



TASK FORCE REPORT



# TESTING NORTH KOREA

## THE NEXT STAGE IN U.S. AND ROK POLICY

REPORT OF AN INDEPENDENT TASK FORCE  
SPONSORED BY THE COUNCIL ON FOREIGN RELATIONS

MORTON I. ABRAMOWITZ AND JAMES T. LANEY, CO-CHAIRS  
ROBERT A. MANNING, PROJECT DIRECTOR

Testing North  
Korea:  
The Next Stage in U.S.  
and ROK Policy

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*Report of an Independent Task Force  
Sponsored by the  
Council on Foreign Relations*

Morton I. Abramowitz and James T. Laney,  
Co-Chairs  
Robert A. Manning, Project Director

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## FOREWORD

More than a year has passed since South Korean president Kim Dae Jung's unprecedented visit to North Korea. The remarkable June 2000 North-South summit meeting in Pyongyang stirred emotions and raised new hopes that a political breakthrough might move one of the world's most dangerous flashpoints away from confrontation and onto a path toward peace and reconciliation. In the weeks and months that followed, North Korea's once-secretive paramount leader, Kim Jong Il, emerged as a public figure who could hold his own with world leaders. The hermit kingdom launched an impressive diplomatic offensive, normalizing relations with some two dozen countries in Europe and Asia, including the members of the European Union, the Philippines, and Australia. Some Korean families separated across the 38th parallel for half a century were allowed to rediscover relatives. Cultural and athletic exchanges blossomed. The two Koreas pledged to reconnect railway and highway links across the demilitarized zone, the most heavily armed border on earth. For the first time, North and South Korean defense ministers met face to face.

Yet only months later, the momentum of Korean reconciliation began to wane. Kim Jong Il's pledge of a return summit in Seoul appeared a distant hope. North Korea proved reluctant to implement other commitments, from increased visits of separated families to military confidence-building measures. Hints of economic reform in North Korea failed to yield evidence of substantial change. The slowdown in diplomatic momentum extended to the United States, with a change of administrations in Washington and a policy review by the new George W. Bush White House. As the administration unveiled its new policy toward North Korea in June 2001, growing uncertainty loomed over the Korean peninsula, even as tensions remained lower than at any time in recent memory.

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In this report, the Council on Foreign Relations–sponsored Independent Task Force on Korea acknowledges that a new page has indeed been turned in the Korea story, but cautions that the story is one whose ending remains a dangerously open question. While circumstances on the peninsula have evolved markedly since the days of the 1994 nuclear crisis and the political shock of North Korea's 1998 Taepo Dong missile test over Japan, the basic issues of North Korea's nuclear and missile programs, although contained by a missile test moratorium and the existing nuclear agreement, remain unresolved. And the conventional arms standoff at the core of the confrontation continues unabated.

The Task Force concludes that the diplomatic gains of recent years are not irreversible. It warns, for example, that implementation of the Agreed Framework, which froze North Korea's nuclear weapons program in exchange for two light-water reactors and other economic benefits, faces major obstacles and could easily unravel, leading to another nuclear crisis. The difficulty in realizing this existing agreement foreshadows the serious challenge the Bush administration will face in trying to curb North Korea's ballistic missile program. And even more difficult will be the winding down of the conventional arms standoff across the 38th parallel. The Task Force argues that attaining adequate transparency and credible verification is key if any progress is to be made on all these difficult security problems.

The Task Force spells out its preferred course of action in a series of detailed policy recommendations to guide the United States as it proceeds in its diplomacy toward North Korea. For example, the Task Force proposes that the administration consider helping North Korea resolve its urgent need for electrical power in exchange for new steps to end its nuclear weapons and ballistic missile programs. In addition, the Task Force stresses that the United States must strengthen and maintain high-level policy coordination with South Korea and Japan, key allies essential to the success of any U.S. policy, and stresses the need for consistent high-level attention to succeed in doing so.

The Korea question remains one of the most intractable security problems in the Asia-Pacific region, the resolution of which

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will have enormous impact in shaping the future of East Asia. The Task Force argues that the United States has much at stake in how the future of Korea unfolds, and thus it should rank high on the list of foreign policy priorities.

The Task Force is co-chaired by James T. Laney, former ambassador to the Republic of Korea, and Morton I. Abramowitz, former assistant secretary of state for intelligence and research. During the course of the Task Force deliberations, Michael J. Green, who had been director of the Task Force, departed to join the National Security Council staff, and Robert A. Manning, senior fellow and director of Asian studies at the Council, stepped in to take his place.

This report is the fifth public intervention made by the Task Force since it was established in 1997, following two previous reports and two letters to the president of the United States. The fifty-one participants in the Task Force include leading experts for Northeast Asia with long experience inside and outside of government. Discussions in Washington and Seoul with the Seoul Forum for International Affairs, which has collaborated with and helped inform the views of the Task Force, were an important part of the Task Force's deliberations.

My thanks to Morton I. Abramowitz, James T. Laney, and Bob Manning for overseeing this effort, and to all the Task Force members and observers for their contributions. Special thanks also go to the Korea Foundation for its generous support for the work of the Task Force. We are also grateful for the Arthur Ross Foundation's support of task forces.

*Leslie H. Gelb*  
President  
Council on Foreign Relations





## STATEMENT: SEOUL FORUM FOR INTERNATIONAL AFFAIRS\*

We are happy to have worked with the Independent Task Force on Korea sponsored by the Council on Foreign Relations in its preparation of the third report on the Korean peninsula.

For several reasons, the report could not have been more timely. One year after the historic North-South summit, inter-Korean relations are in a state of a hiatus, while U.S.–North Korean relations, despite the recently stated willingness of the Bush administration to begin talks with Pyongyang, remain in a state of great uncertainty. There is also the heated debate within South Korea about the course of its policy toward North Korea, which is bound to affect the future of its relations with North Korea. And above all, we are faced with the persistent opacity of the North Korean regime. While detecting tantalizing indications of its willingness to change, we cannot ignore assertions of continuity on the other hand. For all of these reasons, there was a need to take another comprehensive look at the policy issues and do so in the context of what has happened and what has not happened in the last three years. This report, we believe, is precisely such an effort.

This is not the first time that the Seoul Forum for International Affairs has collaborated with the Council on Foreign Relations. In 1995, the Seoul Forum cosponsored with the Council a joint report on the U.S.–North Korean nuclear accord, and since 1998, we have participated extensively in the deliberations and discussions concerning policy issues on North Korea with the members of the Korea Task Force of the Council on Foreign Relations.

Finally, we are happy to say that the Seoul Forum is in basic agreement with the overall substance—both the analysis and the

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*\*The Seoul Forum for International Affairs is a private, nonpartisan membership association dedicated to promoting a better understanding of South Korea's foreign and unification policies and their international contexts.*

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recommendations—of the present report, although, understandably, not everyone is in full agreement with every detail of the report.

We hope and believe that the study can be of help to both the U.S. and the South Korean governments as they formulate and implement their policies toward North Korea. On a matter such as North Korea, which is not exactly known for its transparency, none of us will want to claim monopoly of insight. It is in this spirit of pooling our resources in order to gain a little deeper insight into many of the problems we face in North Korea that the Seoul Forum for International Affairs collaborated with the Council on Foreign Relations. It is our belief that the governments concerned can benefit from the report for the same reasons.

## EXECUTIVE SUMMARY

A year after the historic June 2000 North-South summit, the Bush administration begins its diplomacy toward the Democratic People's Republic of Korea (DPRK, or North Korea) at a time of lingering hope but also troubling uncertainty about the future of the Korean peninsula. The summit opened up a new chapter in inter-Korean relations and offered the prospect of genuine reconciliation by beginning to address the causes rather than the effects—weapons of mass destruction—of the Korea problem. It also marked a transformation of the once-mysterious Kim Jong Il, who surfaced as a serious political figure when he embarked on a remarkable diplomatic offensive, normalizing relations with nearly two dozen nations in Asia and Europe, including major U.S. allies, as well as hosting an American secretary of state. Yet the promise of diplomacy and the imagery of change have so far greatly outpaced the reality on the ground.

### **U.S. Policy Reconsidered**

Nonetheless, the Korea problem in mid-2001 is markedly different from that faced by both the first Bush administration and the Clinton administration. The bedrock of security on the peninsula—the alliance between the United States and the Republic of Korea (ROK, or South Korea)—has been sustained and deterrence reinforced. The military standoff persists, but the tensions have been lowered. The known DPRK nuclear weapons program is frozen according to an agreement that, if fully implemented, would end the program entirely. Meanwhile, a moratorium now constrains the DPRK's missile program, with the rough outlines of a possible missile deal on the table. More broadly, the mix of strength, engagement, and aid from the United States has bought time in the hope of a change in DPRK behavior or change of regime. Yet the important progress made in addressing security problems over the past decade is not irreversible.

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We applaud the Bush administration for initiating comprehensive discussions to address pending security issues with North Korea. Based on the lessons of policy past, we suggest some principles and guidelines for U.S. policy:

- *U.S. policy must be consistent with the approaches of the ROK and Japan and proactively coordinated with both.* The U.S.-ROK and U.S.-Japan alliances are key to deterrence, which is the basis of engagement with North Korea.
- *South Korea should be in the lead in overall engagement with the North, in roughly parallel movement with the United States, though their respective agendas with Pyongyang may differ.* This coordination is key to avoiding North Korean efforts to play one nation against the other. Trilateral coordination extends this parallel diplomacy to Japan.
- *Serious, results-oriented diplomacy must involve top levels of the DPRK leadership.* Addressing issues incrementally is probably inevitable, but the separate discussions are facilitated if they are undertaken within a larger, comprehensive framework. In this process, patience is a virtue.
- *Focus on priorities.* There is a long U.S. wish list for North Korea—from eliminating nuclear, missile, and conventional threats to promoting human rights. Avoid making “the best” the enemy of “the good,” view progress as cumulative, and accept that progress is likely to be slow.
- *Define reciprocity and where it applies.* Reciprocity need not be tit-for-tat, nor be applied to all issues (e.g., humanitarian aid), but it is highly unlikely that a policy of engagement with North Korea will be politically sustainable in the United States, the ROK, or Japan absent significant steps by Pyongyang. The bargain offered in the 1994 Agreed Framework (AF)—nuclear freeze for specified benefits—is a useful example of applied reciprocity. More broadly, diplomacy aimed at threat reduction should be prepared to put the transfer of resources to North Korea on the table as quid pro quo. We should be under no illusions. Aid to North Korea should be in kind, not in cash.

