

Key-note Speech by H.E. Ban Ki-moon  
Minister of Foreign Affairs and Trade  
at the conference organized  
by Samsung Economic Research Institute and  
Korea Institute for International Economic Policy

- *Defining the U.S.-Korea Alliance : Security and Economic Challenges* -

The Honourable Jung Ku-hyun, President of Samsung Economic Research Institute,

The Honourable Ahn Choong-yong, President of Korea Institute for International Economic Policy,

Distinguished Guests and Ladies and Gentlemen!

First, I am deeply honored to have this valuable opportunity to address such distinguished participants at this important conference. I see many distinguished participants who have been working for the promotion of the U.S.-Korea alliance. I appreciate such contribution of those who worked for that.

I would like to take this opportunity to pay tribute to Samsung Economic Research Institute and Korea Institute for International Economic Policy for their outstanding role in undertaking the task of researching and analyzing the positive direction of Korea's development. These two private-sector think tanks are well-known for their leading roles in providing fresh ideas on Korea's current trends and balanced outlooks for future changes in Korea.

In this regard, this conference on "defining the U.S.-Korea Alliance" is indeed a timely and valuable event. It is a great honor and pleasure for me to have the opportunity to share the views on the security and economic challenges of the U.S.-Korea alliance.

(security challenges)

I would like to begin with the security challenges faced by the U.S.-Korean alliance.

The alliance of the U.S. and Korea has served as the cornerstone for peace and stability on the Korean peninsula and Northeast Asia for the past five decades. Recently, the alliance has seen new developments and changes in both countries and in international relations.

Over the last two years, the two partners of the alliance have had a very important series of consultations on military transformation. The major influences on the transformation of our alliance are the new global security environment, the changes in U.S. military strategy and the new developments in Korea's political landscape.

Through close consultation, the two governments have reached an agreement on the plans for the realignment of the USFK. Our two governments have wisely made a decision that will prove to be a win-win solution to the relocation of the USFK bases and the reduction plan of the USFK.

Throughout the consultation process, our two countries have been fully committed to the principles that the combined deterrence capabilities should be enhanced, and that the unique security situation of the Korean peninsula should be taken into full account. Last night Yong-san relocation plan was ratified together with the Land Partnership Plan(LPP) amendment in the National Assembly. The extension of the mandate of the Korean troops to Iraq was not ratified yet. But I hope that the mandate will be extended by the bipartisan support this month.

In addition, the US welcomed and fully support Korea's "Cooperative Self-Reliant Defense Modernization Plan", alongside of the U.S. commitment for an 11 billion-dollar military investment program.

Furthermore, Korea has dispatched the third largest number of troops to Iraq. This was a meaningful measure undertaken by the Korean government not only to help Iraq build a free and peaceful country, but also to demonstrate

the Korean government's firm determination to further strengthen its alliance with the U.S.

President Roh's surprise visit to the Korean troops in Arbil on his way back from Europe showed his strong reaffirmation of Korea's commitment to a solid alliance as well as to the stability and reconstruction of Iraq.

Now let me turn to one of the most pressing challenges faced by our alliance: the North Korean nuclear issue.

To cope with this serious issue, the three rounds of the Six-Party Talks held so far have helped stabilize the once volatile situation, making some initial progress in laying the groundwork for serious negotiations.

Unfortunately, however, we have yet to make satisfactory substantive progress in the talks, and the fourth round of the talks to be held by the end of September has not yet been held.

In the bilateral summit that took place during the recent APEC summit in Chile, President Roh and President Bush agreed to put a 'high priority' on the swift resolution of this issue. Furthermore, leaders of China, Japan, and Russia also reaffirmed their commitment toward a peaceful resolution of the North Korean nuclear issue and expressed their common hope that the talks be resumed as soon as possible.

In addition, at the recent ASEAN+3 Summit, and during his visits to Britain, Poland, and France, President Roh made sustained endeavors to emphasize the importance of a peaceful resolution of the North Korean nuclear issue, while also reaffirming the sincere commitment on the part of the ROK to this end.

