://www.ciaonet.org/olj/cpc/cpc_jan06/cpc_jan06j.pdf

among Koreans and was not even regarded as being significant. In the 1990s, however, Koreans frequently discussed China's rapid Gross Domestic Product (GDP) growth and Beijing's increase in engagement with other foreign countries including its membership in the World Trade Organization (WTO).

Korean attitudes were divided into two different groups regarding the country's relationship with mainland China. Some Koreans believed that getting reengaged with China economically would diminish Korea's sovereignty and bring about a return to its previous subservient status. Others argued that building a relationship with China would help the Korean economy become more competitive in the world markets through bilateral trade. Regardless of the divided public opinion of South Koreans, Sino-Korean bilateral trade has significantly increased from US \$5 billion in 1992 to US \$100 billion in 2004.¹⁶ PRC President Hu Jintao and ROK President Rho Moo Hyun set a goal to reach US \$200 billion by 2012 during the presidential summit in Seoul, Korea in 2005. To facilitate this growing economic relationship, the leaders of these two Asian economic giants discussed methods to increase economic interaction, coordinate economic policies, as well as to resolve historical disputes. Both sides thus have proposed initial steps toward greater regional economic integration by establishing a free trade agreement; their most recent negotiation took place on the Korean island of Cheju in February 2008.

The fundamental question posed by this thesis is what factors contribute to the promotion of integrated trade policy. In other words, the research question of this thesis is what plays the most important role in promoting an integrated trade policy between countries. The dependent variable is promotion of an integrated trade policy, and the this

¹⁶ Ibid., 102.

thesis explores the leadership as one of the factors that cause the promotion of an integrated trade policy between countries.

This thesis will look specifically at the Sino-Korean economic relationship and exclude North Korea and Taiwan. Furthermore, unless it is specifically mentioned, Korea refers to South Korea throughout this study.¹⁷

Possible Hypotheses

Kenneth Waltz argues in *Man, the State, and War* that political science phenomena can be explained using three different levels: individual, domestic, and international. This research paper will follow Waltz's three levels of analysis when exploring the possible explanations of the dependent variable and focus on the individual level.

Individual Decision-Makers

A possible hypothesis is: *If a leader has a strong vision that economic integration enhances a country's prosperity and security, then there is strong promotion of an integrated trade policy.*

A leader of a state plays an important role in shaping trade policies. Individual leaders, who pursue trade expansion for domestic economic benefits or bilateral trade, in order to normalize a relationship with a certain country, may greatly influence trade policies. Jean Monnet, who was "the most important single architect of the European Community (EC),"¹⁸ stated,

¹⁷ In the Korean and Chinese systems, last names precede first names. All Korean and Chinese politician names such as Kim Young Sam, Kim Dae Jung, and Hu Jintao, in this thesis have the last times before first names except for Synman Rhee, who was educated in the United States before he became president in 1948.

¹⁸ George Ross, *Jacques, Delors and European Integration* (New York: Oxford University Press, 1995), 1.

I was sure that the lessons we were learning day after day from our difficulties and our successes would spread far beyond the circle of the ECSC [European Community of Steel and Coal], which itself was growing even wider. Gradually, other tasks and other people would become subject to the same common rules and institutions – or perhaps to new institutions.¹⁹

Monnet's initial ideas for a "United States of Europe" helped the ECSC evolve into the European Economic Community (EEC) at the Treaty of Rome in 1957, and the EU today.²⁰ Jean Monnet greatly influenced the creation of the European regional block. His individual belief and his political power both played a role in the creation of the EEC. Publications on Jean Monnet in relation to the EEC do not discuss where his belief in integration originated, yet this analysis demonstrates that an individual view can influence the concept of regional integration and inspire the actual establishment of integrative structures.

The literature on Monnet as the primary architect of the EEC can be possibly applied to the case of the Sino-Korean bilateral economic relationship. Either the previous or present leaders of the PRC or the ROK, or head figures of major economic sectors, such as Chung Ju Young, the founder of Hyundai, may have pursued personal goals to bring the northeast Asian region together. Yet, it is difficult to collect literature on individual business leaders of Korea or China due to a lack of available information. For instance, Chung Ju Young discusses in his autobiography his personal view of economy and business philosophy, such as how Hyundai developed a global partnership

¹⁹ Jean Monnet, *Memoir*, trans. Richard Mayne (Garden City, NY: Doubleday & Company, Inc., 1978), 10.

²⁰ Lowell G. Noonan, review of *Memoirs*, by Jean Monnet, "The Western Political Quarterly 32, no. 2 (June 1979): 244-245.

with Ford Motor Company.²¹ However, Chung does not discuss his view on Hyundai's international trade.

Domestic Determinants

At the state level of analysis, a possible hypothesis is: *If an individual state has a strong interest in international trade to accelerate domestic development, then there is strong promotion of an integrated trade policy.*

If a state advocates regional economic integration as a way to grow the domestic economy and set it as the top priority of the national agenda, it is likely to shape trade policy accordingly. One of the most successful cases of regional economic cooperation at the state level is the EU, whose member states' interests in the membership have caused enlargement of the regional organization. The EU was evolved from the European Coal and Steel Community (ECSC) of 1950 and then the European Economic Community of 1957.²²

The case of the EU is a primary example that an individual state's interest in political and economic benefits from membership contributed to the enhancement of the regional economic community. Member states were able to benefit from the regional policies, which created jobs and provided infrastructure in poor areas.²³ Countries could increase trade with neighbors, thus boosting the domestic economy and reducing the unemployment rates. Since the organization was initially designed to maintain regional peace, member states were assured regional security and political stability in the

²¹ Ju Young Chung, *Shiryoneun Isodo Shinpaenun Upda* (There Could Be Difficulty, Yet No Failure) (Seoul, Korea: Hyundai Moonhwa Newspaper, 1992), 173.

²² EUROPA, "The History of the European Union," http://europa.eu/abc/history/index_en.htm (accessed October 15, 2007).

²³ EUROPA, "The History of the European Union," http://europa.eu/abc/history/index_en.htm (accessed April 20, 2008).

aftermath of World War II. The EU has expanded its membership to other countries for the past four decades. Countries such as Turkey and Croatia are currently candidates for membership, believing that they obtain political and economic benefits by joining the organization.²⁴

International Environment

When looking at the international level, a possible hypothesis is: *If there is growing pressure of globalization, then there is strong promotion of an integrated trade policy.*

This study initially tested various international environmental explanations for regional integration, including Joan E. Spero and Jeffrey A. Hart's argument that regional economic integration was caused by growing regionalism measured by bilateral trade and regional cooperation.

ASEAN is an excellent comparative case; currently the member states are actively working with expanding economic relationships on China, South Korea, and Japan, which is known as ASEAN + 3. In the case study of the EU, domestic policies were the most important contributing factors for the success of the organization, whereas the case of ASEAN is analyzed at the regional level. Since its establishment in 1967, ASEAN has expanded its membership from five to ten founding members and has promoted regional economic integration and stability.²⁵ Despite the differentiations of the member states in history, government types, economic status, and religious beliefs, the organization has been able to evolve successfully, help investment, and smooth capital flow among the ten

²⁴ EUROPA, "Candidate Countries,"

http://europa.eu/abc/european_countries/candidate_countries/index_en.htm (accessed April 20, 2008).

²⁵ Association of Southeast Asian Nations, "About ASEAN," <http://www.aseansec.org/64.htm> (accessed April 7, 2007).

member countries.²⁶ More importantly, the outcome of annual meetings for economic integration directly forces the member states to promote integrated trade policies for better trade flows.

Since the Bretton Woods Conference in 1944, globalization has taken place in the international community.²⁷ The establishment of international financial and trade institutions such as the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), and the World Trade Organization (WTO) has brought the world economy closer by facilitating globalization of the monetary systems, international trade, and financial transactions. This integration has also been enhanced by the rapid development of communication technology, so that geographical distance is no longer a big issue in interaction among other states.

Testing of the Three Possible Hypotheses

After conducting research on globalization, there was a need to revise my initial hypothesis and change the level of analysis. This study initially tested out the international environment hypothesis. However, it was difficult to test out the hypothesis, as there was a lack of information regarding Korea's views on globalization and its impact on Korea's trading policies. Subsequently, this study focused on the individual decision makers, and their views on globalization in the 1990s. This resulted in the change of the level of analysis, and the testing of an individual-level hypothesis.

According to this hypothesis, the most important factor of globalization is an individual leader's point of view. Unlike the United States, where checks and balances ensure the prevention of excessive presidential power, Korean presidents have

²⁶ Ibid.

²⁷ U.S. Department of State, "The Bretton Woods Conference, 1944," <http://www.state.gov/r/pa/ho/time/wwii/98681.htm> (accessed April 7, 2008).

comparatively greater influence over government policies. As a result, the way they look at the world or the way they see politics and economics is what actually shapes the structure of the government in trade or trade regimes. During the 1992-2007 period of rapid growth in the Sino-Korean trade relationship, Presidents Kim Young Sam (1993-1998) and Kim Dae Jung (1998-2003) played the most influential role in the evolution of the Sino-Korean relationship. Therefore, the following case study on Korea will extensively examine the two presidents' views on globalization by comparing and contrasting their individual backgrounds.

Operationalization and Measurement

Given the discussion above, this thesis will explore the following general Hypothesis: *If a national leader perceives growing pressure of globalization, then there is strong promotion of an integrated trade policy.*

For the specific case of Sino-Korean bilateral trade, the hypothesis is as follows: *If ROK presidents perceive growing pressure of globalization, then there is strong promotion of an integrated trade policy between the PRC and the ROK.*

Before testing the hypothesis, one must operationalize the concepts and the operative words. The analysis of goals of the establishment of NAFTA and ASEAN provides a sense of integrated trade policy. The definition of integrated trade policy in NAFTA is defined as “ [to] eliminate barriers to trade, promote conditions of fair competition, [to] increase investment opportunities, [to] provide adequate protection for intellectual property rights, [to] establish effective procedures for ... [resolving] disputes, and to further trilateral, regional and multilateral cooperation.”²⁸ The launch of ASEAN

²⁸ Office of the United States Trade Representative, “Description of the Proposed North American Free Trade Agreement, prepared by the governments of Canada, the United Mexican States, and the United

Free Trade Area (AFTA) in 1992 aimed to “promote the region’s competitive advantage as a single production unit. The elimination of tariff and non-tariff barriers among member countries is expected to promote greater economic efficiency, productivity, and competitiveness.”²⁹

For the purpose of this study, *integrated trade policy* is defined as binding trade agreements or policies that promote the reduction of trade barriers such as historical disputes and that promote the creation of a climate for investment opportunities and smooth trade flow. Promotion will be measured by conducting both qualitative and quantitative analysis. For the qualitative analysis, this study will examine the results of Sino-Korean presidential summits between 1992 and 2007 and outcomes of government official meetings. This thesis will evaluate bilateral history over time in order to test whether growing pressure of globalization has increased the promotion of integrated trade policies.

Berger, Bhagwati, and Kim discuss the concept of globalization as well as its positive and negative aspects. Suzanne Berger states that “ In the 1990s, there is a common understanding of globalization as a set of changes in the international economy that tend to produce a single market for goods, services, capital, and labor.”³⁰ Jagdish Bhagwati defines economic globalization as a constitution of “integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers

States of America,” http://www.ustr.gov/Trade_Agreements/Regional/NAFTA/Section_Index.html (accessed November 3, 2007).

²⁹ ASEAN, “Overview: Association of Southeast Asian Nations,” <http://www.aseansec.org/64.htm> (accessed November 5, 2007).

³⁰ Suzanne Berger, “Globalization and Politics,” *Annual Review of Political Science* no. 3 (2000): 44.

and humanity generally, and flows of technology.”³¹ Bhagwati’s analysis on globalization is based on the economic aspect of globalization whereas Berger’s definition is built on the 1990s’ globalization pattern. Unlike these previous definitions, Samuel Kim defines globalization as

a set of processes of stretching and intensifying worldwide interconnectedness in all aspects of human relations and transactions - economic, social, cultural, environmental, politics, diplomatic, and security - such that events, decisions, and activities in one part of the world have immediate consequences for individuals, groups, and states, in other parts of the world³²

Whereas Bhagwati’s definition focuses on economic perspectives of globalization, Kim’s definition provides a broader, comprehensive explanation. Bhagwati’s discussion may seem more suitable for the purpose of this study since this thesis is focusing on the economic aspect of regional cooperation, yet the author’s definition is somewhat less comprehensive than Kim’s. Thus, for the purpose of this research, Kim’s definition for globalization is adopted and discussed throughout this study.

