

Asan Plenum 2012

“Leadership”

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Thank you for the kind introduction, Dr. Lee. I have not had the chance to say hello to my old friends or greet the many new faces. I would like to welcome everyone to Korea. I think this Plenum should be a really good occasion to review not just simply “leadership,” but “leadership in crisis,” because it seems that the world, the regions, and the nations are all in deep crisis today.

When I look at the books on the shelves at the bookstore, most of the books on leadership these days are about corporate leadership—how to run a successful business. There has been an emphasis on business, economy, and economics. Looking back on history, we can see that this is something natural. With the global spread of Marxism during the last century, the primacy of economics or economy of everything else was emphasized and had a tremendous influence. The spread of capitalism and the emergence of global markets again may have contributed to the increasing emphasis on the economy over everything else. The famous saying of a former US president, “It’s the economy, stupid!” made sense. But with the current global financial crisis, which we have been experiencing since 2008, the mood has somehow changed. Instead of saying, “It’s the economy, stupid,” now more and more people are saying, “It’s the politics, stupid.” Everybody seems to believe that having good politics and good political leadership is the only way that you can come out of this crisis. The people are depending on their leaders to make wise decisions and to be brave in selecting the right alternatives.

Speaking of the current crisis, it is not the fault of any individual. Everybody did his or her work diligently all around the world. Rather, the crisis happened because of the failure of systems. We have many American colleagues here now. Neither any individual American nor even the leadership at Lehman Brothers made a big mistake. It might be the limitations of the American system that brought about the crisis on Wall Street that spread all over the world. It is not just the United States anymore. Everybody else is finding out that their system has some problems and limitations.

When we look at systems, particularly political systems, we have a textbook taxonomy of systems and theories. But let me point out that there are still at least four different systems coexisting in the world today. First, I think there is still a totalitarian system but I will come to this later. There are also many authoritarian regimes and dictatorships.

Now, the Arab Spring in the Middle East is an effort to free the societies or countries from authoritarian dictatorships. Then, of course, there are many types of democracy and many of you here live in those countries with democratic governments. And then, there is a new category of governments, although I do not know if there is a good name for it. The governments of China and Vietnam fall under this category; these governments are one-party states characterized by a reasonable amount of openness and a market economy. Now, one common characteristic in all these four systems is that unless you have a very able leadership, you cannot sustain the system. Hence, leadership becomes the very important item to discuss to resolve the current crisis and to find a path for development in the future. And that is why I believe that the Asan Institute has decided to focus on the question of leadership for this year’s *Asan Plenum*. I do not

have any great answers to this. But I would like to offer a few of my thoughts relevant to this topic in the next few minutes.

My thoughts on leadership, particularly leadership in democracies, have been influenced by one of my old teachers, Karl W. Deutsche. He taught me one thing. He said, when people talk about business, the corporation, or even the government, they always talk about the deficit, and how dangerous it is to run a country or a business with a big deficit. But somehow people do not pay much attention to the power deficit. If a government wants to do great things, it has to have a great deal of power, state power. But, unless you have already brought in power resources into the government, you soon find yourself struggling with a power deficit. This is a very dangerous thing. This is the great lesson that I have learned and taught for a while. I have some former students sitting around here, but ever since I returned home in 1968, many of them went into politics and some of them became very important officials in the government. But they always concentrated on using power but never making power, or the income side of power. They generally became experts in expending power or using power for certain policy purposes.

The power deficit problem has become a very serious threat. With democracy spreading all over the world, you have to adjust yourself to the popular sentiment and popular demand to get elected into positions of leadership. This creates the problem of populism. As a result, governments around the world have become vulnerable to the power deficit problem.

Europe is a perfect example. We talked about the crisis in Southern Europe, Greece, recently in Italy, and in a few other places. Obviously, in the public sector, the politicians and the government have concentrated so much on using state power to meet the popular demand, particularly the welfare demand. As a result, these countries not only suffer tremendous fiscal deficits, but also face power deficits. I was in Tokyo during the last few days, attending the Trilateral Commission meeting, where our European colleagues discussed the Italian situation. In fact, the European Chairman of the Trilateral Commission, Mario Monti, had taken over the government. In a matter of a few months, he had succeeded in restoring the confidence in the Italian government and the Italian economy; now it looks like Italy is starting to recover, at least from the bottom. Our Italian colleague brought the most recent poll in Italy, and interestingly about 54 percent of people approved of Mario Monti's government. How many people think they have confidence in Italian politics, Italian politicians, or the Parliament? It was 2 percent. Now, it is surprising it was not zero percent, but politicians have relatives and they may have constituted the 2 percent of the people who approved. As you can see, this is really a crisis of democracy; particularly of parliamentary democracy.