## **Defining a U.S. Agenda**

The Bush administration policy review was necessary. It has set the stage for a new approach, though we believe there should be continuity with regard to the basic (and inseparable) objectives of U.S. policy: reduction of the threat of military confrontation and facilitation of North-South reconciliation. The United States has a menu of security threats that needs to be addressed: nuclear weapons, ballistic missiles, chemical weapons, biological weapons, and, at the core of the confrontation, conventional forces. We believe the administration and Congress should approach security issues in conceptual terms similar to those of the Nunn-Lugar threat reduction program in Russia. Conventional force cuts will likely prove to be the most difficult, but the issue has not been seriously raised by the United States or the ROK for a decade—and given the hints of change in North Korea, conventional force reduction should at least be explored in the U.S. dialogue with North Korea or in a trilateral setting among the United States and North and South Korea. In general terms, the conclusion of the 1999 report of former Secretary of Defense William Perry offering North Korea two paths—one of cooperation or, if it refuses, active counter-measures—is still valid. It must be made clear to North Korea where the goalposts are for normalization of relations and the magnitude of economic benefits associated with reducing various elements of the DPRK military threat.

## **Weapons of Mass Destruction**

The starting point for U.S. diplomacy toward the North should be the two elements of security that North Korea has committed itself to addressing: the Agreed Framework and the DPRK ballistic missile program.

### *Agreed Framework*

The Agreed Framework involves the goal of eliminating North Korea's nuclear weapons program, but also much more. As the first major diplomatic agreement with North Korea, the AF is a benchmark of the ability to do business with Pyongyang. Under the best of circumstances, it is unlikely that the light-water

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reactors (LWRs) being constructed will supply energy to North Korea before 2009–10.

The AF was structured to defer the most difficult aspects of the agreement until its later stages, and another standoff could well happen, as in 1994. Under the current schedule, construction of the LWRs will reach the point at which North Korea must come into full compliance sometime in the first half of 2004. But there is no stipulation in the agreement for when the International Atomic Energy Agency (IAEA) should begin its verification process. Also, before licenses involving U.S. technology can be issued, a U.S.–North Korean nuclear cooperation agreement must be negotiated and accepted by Congress. Moreover, the fuel rods that precipitated the 1994 crisis, which were removed from the DPRK reactor core with enough plutonium for four to five weapons, have been treated. Under the AF they are to be shipped out of the country, but it is not clear to where they will be removed. There is room for more creativity in implementing and perhaps revising the AF.

Given the chronic shortages of electricity in North Korea, the provision of energy has already become part of the diplomatic equation. By requesting two million kilowatts of electricity from Seoul—exactly the amount of power that the two LWRs would provide—Pyongyang has joined the issue. This energy diplomacy may open up new possibilities in regard to implementation of the AF. Regardless, any provision of additional electricity to North Korea that is not linked in some manner to the Agreed Framework risks undermining the implementation of the AF, as it removes Pyongyang's incentives to cooperate with the IAEA. We recommend:

- *The United States should stand by its commitments and its allies, make no unilateral changes to the Agreed Framework, and adhere to its implementation. We should emphasize in our dialogue with Pyongyang that we will not accept any delay in the nonproliferation milestones contained within it.*

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- *A fresh collective look at the LWR project.* In the trilateral framework (and in consultation with the European Union), the United States and its allies need to examine the remaining challenges to full implementation of the Agreed Framework as well as potential opportunities to engage North Korea on a revision of the terms to meet Pyongyang’s immediate energy needs by nonnuclear means.
- *No ambiguous determination by the IAEA of North Korea’s nuclear history should be acceptable if the margin of error—between what plutonium the North has declared, and the amount the IAEA judges it may actually have—is in the vicinity of the amount required for one or more nuclear weapons.*
- *Offer more for more.* To address the inherent problems in the AF, offer to provide near-term electricity by the most practical means, if North Korea goes beyond its current obligations. The AF does not specify when the IAEA effort to discover North Korea’s nuclear history—or Pyongyang’s cooperation—must begin. This leaves a possible three- to four-year gap between the construction of the reactor and delivery of its nuclear components. Nor does the AF require removal of the canned fuel rods from North Korea now. If Pyongyang permits removal of the fuel rods, allows the IAEA to begin its unfettered inspections, and agrees to the IAEA’s “enhanced safeguards” program, the United States and its allies should offer to provide near-term electricity, by whatever means is most technically and economically feasible. Some may argue that this approach rewards DPRK inertia, but in fact it addresses gaps in the AF on a reciprocal basis. Any bilateral or multilateral provision of conventionally sourced electricity to North Korea should be managed and implemented through the Korean Peninsula Energy Development Organization (KEDO). This work by KEDO could be a precursor to expanding its role in overseeing the rehabilitation of the DPRK’s energy infrastructure and thus enhancing external involvement in the North Korean economy.



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### *North Korean Missile Program*

It is clearly in the U.S. interest to negotiate a verifiable elimination of North Korea's missile program beyond Missile Technology Control Regime (MTCR) limits. It must be remembered that the missile issue, unlike the nuclear issue, does not involve DPRK violations of international agreements (Nuclear Nonproliferation Treaty/IAEA). It is a question of security, not legality. Under the proposals left on the table at the end of the Clinton administration, the North would prohibit all exports of medium- and long-range missiles and related technologies in exchange for in-kind assistance in categories such as food. In addition, the North said it would ban further indigenous testing and production above a certain range in exchange for in-kind compensation and assistance with launching commercial satellites. Pyongyang had offered to freeze current missile deployments—including about 100 No Dong missiles that can hit Japan and U.S. bases in Japan. This offer fell short of U.S. goals. Yet the scope of North Korea's proposal was unprecedented and should be pursued further. Discussing the proposal does not imply acceptance. Any agreement must meet a standard of verification whereby it is judged that U.S. interests are better served with it than without it.

We offer two suggestions that could facilitate achieving the above-mentioned goals:

- *Disaggregate the missile issue.* Proceed in stages, beginning with the issue of missile exports, then address development and current deployments. The logic here is that to North Korea, exports are largely a question of compensation; they do not require the North to abandon capabilities and may be the least difficult to verify. The danger to be avoided is compromising the other elements of a missile deal or the freeze on testing.
- *Integrate missiles with electricity.* If North Korea seeks to rehabilitate its economy, it must refurbish its dilapidated energy grid. One possible means to help North Korea achieve this

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goal is to offer significant assistance in refurbishing and upgrading the country's energy infrastructure if it verifiably dismantles its deployed No Dong missiles. Such an initiative could also facilitate revision of the AF toward nonnuclear energy. In any case, this move would require participation by Japan.

### **Support for ROK Diplomacy**

The United States should give strong support to South Korean efforts at reconciliation and tension reduction with the North, as the administration has indicated it will do. In its dialogue with North Korea, the United States should press Kim Jong Il to fulfill his pledge to come to Seoul for a return summit. We believe that Seoul's strategy of cooperation and reconciliation with Pyongyang has moved the political dynamic on the peninsula in a positive direction. Tensions are lower than at any time in recent memory. Some argue that the policy is a failure because the North has not reduced its military forces or improved human rights in response to the South's overtures. We firmly believe that without a reduction of the North Korean military threat, economic opening and reform, and improvement in human rights in the North, diplomacy with Pyongyang will only go so far. However, these outcomes should be the goals of policy and not preconditions for the South's efforts at tension reduction. Kim Dae Jung's focus on cooperation and reconciliation is the right way to move the process and is clearly in the U.S. interest.

### **Other Recommendations**

The United States should clearly define where the goalposts are on normalization and take steps to indicate a willingness to move in that direction and eventually reach that point:

- *Software of change initiative.* The United States, Japan, and the ROK should agree in a trilateral framework to offer North Korea a substantial program of technical assistance in training business managers, legal experts, accountants, and other human capital required to make economic reform a real

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possibility. This should be done, perhaps led by nongovernmental organizations (NGOs), absent any reciprocity.

- *Renew the offer to exchange interest sections with Pyongyang.*
- *Allow the ROK and Japan to facilitate the process of DPRK membership in the International Monetary Fund, World Bank, and/or Asian Development Bank.* Under U.S. law, until North Korea is removed from the State Department’s list of state sponsors of terrorism, Washington cannot support its membership in international financial institutions. Although the United States should press the North to take the remaining steps to allow its removal from the terrorist list, a U.S. veto on DPRK membership in an international financial institution would not necessarily block the process, as long as the United States did not actively discourage a Japanese and Korean effort to begin the process of membership.

Our final suggestion relates to the management of Korea policy and allied coordination:

- *Appoint a special coordinator for Korea, the importance of which is underscored by the experience of the Perry process.* Our preference is for a full-time person of stature chosen from outside the government. Alternatively, a current senior officer could be given a second hat as coordinator and designated “point person,” reporting to the secretary of state and the president on Korea policy. This step would aid in managing the interagency process and in making clear to Congress, allies, and North Korea who the point person is on Korea policy. It will also facilitate diplomatic protocol to raise the level of representation on the allied coordinating committee on the part of the ROK and Japan, and provide greater access to relevant DPRK senior officials.

### **Conclusion**

The essence of our approach is to trade economic benefits and security assurances for threat reduction and the prospect of change in North Korea. The experience of more than a decade of U.S.

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engagement with North Korea and that of the South strongly suggests that what is possible vis-à-vis North Korea cannot be known in advance. A dialogue must start at the level of vice foreign minister or higher. North Korea's intentions must be tested. This is particularly important in light of the remarkable developments since June 2000. No critics have offered a better idea than the difficult course of sustained, hard-headed engagement in pursuit of U.S. and allied interests. We should get on with it.

America's forward presence and alliance relationships have prevented a second war on the peninsula and may have persuaded North Korea that it has no better options than diplomacy. If Pyongyang is indeed ready to take further steps toward strengthening peace on the peninsula, then Washington should be fully prepared to respond. In the meantime, we must keep deterrence strong and support the patient efforts of our South Korean ally.

