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Forum Summary
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AUSTRALIA-KOREA LEADERSHIP FORUM

PARTNERSHIP FOR PROSPERITY

Summary of Key Suggestions and Proposals Put to the Forum

This document contains a summary of various suggestions and proposals made by participants in the course of the Forum. It does not identify sources for those suggestions, nor does it purport to present those suggestions as conclusions. They reflect the breadth of issues discussed and are intended to provide food for thought to the respective governments of both countries, as well as for policy makers, business leaders, the media, academics and others with a serious interest in the Australia Korea relationship.

Aims of the Forum

- To develop bilateral cooperation, dialogue and collaborative networks between Australia and Korea at the leadership level.
- To set the agenda for the continuing relationship between Australia and Korea.
- To provide the opportunity to add more depth to the Australia-Korea relationship.
- To spread the idea of the strategic value of Korea to Australian strategic thinkers and Australia to Korean strategic thinkers.
- To establish partnership for prosperity at the leadership level.

1. Major Foreign Policy Issues - Korea-Australia relations

- There is substantial common ground between Australia and Korea that has not yet been changed into real tangible results. This will require a stronger and broader relationship with Korea and should be achieved through bilateral ties and multilateral links.
- The economic potential of the Australia-Korea relationship has only been partially tapped into. There is enormous scope for future development.
- The intensity and scale of the political relationship hasn't always kept pace with the scope of economic development in which Australia and Korea have been engaged.
- Australia has four key areas of priority (based on Australia's foreign policy agreements):
 1. Development of a vibrant expanding economic relationship, but with broad based goals.
 2. Regional cooperation: both Australia and Korea are members of APEC, with an agenda in common that includes climate change, terrorism and financial volatility.
 3. Climate change.
 4. Security cooperation: Australia's interests in the security areas of the Korean peninsula relate to many factors: three-fourths of Australia's most important trade countries include that region: China, Japan and ROK, and US stability is dependent on the NE Asian region.
- In a value-based partnership, the separation of economy and politics should be turned into a comprehensive diplomacy in earnest. Diplomacy based on purely economic and commercial interests would undermine liberal and humanistic values and principles.
- There is an urgent need to address the trade and financial imbalance in the Asia-Pacific region so that regionalization and globalization can continue to draw popular support from the people in the region.
- Korea is at an early stage in its structural and regulatory reforms relative to Australia, and so the Australian Government has a potential role in assisting in this regard.
- Issues relating to labour shortages in the resource sector should be brought to the attention of the Australian Government for further discussion - highly qualified Koreans could come to Australia to work in the resource sector.

- In bilateral links economic ties are the strength in any national relationship, and Australia and Korea should continue to develop this strength such as in the area of services or concluding an FTA, and through the emerging framework for security cooperation.
- The current global financial crisis ironically provides a very rich basis for dialogue and a chance to develop the unexplored potential in the relationship. The financial crisis will bring significant consequences that will impact on emerging economies. It has been a humiliation for the US and will end the period of US unilateralism and financial independence.
- For the rewriting of global financial rules and architecture, scholars from the Forum should approach their governments with the suggestion of Korea and Australia working together as middle powers on this issue.

2. Regional Security and Cooperation Issues

Security

- Australia and Korea need to bandwagon on China's economic growth without undermining the KORUS alliance.
- Australia and Korea need to accommodate US policy of military and alliance transformation without alienating China.
- There is a need to resolve the North Korean nuclear crisis without military action?
- Australia and Korea need to work out how to hedge against US unilateralism.
- There is a regional need to deepen inter-Korean relationships but without de-facto accepting North Korea's nuclear weapons program.
- Russia needs to be involved/considered in security discussions.
- It might be useful for Australia and Korea to get together with the other major middle power (Indonesia) in an informal way, to try to see whether any three middle powers could do anything together.
- The Asia-Pacific community is lacking a single association of key countries to discuss economic issues. While the prospects for the US and China engaging on security issues are increasingly possible, there are many mechanisms Australia and Korea can pursue in the meantime in regional associations, and there is great scope to do so.
- There has been a renewed focus by the international order upon stable relationships between the world's international powers. Some trajectories are starting to challenge this order, i.e. that we shouldn't take these issues for granted, such as how we think about Russia.
- Order in the region will depend on how states get along with one another, depending on power, which depends on economics. As economics change, power changes, and it affects the world/regional order.
- The question is whether we get to that new order peacefully or traumatically, and whether it's cooperative or contested. Key drivers:
 1. What does China want?
 2. What does America want?
- Is the US prepared to sacrifice stability in Asia to preserve its primacy against China, and can the US find a way to stay in Asia to balance it rather than dominate it?
- US relations with China have huge implications for US-Japan relations: Japan is dependent on the tension between the two nations. This in turn raises several questions for Korea: it would be difficult for Korea to accept a rising power in Japan, should this take place.
- Australia sees its economic future closely tied up with China's success (and therefore the rest of Asia). So Australia has an acute dilemma: it has an instinct to support the US in challenging China's primacy, but it also sees the need for a good relationship with China in its rise.
- The Chinese are desperately exploiting energy sources. Energy security is of primary importance to them. Combined leadership is needed to solve energy shortages and energy-related issues in China.