Growing pressure will be measured through qualitative analysis on how the concept of globalization has influenced Korea’s trade policies using various documents. These include presidential speeches of Korea, trade policy reviews from the World Trade Organization (WTO) reported every four years since 1996, and state policies of the ROK.

Alexander L. George and Andrew Bennett discuss advantages and drawbacks associated with case studies. George and Bennett argue that a case study allows political scientists to have a high level of internal validity, examine causal mechanism in depth, give heuristic identifications of new hypotheses or variables, and easily accommodate

³¹ Jagdish Bhagwati, *In Defense of Globalization* (New York: Cambridge University Press, 2004), 3.

³² Samuel S. Kim, ed., *Korea’s Globalization* (New York: Cambridge University Press, 2000), 18.

complicated causal mechanisms.³³ However, the disadvantages are bias in selecting cases, limitations of generalization, issues of underdetermination, and the lack of adequate representativeness.³⁴ Despite these drawbacks, a case study is the most appropriate method in the instance of Sino-Korean trade. This research project will conduct a crucial case study as follows.

³³ Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: Harvard University, 2004), 19-22.

³⁴ Alexander L. George and Andrew Bennett, 22-34.

CHAPTER II

CRUCIAL CASE STUDY: SINO-KOREAN BILATERAL TRADE

Emergence of Globalization and Korea

It is clear that globalization has taken place during the second half of the twentieth century. It is not quite clear when exactly globalization has begun, yet it is generally understood that the Bretton Woods system of 1944 enabled globalization to occur. It is no longer questionable whether or not globalization has enormously influenced the international community. Jeffrey D. Sachs argues that “the notion that globalization would result in an acceleration of economic growth has been dramatically confirmed in the past two centuries.”³⁵ In fact, not only does globalization affect international trade, but also it has crucial impact on other aspects including security and culture. The development of communication technology, such as the Internet, mobile devices, and satellite networks, has accelerated the process of globalization, making the world smaller and closer in terms of time and space.³⁶

Since the end of the Korean War in 1953, Seoul has actively engaged with the United States in security and economies. The Korean government was heavily relied on and still partially relies on Washington to defend itself from the North Korean communist

³⁵ Jeffrey D. Sachs, "Globalization and Patterns of Economic Development," *Review of World Economics* 136, no. 4 (2000): 579.

³⁶ United Nations Development Program (UNDP), *Human Development Report 1999* (New York: Oxford University Press, 1999), 57.

regime and in developing democratic society. Korea had undergone regimes until the 1992 election. The first Korean President, Syngman Rhee, inaugurated in 1948, and reelected in 1956 and again in 1960. Yet, the 1960 Student Revolution forced him to resign. Rhee voluntary went into exile to Hawaii and died in 1965.³⁷ In 1962, Park Chung Hee's regime began in Korea. Park Chung Hee contributed to Korea's remarkable economic development by implementing a series of five-year economic reform plans between 1962 and 1980, but his dictatorship resulted in a number of deaths of civilians and politicians who fought against him.

After Park Chung Hee was assassinated in 1979, Chon Do Hwan and Rho Tae Woo seized political power through the Gwangju Massacre in May 1980 - which is commonly called 5·18. Chon served his presidency between 1980 and 1988 and Rho served his presidency from 1988 to 1993. During their terms, many college students as well as politicians who fought against the Chon and Rho regimes for democracy lost their lives. University students frequently protested, and this resulted in the destabilization of society in the 1980s. In December 1992, the first democratic presidential election took place and as a result Kim Young Sam was elected. In December 1997, Kim Dae Jung was elected.

The 1962 Park Chung Hee's economic reforms helped the U.S. become the largest export destination of Korean goods over two decades. The Tokyo Olympics of the early 1960s and the Seoul Olympics in 1988 ushered in a new era of Korea becoming a recognized goal player. Seoul subsequently expanded its trade to the European Union and its Asian neighbors. By the late 1980s or early 1990s, Korea was no longer a Third World

³⁷ CNN, "Syngman Rhee," <http://us.cnn.com/SPECIALS/cold.war/kbank/profiles/rhee/> (accessed April 23, 2008).

country struggling against poverty and communism. As Korea was internationally recognized for its dramatic economic development and industrialization, Koreans became increasingly aware of and engaged with the issues joining in the international community.

The Seoul Olympics in 1988 brought a change for Koreans to realize that there was an urgent need for changes in Korean society. Many foreign countries did not know Korea's existence unless they deployed troops to the Korean War. Koreans learned that their country did not even appear on some world maps since Korea is small. During the Olympics, many foreign visitors were unsatisfied with Korea's poor facilities such as incorrect English signs and Koreans' lack of understanding of foreign cultures, which showed Seoul's ignorance of other countries. Even though Korea enjoyed a high degree of economic development, its society was far behind compared to other countries, such as Japan. The country needed to meet international standards in order to be regarded more highly by the international community.

During this time, the concept of globalization became fundamental, thus playing a significant role. Samuel S. Kim, who has written extensively on Chinese foreign policy and Korea, uses the Korean word, *segzehwa* meaning globalization.³⁸ According to Kim, globalization significantly intensified worldwide interactions in many different aspects (e.g. economic, social, cultural). As one of the Asian Tigers³⁹, it was inevitable for South Korea to avoid or ignore this international phenomenon. Hyun Ok Park argues,

Two decades after the achievement of vast industrialization through export-oriented development, South Korea is making still another "winning" adjustment to the global market and to post-cold war world politics. This time, South Korea is a transnational investor, establishing factories and expanding markets abroad. This expansion

³⁸ Samuel S. Kim. *Korea's Globalization*, 18.

³⁹ Asian Tigers refers to Singapore, South Korea, Taiwan, and Hong Kong.

of South Korean overseas investment constitutes the first process of globalization.⁴⁰

Hyun Ok Park's discussion of Korea's globalization provides a fairly comprehensive explanation of the country's transition from an outwardly export-based economy to a globalized economic relationship. As Korea allows companies to invest overseas and to reshape its domestic economic policy in response to globalization, these following several events prove that Korea understood globalization. As a member of the General Agreement on Tariffs and Trade before 1995, the Korean government proceeded to ratify the Uruguay Round even though there were massive protests by the farmers who were directly and negatively affected by the trade negotiation. Even though a series of massive protests and riots temporarily decreased internal social, economic stability, Seoul's ratification of the Uruguay Round, demonstrated that globalization was a fundamental concept for the Korean economy.

However, Korea's *seguehwa* concept of globalization is a comprehensive term that includes society, politics, culture and environment. Koreans knew that the end of the Cold War accelerated the process of globalization. It was inevitable to avoid the phenomenon and the interaction with other states. Koreans needed to learn more about international phenomena, understand foreign cultures and different political systems, and become open to other societies. The question is raised as to how Korean leaders regarded globalization. The following section demonstrates how Korean presidents interpreted and reacted to globalization in the 1990s.

⁴⁰ Hyun Ok Park, "Seguehwa: Globalization and Nationalism in Korea," Ann Arbor, MI: International Institute, University of Michigan, 4, no. 1 (Fall 1996), <http://hdl.handle.net/2027/spo.4750978.0004.105> (accessed December 3, 2007).

South Korean Presidents, 1992-2003

After testing my initial international environmental hypothesis, it became apparent that the individual decision maker, in this case the Korean presidents, is the most influential variable affecting Korea's regional integration. As chief commander of the economic sector, presidents have provided the basic frames for Korean economy in the 1990s. Their individual presidential speeches presented their plans for economic reforms. Thus, this study will analyze how an individual decision maker's view on globalization had played a role in Sino-Korean bilateral relationship by examining the two administrations in the 1990s: Kim Young Sam (1993-1998) and Kim Dae Jung (1998-2003).

Korea has ministers of strategies and finances, yet they were not as influential as presidents and tend to be replaced by others frequently. Furthermore, there were publications that discuss economic ministers' views on economy and their impact on trade. There were no publications of business leaders, such as Chung Ju Young or Lee Gun Hee (the President of Samsung), which discuss their views on trade. This result shows that it is more appropriate to examine presidents as individual decisions makers for the purpose of this study. Among the three presidents during that time, these two presidents, Kim Young Sam and Kim Dae Jung, were directly associated with this concept and were influential figures. Their authority over economy was the most influential factor when examining Korea's trade.

Rho Tae Woo

Kim Young Sam and Kim Dae Jung are the most important decision makers associated with Korea's *seggyehwa* in the 1990s. Although a Sino-Korean bilateral relationship was established in August 1992 during the Rho Tae Woo administration (1988-1993), Rho's opinion on globalization or trade was not explained. Rho Tae Woo made a state visit to China when Sino-Korean diplomatic ties were established in 1992. During the Rho administration, the two new partners signed a bilateral pact on economy, trade, and technology cooperation, resulting in increased investments and bilateral protections.

Rho was soon succeeded by Kim Young Sam in February 1993. Kim Young Sam and his successor Kim Dae Jung (1998-2003), who were the first democratic national leaders of Korea in the 1990s, had more direct influence on Korea's foreign policy towards the PRC than Rho did. Rho as well as his predecessor Chon Doo Hwan (1980-1988) were military generals and seized the political power. Rho was a professional Army general who was neither a knowledgeable politician nor an economist. In fact, Rho Tae Woo was criticized by Kim Dae Jung for his lack of understanding of Korea's economy. Rho's failure to manage the economy demonstrated he had no interest in economy.⁴¹ The fact that Rho established a formal Sino-Korean bilateral economic relationship created a foundation for the two countries' two-way trade, yet he did not influence much of the bilateral trade policies. Therefore, the understanding of foreign policy during the Kim Young Sam and the Kim Dae Jung administrations would provide a more comprehensive analysis.

⁴¹ Kim Dae Jung, *Mass-Participatory Economy: Korea's Road to World Economic Power* (Lanham, Maryland: Center for International Affairs, Harvard University, University Press of America, 1996), 69.

Kim Young Sam

While Kim Young Sam and Kim Dae Jung enjoy similar personal backgrounds, their political views were quite different from one another. Both leaders were born in the 1920s. In fact, Kim Young Sam was born in December 1927 in Geoje, which is a city in Southeastern Korea near Pusan. There is not much information about his childhood or adolescence, yet it is generally known that he grew up in a common family in Southern Korea. Even though he grew up in a small city, he succeeded in entering the Seoul National University (SNU), which is the most prestigious university of Korea to major in Philosophy. He graduated in 1952.⁴²

Kim Young Sam began to work as the secretary of Premier Jang Tak Sang (張澤相). Afterwards, Kim Young Sam served in various political positions until 1980, when he was banned from working as a politician. Kim Young Sam fought against the military regime in order to lead Korea to democracy. For the military presidents, Kim Young Sam was a barrier for their political success. Kim Young Sam was placed under house arrest for his political activism from 1980 to 1981 and was put under house arrest again between 1982 and 1983. During the second house arrest, he went on a hunger strike for 23 days.⁴³ It is difficult to find publications that discuss Kim Young Sam's struggle against the Korean authoritarian and the military dictatorial government during the Cold War. However, by looking at his hunger strike or the opposing struggle against the regimes, it is drawn that Kim Young Sam experienced difficulties in his early political life.

⁴² National Archives of Korea, "Kim Young Sam," <http://152.99.195.57/president/kys/profile.html> (accessed October 20, 2007).

⁴³ Ibid.

Kim Dae Jung: The Early Life

Kim Dae Jung was born in 1924 and grew up as a son of a farmer in Hoo-Gwang, which is a small village on the island off Mok-po city in Southwestern Korea. He graduated from high school in 1943 and soon began to work for a marine company. By the time Korea was liberated from Japan in 1945, Kim became a successful businessman of a newspaper company until 1950⁴⁴, at which time he stepped into politics believing that the only right form of government could save the country. In 1957, he was baptized in the Catholic Church and received his catholic name Thomas Moore. His religious belief as a catholic, which taught him about peaceful settlements and love, had played a significant role when he was experiencing difficulties in his life.⁴⁵ Despite the extreme harshness as a politician under the authoritarian regimes, he was accompanied by his belief and continuously pursued his career.

Until he became president in 1998, while fighting against authoritarian regimes of South Korea such as Park Jung Hee's dictatorship in the 1960s and 1970s, Kim Dae Jung was put under house arrest, imprisoned, and sentenced to death. However, Kim spent a great amount of his time in jail reading hundreds of books in history, philosophy, economics, and literature. As can be seen in his prison letters, he was always accompanied with his religious belief in every moment of difficulty of his life. His religious belief led him to prolonged pursue of his political dreams.