## FINDINGS AND RECOMMENDATIONS

A year after the historic June 2000 North-South summit, the Bush administration begins its diplomacy toward North Korea at a time of lingering hope, but troubling uncertainty about the future of the Korean peninsula. The summit opened a new chapter in inter-Korean relations and offered the prospect of genuine reconciliation by beginning to address the causes—rather than the effects—of weapons of mass destruction on the Korea problem. Yet now the high hopes and grand pledges of the summit have yielded to the difficult task and tortoise-like pace of undoing five decades of distrust and confrontation. The Bush administration has inherited a situation of persisting military standoff, but also significantly lowered tensions, stable deterrence, a sturdy U.S.-ROK alliance, and a rich thirteen-year history of expanding American interaction with North Korea. Yet the promise of diplomacy and the imagery of change have so far outpaced the reality on the ground.

The summit ushered in a revolutionary change in the style and tactics of North Korea's dealings with the outside world. The once-mysterious and often derided recluse, Kim Jong Il, suddenly surfaced as a serious political figure who could skillfully deal with an array of foreign leaders. North Korea embarked on an impressive—and uncharacteristic—diplomatic offensive to normalize relations with nearly two dozen nations in Asia and Europe, including U.S. allies such as Great Britain, Italy, and Germany. Beyond the dramatic change in tactics, however, it is unclear whether Pyongyang's new omnidirectional diplomatic offensive also foreshadows major changes within the Kim regime and/or in its willingness to negotiate substantial arms reductions in exchange for economic benefits and security assurances.

Since 1998, this Task Force has issued two reports on public policy toward Korea and two open letters to the president. This report, building on those previous publications, is an effort to assess how the situation on the Korean peninsula has evolved over the

## *Findings and Recommendations*

past three years; the trajectory of U.S. and South Korean policies, respectively; and what may constitute the most appropriate policy response to the current predicament.

### **Plus Ça Change?**

The Korean peninsula in mid-2001 is markedly different from that conveyed in our previous reports. That an American secretary of state actually met with Kim Jong Il in Pyongyang, that a U.S. president seriously considered a similar trip, and the provision of nearly \$1 billion in food and other aid since 1995 are measures of how complex U.S.–North Korean relations have become. In Seoul, the question is when—and if—a second North–South summit will occur. Inside North Korea, economic decline, deprivation, and famine appear only modestly abated. However, the possibility of a North Korea beginning to modernize in a manner similar to China and Vietnam seems at least imaginable rather than in the realm of fantasy. In January 2001, Kim Jong Il went to Shanghai, where he toured U.S. and Japanese factories and praised Chinese reforms shortly after issuing an intriguing New Year’s statement about the need for “new thinking.” This sparked much conjecture that a North Korean version of market-oriented reform may be in its formative stages. But to date, this remains largely speculation.

The initial Task Force report, released in June 1998, focused on the implications of Kim Dae Jung’s election as president of the ROK and the need to develop a long-term peninsular strategy. The October 1994 Agreed Framework that froze North Korea’s declared nuclear facilities remained the centerpiece of U.S.–ROK–Japan involvement with Pyongyang. Kim Dae Jung’s election came amidst a financial crisis at home and eight straight years of economic decline in North Korea (its economy contracting by some 40 percent). The new situation suggested that a fresh look at the policy of continued diplomatic isolation was warranted.

The situation subsequently took a dramatic turn for the worse in August 1998 when, amid growing congressional skepticism about U.S. policy, North Korea launched a multi-stage Taepo Dong ballistic missile test over Japan’s main island, Honshu. That same month, a leaked U.S. intelligence report was published in *The New*

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*York Times*, disclosing a suspected underground nuclear facility at Kumchang-ni. These two developments raised the specter of a larger North Korean threat: ballistic missiles that could reach Japan—and even the United States—and the possibility that such missiles could be ultimately be tipped with nuclear warheads. At the same time, Kim Dae Jung's overtures to North Korea were not only spurned, they were greeted with military provocations and old-style inflammatory rhetoric.

It is worth recalling the political environment that these developments fostered. The missile test sent shock waves through Japan, dramatically affecting public opinion on national security. The heightened sense of threat from the North also deepened congressional reservations about a U.S. policy that, beyond the Agreed Framework, consisted of incremental increases of humanitarian aid and a series of meetings that had made little progress in addressing the new concerns. North Korea's spurning of Kim Dae Jung's overtures for reconciliation heightened skepticism in the United States. The turn of events raised questions about the underlying assumptions of U.S. policy and the possibility that what had been the policy's centerpiece—the Agreed Framework—might come undone. Sustaining bipartisan support for Korea policy was becoming very difficult.

This predicament led the Task Force to produce an Open Letter to President Clinton, reaffirming support for the Agreed Framework but expressing concern that it would be difficult to sustain the nuclear accord unless it became part of a larger, more comprehensive U.S. policy to address the wider threats from missiles and weapons of mass destruction and to reduce tensions. The letter called on the president to appoint a senior person from outside the government (with bipartisan credibility) to oversee a major policy review, to consult with South Korea, Japan, and China, and to present American policy recommendations directly to North Korea. It also urged that inspections of the suspect nuclear site be conducted before further implementation of the Agreed Framework and recommended active consideration of steps to reduce obstacles to economic relations with North Korea.

## *Findings and Recommendations*

Congress enacted legislation compelling the administration to take steps along the lines proposed in the Task Force letter. President Clinton then appointed former Secretary of Defense William Perry as North Korea Policy Coordinator, and Perry undertook a nine-month-long review of U.S. policy. What became known as “the Perry Process” sought to address concerns about new security threats and offer North Korea a new way forward in ties with the United States. Perry went to Pyongyang in May 1999, the highest-level contact the U.S. government had had since the Korean War. Perry essentially offered North Korea a choice: to embark on a new path of security cooperation that would lead to a package of political and economic incentives—including normalization of relations with the United States and substantial outside aid—or to face a path of confrontation.

Perry’s report to the president emphasized the North Korean missile and nuclear programs as overriding concerns of U.S. policy. Although it underscored the importance of the freeze of Pyongyang’s known nuclear facilities, Perry’s report nonetheless declared its “serious concerns about possible continuing nuclear weapons-related work in the DPRK.”<sup>1</sup> The report also stressed the DPRK’s continuing efforts to develop “ballistic missiles of increasing range, including those potentially capable of reaching the territory of the United States.” The Clinton administration adopted Perry’s recommendation for a “comprehensive and integrated approach that would seek complete and verifiable cessation of all testing, development and deployment of missiles beyond 300 kilometers (the limits of the Missile Technology Control Regime) as well as verifiable assurances that the DPRK has ended its nuclear weapons program.” In exchange, the United States and its allies would “in a step-by-step reciprocal fashion reduce pressures the DPRK perceives as threatening,” and the United States would normalize relations. In Pyongyang, Dr. Perry offered what was for the United States a more comprehensive approach: a cooperative future in exchange for verifiable arms reductions, a policy course

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<sup>1</sup> See “Review of United States Policy Toward North Korea: Findings and Recommendations,” Dr. William J. Perry, Department of State, October 12, 1999.



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designed to address the concerns that sparked his mission and to renew congressional support. One enduring contribution of the Perry exercise was a significant upgrade in policy coordination with the ROK and Japan.

Although some U.S. officials expected Pyongyang to reciprocate with a high-level visit to Washington in the fall of 1999, the North failed to fully respond to the U.S. initiative for fifteen months. Indeed, there was abrasive rhetoric and a North-South naval skirmish in the Yellow Sea. The first hint of a possible deal on missiles came in July 2000, floated by Kim Jong Il in a meeting with visiting Russian President Vladimir Putin.

This was the backdrop for the remarkable visit to Washington of First Vice Chairman Jo Myong Rok, as Kim Jong Il's special envoy—a return for the Perry visit to Pyongyang—in October 2000. The U.S.-DPRK Joint Communiqué that resulted from Vice Chairman Jo's visit was a vaguely worded document, the upshot of which seemed to be a desire to move toward starting “a new direction” in bilateral relations. The communiqué stated “that neither government would have hostile intent towards the other and confirmed the commitment of both governments to make every effort in the future to build a new relationship free from past enmity.” Despite such assurances, Vice Chairman Jo used a politely worded dinner toast at an event hosted by then Secretary of State Madeleine Albright to press Pyongyang's anxieties, stating that Kim Jong Il would move toward a cooperative relationship with the United States “if and when the DPRK and our leadership is assured, is given the strong and concrete security assurances from the United States for the state sovereignty and the territorial integrity of the DPRK.” They also agreed that Secretary Albright would visit Pyongyang (her visit occurred later in October) and suggested that President Clinton might also visit the North Korean capital.

The Albright-Kim talks in Pyongyang explored a possible deal addressing all aspects of the missile problem—North Korean exports, testing, development, production, and current deployments. Despite eleventh-hour efforts to reach accord on a deal to resolve the ballistic missile problem, which would have been the

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centerpiece of a presidential trip to Pyongyang, the delayed response to the U.S. initiative left the Clinton administration without adequate time to negotiate firm details. Instead, the rough outlines of a prospective missile deal were left for the incoming administration.

Today, tensions on the peninsula are considerably lower than at any time since the 1994 crisis, and North Korea remains a basket case. But it has come out of its shell, amid indications that economic modernization may follow. Nonetheless, the end of confrontation on the Korean peninsula remains mostly an aspiration. Major problems of the standoff—North Korea's nuclear weapons program and missiles—have been constrained but not resolved.

### **Where Are We Now?**

As the Bush administration initiates its Korea policy, now is an important moment to take stock of its inheritance: the situations inside North Korea and South Korea, the state of North-South relations, and lessons learned from the Clinton experience.

#### *The Situation in North Korea*

In many respects, the determining factor in regard to both North-South reconciliation and U.S.–North Korean relations is the internal situation in North Korea. Is it prepared to change from its militarized, state-controlled economy to one that is civilianizing, opening to outside actors, and reforming in a direction similar to other Asian communist states in transition, particularly China and Vietnam? Indeed, is the situation today any less bleak?

By all outward appearances, Kim Jong Il is firmly in control as paramount leader of North Korea. His institutional position as chairman of the National Defense Commission reflects the military basis of power. The political role of the ruling Korean Worker's Party has steadily eroded, as witnessed by the fact that there has been no Party Congress held since 1980. At the same time, the increasing political prominence of the Korean People's Army (KPA) is evident on several levels. The prevalent slogan "military first politics," repeated frequently in North Korean propaganda since 1997, underscores the military's place at the core of national power

## *Testing North Korea*

and at the top of all priorities. The National Defense Commission was enlarged from five to ten members, and military figures have moved up in the political hierarchy and doubled their numbers in the Supreme People's Assembly in recent years.