But it is not just in Italy; the situation in Japan is the same. Prime Minister Noda is trying hard to eliminate the fiscal government deficit. He is trying to raise the sales tax by 10 percent, but he is having all kinds of trouble and it does not look like he will be able to accomplish it. This is the crisis of Japanese parliamentary politics, which speaks to the dilemma that politicians face: you must please voters in order to get elected into office. So you are forced to make all kinds of irresponsible promises because you do not know how else you can stay in power. So herein lies at least one problem of current leadership in democracies everywhere.

I'm afraid that Korea is no exception. We just had a general election, and trying to implement the promises made by both parties will bankrupt the country in a matter of weeks. But that is the reality; it is one of the leadership problems we have to deal with.

At the trilateral meeting, Dr. Fan Gang, the director of China's National Economic Research Institute, gave a very good presentation where he said that one of the most serious problems in China is the excessive welfare expenditure. I said that although China and Vietnam belong to different political systems, they do share this problem. They increasingly have to meet the popular demand and it's obvious

that they will have to go over on the expenditure of the welfare side and they don't know how to resolve this problem. This is a problem that I would like for this Plenum to deal with—the Plenum should work to come up with a good solution. It is a very urgent problem in every country, including Korea. Although we have a presidential election coming up in December, no one seems to have an answer to this question so far.

While I'm on the topic of the trilateral meeting, everybody agrees that most of the problems we face, particularly on the question of leadership, are universal problems that are not limited to one nation. Henry Kissinger and others had rightly pointed out that one problem around the world today is that you can no longer find a political leadership that asks for sacrifice from its citizens. In the old days, sometimes you could find a great statesman making a moving speech in which he or she would ask the people to make sacrifices for the common good. Today, this has gone out of fashion; you don't find anybody asking for sacrifices. This is a big problem. The reason that this has become a universal problem is partially because the world has changed. Globalization has occurred, not only in the market, but also in politics. Every system is influenced by other systems.

So what are the real major problems facing the global systems? This is one area that will be extensively discussed in this plenum. But as I participate in some of these meetings, there is one problem about which nobody has clearly made up their minds. The current crisis has demonstrated that the G7 setup couldn't really handle everything. That's obvious. That is over. So to resolve the current crisis in 2008, 2009, and for the first two to three years, they had to create the new setup—the G20. They had done their share of the work and successfully dealt with some of the initial crises we had faced together. But during the last couple of years, the G20 is losing the kind of dynamic it originally had because no one clearly understood what it meant to join this new international setup. To adjust themselves to the G20 world, everybody has had to make a major adjustment. My impression is that no one really prepared for this. So this is something I hope we can discuss during this Plenum. Also, I hope we can discuss globalization and moving toward a new international setup by evolving the process. But, evolving the process requires vision and clear leadership to make real progress. That is something lacking in today's world and this is something that I would like for many of you to pay more attention to and discuss.

In Europe, the real question is whether they can have a monetary union without a fiscal union. That is not a simple question, and they have been struggling with it for a long time. In the next few years, they would like to find leadership that can come up with some sort of solution. But this is something outsiders could also pay a great deal of attention to because sooner or later, every region faces similar problems.

In Asia we have a small trilateral group consisting of China, Japan, and the Republic of Korea. It meets annually at different levels, including summits. Last year, with the agreement of the leadership in all three countries, we set up a Trilateral Secretariat here in Seoul. We also have second-track discussions and so forth. In Asia, one of the main things that we have agreed on is that our cooperation is much more economically oriented. We have high savings rates and quite substantial foreign reserves, particularly dollar reserves. So there is money in the region, particularly in China and Japan, and to a lesser extent Korea. But we don't know exactly how and where to invest this money because making money and saving money had been a simpler operation. Now the region is finding out that Korea, particularly after the financial crisis of 1997–1998, and even China, have investments that require much more sophisticated operations. Without a real infrastructure for banking, particularly in investment and so on, you cannot make wise investments that will help you, your region, and the global community. So this is something to also take note of during the discussion in this meeting.

Now, speaking of the Middle East and other regions, the number-one thing for them is to get out of dictatorships or topple their authoritarian structures. However, establishing a stable and democratic state is quite another issue. The Arab Spring is exciting, but what are you going to do in the summer and

autumn after the spring, and then the winter? That's a very difficult question we also have to deal with, and here I'd like to emphasize that we really need wise and brave leaders to handle these issues. One general pattern we find is that those people who took the leadership in bringing down authoritarianism are not able to establish themselves as the central force in running the country afterward. Very often, other forces or the next generation takes over. So in this context, how are you going to organize the system and what sort of leadership are you going to create? These are the really crucial questions I hope we can address.