Furthermore, his religion led him to a peaceful approach in pursuing his ambition about bilateral trade later with China, which was reflected in the post-Kim Dae Jung Sino-Korean bilateral negotiations. Kim Dae Jung believed that Korea should move on

⁴⁴ Kim Dae Jung Presidential Library and Museum, "Kim Dae Jung Biography," <http://www.kdjlibrary.org/kdj/engweb/presidentkdj/biogra.jsp> (accessed January 2, 2008).

⁴⁵ Ibid.

from the perception that China was a mother controller of South Korea. Even though the world economic market increased the competition between countries, he chose a cooperative approach rather than a hostile attitude towards China.

Throughout the early days in politics, Kim was faced with death four times. In 1950, he was captured by the communist army during the Korean War, but managed to escape before he was shot. When he was running for the political office in 1971, there was an attempt to assassinate him. After he exiled, secret agents from the Agency for National Security Planning (commonly referred as to KCIA) kidnapped Kim in Tokyo in 1973; five days later, he was dropped in front of his house in South Korea.⁴⁶ In 1980, in the military court, he was sentenced to death by the new military regimes. Ethnic Koreans living in the United States, Japan, Germany, and France as well as educated intellectuals and politicians, started a massive movement to save his life. This resulted in a commutation of the death penalty to life sentence. Chon Doo Hwan allowed Kim to exile to the United States in 1982.

Kim Dae Jung's first period of exile in the United States was between October 1972 and August 1973. Park Chung Hee declared the Yusin Constitution, which amended the previous constitution to allow run for a third presidential term. His opponent was Kim Dae Jung. As a result, Park amended the constitution, and Kim left for the United States in 1972. In January 1973, and Kim flew to Japan to convince relevant people to fight against the current Yushin system of Korea. As his voice was stronger and stronger in

⁴⁶ Hyo Soon Kim, "Il Gongannum Nachireul Sajone Al Atda," (Japan Knew Incident in Advance) *The Hankyoreh*, 8 June 2007, <http://h21.hani.co.kr/section-021046000/2007/06/021046000200706280666059.html> (accessed January 20, 2008).

Japan, he was kidnapped in August 1973.⁴⁷

No one can explain who planned the kidnapping because people who may have been involved are not alive. Even the former president Park Chung Hee, who was also involved in the kidnapping, was assassinated. The Korean National Intelligent Service (NIS) created a task force, designed to investigate the Kim Dae Jung incident. It was generally known that after Kim was kidnapped in Japan, he was thrown into the sea, but rescued and then brought back to his place in Korea. In the interview in 1993, Kim says, "Park Chung Hee ordered [my] assassination."⁴⁸ Kim further explains, "[Park Chung Hee] killed Kim Tak Sang who evoked the coup, forced to change the constitution, and made Park become a president, yet when Kim was against Park, Park killed him. Park's regime was such a government. ... I am sure that Park ordered my assassination."⁴⁹

It is important to acknowledge that the United States was deeply involved with the rescue of Kim Dae Jung. In discussing the role of the United States government, Kim states that when he moved to the United States, he was told by the Korean desk at the U.S. state department that his case was considered utmost important. While in the midst of a United Nations (UN) general meeting, the national security advisor, Henry Kissinger, made an urgent call to his White House national security assistant. Since the United Nations meeting was discussing Arab terrorism issues, the U.S. linked the UN discussion with Kim's fate. Harvard professor Reischauer [Edwin O. Reischauer] and

⁴⁷ Keun Pal Lee, "Kim Dae Jung Ilcha MangMyong Sigi Saryo," (Kim Dae Jung First Exile Time Historical Documents, <http://www.kdjlibrary.org/kdj/web/research/historicalList.jsp> (accessed February 4, 2008).

⁴⁸ "Kim Dae Jung il Gobalhaneum Kim Dae Jung Napchi Sagon," (Kim Dae Jung Kidnapping Incident by Kim Dae Jung)," *Shin Dong A* October 1993, 294, <http://kdjlibrary.org/> (accessed March 17, 2008).

⁴⁹ Ibid.

Keohane [Robert O. Keohane] contacted their old colleague, Henry Kissinger to assure that the United States would take the necessary measures to save Kim Dae Jung.⁵⁰

American support influenced Kim's educational experience in the United States. The Nixon Administration and others believed that Kim held the key to democratizing Korea. Thus the U.S. Government considered it extremely important to allow Kim to come to the United States and establish a Korean human rights institute. Even though Park Chung Hee was fully cooperating with the United States, Park was a dictator who contributed to the delay of Korea's democracy. For Washington, Kim Dae Jung becoming a president could bring about Korea democracy. Kim may have regarded the United States more optimistically than Park Chung Hee, and thus was willing to accept American influence. Although difficult to prove, this was the overall situation that might have influenced Kim Dae Jung when he was appointed a visiting fellow at Harvard University in 1983. his study at Harvard will be further discussed in the later section.

During his imprisonment, Kim composed *Prison Writings*, which is a collection of his letters to his family while he was imprisoned. It is often stated that Kim studied the economy extensively during his incarceration. Yet, in his letters to his family, Kim does not mention studying economics or his economic views. This study thus turns to his writings while at Harvard as the key to understanding the foundation of his economic views, which influenced Sino-Korean trade as well as domestic economic policy.

Kim Young Sam and Kim Dae Jung

Both Korean presidents share similar personal backgrounds, but there are differences. Both of them were born in small cities in Southern Korea in the 1920s. Even

⁵⁰ "Kim Dae Jung il Gobalhaneum Kim Dae Jung Napchi Sagon," (Kim Dae Jung Kidnap Incident by Kim Dae Jung) *Shin Dong A*, October 1993, 291, <http://kdjlibrary.org/> (accessed March 17, 2008).

though they were directly exposed to politics while growing up, both of the former presidents entered politics during their twenties. While Korea was under the authoritarian regime of Park Chong Hee (1962-1980) and under the military dictatorial rulers of Chun Doo Hwan (1980-1988) and Roh Tae Woo (1988-1993), both Kim Young Sam and Kim Dae Jung fought against the government.

There was and still is tension between them, yet there was a point that they allied with each other against the regime. In fact, “the two have been major rivals since 1971, when Kim Dae Jung was selected as the opposition candidate for president.”⁵¹ Yet, they were once political partners who pursued Korea’s democratization during the Cold War. In Kim Dae Jung’s speech in May 29, 1979, Kim Dae Jung called Kim Young Sam a companion.⁵² Kim Dae Jung gave a speech in order to endorse Kim Young Sam as a presidential candidate. By expressing his support for Kim Young Sam, Kim Dae Jung repeatedly called Kim Young Sam a friend. In 1985, Kim Young Sam and Kim Dae Jung both served as the head of the Democratic Party, and Kim Dae Jung opened a new political party with Kim Young Sam in April 1987.⁵³

They are, nonetheless, different from one another. While Kim Young Sam entered SNU after high school, Kim Dae Jung became a businessman. Compared to Kim Dae Jung, Kim Young Sam enjoyed better social and political connections as he went to the most prestigious college in Korea, which educates a large number of successful political and business leaders. It was easier for Kim Young Sam to make connections with

⁵¹ Nicholas D. Kristof, “Chun Doe’s Plans Stir South Korea,” Special to the *New York Times*, 12 July 1987 <http://query.nytimes.com/gst/fullpage.html?res=9B0DE5D9123FF931A25754C0A961948260> (accessed February 12, 2007).

⁵² Kim Dae Jung Presidential Library and Museum, “Kookminul Wihan Majimak Suntak,” (The Last Choice to Save the Public) <http://www.kdjlibrary.org/> (accessed September 15, 2007).

⁵³ Kim Dae Jung Presidential Library and Museum, “Chronological Records,” <http://www.kdjlibrary.org/> (accessed March 2, 2008).

distinguished politicians through the alumni network. On the other hand, Kim Dae Jung was a businessman after graduating high school. He ran a marine company in Southern Korea, but decided to run for a local politician and eventually became one of the most important political figures of the country.

They may have shared similar views on the current political regime, but unfortunately only few publications or speeches outlining Kim Young Sam's view are available. Kim Young Sam may have agreed with Kim Dae Jung in the political issues during the Cold War. Kim Dae Jung admits "President Park Chung Hee's regime made a sustainable progress through centralized and highly controlled economic planning,"⁵⁴ yet vigorously criticized the poorly-structured political system.⁵⁵ In fact, he indicated the causing factor of Korea's economic downhill in the 1990s resulted from the extensive government intervention as shown in the examples of *Chongkyong Yuchak* (politics-economy cohesion).⁵⁶ Yet, again, these materials are somewhat sparse.

The fact that Kim Dae Jung is only three years younger than Kim Young Sam shows that both of the politicians have lived in the same era, witnessing and experiencing the same political, economic, and social historical events and incidents. One of the factors that may have caused different views of the former presidents might be their different educational backgrounds. Since Kim Young Sam entered college after high school, he may have seen and analyzed any social phenomena through the tools he acquired from SNU. On the other hand, Kim Dae Jung may have approached Korea as a businessman and an ambitious politician rather than a scholastic approach.

⁵⁴ Kim Dae Jung, *Mass-Participatory Economy*, 6

⁵⁵ For more discussion, see Kim Dae Jung, *Mass-Participatory Economy*

⁵⁶ Kim Dae Jung, *Mass-Participatory Economy*, 6

After extensive research, it was clear that Kim Young Sam and Kim Dae Jung both understood globalization had taken place at the end of the twentieth century. Even though they both regarded globalization as significant, these views were different from one another. Both of the former presidents were supporters of each other during the Cold War era, yet the different view towards globalization may have formed at that time. Kim Dae Jung, while waiting for his execution and spending years in jail, studied history, philosophy, economics, and literature through books sent by his family.⁵⁷ When the list of books Kim Dae Jung read was released to the public later on, it greatly surprised Koreans. His time in the jail shows that Kim Dae Jung has accumulated knowledge on economics during this time. Furthermore, when Kim Dae Jung was exiled from his home country, he spent a year at Harvard University between 1983 and 1984 as a visiting scholar.

As the period in the United States was crucial to Kim's views, an analysis of Kim Dae Jung's views of the world must focus on his time at Harvard University between 1983 and 1984. As a visiting fellow, Kim Dae Jung was not required to complete any work, yet he decided to write a book on Korea's economy, which was completed in 1984. According to him, a lack of materials did not allow him to extensively examine Korea's economy, yet he was able to publish a revised edition in 1995 after returning to Korea. The book was not a Master's Thesis or a required final project. Kim Dae Jung has been writing over twenty books since the 1960s, so that he had the tendency to write books in order to express his opinions. The book published at Harvard University was one of them. This thesis questions what influenced Kim Dae Jung while he was at Harvard. Had he

⁵⁷ Kim Dae Jung Presidential Library and Museum, Kim Dae Jung Biography, "Kim Dae Jung," <http://www.kdjlibrary.org/kdj/engweb/presidentkdj/biogra.jsp> (accessed March 4, 2008).

taken any political economic classes at the Center for International Affairs at Harvard? Did Kim Dae Jung frequently meet any distinguished scholars who may have impacted on Kim's view on political economy of Korea? What is the catalysis for Kim to have such economic view of Korea? In order to answer these questions, it was necessary to interview executive committee members associated with Kim Dae Jung's book.

Kim Dae Jung at Harvard University

Kim Dae Jung struggled for democracy and human rights in South Korea and East Asia. His Sunshine Policy, towards North Korea, which was originated from the Aesop's fables, brought him the Nobel Peace Prize in 2001.⁵⁸

Kim Dae Jung was well known as a human rights advocate, yet he was also a knowledgeable economist, whose previous work influenced his actions as president. In the acceptance speech of the 15th ROK presidential nomination in May 1997,⁵⁹ Kim says, "In the parliamentary, [I am] recognized by myself and others to be an economic expert. At the world's most prestigious school Harvard University, I published a book called *Mass-Participatory Economy*". His reference to his book during the speech implies that his publication at Harvard might have been the fundamental guideline of his economic policy. Even though it was the presidential candidate acceptance speech, Kim emphasized that he had completed a book at Harvard. This further implies Kim's confidence in the book as it had received the "Good Housekeeping seal of approval" from the Harvard faculty. It is necessary to analyze what Kim discusses in his book, and before that, what shaped his economic view at Harvard University.

⁵⁸ Nobelprize.org, "The Noble Peace Prize 2000,"

http://nobelprize.org/nobel_prizes/peace/laureates/2000/index.html (accessed April 20, 2008)

⁵⁹ The presidential election took place in December 1997.