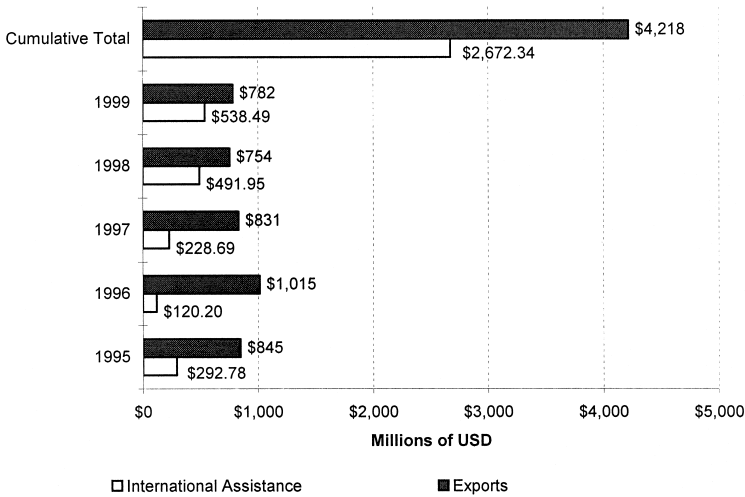
The “military first” notion is particularly striking amid the speculation about economic reform. In China, the military has been at the bottom of priorities for economic reforms as the fourth sector to be modernized (after industry, agriculture, and science and technology). Yet despite massive famine and other shortages, over the past two years the KPA has been absorbing more of the DPRK's scarce resources, rebuilding its capacity to inflict damage on South Korea and Japan with new deployments of artillery near the demilitarized zone (DMZ), new fighter aircraft, new fiber optics to improve command and control, and continued development of ballistic missiles and larger military exercises.

Despite hints of change from the top and some intriguing changes on the ground, there is too much uncertainty (and lack of transparency) surrounding the North Korean economy to consider affirmative answers to any of the large questions looming over North Korea's future. Although a lack of reliable internal data adds a large component of “guesstimate” to economic analyses, it is clear that the DPRK's economy suffered steep declines in output during the 1990s. By the end of the decade, its total trade was one-third that of 1990, and its gross national product was less than two-thirds that in 1990 and roughly thirty times smaller than that of the ROK. And there are few indications of any substantial renewal of the DPRK's economy. In recent years, North Korea has become increasingly aid-dependent, with aid inflows amounting to approximately two-thirds of recorded exports (see chart on the next page), and—together with revenue from missile exports and reportedly from illegal activities such as drug smuggling, trafficking in endangered species, and counterfeiting—roughly equal to the total value of exports.

North Korea's energy and food situation is a reflection of its current predicament. According to an unclassified Defense Intelligence Agency briefing paper, its electricity capacity (18.6 billion kilowatt-hours) is about 50 percent of its total electrical demand (35.6 billion kilowatt-hours). North Korea has a disintegrating

## Findings and Recommendations

### North Korean Exports and International Aid to North Korea



Sources: International Monetary Fund, *Direction of Trade Statistics Yearbook* (2000), and Republic of Korea Ministry of Unification (<http://www.unikorea.go.kr/eg/>).

Note: All export and aid figures are based on estimates.

energy infrastructure with a highly inefficient and outmoded energy grid. Similarly, although North Korea's food shortages are a result of floods and droughts compounding environmental damage in addition to other consequences of its collective agriculture system, the country has a permanent, structural food deficit of roughly 1.5 million–2 million tons a year. The World Food Program says that 2001 will be the most difficult year since 1998, estimating a 2-million-ton shortfall over the year, after a three-month drought and an unusually bad harvest.

Pyongyang has done little to open its economy. North–South trade has been conducted since 1988, during the 1990s averaging between \$250 and \$350 million annually, and rising to \$425 million in 2000. Some forty Korean companies have been doing business or investing in North Korea. Trade and investment have been focused in mining, agriculture, fisheries, and increasingly in processing on commission assembly in North Korea. Pyongyang's

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reluctance to embark clearly on a course of opening and reform is evident in its refusal to take up the International Monetary Fund (IMF) and World Bank offer to assess its economy and train North Korean economists, though Pyongyang has sent nearly 200 economic bureaucrats abroad for training since 1997. Internally, even as North Korea continues to ban the term “reform,” it has increasingly tolerated private farmers’ markets, now numbering more than 300 by some estimates; as the national distribution system has broken down, these markets account for a significant amount of food and other basic necessities.

### *The Situation in South Korea*

South Korea approaches its 2002 presidential elections with some of the wind taken out of its sails on the economic and political fronts. South Korea defied the projections of most analysts after the 1997–98 financial crisis with its rapid recovery, growing by 10.9 percent in 1999 and 8.8 percent in 2000. Many underestimated the degree to which South Korea had moved toward the information economy. But Seoul has only partially addressed many of the causal factors of the crisis, particularly with regard to its financial system. The government has not entirely changed the business culture and dismantled the *chaebol* conglomerates, whose corporate debt remains a significant problem. The Korean economy has slowed significantly in 2001, due in part to slow growth in the United States and in part to its own internal problems. Nonetheless, the slowing South Korean economy almost certainly means its generosity toward North Korea will be somewhat diminished. The Hyundai conglomerate has lost \$342 million on its Mt. Kumgang tourist deal, and the future of the deal is uncertain, though the government did announce a bailout plan after North Korea agreed to permit a restricted overland route for visits from South Korea.

Kim Dae Jung’s political position has also faltered, in part due to the weakening economy. His administration has been plagued with political scandals. It suffered significant losses in the April 2001 by-elections, and job cuts have angered his base of support among blue-collar workers and students. Kim and his ruling Millennium Democratic Party are approaching the 2002 presidential elections amid diminished popularity in the polls.

## *Findings and Recommendations*

Kim's critics are not opposed to his engagement policy but rather to the pace, scope, and manner of its implementation. The lack of concrete results and the reluctance of Kim Jong Il to fulfill his pledge to come to Seoul have lowered enthusiasm for South Korea's generosity toward the North and raised troubling questions, not about active engagement with the North but about how to engage—in particular, how to define the reciprocal nature of any relationship with the North.

### *North-South Relations: Half Full or Half Empty?*

The June 2000 summit sparked a plethora of new North-South interactions, including athletic and cultural exchanges as well as social, economic, and military interaction. The main elements are:

- *Trans-Korean railway/road connection.* In contrast to the Hyundai Mt. Kumgang tourist deal, the 2000 summit agreement to reconnect the Seoul-Shinuiju railroad is more of a mutual confidence-building measure, as well as an important step toward rebuilding infrastructure to facilitate inter-Korean economic activity and, not least, a symbol of reunification. The project involves reconnecting twelve kilometers of railway on both sides of the DMZ and construction of an adjacent highway. Implementation involves demining and a set of joint understandings on how to manage the area. The South has largely completed demining and construction, but the North has not yet either demined or begun construction on its side of the DMZ.
- *Separated families.* The North has acted minimally, allowing three reunions, of 100 divided families on each occasion, and the exchange of several hundred letters. This is modest progress on a highly emotional issue and a major political concern in the South (some ten million South Koreans have relatives in the North). But the North fears that large-scale exchanges may erode the basis of its legitimacy.
- *Economic cooperation.* Post-summit cooperation has resulted in some potentially significant breakthroughs in Kim Dae Jung's goal of facilitating change in the North. Agreement was

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reached, with Hyundai taking the lead, to develop a large-scale industrial complex at Kaesong, some fifty kilometers north of the DMZ, and accessible to the Seoul-Shinuiju railway and road links. Institutionally, an inter-Korean committee for economic cooperation was formed. And perhaps most significantly, four economic agreements were reached, creating a legal framework for inter-Korean trade and investment: an agreement for settling trade in dollars; an agreement on investment protection; an agreement for arbitration and settlement of commercial disputes; and an agreement to prevent double taxation. These accords are an important precondition for attracting the hundreds of investments sought to fill the ambitious large-scale Kaesong industrial park (a special economic zone that Hyundai hopes will employ 160,000 and produce up to \$12 billion in export goods by 2008) and other planned trade zones. But Hyundai's flagship Mt. Kumgang tourist project has lost substantial amounts of money, leading to a government bailout on which the continuation of the project depends.

- *Military issues.* It is in the security realm, the key issue of reconciliation, that the least progress has occurred. There has been one meeting of North-South defense ministers with no concrete results, and the DPRK has shown little interest in discussing confidence-building and tension-reduction measures with the ROK. There have also been five working-level meetings to discuss issues relating to the reconnection of the railway.

By March 2001, however, North-South relations stagnated, with North Korea canceling most planned meetings in the economic, social, cultural, and military spheres, and no indication when Kim Jong Il would honor his pledge to visit Seoul. North Korea has suggested—and the perception is widespread in South Korea—that it suspended cooperation because of the lull in U.S. diplomacy by the Bush administration while it conducted a policy review, and after some derogatory rhetoric about Kim Jong Il from President Bush and Secretary of State Colin Powell. One other factor may be Seoul's lukewarm response to Pyongyang's demand at the last

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round of ministerial-level talks in January 2001 that Seoul immediately supply the North with 500,000 kilowatts of electricity *gratis*, and 2 million kilowatts in the long term—exactly the amount of power that the two light-water reactors under construction would produce. It is also true that with the two countries having initiated a host of processes in the economic, military, and humanitarian spheres, the next phase of North-South relations requires implementation—connecting railways and roads across the DMZ, military confidence-building measures, economic opening to realize the Kaesong industrial park—that may be seen as politically risky by Pyongyang.