President Roh's remarks on the North Korean nuclear issue during his recent trip to Europe reflect the coordinated position and perspective of the Korean Government. Taken in its entirety, his remarks were well-balanced.

President Roh underlined that North Korea's possession of nuclear weapons must not be tolerated, and the North Korean nuclear issue should be resolved

peacefully through the Six-Party Talks. He also emphasized that the process of resolving the nuclear issue should be consistent with the security and prosperity on the Korean peninsula, and the Korean people should have a major voice in the resolution of the issue that has a direct bearing on Korea's future.

I also met with the Foreign Ministers of the US, Japan, China, and Russia as well as other countries, in effort to realize the early resumption of the talks to preserve the momentum of the dialogue. Against this backdrop, active shuttle diplomacy is under way at the working level as well.

At this important juncture, we have a two-fold task before us: early resumption of the Six Party Talks and securing substantive progress in the negotiations.

First, I would like to call upon North Korea to come forward, as the five parties made clear their willingness to convene the talks at the earliest possible time. I believe that it is high time for North Korea to return to the negotiating table and enter into serious discussions both on the dismantlement of its nuclear weapons program and on issues of interest to itself.

Further delay of the Six Party Talks would not serve to be of interest to any party, including North Korea. It is my view that we can be flexible in terms of the format of the talks and we will indeed be able to hold working-group meetings or informal meetings before the subsequent plenary session.

A more important task is to make substantial progress, if not a breakthrough, so that we can find an expeditious solution. At present, three concrete proposals including the ROK's proposal are on the table. I believe these proposals can serve as a basis for serious negotiations in the months ahead.

Most importantly, in order for substantive progress to be made, the North Korean leadership must make the strategic decision to dismantle its nuclear programs, including its uranium enrichment programs once and for all.

For their part, the other parties of the Six Party Talks as well as the

international community will be ready to help North Korea make such a strategic decision by creating an environment conducive to that. With the nuclear issue out of the way, North Korea will then be able to expect a comprehensive improvement in its relations with the international community.

This will allow North Korea to receive the benefits for its cooperation such as security assurances and energy and economic assistance.

I strongly hope that once the Six-Party Talks are once again under way, all parties including North Korea will maintain a positive stance, ready to exercise their creativity and flexibility so that a breakthrough in the talks can be realized.

The Korean government will continue to foster an environment favorable for the resumption of the talks. It is our hope that increased cooperation between North Korea and the international community will lead to a clearer recognition of the concrete benefits of openness and exchange with the outside world.

In spite of some progress that was made in inter-Korean contact over the past two years, the negative response of North Korea is delaying further progress in inter-Korean relations.

However, the Korean government expects that stepping up economic interaction and humanitarian assistance will encourage North Korea to take a more positive stance, ultimately leading to North Korea's cooperation for progress in the overall security environment.

(economic challenges)

The U.S.-Korea alliance has played a role not only as a key pillar in maintaining peace and stability on the Korean peninsula, but also as a bedrock for enhancing mutual prosperity and achieving greater benefits for both countries.

There are indicators such as trade volume and investment that show our close economic partnership. The trade volume amounted to 59 billion dollars last year, and Korea is the U.S.'s 7th largest trading partner and the 5th largest

market for U.S. agricultural products.

Even the recent increase in Korea's trade with China does not reduce the importance of the U.S. market to Korea. There are several reasons why the U.S. market is still important to Korea. Korea's exports have moved to higher value-added items such as automobiles, semi-conductors, and cellular phones. Furthermore significant percentage of Korean exports to China are re-exported to the U.S. after being assembled and reprocessed in China.

The total amount of U.S. investment to Korea reached 31 billion dollars in the last four decades. This accounts for 32% of total foreign investments to Korea making the U.S. the prime investor in Korea. The U.S. industry's active investment in Korea has helped improve the credibility of Korea in the international financial market as well.

I am also very pleased to mention that our pending trade issues are being resolved through a series of close consultations and open-minded dialogue between our two countries. The Korean government has been successful in maintaining mutually satisfactory trade relations with the U.S. government than ever before, particularly during the first term of the Bush administration.