In order to find out Kim's academic experiences at Harvard, several attempts were made. This thesis contacted relevant scholars at Harvard, including the executive committee members of the Center for International Affairs at Harvard University mentioned in Kim's book, such as Robert O. Keohane and Joseph Nye. However, it was impossible to interview scholars who knew about Kim Dae Jung's experiences at Harvard University. This study must thus focus on Kim Dae Jung's Harvard publication. The following chapter discusses how both Kim Young Sam and Kim Dae Jung perceived globalization.

CHAPTER III

PRESIDENTIAL VIEWS ON *SEGYEHWHA*

Kim Young Sam's View on *Segyehwa*

Rho Tae Woo's successor Kim Young Sam began his five year term in February of 1993. Even though the Republic of Korea was established in 1948, Korea had experienced the authoritarian regime and then the military regimes until 1992. Kim Young Sam was the first democratically elected president. During his inaugural speech, he revealed his ambitions for international and domestic policies.

Dear Fellow Citizens:

Globalization is the shortcut which will lead us to building a first-class country in the 21st century. This is because the⁶⁰ I revealed my plan for globalization and the government has concentrated all of its energy in forging ahead with it. It is aimed at realizing globalization in all sectors – politics, foreign affairs, economy, society, education, culture, and sports. To this end, it is necessary to enhance our viewpoints, way of thinking, system, and practices to the world-class level.⁶¹

As an experienced politician who had fought against the authoritarian regime and the military dictatorship, Kim Young Sam had witnessed Korea's dramatic economic development and its path toward democracy in the 1980s. As the first national leader elected by democratic vote, Kim did not have to justify his presidency as other presidents did previously. Kim Young Sam clearly understood that globalization had taken place throughout the world. Unlike his predecessors, the SNU graduate was capable of

⁶⁰ There was a typographical error in the original text.

⁶¹ Seoul KBS-I Television in FBIS-EAS-95-004, 6 January 1995 (Internet version).

perceiving this international economic trend.

After close analysis of the speech, it is clear that Kim Young Sam wished for Korea to obtain a more advanced status in the world. Kim Young Sam believed that accepting globalization and moving forward would enable Korea to get more attention from the international community. In 1993, the Korean government no longer considered domestic poverty eradication as its top national priority; Korea was no longer a poor Third World country, in part due to Park Chung Hee's economic reform in 1962. In particular, the International Olympics in 1988 helped Korea understand that it needed to improve its international viewpoints, systems, and mind set in order to reach the world class level that Kim Young Sam articulated in his speech.

As communication technology significantly developed and businesses increased communication, the world economy globalized. Seoul's rapid economic development by itself was not a factor that led Korea to become an "advanced" country. This new trend required new behaviors, yet Koreans were not ready for globalization.⁶² Koreans earned higher incomes and could afford higher levels of education. Yet, there was a lack of recognition of international issues among Koreans. Kim Young Sam hoped that Korea would understand the economic trend and would adjust to the new international environment. During his term, *seggyehwa* was aimed to

drastically change Korea's existing political and socio-economic institutions to make *seggyehwa* policy is to enable Korea to make greater contributions to the advancement of all humanity by actively pursuing fair competition combined with ever closer worldwide cooperation.⁶³

⁶² National Archives of Korea, "Kim Young Sam Dae Tong Ryong Chiim Ojunyon ," (President Kim Young Sam's Fifty Year as President) <http://archives.go.kr/> (accessed December 1, 2007).

⁶³ World Trade Organization, *Trade Policy Review: Republic of Korea Reported by the Government*, 28 August 1996, 5, http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm 20 (accessed September 2, 2007).

For Kim Young Sam, globalization required modifications of policies, development of human resources and transformation of rules and mindsets in order to become one of the leading nations in the world. Kim Young Sam himself succeeded in pursuing globalization.⁶⁴ The rapid growing domestic economy, which developed based on outwardly oriented trade, provided Korea with an opportunity to experience higher standards of living. Yet Koreans lacked an understanding of international issues and foreign societies. It was urgent for Kim Young Sam to encourage Koreans to become aware of the emergence of the world economy.

Based on the presidential speeches and government reviews of Kim Young Sam's five-year presidential term, it is clear that *seggyehwa* was a top agenda item. During the APEC conference in Sidney, Australia, Kim Young Sam revealed his plans on *seggyehwa*, and the committee was established on January 21, 1995.⁶⁵ Kim Young Sam suggested implementing 54 agendas in 'Prospect and Strategy for Globalization'. Korea revised or enacted 53 laws by the *seggyehwa* committee.⁶⁶ Kim Young Sam suggested a concrete plan for joining the World Trade Organization and the Organization for Economic Cooperation and Development, and this raised Koreans' awareness of *seggyehwa*.⁶⁷ As part of Kim Young Sam's globalization, Korea's membership in the WTO enabled it to access other member countries and meet international norms for trade. This access and modification of trade policy gave Korea opportunities to build relationships with

⁶⁴ National Archives of Korea, "Presidential Archives," <http://contents.archives.go.kr/next/search/searchTotal.do?totalSearchType=1&TO=%EB%8C%80%ED%86%B5%EB%A0%B9> (accessed December 2, 2007)

⁶⁵ National Archives of Korea, "Seggyehwa Chujin Wiwonhae," (Seggyehwa Committee) <http://contents.archives.go.kr/next/content/listSubjectDescription.do?id=000845> (accessed April 8, 2008).

⁶⁶ Ibid.

⁶⁷ National Archives of Korea, "Kim Young Sam Administration," <http://contents.archives.go.kr/next/content/listSubjectDescription.do?id=002920> (accessed April 26, 2008).

advanced countries such as those in the European Union. Through building friendships with more developed countries, Korea was able to gain more global recognition.

Another result of *segzehwa* was the diversification of trading partners. Until the late 1980s, the United States was the largest, perhaps the dominant, trade partner for Seoul. Seoul heavily relied on the United States not only for military aid but also for economic benefits. Not only was the United States its top export destination, but also the biggest importer. However, Korea's trade with the United States began to diminish in the early 1990s. According to the WTO, "exports to developed economies were steadily diminishing in relation to total exports, while shipments to developing countries were increasing amid booming demand in fast-growing economies such as China and the ASEAN members."⁶⁸

Beginning in the 1990s, the U.S.-Korea economic alliance encountered problems. From 1961 to 1973, "the volume of exports increased at an annual rate of 35 per cent, increasing its share of GDP from less than 1 percent to 24 per cent."⁶⁹ Korea's per capita GDP from 1965 to 1990 "increased at a 7 percent annual rate" while OECD per capita GDP annual growth was less than 3 percent.⁷⁰ As Korea's economy advanced, Washington began to apply higher standards for U.S.-Korea bilateral trade.⁷¹ Washington's demand for higher quality goods and labor efficiency caused friction, thus discouraging the Korean government from enthusiastically collaborating with the United States. At the

⁶⁸ World Trade Organization, *Trade Policy Review: Republic of Korea Reported by the Government*, 28 August 1996, 5, http://www.wto.org/english/tratop_e/tp_r_e/tp_rep_e.htm (accessed September 20, 2007)

⁶⁹ OECD, *OECD Economic Surveys* (Paris, France: OECD Publication, 1994), 32.

⁷⁰ OECD, *OECD Economic Surveys*, 40.

⁷¹ Seung Koo Oh, *Hanmi Dongmangeu Mirawha Hankookeu Sontak* (Future of U.S.-Korean Alliance and Korea's Choice) (Seoul, Korea: Samsung Economic Research Institute, 2005), 37-38.

same time, the geographical distance was no longer a barrier to international trade and investment. Korea had also other potential international trading partners.

Instead of concentrating its exports and imports mainly on the United States, globalization helped Kim Young Sam to realize the existence of his neighbors. The development of the Chinese economy, which had been growing exponentially for over a decade, could have been an outstanding opportunity for Kim Young Sam to take Korea one step further up toward engaging in the international community. Kim Young Sam wanted to build a strong relationship with China because of its vast market of the Chinese economy with 1.2 billion people, cheap labor, and its geographic convenience. Kim Young Sam's belief resulted in the creation of a trade regime with China.

When Kim Young Sam made a presidential visit to China in 1994, he decided to establish a Sino-Korean industrial cooperation committee.⁷² After the presidential summit in 1994, Seoul and Beijing held six annual ministerial conferences for industrial collaboration. As a result, China and Korea enthusiastically promoted industrial policies, advanced scientific technology, and established an energy resource alliance. The two countries also created a network among business sectors, research institutes, and governments. During Kim Young Sam's term, the collaboration between Seoul and Beijing was centered around industrial sectors. These achievements provided a foundation for business sectors in both Korea and China to share skills and transfer technology from Korea to China.

It is clear that Kim Young Sam's emphasis on globalization contributed to the normalization of the Sino-Korean relationship. The two countries, which barely had any

⁷² Embassy of the Republic of Korea in China, "Economic Relationship," <http://www.koreaemb.org.cn/contents/politics/serv2-72-05.aspx?bm=2&sm=3&fm=2> (accessed June 12, 2007).

contact during the Cold War era, engaged with one another. For Koreans, China was no longer a communist regime, but a land of opportunity for Korea's future economic exchange. However, this study encountered an issue related to limited materials of Kim Young Sam's view on *segzehwa*. After the inauguration speech and presidential summit, Kim Young Sam ceased to mention *segzehwa*, which prevents this study from analyzing his position in depth. His presidential summit with President Jiang Zemin (江澤民) facilitated Sino-Korean trade by creating a committee. Yet, it is not clear how Kim Young Sam changed the trade policies for Korean sectors in order to create a climate that helped trade sectors.

By late 1997, all of Asia was in deep economic trouble. During this Asian financial crisis, the Korea state encountered a series of *chaebol* bankruptcies. This *chaebol*, which is a group of "large conglomerates linking many individual companies – an average of 27 in 1997 – that are diversified across a wide range of industries."⁷³ Inflation skyrocketed, making it difficult for householders to manage their budget. Korean currency also fluctuated so much that business sectors suffered from currency instability. President Kim Young Sam used the crisis to force Korea into the global world. To make Korea competitive abroad, Korea implemented various reforms in the business and government sectors and also fundamentally changed their world views. Yet, by the end of his term, the Korean people did not believe Kim to be capable of leading the nation.

Kim Young Sam's view on globalization contributed to the diversification of Korea's trading partners, especially with China. However, there is little written evidence

⁷³ OECD, *Economic Surveys: Korea 1999-2000* (Paris, France: OECD Publication, 2000), 136.

available on his opinions about globalization or China. Kim may have been well trained academically, but he lacked the knowledge to apply this to the real world. Sino-Korean trade gradually increased, yet Kim failed to provide incentives to business sectors working with China. He left office with all the blames for his inability to manage national economy and to handle all the presidential tasks, leaving them to his successor Kim Dae Jung in February of 1998.

Kim Dae Jung's View on *Segyehwa*

Inaugurated in February 1998, Kim Dae Jung assumed responsibility for the economic crisis, which was the most urgent task passed to him from the previous administration. Hanbo Steel's bankruptcy on January 23, 1998 resulted in a 4 trillion won debt.⁷⁴ By the time Kim Dae Jung entered the presidential office in February, Korean *chaebol* and smaller businesses had suffered a series of bankruptcies. Unlike previous leaders, Kim Dae Jung deeply understood Korea's economy. He was capable of analyzing the origin of the economic crisis and understood the mistakes of the previous leaders such as Rho Tae Woo and Kim Young Sam. An analysis of Kim Dae Jung's publications and his personal interviews provide a better picture of how his personal view on globalization had influenced the Sino-Korean bilateral economic relationship. This study analyzed Kim Dae Jung's publication, *Prison Writings*. This book was translated into English, but the original Korean version is more accurate.

By the time he entered the president office, Koreans already understood that *seggyehwa* had become deeply ingrained within Korean society. It was no longer a strange foreign concept, but it was a gateway to the global community. While Kim Young Sam

⁷⁴ MBC, Cha Kyong Ho, "Hanbo Steel Bankruptcy, Big Damage to Economy", 23 January 1998 http://imnews.imbc.com/20dbnews/history/1997/1975449_3837.html (accessed 4 January 2008).

believed that *seggyehwa* generally would take a country to one step further toward an advanced position in the international community, Kim Dae Jung presented a more specific, detailed concept of his own regarding *seggyehwa*. Even before the 1998 presidential election, Kim revealed his view on *seggyehwa* in his nomination acceptance speech.