However, it was never clear that Kim Jong Il accepted the logic or the structure of reconciliation in Kim Dae Jung's policy of engagement. In his historic March 2000 Berlin speech, Kim Dae Jung offered a broad trade-off similar in character to that offered by the United States. The future Nobel Peace Prize recipient said that he was "making three important promises to Pyongyang—to guarantee their national security, assist in their economic recovery [including large-scale aid to rebuild their roads, infrastructure, and telecommunications], and actively support them in the international arena." In return, he asked the North to abandon once and for all armed provocation against the South, to comply with pledges not to develop nuclear weapons, and to give up ambitions to develop long-range missiles. This approach embraces the core objectives of U.S. policy as well: threat reduction and North-South reconciliation. And President Kim demonstrated his good faith in the form of nearly one million tons of food, fertilizer, the Hyundai tourist project—which offered \$900 million in hard currency to Pyongyang over six years—and other material incentives in the period before the June summit. Seoul has also established a fund of roughly \$400 million to facilitate investment in the North.

Seoul has consistently argued that the framework for reconciliation remains the comprehensive 1991–92 Agreement on Reconciliation, Non-Aggression, and Exchanges and Cooperation (see Appendix III), which both North and South Korea signed. But, in the recent round of discussions, Pyongyang has never formally accept-



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ed or rejected that proposition. In practice, however, the accords, known as the Basic Agreement, have guided the process of North-South relations.

The current North-South relationship is a classic case of “half full or half empty?” The post-summit developments outlined above appear modest in relation to the goals of achieving substantial opening and reform in the North, rehabilitating the North Korean economy, reuniting millions of divided families, and reducing the threat of conflict on the world’s most heavily armed border. Yet at the same time, these developments are unprecedented: previously, not even 300 families had the possibility of reuniting, no economic/legal framework existed, defense ministers had never met, and neither had a North-South summit ever taken place.

The key question is whether an inter-Korean process is becoming institutionalized or irreversible. At present, it is not possible to conclude that this is the case. The grudging response to Kim Dae Jung’s generous assistance and magnanimous offers by the North has led to skepticism and a mood of sharpening political polarization in South Korea. There is a growing sense in the South that the lack of reciprocity from Pyongyang may suggest that Kim Jong Il’s changes may be more tactical than substantial. Kim Jong Il has twice pledged a return visit to Seoul—in the summit’s Joint Declaration and in September 2000, during senior North Korean emissary Kim Young Sun’s trip to Seoul. Yet more than a year later, Kim Dae Jung’s courageous trip to Pyongyang remains unrequited. Indeed, many of the pledges made and agreements signed have not been fulfilled by Pyongyang.

South Korean presidential elections will take place in December 2002. If new momentum toward North-South reconciliation does not occur by early 2002, it may be politically difficult to take major steps in North-South reconciliation. At present, Kim Dae Jung’s policies are heavily dependent on another summit. But Kim Jong Il may, for reasons that are not fully evident, be deferring his summit commitments just as he deferred his response to Dr. Perry until it was too late for Clinton to adequately respond.

## *Findings and Recommendations*

### *The Clinton Legacy*

In assessing the implications for future U.S. policy toward the Korean peninsula and its evolution over the course of the last eight years, it is important to bear in mind the significant continuity since 1990. The nuclear crisis that culminated in the October 1994 Agreed Framework grew out of the first Bush administration's successes in pressing North Korea to reach agreements with the IAEA, declare its past nuclear activities, and submit to IAEA monitoring. Discrepancies in North Korea's declared nuclear activities discovered by the IAEA sparked a mounting crisis in late 1992–93. U.S. engagement with North Korea reached its apogee with a 1992 meeting by an undersecretary of state with a North Korean counterpart that represented the highest-level contact with Pyongyang until 1999. U.S. policy over the past eight years has:

- *Sustained credible deterrence.* The U.S.-ROK alliance remains the bedrock of security on the peninsula. A number of recent irritants and problems—the Status of Forces Agreement, ROK missile development, and the No Gun Ri tragedy—were resolved before the change in U.S. administrations, but lingering discomfort with the U.S. military presence among the Korean public is a problem.
- *Bound the nuclear proliferation problem with the Agreed Framework's freeze on Pyongyang's declared nuclear facilities.* The AF is a mechanism for eventually ending North Korea's known nuclear weapons program, if significant obstacles to fully implementing it can be overcome. But it left uncertain whether North Korea has enough fissile material for one or two nuclear weapons.
- *Bound the missile problem.* By negotiating a moratorium on further testing, now unilaterally extended until at least 2003, U.S. diplomacy has for the moment contained the problem. The previous administration also left on the table elements of a negotiation that could end exports, testing, and future development, though the status of current deployments—and most important, verification—remains problematic.

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- *Expanded the scope of diplomacy.* The Agreed Framework was more than a nuclear nonproliferation device. It began a new level of diplomacy, testing North Korea's bona fides as an *interlocuteur valide* and opening the door to other areas of engagement, such as the now-dormant Four Party talks (involving North and South Korea, the United States, and China) and missile talks. The regularization of trilateral U.S.-ROK-Japan policy coordination was another important development that occurred during the Clinton administration.
- *Bought time.* By providing roughly \$1 billion including food aid, heavy fuel oil, and other support since 1995, the United States, along with other major actors, particularly South Korea and China, has, in effect, put Pyongyang on life support. The hope is that another crisis on the peninsula might be avoided and that time will benefit the United States and its allies in the form of either changed behavior and/or a different regime.
- *Gave North Korea something to lose.* The totality of North Korea's diplomatic opening to the world—in particular, the burgeoning U.S., South Korean, and European involvement and assistance—has created a web of dependency that appears to have a constraining effect on North Korean behavior. Provocative behavior such as another missile launch could thus jeopardize the wide array of assistance. The flip side, however, is that U.S. aid is being used to sustain a regime that continues to threaten the United States and its allies.
- *Fostered patterns of reactive diplomacy, expectations of bad behavior being rewarded, and a moral/political dilemma.* One cost of U.S. policy in recent years was the establishing of a diplomatic pattern of permitting North Korean demands and provocations to set the agenda, with the United States frequently in the role of *demandeur*. To entice Pyongyang to attend meetings such as Four Party talks, the United States would frequently announce a shipment of 100,000 tons or more of food. This has been dubbed “food for meetings” diplomacy, with an apparent U.S. premium placed on process.

### **U.S. Policy Reconsidered**

The Korea problem that now confronts U.S. policy has evolved significantly from that faced by both the first Bush administration and the Clinton administration. Yet many of the basic questions remain unanswered. There is a far more complex set of interactions between the United States and North Korea, and between North Korea and the rest of the world. North Korea has defied decade-long assumptions that it would collapse, rendering former Defense Secretary Perry's argument that North Korea must be dealt with as it is, not as we would like it to be, a prudent premise. The leadership in Pyongyang is a far more known quantity, though its decision-making process remains opaque. There is finally a hint of change in North Korea, but also a hint of greater desperation. Diplomacy has the prospect of reducing key components of the North Korean threat—nuclear weapons and ballistic missiles.

We welcome the Bush administration's initiation of discussions on a comprehensive basis to address pending security issues with North Korea. Based on the lessons of policy past, we suggest some principles and guidelines for U.S. policy:

- *U.S. policy must be consistent with the approaches of the ROK and Japan and proactively coordinated with both.* The U.S.-ROK and U.S.-Japan alliances are key to deterrence, which is the basis of engagement with North Korea.
- *South Korea should be in the lead in overall engagement with the North, in roughly parallel movement with the United States, though their respective agendas with Pyongyang may differ.* This coordination is key to avoiding North Korean efforts to play one state against the other. Trilateral coordination extends this parallel diplomacy to Japan.
- *Serious, results-oriented diplomacy must involve top levels of the DPRK leadership.* Addressing issues incrementally is probably inevitable, but a piecemeal approach is facilitated if the issues addressed are within a larger, comprehensive framework. Patience is a virtue.

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- *Focus on priorities.* This may seem obvious, but there is a long U.S. wish list for North Korea, from eliminating nuclear, missile, and conventional threats to market reform to human rights and democracy. U.S. policy must keep its focus on priorities to avoid making “the best” the enemy of “the good.” The United States must accept that progress is likely to be slow.
- *Define reciprocity and where it applies.* Reciprocity need not be tit-for-tat, nor applied to all issues (e.g., humanitarian aid), but it is highly unlikely that a policy of engagement with North Korea will be politically sustainable in the United States, the ROK, or Japan absent significant steps taken by Pyongyang. The bargain offered in the Agreed Framework—nuclear freeze for specified benefits—is a useful example of applied reciprocity. More broadly, diplomacy aimed at threat reduction should be prepared to put the transfer of resources to North Korea on the table as quid pro quo. We should be under no illusions.
- *Aid to North Korea should be in-kind, not in cash.* One lesson of the Hyundai deal is that providing hard currency is counterproductive. Pyongyang had agreed in missile talks with the United States that in-kind aid was acceptable. This understanding should be adopted collectively in a trilateral framework.

### **Problems of Policymaking**

#### *Transparency*

One problem that cuts across both economic and security-policy issues, and that grows in direct proportion to the quantity and types of international engagement with North Korea, is transparency. It stems, of course, from the uniquely closed nature of North Korea, and it poses problems on issues from food aid, investment, and membership in international financial institutions to nuclear weapons, missiles, and conventional forces.

In regard to food aid, the biggest question facing donors is whether it is going to intended recipients. The U.N. World Food Program has enjoyed only limited access, rarely on a random-access basis.

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A number of respected NGOs such as Médecins Sans Frontières, CARE, Oxfam, and World Vision have left North Korea in frustration as a result of restrictions imposed on their activities by Pyongyang. In order to join the World Bank, North Korea must first join the IMF. To do so requires opening its financial records, budgetary information, and the budget process, and other economic information that North Korea is reluctant to reveal. Pyongyang has thus far refused World Bank/IMF offers to assess its economy and rejected an invitation to attend the 2000 World Bank/IMF meeting in Prague as an observer.

On security issues, the question of verification looms large as a prospective impediment to agreements aimed at threat reduction. For example, DPRK secretiveness continues to pose major problems for full implementation of the Agreed Framework. Implementation calls for North Korea to allow the International Atomic Energy Agency the access it needs to its historical records and suspected nuclear sites, and the North's willingness to do so remains an open and dangerous question. It should be noted, however, that North Korea did grant the United States access to a suspected nuclear site at Kumchang-ni. Similarly, verification for a missile deal requiring Pyongyang to halt exports of all missile technology, dismantle current deployments, and cease developing missiles beyond MTCR limits would require a degree of transparency far beyond what North Korea has permitted to date. Should North Korea join the Chemical Weapons Convention, it would also have to agree to a somewhat intrusive verification process.