Now, I still have five minutes or so, so let me say something about totalitarianism. We thought that totalitarianism was a thing of the past—Hitler and Stalin. What is totalitarianism? It's a system with one man, one leadership, and one party. It is total isolation and control of the population. All these are hallmarks of totalitarianism. Now, here I have to say a few unkind words toward North Korea. I don't normally say this in public, but for our discussion I'm just offering these ideas. To call someone totalitarian is not a very kind thing to do because no one likes to be called a totalitarian, even if it's true. But North Korean totalitarianism is a very special brand. The closest model I can think of is this: Imperial Japan's totalitarian structure before 1945. There are two distinguishing characteristics. One is the monarchical succession of a family made to be very special and mythical. The people are asked to feel honored to die for that monarchy. This is what Japan in the pre-1945 era had taught the people in order to brainwash them. The second distinguishing characteristic was the supreme legal status of the Japanese military. Unfortunately, North Korea has moved in this direction. I don't think they wanted to copy the Japanese, but the result of what they have done follows that model. It is an outdated model and you certainly cannot survive long using it in the 21st Century.

This constitutes a real problem for the Koreans. I think 20 years ago, when the Cold War came to an end, there was a kind of metaphorical spring on the peninsula. North Korea had a chance to make a transition because it saw that Russia's Gorbachev was making a great change by dissolving the Soviet Union. More importantly, Deng Xiaoping had set a new course for China. The only way to feed 1.3 billion people and make the economy grow was to open up and move to a market economy. Vietnam did the same thing. I think the late Kim Il-Sung had some notion that he had to take the same path. In fact, from 1991 to 1992 we had a very productive conversation and produced an important document called "The Basic Agreement" between the North and South. We decided to create joint committees in all fields—economics, society, culture, and so on. In 1991, the two Koreas were admitted to the United Nations. In other words, we accepted the existence of two state structures, but would try to find a way to preserve one society and eventually move toward unification. Conversations between us went so well that we produced an even more important document in 1992, "The Joint Declaration" to keep the Korean Peninsula nuclear-free. We agreed, and particularly the late Kim Il-Sung agreed, that the best way to keep the 70 million Korean people on the peninsula safe is to not have such weapons. We asked our American ally to remove all tactical nuclear warheads from the Korean Peninsula, which it did. We had a chance to make progress on a lot of levels, but the sudden death of Kim Il-Sung brought an end to this era.

I've been speaking privately, and I'm just expressing my personal wish. But I want to convey my message, if possible, to the young North Korean leader Kim Jong-Un. You had a wonderful grandfather. The only way you can survive—that North Korea can survive—is if you follow your grandfather. Forget about your father; the 17 years of Kim Jong-Il's rule were an absolute failure. But we don't want to make it an issue; after all, he's dead. You can't blame a man who has already passed away. This is the only way that I think North Korea can survive and we can resolve this problem.

Finally, since I'm on the unification issue, let me say a couple of things on the United States and China. We welcome the United States emphasizing the importance of Asia in recent months, which is nothing special because that's the way it should be. It's not surprising news. But we have had a discussion on the problem of unification over the years with the Germans more than everybody else. Both Germany and

Korea have experienced division, although Germany was lucky and united back in 1990. Last year, we had a long discussion with the leaders who played a pivotal role in the reunification of East and West Germany. The last prime minister of East Germany, Mr. de Maizière, was here, too. What they said that impressed me was that no one really did anything special. By the mid-1980s, the United States and all of Europe, with the exception of maybe only one or two countries, had firmly decided that without the resolution of the German question there could not be peace in Europe. And when Mr. Gorbachev and others began to agree with this position, it became possible to find a way to resolve it.

Of course, the situation in Europe is quite different from the situation in Asia today. Germany, by far the biggest power in Europe, is different from Korea, the smallest party in Northeast Asia. So the situation is different. But what we would like to see from the United States in the coming days is a firm stance on the priority of East Asia and this problem. Which is to say, unless the United States, China, and others resolve the Korean question, there cannot be a stable peace in Asia. This would constitute a big step in bringing about common prosperity to the region.

I am extremely careful when I talk about China because what is needed is more trust between the leaderships. When we have conversations, what Chinese leaders are looking for is whether their counterparts are trustworthy or not. It's not this or that item. And in this context, I hope the Chinese will exercise real leadership in the region. Take the nuclear question, for example. The situation in East Asia is very strange. Everybody accepts China as the sole superpower, both militarily and economically, and feels it is entitled to have a nuclear capability and nuclear weapons. No one else contests this or seeks nuclear weapons. Japan accepts it; the largest Muslim country in the world, Indonesia, accepts it; as well as everyone else. In short, we are begging China to remain the sole nuclear power in East Asia and China says, "not necessarily." It lets North Korea continue with its nuclear operation, which is a little bit beyond the textbook wisdom. So how are we going to really have more frank conversations, particularly between the United States and China, in order to change the situation?

The resolution of this issue is related to how we think about the status of North Korea. And here I remind you again that we accept the fact that both of us are members of the United Nations and we are not trying to undermine the stability of North Korea. We are just asking it to return to history. You can be an exception to history for five years, 10 years, but there's no such thing as permanent exception from historical trends. So come back to history. I hope the Chinese will help us on this.

It is perhaps a good time to stop here. I have already raised so many items. Maybe the next two days are not enough to resolve all these problems, but with all the wise people around here I'm sure we can move at least a few steps forward. I welcome you and I'll end my remarks here. Thank you very much.