Kim Dae Jung believed that the world was in transition from the industrially oriented market to the “intellectual century.” The 21st century was a time for globalization and Korean localization (equivalent to American anti-federalism), in which the state was no longer the key organizing principle. In the presidential acceptance speech, Kim Dae Jung argued that he would be a president whom all Koreans would be proud of and that he would lead Korea through *seggyehwa*. Kim Dae Jung also promised to be a salesman for Korea’s economic relationship with other countries.⁷⁵ His emphasis on *seggyehwa* and his knowledge as a businessman directly impacted the Sino-Korean economic relationship during his presidential term.

In his speech in February of 1998, Kim Dae Jung addressed how the information revolution had created one international community, making the transition from the times based on nationality to the times based on the world⁷⁶ In other words, the spread of information technology as well as communication transformed the world; the world was previously based on nationality, yet now the concept of the international community predominated. Both Kim Young Sam and Kim Dae Jung stressed globalization; Kim Dae Jung discussed the development of the international phenomenon and its driving tools.

⁷⁵ Kim Dae Jung Hall, “Kim Dae Jung Presidential Acceptance Speech,” www.kdjhall.org (accessed February 5, 2007).

⁷⁶ Kim Dae Jung Presidential Library and Museum, “15 Dae Daetongryong Hubo Surak Yonsol,” (Presidential Candidate Acceptance Speech) <http://www.kdjlibrary.org/> (accessed April 28, 2008)

Kim Young Sam's opinion on globalization simply focused on the international economic phenomenon. In contrast, Kim Dae Jung articulated that technology was driving the advancement of globalization bringing globalization to Korea.

Kim Dae Jung strongly believed that the competitiveness of the world market was increasing among countries; whereas Kim Young Sam only argued that Korea needed to adopt the new world trend and renovate its internal policies in order to become comparable to other economic powers, Kim Dae Jung suggested a possible way for Korea to catch up to the rapid development of the international economy. Kim Dae Jung reveals his personal view further in his book. He says, "...we [Korea] cannot be miserly in our investment in technological innovations and the basic science. If we truly aspire to the status of an advanced nation, we must be bold in our investment in science and technology."⁷⁷

Information and development of technology resulted in an increase in interactions among countries. Due to communication technology, countries were able to exchange information and transfer knowledge and technology. It became easy to see how other nations manage their economy or obtain crucial information on the international market. These factors not only facilitated international communication, but also made it difficult to keep negotiation strategies in trade, industrial technology or technical know-how confidentially from other competitive countries.

As mentioned in the previous chapter, the differences between Kim Young Sam and Kim Dae Jung were caused by their academic training. The two former presidents, age wise, were basically of the same generation. They experienced the same historical events such as the Korean War and both encountered harsh political lives, yet their

⁷⁷ Kim Dae Jung, *Mass-Participatory Economy*, 230.

academic experiences were not similar. Kim Young Sam never formally studied economics or international relations in school. Since he majored in philosophy, it was likely that he was not knowledgeable in economics. In contrast, Kim Dae Jung had extensively studied economics in jail. His one-year study at Harvard University may have enabled him to better understand international economic relations.

Compared to Kim Young Sam, Kim Dae Jung had much more international experience, thus making a further difference between his view and Kim Young Sam's opinions on globalization. Kim Dae Jung spent several years in the United States when he was exiled from Korea twice. He spent a year as a visiting fellow at Harvard University from 1983 to 1984. After he came back to Korea, he lost two presidential elections. He received a Ph.D. in political science from Moscow University in 1992. He announced his retirement as a politician in December of 1992 and flew to England to work as a visiting scholar at Cambridge University on January 16, 1993. While he was exiled and was studying in England, he was provided with opportunities to meet international scholars and distinguished politicians. Kim Dae Jung widened his world view and learned innovative tools with which to examine international phenomena, thus deepening his understanding of the international political economy and his view on Korea's economy under democracy.

Kim Dae Jung's View on Economy

The spread of the internet as a result of communication technology evolution strengthened globalization. Kim Dae Jung believed that through investing technology and education, Seoul could be the 8th largest economic power from the 13th.⁷⁸ Because the Korean economy was heavily based on human resources, he claimed that the quality of

⁷⁸ Kim Dae Jung, *Mass-Participatory Economy*, 205

human resources as production inputs could be improved through education. Kim's emphasis on technology had a fundamental implication for his policy on Sino-Korean bilateral trade, which is further discussed in the following section.

Before discussing how Kim Dae Jung played a central role in formulating trading policies, it is necessary to discuss his personal view on China, which greatly affected Seoul's relationship with Beijing. In his *Prison Writings*, Kim Dae Jung admitted that he was not knowledgeable about China. Even though he lacked knowledge about China's bureaucratic political system, Kim Dae Jung had a tool to analyze international political economy. He knew not only about China's rise as an economic power, but also about the possible ways to take advantage of China's economic growth. Kim Dae Jung clearly was aware of China's ability to provide cheap labor to foreign investors, which Korea was lacking in the 1990s. The Korean labor market was relatively cheap and competitive compared to advanced countries such as Japan, yet it was not as attractive as the Chinese market to foreign businesses. Not only did China continuously develop its economy, but Beijing's cheap labor and cheap land could benefit Seoul. Accordingly, Kim Dae Jung eagerly reformed the domestic economy and implemented his plans for Korea's trade. Liberalization became the key factor during the Kim Dae Jung administration and it created a better climate for Sino-Korean bilateral trade.

Kim Dae Jung: Liberalization in Economy

The World Trade Organization Review from 1996 to 2000 indicates that Kim Dae Jung's view on market liberalization was directly applied to Korea's economic reform after the 1997 Asian Crisis. Since the membership in the OECD and the WTO, the Korean government committed to liberalizing its financial sectors, "strengthened its

commitment to market openness and stepped up measures to enhance market access.”⁷⁹

As Kim Dae Jung stressed the importance of liberalization in his book, economic liberalization was the top agenda in the Kim Dae Jung’s administration as well as specialization of economic sectors. Kim believed the role of government was to correct mistakes and failures. Kim’s belief was directly carried over to his economic reforms. The WTO Review of the Republic of Korea’s economy stated, “... the [Asian] Crisis prompted Korea to accelerate liberalization and market opening voluntarily.”⁸⁰

After implementing a series of reforms, Kim Dae Jung’s liberalization of the economy was followed by globalization of Korea’s economic sectors. Upon the inauguration, it was an urgent task for Kim Dae Jung to correct the market failure. Korea was experiencing the worst economic crisis since the Korean War. The imports and exports were rapidly decreasing, and the general public was experiencing high prices of goods. Previously, it was difficult for small sectors and foreign investors to enter the Korean market due to *chaebols*’ dominance of the market. Kim Dae Jung presented his belief that in democratic society, the public should participate in the market. Thus, unlike previous administrations, Kim Dae Jung prevented *chaebols* from having much control over the domestic market and encouraged small and medium size firms to actively participate in the market. It was also necessary to open its market to foreign investors in order for Korea’s trade to bounce back.

To facilitate the trade, the Kim Dae Jung government modified the function of the Ministry of Foreign Affairs and Trade (MOFAT), making the institution more efficient in

⁷⁹ World Trade Organization, *Trade Policy Review: Republic of Korea Reported by the Government*, 28 August 2000, 5, http://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm (accessed September 20, 2007).

⁸⁰ World Trade Organization, *Trade Policy Review: Republic of Korea Reported by the Government*, 10.

trade policy and the implementation of the policies.⁸¹ Kim Dae Jung's reforms permitted foreign companies to easily integrate into the Korean market. Kim Dae Jung's liberalization of financial sectors promoted foreign investment significantly, making the Korean market more accessible for foreign direct investors. Korea allowed foreign banks to establish subsidiaries in April 1998, allowed "foreigners to purchase all money market instruments such as CPs, CDs, and RPs, and removed ceilings on foreigners' stock market investments with the exception of state-owned enterprises" in May 2008.⁸² Seoul allowed foreign firms to list on the Korean Stock Exchange in July 2000.⁸³ Foreign firms began to branch out in the Korean market. For example, General Motors took over Daewoo, which went to bankruptcy, and manufactured automobiles.

As soon as Kim Dae Jung assumed power, he focused on the correction of the market failure by liberalizing the Korean economy. Kim carried out a series of reforms as a commitment to the membership of the OECD. The reforms provided foreign investors as well as domestic investors with more freedom, making it easier to access the Korean market. The procedure of foreign investment in Korea became much easier and simpler, so that Korea was able to attract foreign direct investors to bring capital, thus contributing to the recovery of the domestic economy. The economic reforms showed that Kim Dae Jung handled the economic crisis by maximizing the possible benefits of Korea's *seggyehwa*. Korea needed to prepare for the competitive market economy in order to successfully survive the economic crisis. Instead of isolating its market from foreign investors, Kim Dae Jung's *seggyehwa* resulted in the modification of trade policies.

⁸¹ World Trade Organization, *Trade Policy Review: Republic of Korea Reported by the Government*, 10.

⁸² *Ibid.*, 10

⁸³ *Ibid.*

China's path to membership in the WTO and the emergence of the globalized economy also stimulated Kim Dae Jung to open Korea's market to foreign firms and increase trade with its neighbors. Korea, which has little natural resources, has pursued outward trade since 1962. Kim understood that the collapse of the Berlin Wall helped democracy and capitalism become dominant political and economic ideologies in northeast Asia. China's vast market with 1.3 billion consumers could be Korea's major export destination. China's path toward capitalism provided an opportunity for Kim to persuade the Chinese to collaborate with Koreans. Besides the domestic economic change, Kim Dae Jung took the next step as a business man by making a visit to China. Kim's belief that globalization made world trade more competitive might have motivated him to make a presidential visit to China in 1999. Kim's visit to China became a significant point at which both Kim and Jiang Zemin built a friendship and developed mutual trust.⁸⁴ While visiting China, Kim repeatedly emphasized the prospect of a Sino-Korean relationship.

Kim's presidential speeches and official meetings with Korean and Chinese businesses demonstrated that the enhancement of Sino-Korean friendship was the top agenda in his economic policies. First, when he held a social gathering with 300 ethnic Koreans in China, he said that the Chinese economy would be the best or at least the second best in the world, although it was the 7th largest at that time.⁸⁵ He also asked them to enthusiastically participate in strengthening Sino-Korean relations since the two countries would cooperate in many different sectors [from economic to environmental

⁸⁴ National Archives of Korea, "Presidential Archives," <http://contents.archives.go.kr/next/search/searchTotal.do?totalSearchType=1&TO=%EB%8C%80%ED%86%B5%EB%A0%B9> (accessed December 2, 2007).

⁸⁵ Ibid.

issues].⁸⁶ On the same day, Kim invited 13 of his close friends and said again that China and Korea would hold hands and cooperate with one another in all different sectors, including the economy, politics, foreign policy, culture, and human resource exchange. President Kim again reemphasized the prospect of a Sino-Korean relationship during a speech at Peking University.

Kim's continuous effort to convince the Chinese government, business sectors, and Chinese college students of his ideas demonstrated that there would be a great amount of cooperation between China and Korea. Kim regarded China as a fundamental partner that would help Korea recover its domestic economic failure from the 1997 crisis and move on a path to be a competitive economy in the globalized world. Kim Dae Jung previously saw China's competence in the world market as a rising power. It was no longer inevitable that Korea would stay disengaged with China. Since Beijing was in the process of officially joining the WTO and its GDP was remarkably increasing, it was necessary to be cooperative with China for economic profits during this time. During the lunch with Sino-Korean economists, Kim said, "Chinese and Korean businessmen and economists: Sino-Korean economic cooperation is extremely necessary at this moment. First, economic globalization brings the globalization of a critical situation and we need to prepare for new [economic] challenges."⁸⁷

During the interview with Premier Zhu Rongji (朱镕基), while discussing economic cooperation expansion, President Kim played the role of a salesman who addressed Korean companies' difficulties [in trading with China] and reassured Zhu. In the afternoon, Kim Dae Jung invited 200 Chinese and Korean economists and held a

⁸⁶ Ibid.

⁸⁷ Ibid.

consultation meeting on the current critical situation. Kim again highlighted the necessity of Sino-Korean exchange and investment expansion. Additionally, during the meeting with the mayor of Shanghai, Kim Dae Jung asked the mayor to support Korean companies when participating in the development project of Shanghai.

President Kim's state visit to China shows his enthusiasm about Korea's diversification of its trading partnership with China. While holding multiple conferences and speeches in China, the president confidently reassured associated affiliates that China would be one of Korea's important economic partners. His repeated emphasis on bilateral collaboration in various sectors showed his confidence in the prosperous future of Sino-Korean bilateral trade. Kim seemed to build mutual companionships with Beijing. Perhaps, Kim Dae Jung did not pursue a meaningless partnership, but tried to find a way for the two countries to integrate with one another deeply.