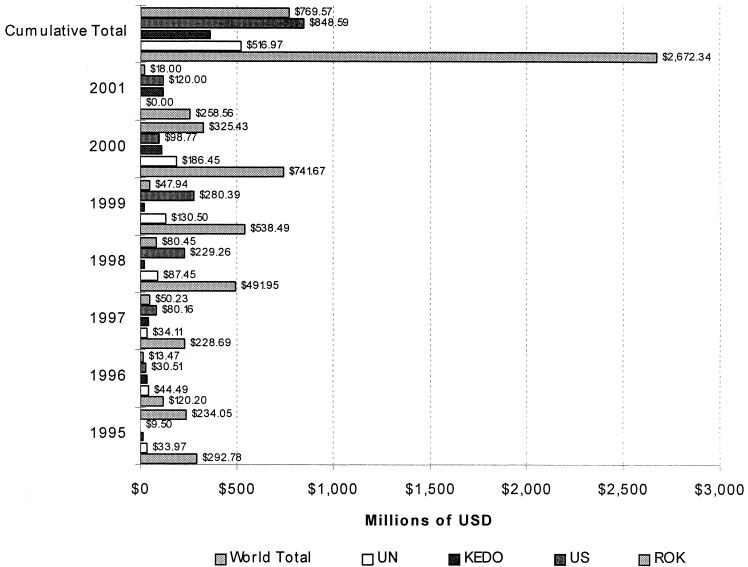
### *Humanitarian dilemmas*

The collapse of the North Korean economy—in the sense that it can no longer meet the biological needs of its citizens—has meant that since 1995 there has been an annual food deficit of 1.5 million–2 million tons. By Pyongyang's own public admission, 220,000 North Koreans died of starvation from 1995–98. This is not inconsistent with international estimates of between 500,000 and 1 million dying in 1995–2001 from food shortages and related maladies.

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North Korea's economic disaster is mitigated by outside aid—much of it from longtime adversaries, the United States, the ROK, and Japan, and significant amounts from China—placing it, many believe, on “life support.” Yet at the same time, Pyongyang has continued to invest a growing portion of diminishing national treasure into its military forces by buying new hardware, developing missiles, and increasing its tempo of operations. This dependence on outside assistance creates a unique situation that is difficult to envision as politically sustainable. Food and medicines are fungible in the sense of freeing up resources for the military.

### International Aid to North Korea by Major Donors



Sources: U.N. Office for the Coordination of Humanitarian Affairs DPRK Consolidated Annual Appeal 1998–2001 ([www.reliefweb.int/appeal](http://www.reliefweb.int/appeal)); ROK Ministry of Unification ([www.unikorea.go.kr/eg/](http://www.unikorea.go.kr/eg/)); KEDO Annual Reports FY1995–99 ([www.kedo.org/](http://www.kedo.org/)); Congressional Research Service; Organization for Economic Cooperation and Development, Development Assistance Committee database ([www.oecd.org/dac/](http://www.oecd.org/dac/)); U.S. Agency for International Development annual reports FY 1995–99 ([www.usaid.gov/](http://www.usaid.gov/)); and European Union Online ([europa.eu.int](http://europa.eu.int)).

Note: All aid figures are based on estimates. Chinese totals unavailable.

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Indeed, there is a great—and underappreciated—paradox in U.S.-ROK-Japan policy toward Pyongyang. The burgeoning flow of food, fertilizer, and other assistance to North Korea has made it much easier for the regime to “muddle through,” if not survive, at great cost to the citizens of North Korea. Yet this support may also militate against a risk-averse Kim Jong Il adopting the very changes that U.S. and allied policies hope to induce: Why risk opening up and reforming if you can get by without doing so?

For the moment, our Task Force recommends that in the face of a particularly severe drought, provision of humanitarian food aid should continue, with increased pressure for “random access” to end-points of distribution and for easing the ability of NGOs to operate in North Korea. There are differences within our Task Force as to whether food aid should be cut if procedures for *monitoring the aid*, which give us confidence that the bulk of food aid is reaching its targets, are not provided. We recognize that there are inherent problems that may render filling what appears a perpetual structural food deficit politically unsustainable.

Another dilemma that has garnered less attention is that of the harsh fate of North Korean refugees crossing the border to China. Contrary to its U.N. commitments, Beijing has treated Korean refugees harshly, returning those it discovers to fates that anecdotal evidence suggests include torture and death. Washington and most other governments have been relatively silent on this issue. The right of first asylum is an issue that should be raised with both China and North Korea.

### **Defining a U.S. Agenda**

The Bush administration begins its diplomacy with North Korea after receiving much criticism for its reticence to immediately pursue the unfinished diplomatic business from the previous administration, as well as for what was perceived as poor treatment of Kim Dae Jung and lukewarm endorsement of his engagement policy during his March 2001 visit to the United States. The public airing of differences during the Bush-Kim meeting—though exaggerated by the media—led to a widespread perception in South Korea that the new U.S. administration was averse to



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dealing with North Korea and skeptical about Kim Dae Jung's policies. Pyongyang's skillful tactic of freezing North-South relations, then strongly hinting that the Bush administration's diplomatic freeze in U.S.-North Korean relations was the cause, reinforced this view in South Korea (which is also admittedly fueled by domestic political rivalries). Nonetheless, these perceptions have persisted, despite U.S. official public statements both during and since the Bush-Kim meeting stating that the United States supports Kim's engagement policy and remains committed to the 1994 Agreed Framework, and a declared intention to pursue talks with Pyongyang on a comprehensive basis.

The policy review by a new administration was, however, a necessary exercise. It has set the stage for a new approach. The Task Force commends President Bush's adoption of a comprehensive approach to North Korea and recommends that the administration initiate discussions on a broad agenda of security issues with Pyongyang at the highest possible level. The United States has large national interests at stake in the two Koreas and the peninsula remains a top potential flashpoint that should be high on the list of foreign policy priorities.

However, we believe there should be continuity with regard to the basic (and inseparable) objectives of U.S. policy: reduction of the threat of military confrontation and facilitation of North-South reconciliation. During a May meeting with a European Union (EU) delegation, Kim Jong Il extended his moratorium on missile tests to 2003 but said missile exports would continue. This was in effect an invitation to the Bush administration to continue missile negotiations. This marks an important shift in the dynamic of diplomacy, with North Korea now the *demandeur*, suggesting that the administration's pause in engagement had the intended impact.

For the United States, the security menu of threats includes nuclear weapons, ballistic missiles, chemical weapons, biological weapons, and, at the core of the confrontation, conventional forces. Policy seeks to reduce and if possible eliminate as many components of the threat as possible. South Korea and Japan share this menu; the United States shares the goal with South Korea of facilitating change in North Korea. Genuine reconciliation can be achieved only to

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the degree that the military confrontation and its instruments are reduced; progress on reducing the confrontation and eradicating weapons of mass destruction is likely to be limited, absent moves toward ending the cause of the confrontation. In general terms, the conclusion of the Perry report offering North Korea two paths, one of cooperation, or, if it refuses, one of confrontation, is still valid. This suggests that particular issues should be elements of a framework making clear to North Korea the goalposts for normalization of relations and the economic benefits that would be associated with elimination of various elements of the DPRK military threat. We believe the administration and Congress should approach security issues involving a bilateral reduction in military assets conceptually in transactional terms similar to those of the Nunn-Lugar threat reduction program in Russia: reduction of North Korean military capabilities is an investment in American security. We also believe that U.S. and allied goals are far more likely to be achieved if North Korea makes the strategic choice to adopt a serious policy of economic opening and reform.

### **Weapons of Mass Destruction**

The starting point for U.S. diplomacy toward the North should be the two elements of security that North Korea has committed itself to address: the Agreed Framework and the missile issue. It has been argued that conventional force reductions, our major concern, are too difficult to pursue and would in any event require much time before the North would be prepared to give up the basis of its external and internal security. It is difficult to envision Korean reductions such as those in Europe at the end of the Cold War (e.g., the Conventional Forces in Europe accord) unless the confrontation winds down, as was the case in Europe during the time when Mikhail Gorbachev was in power in the Soviet Union. In any event, exploration of the conventional force reductions and/or force redeployments issue in the context of a U.S. dialogue with North Korea is warranted, but it should not be a bar to progress in other areas. But if such talks are pursued, the United States has to be prepared to discuss the status of U.S. forces in Korea.

## *Testing North Korea*

Regardless of how any comprehensive framework for North Korea policy is structured, at the top of the U.S. agenda remain mutual implementation of the Agreed Framework and North Korea's ballistic missile program.

### *Agreed Framework*

For the United States, the Agreed Framework involves the goal of eliminating North Korea's nuclear weapons program but also much more. As the first major diplomatic transaction with North Korea, the AF is a benchmark of the ability to do business with Pyongyang and was viewed by both sides as opening the door to addressing larger concerns of each side. However, the context of the AF has changed in several respects: it is less the centerpiece of diplomacy with North Korea than it was in the mid-1990s, and North Korea's electrical power situation has reached new levels of desperation. This is important since under the best of circumstances, it is unlikely that the nuclear reactors being constructed will supply energy to North Korea before 2009–10. Given the chronic shortages of electricity in North Korea, provision of energy has already become part of the diplomatic equation. By requesting two million kilowatts of electricity from Seoul—exactly the amount of power that the two reactors would provide—Pyongyang has joined the issue. This may open up new possibilities in regard to implementation of the AF. But regardless, any provision of additional electricity to North Korea that is not linked in some manner to the Agreed Framework risks undermining the implementation of the AF, as it removes Pyongyang's incentives to cooperate with the IAEA.

The 1994 Agreed Framework has frozen North Korea's declared nuclear facilities. There is no evidence that the crux of the deal—a U.S.-led consortium that will provide two light-water reactors in exchange for a North Korean near-term freeze of its nuclear facilities and compliance with IAEA requirements before the reactors are completed—has yet been violated by either side. However, the discovery of DPRK nuclear activities beyond those it specified in its declaration to the IAEA (less than 100 ounces of plutonium) could torpedo the AF.