We are optimistic regarding the future of our bilateral trade relations with the U.S. We expect that in its second term the Bush administration will maintain the existing trade policy based on the principle of free trade.

In order to further enhance economic and trade cooperation between our two countries, I believe that we need to adopt a more systemic and comprehensive approach that goes beyond the current micro-management of pending trade issues.

In this regard, we have to look for ways to make progress in the Korea-U.S. Bilateral Investment Treaty(BIT) negotiations. With an increase in market share of Korean films in our domestic market over the past three years, we are witnessing favorable conditions for resolving the screen quota issue. The Korean government is fully aware that the conclusion of the BIT would bring about benefits to both countries.

Another priority is the need to seriously examine the possibility of a Korea-U.S. FTA. The business and academic communities of our two countries have shown a high level of interest in a bilateral FTA.

During the Trade Minister's meeting held in Chile last month, our two governments agreed to conduct preparatory working-level discussions at the government level for possible FTA negotiations. In addition, the two sides agreed to encourage business and academic communities of our two countries to initiate a more lively and constructive FTA discussion.

The Korean government firmly believes that a Korea-U.S. FTA will not only have economic benefits by expanding the opportunity for our products to enter the U.S. market and strengthening the competitiveness of the Korean economy, but will also ultimately contribute to further strengthening our alliance by deepening our economic interdependency.

Looking back on Korea's experiences at the Korea-Chile FTA and other trade negotiations, the Korean government understands that it must actively engage in a great deal of preparatory work for a Korea-U.S. FTA particularly in the area of agriculture. The government will take the necessary step of gathering various opinions and suggestions from the business and academic sectors of our two countries.

Korea and the U.S. have been closely consulting with each other for increased trade liberalization at the multilateral level. Korea shares the U.S.'s firm commitment to make significant progress in the WTO/ DDA negotiations.

As more than 60% of Korea's GDP relies on trade, the success in the WTO/ DDA negotiations will provide an important foundation for the continuous growth of the Korean economy. Korea as a host country of the next APEC summit will make every effort to successfully hold these important meetings including the discussion on WTO/ DDA in close cooperation with the U.S.

In addition, I would like to mention two governments' recent endeavour to

facilitate the exchange of our two peoples.

In view of the increase in the exchange of people between Korea and the U.S. of over a million per year, our two governments began a working group meeting this month to find a way to achieve a mutual visa waiver as well as a simplified procedure for visa application, particularly for businessmen.

I hope that the working group meeting will produce a practical solution for making visits between the two countries easier and contribute to further enhancing our close relationship.

(future of the alliance)

The ROK and the US are facing common challenges. We should spare no efforts to develop the current relationship into a more mature and full partnership by overcoming the challenge and making use of it as a potential opportunity.

Despite the challenges, however, the fundamentals of the ROK-US relationship as allies sharing universal values and as major economic and trading partners will not change. What we would like to see in the near future is an evolution of the relationship into a mature partnership of mutual respect and shared interest in coping with the challenges ahead.

The Korean government is pursuing its mid-to long-term goal for peace and prosperity in the entire Northeast Asian region. In the process of resolving the imminent nuclear issue of North Korea, the Korean peninsula will provide a solid ground for a prosperous Northeast Asia.

Due to its leading edge in transportation, finance and IT, Korea will be able to become an economic hub of the region, while realizing an overall community of peace and prosperity in Northeast Asia. These goals make the U.S. role of the being a "balancer" all the more important in turning this vision into a reality.

I sincerely hope that private organizations like "SERI"(Samsung Economic



Research Institute) and "KIEP"(Korea Institute for International Economic Policy) will join in making a greater effort to promote mutual understanding and cooperation between our two countries.

Before closing, I would like to express my hope that the program arranged by Samsung Economic Research Institute and Korea Institute for International Economic Policy will contribute to offering balanced guidance and advice in making our alliance a sound and mature one.

Thank you.