The 1998 presidential summit was the only official meeting between China's and Korea's leaders. However, Kim Dae Jung and Jiang held meetings while participating in international conferences. In September 1999, both Kim and Jiang attended the Asia-Pacific Economic Cooperation (APEC). In September 2000, the two presidents also held a meeting at the United Nations Millennium Summit. They also met in October 2002 during the APEC conference in Shanghai, and met again at the APEC conference in Mexico.⁸⁸ The presidential office did not reveal the outcomes of the presidential discussions, yet it is important to understand that the two national leaders were willing to build friendships with one another.

⁸⁸ Embassy of the Republic of Korea in China, "Jung Moo Gwan Gye," (State Affair Relationships) <http://www.koreaemb.org.cn/contents/politics/serv2-71-03.aspx?bm=2&sm=3&fm=1> (accessed February 3, 2007).

Policies Towards Sectors during the Kim Dae Jung Administration

The analysis of Kim's view on globalization and his presidential activities demonstrates that *seggyehwa* was the cause of the economic reforms in sectors, thus eventually impacting the Sino-Korean economic relationship between 1998 and 2003. The Blue House - the Korean equivalent of the White House - understood that it had to revise the policies toward *chaebols*. Yet, the most important key of the economic reform of the Blue House was "the emphasis on promoting 'venture businesses' – small, technology-based firms characterized by high risk and the potential for high returns."⁸⁹ Kim Dae Jung points out the lack of Korea's investment in Research and Development (R&D). Kim stated, "as of 1990, total public and private investment in R&D was a meager 1.9 percent of GNP ...it topped 2 percent for the first time in 1991 (2.1 percent)."⁹⁰ Compared to the United States, which spent about 3 percent for R&D, 2.1 percent was little investment. The president believed there was a need to increase investment to 3 percent in order to facilitate research on technology.

According to Hoe Hun Chung, the Kim administration continuously invested in education and technology as well as a high level of the government investment in the venture industry in the 1990s.⁹¹ Many venture firms were established by young, advanced degree holders such as university professors or researchers, who majored in engineering or science.⁹² The increased the number of venture firms in the Information Technology sector resulted in the increase of Korea's trade. A majority of venture businesses were in

⁸⁹ OECD, *OECD Economic Surveys*, 150.

⁹⁰ Kim Dae Jung, *Mass-Participatory Economy*, 206.

⁹¹ Hoe Hoon Chung, "Lessons from the Korean Venture Industry Development," http://info.worldbank.org/etools/docs/library/109280/KoreaVenture_final.pdf (accessed February 12, 2008).

⁹² Ibid.

the computer or telecommunication equipment sectors, thus contributing to the information technology industry.⁹³

President Kim's view on technology as Korea's future major export results in a significant advancement of technology. Beginning with Samsung's semiconductors, Korean technology sectors produced high quality products. Technology enhancement sectors have important implications on Korea's exports to China. The next chapter analyzes the historical revolution of the Sino-Korean bilateral relationship using qualitative methods. It will highlight how the presidents' attempt to enhance the Sino-Korean relationship caused the distortion of the diplomatic affiliation between China and Korea.

⁹³ OECD, *OECD Economic Surveys* (Paris, France: OECD Publication, 2000), 152.

CHAPTER IV

SINO-KOREAN BILATERAL RELATIONSHIP, 2000-2007

The previous chapter examined Kim Young Sam's and Kim Dae Jung's slightly different perspectives on *segzehwa* and their efforts to globalize Korea. Even though Kim Young Sam and Kim Dae Jung both were the same generations and shared their political views as companions in the 1980s against the military regime, Kim Young Sam and Kim Dae Jung had different policies on Korea's globalization because of their educational backgrounds and international experiences. Kim Dae Jung was much more enthusiastic about playing a role as a national business leader and continuously implemented the liberalization of Korean economy in order to recover the domestic market and develop Korea's global trading system with China. Given the differences in policies, this chapter examines the impact of presidential efforts in the course of Sino-Korea trade.

Sino-Korean Historical Relationship

By looking at the outcomes of presidential summits, it is clear that the two countries have made much progress over time, even though the diplomatic relationship has existed only about 15 years. The Sino-Korean bilateral relationship gradually increased and rapidly developed when Kim Dae Jung made a state visit to Beijing in 1998. Kim Dae Jung's ambition to enhance the Sino-Korean relationship into companionship boosted Sino-Korean trade dramatically. Not only did bilateral trade

increase, but presidential efforts encouraged a greater willingness to collaborate for mutual economic benefits. This section examines the evolution of the Sino-Korean historical relationship by conducting qualitative analysis, and then it looks at the same issue via statistical analysis. The analysis of Sino-Korean bilateral history shows that there are watershed moments in it. Along with the three important timelines, the collaborative bilateral approach in resolving the Goguryeo dispute and the discussion on Free Trade Agreement explain the evolution of this relationship.

China and Korea have shared diplomatic, economic, and historical relationships for more than three thousand years. Both countries fought against the Japanese Empire in the late 19th century and the first half of the 20th century. Yet, the Republic of Korea sided with the United States during the Korean War. Mao Zedong's seizure of political power and declaration of the PRC in 1949, formed the distance between China and Korea. During the Cold War, there was hardly any contact between the PRC and the ROK. As Kim Dae Jung admits in *Prison Writings* his lack of knowledge about the Chinese governmental system was shared by many distinguished political figures in Korea. China's isolationism made it even more difficult for Korea to negotiate with it. China and North Korea were in an alliance, so Koreans regarded China as a threat to regional security.

The collapse of communism after the fall of the Berlin Wall, China's acceptance of capitalism, and Korea's economic growth all played a role in making it easy for Korea to open a door to China for a diplomatic relationship in the early 1990s. Rho Tae Woo's establishment of a Sino-Korean relationship in 1992 normalized the diplomatic situation, creating a better climate for both countries in interacting with one another. Right after

this establishment, the PRC and the ROK agreed on science and technology cooperation. The Sino-Korean bilateral accord, signed on September 30, 1992, became effective on October 30, 1992. The two governments agreed to establish an economic, trade and technical cooperation committee. These agreements which took place right after the treaty showed Beijing and Seoul were actively engaged with one another in normalizing bilateral trade.

Rho Tae Woo was soon followed by Kim Young Sam in 1993. Between 1992 and 1996, the ROK and the PRC named the relationship the “Preferred Cooperative Relationship,”⁹⁴ meaning that the two countries were more than willing to cooperate through bilateral negotiations. In fact, approximately 130,000 Chinese and Koreans were exchanged as a result. Still, at the beginning of the relationship, there was not a significantly remarkable interaction between the two states. Kim Young Sam made a state visit to China on March 20 through 26 in 1994.⁹⁵ Kim Young Sam and Jiang Zemin established an industrial cooperation committee, which was further developed by Kim Dae Jung during his visit to China in 1998.⁹⁶ The bilateral cooperation, in fact, was accelerated during the Kim Dae Jung administration, especially after this visit.

When the former ROK President, Kim Dae Jung, visited China on November 12, 1998, Kim Dae Jung and Jiang Zemin decided to enhance the Sino-Korean relationship toward “Cooperative Companionship.” The two presidents decided to increase the exchange of government and parliamentary party officials, cooperate on security for the

⁹⁴ National Library of Korea, “Sino-Korean Exchange,” www.nl.go.kr/policy/point_issue/ (accessed March 2, 2007).

⁹⁵ Embassy of the Republic of Korea in China, “Table Showing Important Exchanges of Visits between Chinese and ROK leaders,” <http://www.koreaemb.org.cn/contents/politics/serv2-71-06.aspx?bm=2&sm=3&fm=1> (accessed May 5, 2007).

⁹⁶ Ibid.

Korean peninsula and northeast Asian region, and collaborate for Asian economic recovery, economic growth, and alliances in other fields. Under these agreements, Kim and Jiang drafted, signed, and publicly presented Sino-Korean bilateral agreements the following day.⁹⁷ The bilateral agreement included the expansion of trade to create a better climate. The five point agreement was not released to the public, but parts of the agreement were referenced in various official publications. The two presidents discussed not only the enhancement of regional economic cooperation but also strengthening a companionship.

Kim Dae Jung's presidential visit to China resulted in the advancement of the bilateral relationship between Korea and China. Whereas Kim Young Sam's bilateral relationship was based on trade and human resource exchange, Kim Dae Jung's policy toward China was more inclusive. Kim Dae Jung as a president did not hesitate taking the role of a businessman for the advancement of the Sino-Korean bilateral relationship. Kim Dae Jung considered this relationship with China as a significant factor in preparing for the globalized economy and did not pursue a limited bilateral relationship. In order for trade to further develop, it was necessary to collaborate in many different aspects with China since other potential political issues might affect mutually beneficial economic interests. Limiting the presidential discussion only to economies would not entirely provide a better circumstance for Korean sectors to facilitate bilateral trade. It was necessary to discuss various aspects which might positively stimulate Sino-Korean trade.

Kim Dae Jung might have understood that there could be many potential issues between Seoul and Beijing as they developed their bilateral relationship. Since China and

⁹⁷National Archives of Korea, "Presidential Archives," <http://contents.archives.go.kr/next/search/searchTotal.do?totalSearchType=1&TO=%EB%8C%80%ED%86%B5%EB%A0%B9> (accessed December 2, 2007).

Korea did not interact with one another during the Cold War due to the ideological differences, it was expected that there could be some potential friction in trade. In order to prevent a possible problem from adversely affecting companionship, it was important to be willing to exchange high government officials for better communication. When PRC Premier Zhu Rongji (朱镕基) visited Korea, the two countries established a committee of investment cooperation between ministers in order to promote bilateral investment and reduce barriers. Until November 2005, the two countries held four meetings. China and Korea discussed the Chinese electricity market (power plant, electrical power, new renewable energy, etc), joint resource development and ways to resolve issues of Korean investing companies.⁹⁸ This preventative action would help the two countries facilitate trade policies, making it much easier for the financial sectors to interact with China. Moreover, his belief on the importance of technology also played a significant role in the Sino-Korean bilateral agreements.

China regulated foreign companies by dividing them into four separate categories. The four categories vary from sectors promoted by the government to sectors that prohibited foreign firms from investing. China allows microelectronic technology, machines, the electronics, and automobile components to invest in the domestic market. The Chinese policy met Kim Dae Jung's passion for the development of technology. Korea developed technology that encouraged foreigners to invest in China. It was an outstanding opportunity for Korean firms to expand their businesses in China. Since Kim Dae Jung and Jiang Zemin agreed to cooperate in the financial sectors, Korean finance,

⁹⁸ Embassy of the Republic of Korea in China, "Economic Relations," <http://www.koreaemb.org.cn/contents/politics/serv2-72-05.aspx?bm=2&sm=3&fm=2> (accessed June 12, 2007).

insurance, and stock markets have branched into the Chinese market. As of September 2005, there are 22 Korean banks in China including 16 branches, 5 offices, and 1 corporation.⁹⁹ Furthermore, after the agreement to create an industrial cooperation committee during Kim Young Sam's visit to China in 1994, Kim Dae Jung agreed to industrial projects including the development of the financial sector, CDMA (code division multiple access), nuclear plants, and express trains. When Rho Moo Hyun visited China in July 2003, China and Korea decided to pursue a industrial project that includes IT (Information Technology), future high technology (BT, NT), the electric utility industry, Chinese resource development, and financial collaboration.¹⁰⁰

This bilateral pact has significantly assisted the Korean financial sector by increasing its exports to China. The industrial project implies that through the exchange of the commodities associated with the project, there would be potential exchanges such as product segments and human resources. To transfer IT from Korea to China, it was necessary for the companies to send experts to China and cooperate with the local Chinese employers and employees. By importing Korean experts, the Chinese industrial sectors benefited from Korean technology, thus further improving and building friendships among sectors under government assistance. Kim Dae Jung's program not only promoted Sino-Korean bilateral trade, but also contributed an improved collaborative climate between China and Korea, thus implementing his ambition about technology in trade. After the Chinese and Korean governments built the cooperation channel, Korean IT sectors actively exported to China including Hong Kong. The amount

⁹⁹ Ibid.