## Findings and Recommendations

### KEDO Operating Costs

Year	Operating Costs (millions USD)	Heavy Fuel Oil (metric tons)	HFO Value (millions of USD)
1995	\$26.31	150,000	\$12.21
1996	\$62.17	500,000	\$24.61
1997	\$66.60	500,000	\$22.87
1998	\$122.45	500,000	\$48.20
1999	\$91.80	500,000	\$63.23
2000 (Jan-Jul)	\$350.71	186,869	\$16.37
2001	\$120.00	N/A	\$120.00
<b>TOTAL</b>	<b>\$840.03</b>	<b>2,336,869</b>	<b>\$187.49</b>

Source: KEDO Annual Reports FY 1995–99 ([www.kedo.org](http://www.kedo.org)).

Note: Operating costs include HFO, LWR, and administrative costs.

The AF was structured to defer the most difficult aspects of the agreement until its later stages (see chart on next page). Under its terms, North Korea must come into “full compliance with its safeguard agreement with the IAEA when a significant portion of the LWR is completed, but before delivery of key nuclear components.” This means completion of some portion of containment buildings for the turbine generator and delivery of the generator, though its precise definition is to be determined in yet-to-be negotiated protocol. But it is estimated that it will take the IAEA two to four years to reconstruct North Korea’s nuclear history and determine Pyongyang’s compliance. In South Africa, it took the IAEA nearly three years with the full cooperation of the Pretoria government. To date, Pyongyang has been less than fully cooperative in revealing its nuclear past, particularly with regard to its records. It is an open question whether the IAEA will be permitted access to all requested sites. DPRK noncompliance could lead to a repeat of the dangerous confrontation the world faced in 1993–94.

Under the current schedule, construction of the first LWR will reach the point at which North Korea must come into full compliance roughly in the first half of 2004. But there is no stipulation in the agreement as to when the IAEA should begin its verification process. Also, before licenses involving U.S. technology can be issued, a U.S.–North Korean nuclear cooperation agreement must be negotiated and accepted by Congress. Moreover, the fuel rods from

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### Envisaged Sequence of Events

Step	Verification Issue	Possible Problems
Partial completion of KEDO Reactor 1 in the ROK and partial preparation of Kemho site in DPRK.	None, but the IAEA wants to start the next step early (2–4 years needed).	Financial and legal delays cause some loss of data at Yongbyon.
IAEA declaration that the DPRK is in compliance with its agreements.	Verification of accuracy and completeness of DPRK's initial declaration on all nuclear materials in the DPRK, at Yongbyon, and possibly elsewhere.	<ol style="list-style-type: none"> <li>1. DPRK does not open suspect sites to the IAEA.</li> <li>2. The IAEA's activities are interfered with.</li> <li>3. Initial declaration is wrong—can it be amended?</li> </ol>
Delivery of KEDO Reactor 1's key nuclear components starts. Transfer of Yongbyon spent fuel (and other material?) to "ultimate disposition" starts.	Safeguards for KEDO Reactor 1 are installed. Transfer of Yongbyon spent fuel (and other material?) to "ultimate disposition" verified.	<ol style="list-style-type: none"> <li>1. Disagreements over the extent of safeguards.</li> <li>2. Disagreements over site of disposition.</li> <li>3. Disagreements over what is to be transferred.</li> </ol>
Simultaneous completion of previous steps.	Safeguards on KEDO disposition site monitored.	Same as previous, plus interference with KEDO Reactor 1 safeguards.
Dismantlement of Yongbyon facilities in parallel with delivery of KEDO Reactor 2's key nuclear components.	Safeguards for KEDO Reactor 2 are installed. Dismantlement verified.	<ol style="list-style-type: none"> <li>1. Disagreements over extent of safeguards.</li> <li>2. DPRK abrogation.</li> <li>3. U.S. or ROK non-compliance with the AF.</li> </ol>
Simultaneous completion of previous steps.	Safeguards on KEDO Reactor 2 operations.	<ol style="list-style-type: none"> <li>1. Interference with safeguards.</li> <li>2. DPRK abrogation.</li> <li>3. Disagreement over disposition of KEDO spent fuel.</li> <li>4. Disagreement over monitoring of disposition site(s).</li> <li>5. Disagreement over site of disposition.</li> </ol>

*Source:* "Verifying the Agreed Framework," Center for Global Security Research, Lawrence Livermore National Laboratory (April 2000), pg. 11.

the reactor core, with enough plutonium for four to five weapons, that were removed from the DPRK reactor in 1994, precipitating the crisis, have been treated. Under the AF they are to be shipped out of the country, but it is not clear to where they would be removed.

These are a sampling of the technical and legal hurdles that remain before the next phase of the Agreed Framework can be complet-

## *Findings and Recommendations*

ed. In this situation, the United States should be guided by two basic principles:

- *The United States should stand by its commitments and its allies, make no unilateral changes to the Agreed Framework, and emphasize in its dialogue with Pyongyang that any delay in the nonproliferation milestones contained within it will not be “fudged” and will lead to corresponding delays in completion of the LWR project.*
- *No ambiguous determination by the IAEA of North Korea’s nuclear history may be accepted if the margin of error—between what plutonium the North declared, and the amount the IAEA judges it may actually have—is in the vicinity of the amount required for one or more nuclear weapons.*

There is room, however, for more creativity in implementing and perhaps revising the AF:

- *Take a fresh collective look at the LWR project.* In the trilateral framework (and in consultation with the EU), the United States and its allies need to examine the remaining challenges to full implementation of the Agreed Framework as well as potential opportunities to engage North Korea on a revision of the terms to meet Pyongyang’s immediate energy needs by nonnuclear means.
- *Offer more for more.* To address the inherent problems in the AF, offer to provide near-term electricity by the most practical means, if North Korea goes beyond its current obligations. The AF does not specify when the IAEA effort to discover North Korea’s nuclear history—or Pyongyang’s cooperation—must begin. This leaves a possible three- to four-year gap between the construction of the reactor and delivery of its nuclear components. Nor does the AF require removal of the canned fuel rods from North Korea now. If Pyongyang permits removal of the fuel rods, allows the IAEA to begin its unfettered inspections, and agrees to the IAEA “enhanced safeguards” program, the United States and its allies should offer to provide near-term electricity, by

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whatever means is most technically and economically feasible. Some may argue this approach rewards DPRK inertia, but it addresses gaps in the AF on a reciprocal basis.

- *The United States should—in the context of the above recommendation—also offer to help refurbish existing North Korean plants and its grid in lieu of some portion of the annual heavy fuel oil provided to the DPRK.* High oil prices have made this U.S. commitment expensive, and North Korea has difficulty absorbing all 500,000 tons of the heavy fuel oil. This approach is consistent with the logic of this commitment: to provide energy until the LWRs are completed.
- *Expand KEDO.* Any bilateral or multilateral provision of conventionally sourced electricity to North Korea should be managed and implemented through KEDO. This could be a precursor to expanding KEDO's role in overseeing the rehabilitation of the DPRK's energy infrastructure and thus enhancing external involvement in the North Korean economy.

### *North Korean Missile Program*

It is clearly in U.S. interests to negotiate a verifiable elimination of North Korea's long-range missile program. It must be borne in mind that the missile issue, unlike the nuclear issue, does not involve DPRK violations of international agreements (the nuclear Nonproliferation Treaty or IAEA stipulations). It is a question of security, not legality. The Task Force was cautiously encouraged that North Korea appeared interested in negotiating a comprehensive agreement to reduce its long-range ballistic missiles in exchange for various inducements. Such an agreement cannot be achieved without careful negotiations, including effective verification measures. Nevertheless, the scope of North Korea's proposal was unprecedented. Under the incomplete agreement left on the table at the end of the Clinton administration, the North would prohibit all exports of missiles and related technologies in exchange for in-kind assistance (e.g., food). In addition, the North said it would ban further indigenous testing and production above a

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certain range in exchange for in-kind compensation and assistance with launching commercial satellites. Pyongyang had offered to freeze current missile deployments—which include about one hundred No Dong missiles that can hit Japan and U.S. bases in Japan—and remained vague about the definition of “long range.” Most important, the North balked at the mention of “intrusive” verification.

The United States should resume talks on missiles at the highest possible levels. U.S. objectives should be:

- *Effective verification.* No verification is 100 percent effective, and what is adequate is a matter of judgment. Verification will require a degree of transparency that Pyongyang will have great difficulty accepting and will thus test the regime’s intentions. The criteria should be that U.S. interests are better served with the agreement, despite less-than-perfect verification, than without it.
- *Elimination of long-range missiles already deployed.* Ending the threat from deployed No Dong missiles is vital to Japan, and Tokyo would be involved in elements of such a deal. Also, Taepo Dong missiles can reach U.S. territory. Terminating development of long-range missiles (beyond MTCR limits) is also an important part of any comprehensive missile deal.
- *Ban on export of missiles and missile technology.* This is an important element, as DPRK exports are destabilizing to the Middle East; it will require a quid pro quo.

If these objectives can be met, a broad agreement with North Korea on missiles would be a significant accomplishment and would enhance both stability in Northeast Asia and the South’s efforts at reconciliation. We offer two suggestions that could facilitate achieving the above-mentioned goals:

- *Disaggregate the missile issue.* Proceed in stages within a comprehensive framework, beginning with the issue of missile exports, then address development and current deployments. The logic here is that exports are the least difficult, as they are a question of compensation, do not require the North to aban-



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don capabilities, and may be the least difficult to verify. The danger to be avoided is keeping other aspects of the missile issue on the table.

- *Integrate missiles with electricity.* If North Korea seeks to rehabilitate its economy, it must refurbish its dilapidated energy grid. One possible means to achieve this is to offer significant assistance to refurbish and upgrade its energy infrastructure if it verifiably dismantles its deployed No Dong missiles. Such an initiative could also facilitate revision of the AF toward nonnuclear energy. In any case, this would require major participation by Japan.
- *No provision of hard currency, but rather in-kind assistance to the North that would not include sensitive technology transfers.*

### **Conventional Forces**

There should be no illusions about the difficulty, even under the best of circumstances, of realizing radical cuts in conventional forces in Korea that would tend to make reconciliation nearly irreversible. North Korea's tough initial response to Bush's desire to raise the issue—demanding that U.S. troops first be withdrawn—was not surprising and underscores the difficulty of the conventional forces issue. Although force redeployments away from the DMZ should also be pursued, these will similarly prove very difficult. Merely obtaining adequate exchanges of information to begin negotiations from a common set of facts will likely be a tortuous process. Reaching agreement on the sort of intrusive verification regime that either force pullbacks or deep cuts and defensively reconfigured forces would require could easily become a diplomatic nightmare. Moreover, as the threat of surprise attack is the core of the North's military power, many argue that it is the last thing Pyongyang is likely to surrender. Yet it is also true that to date, the issue has not been seriously raised by the United States and/or the ROK, and given the hints of change in North Korea, should be raised in the U.S. dialogue with North Korea but pursued in a trilateral setting with the United States, the ROK, and the DPRK.