- Australia and Korea, as US allies and middle powers, have an immense interest in the US finding a way to increase its position in Asia without contesting China, and encouraging the US to have quality in relationship with China and Japan.
- Australia and Korea therefore need to think a lot more about the future trajectory of China and the US and US interests in this part of the world.
- The way middle powers play their role in major power issues is crucial. Australia is looking to talk with other middle powers in order to let its interests be known in these important times.
- As two middle powers Australia and Korea have to ensure the US stays in this region, despite its relative decline.
- Australia and Korea need to consider what they can do to set up more regional security cooperation in Northeast Asia, more meetings of middle powers, like Australia and Korea. Australia and Korea should therefore consider the formation of a coalition of middle powers.
- As middle powers, Australia and Korea should work hard to persuade the US to engage China constructively and to make China land softly and socialise.
- Structure-wise, instability has grown in the fundamentals and dynamics of cooperation in the region, brought on partly by an uneasy US leadership.
- One important issue in defining regional cooperation is the credit meltdown. The implications of this global crisis and the consequent paradigms in development are unknown. It's clear, however, that Australia and Korea will view China as a country that sustains their own growth.
- In the East Asian region, countries are challenged by the rise of nationalism. The rising popularity of right-wing nationalist political factions in Russia and even more in China and Japan have seen an even greater upsurge as their supporters are becoming younger.

Cooperation

- Asia-Pacific regional cooperation between Australia and Korea should be expanded into social areas that can realize liberal values and human welfare.
- Proposals such as the “league of democracy” and “democratic partnership” are not making any progress because there is suspicion that their underlying motivation is containment of China, and will not succeed unless they have their root in a soft and comprehensive engagement with China.
- An alternative would be to set up common agendas shared across the world in the 21st century and to pursue a “liberal welfare partnership” or “league of liberal values”, which would cover the areas of politics, monetary policy, trade, energy, environment and science and technology.
- Leading countries - the United States, Japan, South Korea and Australia, need to take on the responsibility of protecting and expanding positive values in Asia and share the benefits arising from liberal values.
- North Korea is a source of instability in the Asia Pacific region. The development of North Korea's economy and society would present an exciting opportunity for Australia to work together with the two Koreas. This could be considered at a later Forum.
- It is time to think about an Asian IMF, given that the US now suffers from financial crisis and would not oppose the idea.

3. Trade and Business Relations

- Trade policy-makers on both sides need to continue to remove barriers to trade markets.
- Australia wants to move the trade relationship to a new phase, to diversify its engagement on a broader trade policy front, to develop a new complementarity
- Korea is positioning itself as a regional hub in the NE Asia region. This provides the opportunity for Australia to look for other complementary logistics in the supply chain equation.
- Australian and Korean business and governments should all be part of the moving square that links the B to the G, and G to the G, and then back to the B. It can only be driven properly if it has a strong drive back to the B.

- Climate change holds open important opportunities in trade and complementarity. Australia has great strength in renewable energy, significantly a commitment to clean coal technologies and carbon capture and storage (CCS).
- Resources and energy trading between Australia and Korea is extremely important for both countries and, given Australia's current resources boom, it has become an even more crucial issue.
- Key issues regarding the instability of sourcing raw materials from Australia are:
 1. The insufficiency in service delivery in the provision of raw materials by Australia.
 2. Australia's shortfall in labour, and not keeping pace in its construction of mines and other infrastructure.
- Issues around infrastructure, approvals for development and skills shortages in the resource sector have presented difficulties for Australia's federal and state governments and industry alike. Much work has been done between different levels of government and industry to improve these areas, but there is no instant fix for these large scale problems.
- Korea may want to consider seriously how it wishes to position itself in regards to the global LNG trade. Australian companies are marketing opportunities to secure LNG supply and Korea could consider securing long-term contracts for this future supply.
- Consideration should be given to what would be the BATNA (Best Alternative to A Negotiated Agreement)s to both sides for an FTA. The suggestion is to imagine what will be lost by not participating in an FTA.
- The question of whether the trade imbalance truly reflects the real level of bilateral trade, given the geographically diverse international nature of the manufacturing bases of various companies, needs to be considered.
- Australia and Korea need to share experiences to help each other diversify their respective export portfolios.
- Australia needs to think about Korea's economic and political structures to ensure any FTA and future opportunities work well.
- Australia should be looking to achieve a vibrant second stage market in Korea for new products and services such as aged care, processed food and leisure and to explore opportunities for climate change.