¹⁰⁰ Embassy of the Republic of Korea in China, "Economic Relations," <http://www.koreaemb.org.cn/contents/politics/serv2-72-05.aspx?bm=2&sm=3&fm=2> (accessed June 12, 2007).

of investment reached \$24 billion, resulting in Korea gaining a trade profit of \$13 billion. The major export commodities to China are cellular phones, semiconductors, TFT-LCD and IT.¹⁰¹

In February 2003, Kim Dae Jung was succeeded by Rho Moo Hyun. Rho Moo Hyun, who was a former human right lawyer, did not enjoy as sophisticated a knowledge of economies as his predecessor. By the time he arrived in the Blue House, Korea's domestic economy was no longer severely suffering and the Sino-Korean relationship seemed to be stable. His inauguration speech did not discuss Korea's trade with China, yet Rho Moo Hyun could have benefited from Kim Dae Jung's achievement of Sino-Korean bilateral companionship. On November 16-17, 2005, ROK leader Rho Moo Hyun invited Hu Jintao to Korea. Hu and Rho held a presidential summit in Seoul, and both countries proclaimed an 'Entirely Cooperative Companionship'. Rho's presidential summit with Hu became the third moment in the Sino-Korean historical relationship. 'Entirely Cooperative Companionship' implies that the PRC and the ROK were satisfied with diplomatic progress, so that they were willing to take the bilateral relationship further.

The presidents agreed to enhance bilateral negotiation and cooperation. This opened a hot-line between the Chinese and Korean foreign ministers which allowed them to share their views freely. Hu Jintao and Rho Moo Hyun celebrated the fact that Sino-Korean bilateral trade reached \$100 billion in 2000, three years earlier than they originally expected, and they would make efforts to reach \$ 200 billion by 2012.¹⁰²

¹⁰¹ Ibid.

¹⁰² Embassy of the Republic of Korea in China "Han Jung Gongdong Sungmyong" (Sino-Korean Joint Summit) <http://test.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2767/default.htm> (accessed June 12, 2007).

The Cold War created a gap in the Sino-Korean bilateral relationship. However, since the establishment of the normal diplomatic relationship in 1992, the PRC and the ROK significantly expanded their economic ties. After Kim Dae Jung's presidency, Beijing and Seoul have collaborated for mutual economic benefit, and these achievements were carried over to the Rho Moo Hyun and Hu Jintao administrations. The bilateral agreements are more inclusive, so that the two countries are willing to cooperate in many other sectors in order to positively stimulate trade. The following analysis of the historical disputes and Korea's and China's way of handling the issue further demonstrate the strong friendship of the two countries.

Sino-Korean Disputes

The historical dispute between the PRC and the ROK is a good example showing how importantly Beijing and Seoul regarded the bilateral relationship. In 2004, Beijing and Seoul encountered a dispute over the Goguryeo Kingdom (37 B.C. to 668 A.D.).¹⁰³ The Goguryeo Kingdom was regarded as part of Korean history by Korea, yet the "PRC claimed that Goguryeo was part of Chinese history."¹⁰⁴ The kingdom controlled parts of the territory which used to belong to Korea, but currently is part of the PRC. The PRC Foreign Ministry decided to "remove content on Korean history from its website unilaterally, and this action caused the anti-Chinese sentiment among the general public in Korea."¹⁰⁵ China's claim gave a rise to Korea's angry reaction, thus creating a worry that may adversely affect the continuous efforts between China and Korea. In fact, there was a public opinion that claimed that "China's hegemonic ambition has been

¹⁰³ Scott Snyder, "China-Korea Relations: A Turning Point for China-Korea Relations," 109.

¹⁰⁴ Scott Snyder, 109.

¹⁰⁵ Ibid.

exposed.”¹⁰⁶ The general public’s reaction to the Chinese attitude was rapidly spread to the Korean peninsula. Since public opinion played a significant role in shaping foreign policy in Korea, it was urgent to calm down public anger.

Korean reaction over the historical dispute put pressure on the MOFAT to resolve the situation.¹⁰⁷ Beijing sent PRC Vice Minister Wu Dawei, who was the former ambassador to the ROK, to handle the issue. The two countries, after the negotiation, “announced a five-point verbal agreement designed to manage the Goguryeo issue in a manner sensitive to Korean concerns and to prevent the issue from affecting other aspects of the relationship.”¹⁰⁸ Basically, the PRC and the ROK left the dispute to the public and decided to regard it as an academic issue, but not a government dispute.¹⁰⁹ In other words, the two governments did not want to get involved in this historical dispute since it would probably damage their economic relationship. This was a significant turning point in the Sino-Korean relationship. The announcement by the PRC and the ROK clearly showed that the two governments were collaborating with one another to preserve the bilateral relationship. Given the fact that Beijing and Seoul did not have mutual recognition in the pre-1992 period, the mutual collaboration over the conflict revealed that the bilateral friendship has deepened significantly over the past 12 years since its establishment.

China’s and Korea’s approach to the historical disputes demonstrated Kim Dae Jung’s personal efforts to enhance his friendship with Jiang. Koreans were angry over the dispute after the announcement, claiming that the Korean government’s willingness

¹⁰⁶ Ibid.

¹⁰⁷ Ibid, 110.

¹⁰⁸ Ibid.

¹⁰⁹ National Library, “Has Jung Gyorye,”

http://www.nl.go.kr/policy/poinht_issue/list.php?sub_mission=5&rec_key=49&find_value=&find=
(accessed Octobe 2, 2007)

would make Korea controlled by the Chinese government as it used to be in the past. Yet, the president and his cabinet members had no intention to confront the Chinese authorities. Instead, for the sake of economic cooperation, the two countries were willing to resolve the situation peacefully. This was a fundamental attitude change for both countries.

Kim Dae Jung believed that Korea should move on from the perception that China was a mother controller of Korea. As Kim Dae Jung articulated in his New Year speech in 2000, Kim believed that the world has just encountered a new millennium era.¹¹⁰ The new world required Korea to adapt changes such as *segyehwa* and the importance of knowledge in the technologically developed world. In order to become a competitive society, Korea must not see China through the historical eye in which Koreans regarded their country as China's puppet. This new vision towards the 21st century and Kim's personal peaceful way of dealing with transnational conflicts helped resolve the Sino-Korean historical issues.

Rho Moo Hyun Administration and FTA

Starting in 2004, Beijing and Seoul discussed a Free Trade Agreement (FTA). The Korean government regarded FTAs as a type of economic integration, in which related countries aim to remove trade barriers such as tariffs while trading products and services.¹¹¹ The Sino-Korean bilateral talk on the FTA began at the scholarly level, aided by the government. In September 2004 at the ASEAN +3 economic ministers' conference, China and Korea agreed on joint research for the FTA program. In 2005, China's

¹¹⁰ Kim Dae Jung Hall, "Sinyonsa (2000 nyon)," (New Year Speech, 2000) <http://www.kdjhall.org> (accessed November 22, 2007).

¹¹¹ Government Information Agency, "FTA," US-Korean FTA, <http://www.korea.kr> (accessed November 5, 2007)

Development Research Center (DRC) and Korea's Institute for International Economic Policy (KIEC) completed the first year joint research on the bilateral FTA. During the presidential summit in February 2005 between Rho Moo Hyun and Hu Jintao, both presidents expressed their satisfaction on the launch of Sino-Korean FTA research. They hoped that China and Korea would critically discuss the issues, complete the research report, and make policy recommendations to the government on time.¹¹²

Beijing and Seoul held a second round conference in Korea between July 3 and July 4, 2005 to review the validity of the Sino-Korean FTA. Ministry of Foreign Affairs Trade (MOFAT) announced that the Chinese and Korean governments would predominantly discuss commodities in their joint research. Furthermore, the PRC and the ROK would set regulations on product origins, customs procedures, trade, and both countries' economic situations as well as investment relationships.¹¹³

China and Korea began a third round of the conference, which discussed the Sino-Korean FTA industrial-government-educational institution joint research from October 2007 in Weihai (威海). Before the FTA conference, MOFAT announced that Park Hyo Sung, the executive representative of the MOFAT, as well as approximately 40 affiliates, would participate, and Zhang Kenning and 40 other affiliates would join the meeting from China.¹¹⁴ MOFAT added that both parties would continue to research the effectiveness of the Sino-Korean FTA in products services, and investment sectors more

¹¹² Embassy of the Republic of Korea in China "Han Jung Gongdong Sungmyong" (Sino-Korean Joint Summit) <http://test.fmprc.gov.cn/eng/wjb/zzjg/yzs/gjlb/2767/default.htm> (accessed June 12, 2007).

¹¹³ Ministry of Foreign Affairs and Trade of the Republic of Korea, "Han Jung FTA San Gwan Hak Gong Dong Young Gu Jae 2 Cha Hui Gae Cha," (Sino-Korean FTA Joint Research Second Round Conference Held), <http://www.mofat.go.kr/index.jsp> (accessed April 28, 2008).

¹¹⁴ Ibid.,

comprehensively. It was expected that this would provide a great opportunity for the governments, education institutes, and companies to participate and discuss.¹¹⁵

The fourth round of the talk on FTA was held on February 18 through 20 in 2008 on the island of Cheju. The two parties, this time, negotiated on products (manufactured products and agricultural-fishery products) as well as other issues, and they arrived in an agreement on manufacture, origins of products, customs clearance, intellectual property rights, competition, economic cooperation, and SPS (service propulsion system). The joint research report consists of 6 sections, divided into 18 sub-categories. The two countries agreed upon 15 of them at this time.¹¹⁶

The discussion of the Free Trade Agreement between the PRC and the ROK shows the efforts to create a free trade area in the region. The two governments assigned research institutes to take responsibility for the FTA talks, thus carefully planning the FTA establishment. By having research institutes examine the FTA before the governments made trade policies, the two governments were approaching the negotiation cautiously. After researchers examined the validity of the FTA between the PRC and the ROK, government officials began to discuss trade commodities, rules, and regulations. China and Korea have been discussing trade procedures in order to ensure that importers and exporters exchange commodities without violating regulations to facilitate trade flow.

The FTA negotiations included a joint cooperation of government officials, research institutes, and business sectors. The government officials were in charge of making laws and rules in order to provide foundations for better bilateral trade. The

¹¹⁵ Ibid.

¹¹⁶ Ministry of Foreign Affairs and Trade, "Hanjung FTA Sangwanhak Gongdongyongy Je Sa Cha Hoie," (Sino-Korean_FTA Industrial-Government-Educational Institution Joint Research Results) www.mofat.go.kr (accessed April 7, 2008).

research institutes actively examined the validity, effectiveness, and possible advantages of the FTA for both countries. They also evaluated each country's economic situation before deciding on which types of commodities and service areas would be negotiated negotiation. Business sectors invested in and exported commodities to China. These three levels of collaboration in the FTA have implications for regional integration.

The Sino-Korean FTA could contribute to the further enhancement of bilateral trade. Beijing's and Seoul's investors do not need to be burdened with as many regulations. Because the FTA discussion is actively supported by the Korean government, the government also is cooperating with Korean business sectors as well as research institutes, which would greatly facilitate foreign direct investment in both countries. Many business sectors, especially information technology, would find Chinese businesses that are willing to receive Korean technology. Also, many automobile manufacturers such as Hyundai are already building their factories in mainland China.

The Sino-Korean FTA negotiations have implications for the northeast Asian region. Korea seems ambitious to become a regional FTA hub.¹¹⁷ Even though the PRC and the ROK have sought to build a FTA, immediately after the U.S.-FTA negotiation completed in 2007, "China sought to expedite a feasibility study on the prospects of an FTA with Korea."¹¹⁸ The Sino-Korean FTA negotiation would be continued by the Lee Myong-bak administration in 2008.

China would be the most important trading partner in automobiles and agricultures products.¹¹⁹ The continuous discussion on the FTA between Beijing and

¹¹⁷ Troy Stangaron, "What's Next For Korea?," *Pacific Forum* CSIS, Honolulu, Hawaii, October 18, 2007 <http://www.csis.org/media/csis/pubs/pac0753.pdf> (accessed October 20, 2007).

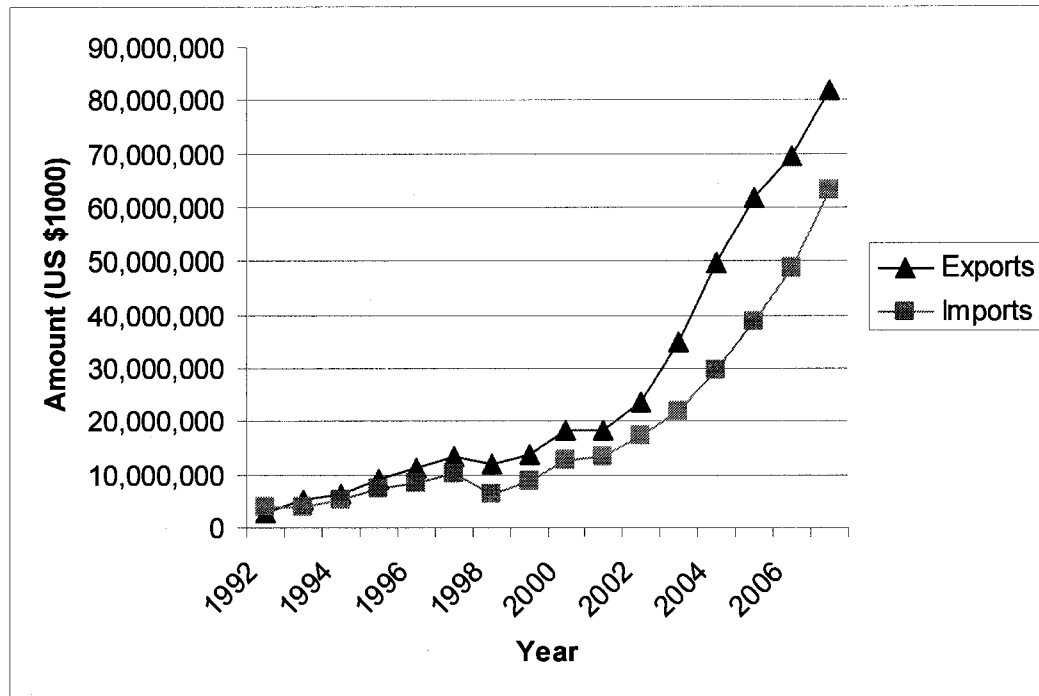
¹¹⁸ Ibid.

¹¹⁹ Ibid

Korea might bring the region close, thus making regional trade easy. This regional integration may expand to other countries such as Japan or ASEAN in the future.

Statistical Analysis: Trade

Figure1: Sino-Korean Trade



Source: Korea Statistics Information Service, "China, People's Republic of," <http://www.kosis.kr/>.

Figure 1 shows the imports and exports of Korea's trade with the PRC between 1992 and 2007. The squared dotted line indicates Korea's imports from mainland China and the triangular dotted line indicates Korea's exports to China. The figure shows that Sino-Korean bilateral trade slightly increased until 1997, but the growth rate of each year was not significant. The growth rate was negative in 1998 and then the trade bounced back. Korea's trade to China began to rise significantly from 2002 until 2007.

Upon the establishment of the relationship in 1992, Korea's trade to China was approximately \$5 billion, and the ROK had a trade deficit. Korea's exports to China were

about \$ 2 billion, whereas the imports were about \$ 3 billion. Seoul's exports to Beijing steadily increased from 1992 to 1997, and its imports also increased during the same period. However, the decrease of the trade in 1998 implies that the Asian economic crisis adversely affected the trade flow.

From 2001, Korea's imports and exports rapidly rebounded. In fact, from 2001 to 2004, the bilateral trade steadily increased. In 2002, Korea's imports were \$17 billion and exports were \$23 billion. The imports reached \$21 billion in 2003 and then \$29 billion in 2004. The exports reached \$35 billion in 2003 and then \$49 billion in 2004. The growth rate of the trade became larger from 2004 to 2007. The imports from China to Korea in 2004 were \$29 billion, \$38 billion in 2005, \$48 billion in 2006, and \$63 billion in 2007. The exports from Korea to China were \$49 billion in 2004, \$61 billion in 2005, \$69 billion in 2006, and \$81 billion in 2007. The bilateral trade growth shows that the annual growth rate became much larger after 2003, implying that Kim Dae Jung's presidential efforts became effective soon after his term finished.

Korea's trade with China increased by 23.4% per year whereas the trade increase of the international community was only 9.6%. ROK's exports to mainland China increased by 27.7% every year, while ROK imports rose from the PRC rose 18.8% each year.¹²⁰ The increase in trade shows that Korea and China were integrating with each other. In fact, the PRC was the fifth largest trading partner of Korea in 1992 and became the top trading partner in December 2004. Korea was the seventh largest trading partner to China in 1992, but became the fourth in 2004.¹²¹

¹²⁰ Ministry of Commerce of the People's Republic of China, "Introduction to Sino-Korean Investment," <http://kr2.mofcom.gov.cn/aarticle/bilateralcooperation/inbrief/200604/20060401825389.html> (accessed October 20, 2007).

¹²¹ Ibid.

Kim Dae Jung's presidential attempt to convince business sectors and government officials to further engage with Korea began to show its effectiveness at the end of his term. As Korea's domestic economy began to stay stable and trade policies were enacted by the Korean government, the bilateral trade began to increase rapidly. By 2006, it reached \$100 billion, resulting in a surplus for Korea. By the time Kim Dae Jung was followed by Rho Moo Hyun, Korea's technology sectors were promoted by the government greatly, so that small and medium firms were able to develop their IT technology significantly. Kim Dae Jung's repeated emphasis on technology as a fundamental trade commodity and a tool in increasing Korea's economic power contributed to the large annual growth rate in trade.

The major export commodities of Korea to China are portable digital automatic data processing machines. They were not one of the top 50 commodities until 2000. It was worth only \$600 million in 2001, and the annual growth from 2000 to 2001 was 232%. They were \$ 2 billion in 2002, resulting in a 220 % annual growth rate from the previous year. The exports of the product increased to \$11 billion in 2003 with the growth rate at 413%. They further increased from 2003 to 2004, reaching \$20 billion, increasing 83% from the previous year. They rose to \$29 billion in 2005 with 43% of the annual growth. The exports of the products were \$ 38 billion with the annual growth of 28.8% in 2006.¹²²

The remarkable rate of the annual trade growth of digital automatic data processing machines provides a good example of the role of the IT sectors in Sino-Korean relations. They were able, as Kim Dae Jung envisioned, to build a strong

¹²² Korean International Trade Association, "Trade by Commodity," <http://stat.kita.net/> (accessed August 3, 2007).

relationship with Chinese firms. As China opens its market to foreign investors, especially in order to receive high technology from other countries, Korean technology firms were able to invest in China, thus contributing to Korea's trade.

Kim Dae Jung believed that *seggyehwa* would create a world market based on technology. This trend would increase the competition among super economic powers, meaning that Korea needed to increase its technology sector in order to survive in the globalized market. Kim Dae Jung's reform, which emphasized the importance of China as a rising power and the significance of promoting small and medium sectors, facilitated Korea's trade with China. Kim eventually succeeded in strengthening the Sino-Korean relationship.

CHPATER V

DISCUSSION AND CONCLUSION

This study examined Korea's globalization with a case study of Sino-Korean trade. Korea's growing relationship with China was directly influenced by the Korean presidents' views on globalization. Kim Young Sam and Kim Dae Jung emphasized the emergence of globalization in the 1990s. The differences in educational and foreign experiences between Kim Young Sam and Kim Dae Jung resulted in the gap of their approaches to *seggyehwa*. Kim Young Sam perceived *seggyehwa* that began to spread in the international community at the end of the Cold War. Kim Young Sam's emphasis on *seggyehwa* helped Koreans learn the concept, yet Kim Young Sam failed to apply his views in practice. Through the abundance of Kim Dae Jung's education in the United States as well as in England, Kim Dae Jung was able to build knowledge on international political economic phenomena and provided ways to achieve his economic goals.

Kim Dae Jung successfully launched his reforms upon his inauguration and furthered Sino-Korean relationship. He believed that under democratic society, the government should allow the public to easily participate in the economic activities. In order to encourage small and medium size sectors to actively invest in the market, Kim Dae Jung restricted the dominance of *chaebols* first. During his administration,

small sectors, especially in the information technology firms, were able to maximize their business, thus contributing to the remarkable development of science technology. The advancement resulted in the increase of technology transfer from Korea to China, contributing to the increase of bilateral trade.

Kim Dae Jung's reforms changed the structure of domestic economy, facilitated trade regimes by modifying the organization of the foreign ministries of trade, and eventually provided incentives and subsidies to foreign sectors. These economic modifications created a better climate for trade and attracted foreign investors to consider Korea as a promising market. Given this economic market improvement, Kim Dae Jung actively convinced Jiang Zemin to collaborate with Korea and promoted Chinese business affiliations to cooperate with Korea. These efforts took the Sino-Korean relationship further and eventually resulted in a companionship.

As *segyehwa* was defined as a process in the rise of interactions in all sectors such as economies, society, culture, environment, politics, and diplomacy, Kim Dae Jung successfully managed to advance the economic relationship by promoting collaborative works in many different sectors. The China-Korea alliance in politics, society, and culture collectively helped the bilateral trade further rise, even after Kim Dae Jung left his office.

Kim Dae Jung's attempt to improve Korean economy until his resignation was carried over by the Rho Moo Hyun administration. President Hu Jintao and Rho Moo Hyun negotiated a FTA deal by providing assistance to research institutes and the governments. The FTA talks are still in process, thus making China a more promising business land. The two countries have encountered disputes over their historical

relationships, yet these disputes were wisely handled in order to prevent the issues from adversely impacting the bilateral companionship.

As both qualitative and statistical analysis results indicated, Beijing and Korea have built a strong companionship over time. Even though there are disputes between the two nations, the governments are peacefully negotiating with one another. The discussion on the establishment of the FTA implies there could be a further promotion of the bilateral relationship in the near future. The PRC-ROK economic alliance is no longer a new concept for a majority of Koreans. Investors are actively building bridges with one another and they are also cooperation in many different fields such as environments.

This study explained the course of the evolution of Sino-Korean trade, yet there are several places that can be improved in the future. Kim Dae Jung discussed only briefly about the background of his arrival at Harvard, but did not address how he acquired his current knowledge of economy. Thus, it would have made this study more thorough if it was possible to interview any faculty members who remembered Kim Dae Jung's experiences at Harvard University. Another part is that due to the lack of publications on this topic, it was difficult to comprehensively analyze the outcomes of Sino-Korean presidential summits. There have been more than five presidential summits since 1992, but the summit results between Hu Jintao and Rho Moo Hyun were the only document released to the public. Even though Kim Dae Jung's meeting with Jiang Zemin had significant consequences, the primary document was not accessible.

China and Korea have developed the friendship over the past fifteen years. Even though there was a gap of communication during the Cold War, the two countries are satisfied with the results and are promoting a further enhancement by 2012, which is the

twentieth anniversary of the establishment. Economic friendship helped Korean culture influence mainland China, so that the Chinese and Koreans are sharing cultural common ground. As China becomes a stronger economic power, there would be more competition among countries that are interested in trading with China. The rise of competition would make Korea prepare better ways to continuously enhance the bilateral companionship. It is worthwhile looking whether China and Korea eventually make a final decision on the FTA in the near future.

In conclusion, the findings of this thesis imply that individual leaders' view on globalization played a significant role in the rise of Sino-Korean bilateral trade between 1992 and 2007. Korean presidents have much power over economic policies, so that their individual views on international political economy directly influences Korea's trade policies with other states. The findings can be generalized, so that they can be applied to other case studies in the future. Besides the PRC, ROK has already established an FTA with Chile, the United States, and Singapore. There are also several other FTA treaties that are pending to be approved. In those cases, it is possible to apply the findings of this thesis to find whether Korean presidential views on globalization also impacted the bilateral treaties.

Furthermore, this analysis could be applied to other bilateral trade cases such as Singapore-U.S. FTA, China-Venezuela bilateral trade, intra-regional economic relationships of ASEAN, EU, and MERCOSUR to test out whether individual leaders' view on the world shaped the trade policies. Globalization has made the world become closer, but increased the international market competition. As discussed in the introductory chapter, many regions in the world have linked their economic ties and the

number of bilateral trade has increased between states. South Korea, in which exports make up a large portion of domestic economy, was ruled by authoritarian regimes for more than three decades. The results of this study provide a tool to example countries that pursue outwardly oriented economic markets and have experienced similar political history.

The study of Sino-Korean economic relationship provides several suggestions for future study. The bilateral economic cooperation has also resulted in the transfer of Korean culture to China. The Chinese observe Korean political culture and apply these ideas in their politics. Korea has enormously influenced Chinese pop culture, so there is a cultural community between the two countries. Moreover, China has also been cooperating with North Korea. China and North Korea are trading in Sinuiju, which is located in northwestern North Korea near the border between North Korea and China. Since South Korea is conducting industrial projects in North Korea, Sinuiju can be an important trading destination for the triangular trade in the future. In the future, it will be worth examining individual leaders' role in the triangular trade in northeast Asia

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