Investment

- If Australian businesses want to get into bigger markets overseas, they have to invest as well.
- Australia needs to consider being more flexible about allowing foreigners to invest in the Australian resources sector. One suggestion may be to place decision making in this regard for the resource sector with the Federal Government.
- The huge reserves and liquidity in Korean banks and pension funds offer a mutual opportunity for Korea and Australia if Korea could invest into Australian infrastructure projects.
- In markets such as Kazakhstan, Uzbekistan where there are risks but little competition, Australian companies would be perfect partners for Korean companies, as Australian partners can bring along expertise that can help mitigate the risks of operating in such countries.
 - Australia should also learn from Korea's diversification into such markets.
- Korean companies could offer a lot of support to Australian companies.
 - They could pass on their invaluable knowledge base to Australian companies who are hoping to work in new and developing markets.
 - Korean construction companies could look to Australia for new opportunities, given the limited competition in the Australia construction market.
- Australia could help Korean companies operating in new and developing markets. Australia could support them in enhancing the quality of their products and mitigating some of the risks through, for example, banking or telecommunications systems.

4. Next Year's Forum (suggestions)

- Include North Korea in discussions.
 - Include discussion regarding opportunities for investment in North Korea, in particular Kaesong and opportunities for development by South Korea and Australia, given Australia's expertise in mineral resources.
 - It is important to also discuss recent developments in regards to the North Korea nuclear issue. (Recently the US took North Korea off the state sponsors off the terrorism list.)
- Discuss issues that may cause Korean companies operating in Australia to diversify their supplies and operations away from Australia.
- Discuss how the two countries could work together to deal with the consequences of the financial crisis, given that Asia does not seem to have the same level of financial coordination compared with other world regions.
 - This should include discussion on how Australia and Korea will cooperate in a world forum, particularly given the fallout of the current financial crisis.
- Future Forums need to look forward.
 - The speed of change in Korea, and in particular the changing demographics present many opportunities.
 - This is an opportunity for future complementarity in economic relations, by working collaboratively on this basis of 'new complementarities' and combining old and new technologies.
- The Forum should focus on the bilateral relationship, and whilst China and North Korea are important issues, global issues and regional issues should be discussed as background to the Australia-Korea bilateral relationship.
- Forum topics could be: Security, Economy and Cultural and Educational Cooperation, without excluding other issues as potential agenda.
- Korea could be discussed as a political and civil modernisation model for other developing nations.
- The next Forum could focus at a business to business level on services and related sub categories. This could be an appropriate progression from this year's forum.
- The Forum could also move back in the direction of security dialogue and cooperation, as this is a topic that has been neglected by other forums.
- The ANU and EAI will consult to each other to ensure the forum in Seoul has an appropriate and influential agenda.

List of Participants

Australian participants (Alphabetical order)

The Hon Simon Crean MP, Minister for Trade

Professor Paul Dibb, Strategic and Defence Studies Centre, Australian National University (ANU)

The Hon Martin Ferguson AM, MP, Minister for Resources and Energy; Minister for Tourism

Graham Fletcher, First Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade

Mr Allan Gyngell, Executive Director, Lowy Institute, Sydney

Dr Paul Kelly, Editor-at-Large, *The Australian*

Hyung A Kim, Associate Professor and Director, Korea Leadership Forum, Research School of Asia and the Pacific Studies, ANU

Mr Michael L'Estrange, Secretary, Department of Foreign Affairs and Trade

Dr Heather Smith, Deputy Director-General, Office of National Assessments.

Mr John Walker, Chairman Macquarie Group of Companies; Chairman of the Australia Korea Business Council

Professor Hugh White, Head of Strategic and Defence Studies, ANU

Mr Mack Williams, Former Ambassador to Republic of Korea

Korean participants

Mr. Myung Bok Bae , Editorial Writer for International Affairs and Diplomatic Correspondent, *Joongang Daily*

H.E. Hyun Cho, Ambassador for Energy and Resources, Republic of Korea

Professor Byung Kook Kim, Korea University; Former Senior Secretary for Foreign Affairs and National Security

Mr Jin Hyun Kim, Chairman of World Peace Forum and former Minister of Science and Technology, ROK

Dr Tae Hwan Kim, Director, Policy and Research Department, Korea Foundation

Mr Young Tae Kwon, Executive Vice President, POSCO

Dr Kyung Tae Lee, President of the Institute for International Trade (KITA)

Professor Sook Jong Lee, Sungkyunkwan University and President of East Asia Institute

Dr Ung Suh Park, Honorary Chairman of UI Energy Corporation

Professor Keuk Je Sung, Dean, Graduate School of Pan-Pacific International Studies, Kyung Hee University