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The entire spectrum of confidence-building measures and arms reductions is embodied in the 1991–92 Basic Agreement, which Pyongyang agreed to with no consequence. It is worth recalling Article 12 of the agreement, as it underscores that there is no dearth of ideas in regard to the necessary means to achieve tension reduction:

To abide by and guarantee nonaggression, the two parties shall create a South-North Joint Military Commission within three months of the effective date of this agreement. The said commission shall discuss and carry out steps to build military confidence and realize arms reduction, including the mutual notification and control of major movements of military units and exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and surprise attack capabilities, and verification thereof.<sup>2</sup>

Extrapolating from the North Korean track record of unrealized confidence-building steps and arms-reduction proposals and pledges, and the success seen in Europe, a number of key issues will have to be dealt with. First, any “peace regime” that replaces the armistice should be connected to conventional force reductions, the framework for which should be trilateral (North, South, United States). Four Party talks are needed only to have the armistice signatories endorse a peace accord. There will be a requirement to replace the United Nations mechanism to oversee management of the DMZ. The hardened, fixed positions of DPRK forces make it extremely difficult and expensive to pull back. U.S. forces in Korea would likely need to be factored into a force-balance equation if there were conventional reductions radically lowering the North’s force levels or force redeployments back from the DMZ.

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<sup>2</sup> ROK Ministry of Foreign Affairs Agreement on Nonaggression and Reconciliation, January 1992.

### **Other First-Order Issues**

*Strong support for South Korean efforts at reconciliation and tension reduction with the North; press the North on a return summit.* We believe that Seoul's strategy of cooperation and reconciliation with Pyongyang has moved the political dynamic on the peninsula in a positive direction. Tensions on the peninsula are lower than at any time in recent memory. Some argue that the policy is a failure because the North has not reduced its military forces or improved human rights in response to the South's overtures. We firmly believe that without a reduction of the North Korean military threat and improvement in human rights in the North, diplomacy with Pyongyang will only go so far. However, these should be the goals of policy and not preconditions for the South's efforts at tension reduction. Kim Dae Jung's focus on cooperation and reconciliation is the right way to begin the process and is clearly in U.S. interests.

*Continue to invest in the U.S.-ROK security partnership.* The U.S.-ROK alliance has been extraordinarily successful at underpinning stability in Northeast Asia and establishing a position of strength for South Korea to test reconciliation with the North. U.S.-ROK cooperation has also helped facilitate trilateral coordination. Seoul has clearly stated that the U.S. military will remain critical to its security even after the North Korean threat is gone. It is consistent with Seoul's efforts at reconciliation for the U.S. and ROK governments to point in specific terms to the North Korean threat and to continue reinforcing deterrence, particularly in the areas of counter-battery fire, missile defense, and protection against weapons of mass destruction. We should intensify U.S.-ROK dialogue on how to pursue conventional force reductions on the Korean peninsula.

*Deepen high-level, trilateral U.S.-ROK-Japan coordination as well as consultation with China, Russia, and the European Union.* Pyongyang's new diplomacy is the result of three developments: the North's desperate economic situation, Kim Dae Jung's patient diplomacy, and closer U.S.-ROK-Japan

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trilateral coordination. A close trilateral relationship raises the cost of North Korean belligerence and defines the international community's terms for improved economic relations should the North change its stance. The Bush administration's early activation of the Trilateral Coordination and Oversight Group (TCOG) process is a positive step. The level of participation should be raised to include key decision-makers in Seoul and Tokyo. China is the other first-tier actor in regard to Korea, and the considerable overlap of China's interests in Korea with those of the United States underscores why consultation with Beijing merits more attention. Russia and the EU also have significant roles to play and require sustained U.S. consultation.

*Take steps to indicate a path to normalization.* The importance that North Korea attaches to normalized relations with the United States suggests that this DPRK objective provides potential leverage and should be woven into the fabric of U.S. diplomacy toward the North. Some near-term initiatives might include:

- *Software of change initiative.* The United States, Japan, and the ROK should agree in a trilateral framework to offer North Korea a substantial program of technical assistance in training business managers, legal experts, accountants, and other human capital required to make economic reform a real possibility. This should be done, perhaps led by NGOs with government facilitation, absent any reciprocity.
- *Allow the ROK and Japan to facilitate the process of DPRK membership in the IMF/World Bank.* Under U.S. law, until North Korea is removed from the terrorist list, Washington cannot support its membership in the IMF and World Bank. The United States should press the North to take the remaining steps to allow its removal from the terrorist list. But a U.S. vote against North Korea's entry into the financial institutions would not necessarily block the process, if Korean and Japanese efforts to begin the process of membership moved forward.
- *Renew the offer to exchange liaison offices with Pyongyang.* This should be part of the larger process of normalization with

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milestones and requirements delineated by the administration and clearly communicated to North Korea.

### **International Diplomatic Agenda**

International diplomacy toward Korea is perhaps best viewed as a series of overlapping concentric circles, beginning with the United States and ROK in the innermost circle, Japan in the next circle, followed by China, and then Russia and the European Union in the outermost circle. Political consultation and cooperation with a broad range of actors remains an important facet of any successful U.S. policy. The role of each of these actors must be appreciated.

### *Japan*

Japan's unique history with Korea colors and limits its role on the peninsula, as exhibited by the controversy over new Japanese textbooks in which the depictions of history have drawn strong protest from both Koreas. The presence of Korean-Japanese groups sympathetic to the North and the South further complicates the relationship. Though it has very large security and economic interests at stake in Korea, Tokyo has played an indirect role in the diplomacy of the Korean peninsula. Episodic efforts at normalization of relations with North Korea have made little progress, with the issues of missing Japanese believed to have been kidnapped and North Korea's No Dong missiles on the Japanese side, and demands for apologies and cash by the DPRK on its side, continuing to be major obstacles in Japanese–North Korean relations. Japan's role will grow to the degree that the Korea question moves closer toward resolution. Tokyo has hinted that normalization might mean some \$10 billion in aid, and if the North pursues economic reform Japanese aid and/or investment will be an important factor. Finally, how the Korea question is managed and eventually resolved will likely have a major impact on the U.S.-Japan alliance; thus the TCOG process is particularly important in the larger context of Northeast Asia.

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### *China*

China is perhaps the outside actor best positioned to influence events on the peninsula, where it has vital interests. Since normalization with the South in 1992, Beijing has built up a dynamic political, military, and economic relationship (trade increased tenfold to some \$34 billion in 2000) with Seoul. Since the late 1990s China has also repaired a frayed relationship with the North in the economic, political, and military spheres. And it has provided substantial amounts of food and fuel to North Korea on a bilateral basis. Beijing's subtle and low-key approach in regard to North Korea renders estimation of its role difficult. But China has appeared to play a facilitating role in North-South relations, has sought to encourage economic reform in the North, and, at present, appears to have little desire to see nuclear weapons or a robust ballistic missile capability in North Korea. Korea should be a regional issue where cooperation in Sino-American relations might be active. China has pursued roughly parallel policies with the United States toward North Korea but has sought to avoid the appearance of active cooperation, apart from the now-dormant Four Party talks. Chinese opposition to U.S. alliances, however, suggests limits to prospective cooperation and a likely divergence of interests when Korea reunifies.

### *Russia and the European Union*

Although both are secondary actors in regard to Korea, they are not unimportant. As a permanent member of the U.N. Security Council, an Asia-Pacific nation that borders North Korea, and a former ally on friendly terms with Pyongyang, Russia has a significant interest in the Korea question but the means to play only a very modest cooperative role. Geography and Russia's energy resources suggest that Moscow—and particularly the Russian far east—stands to benefit from a path of economic reform in the North and from Korean reunification, particularly as either or both could facilitate development of the Tumen River area. Like Russia, the EU may be able to play a mediating role in some circumstances, and its membership in KEDO underscores an interest in the global nonproliferation dimension of the Korea issue.

### **Management of Korea Policy and Allied Coordination**

*We urge the administration to appoint a special coordinator for Korea, the importance of which is underscored by the experience of the Perry process.* Our preference is for a full-time person of stature chosen from outside the government and reporting directly to the president and the secretary of state. Alternatively, a current senior official could be given a second hat as coordinator and designated “point person,” reporting to the secretary of state and the president on Korea policy. This step would aid in managing the interagency process and in making clear to Congress, U.S. allies, and North Korea who is the point person on Korea policy. It will also facilitate diplomatic protocol to raise the level of representation on the allied coordinating committee on the part of the ROK and Japan, and provide greater access to relevant DPRK senior officials.

### **Conclusion**

The essence of our approach is to trade economic benefits and security assurances for threat reduction and enhancing the prospect of change in North Korea. The experience of more than a decade of U.S. engagement with North Korea and that of the South strongly suggests that what is possible vis-à-vis North Korea cannot be known in advance. North Korea’s intentions must be tested. This is particularly important in light of the remarkable developments since June 2000. No critics have offered a better alternative than the difficult course of sustained, hard-headed engagement in pursuit of U.S. and allied interests. We should get on with it.

To date, there are rumblings of change, but no good evidence that Kim Jong Il has reached the conclusion that the risks to his regime of maintaining the status quo are greater than the risks he would incur in pursuing an agenda of reform. The challenge to U.S.-ROK-Japan policy is to pursue a course to determine whether any incentive structure can persuade Pyongyang that its interests are best served by, in effect, substantially changing its military posture and seeking a viable economy to stabilize its own situation and improve the lives of its citizens. This approach builds on the positive contribution of the Perry initiative and the progress

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toward threat reduction that has been made by both Republican and Democratic administrations over the past twelve years.

America's forward presence and alliance relationships have prevented a second war on the peninsula and may have persuaded North Korea that it has no better options than diplomacy. If Pyongyang is indeed ready to take further steps toward strengthening peace on the peninsula, then the United States should be fully prepared to respond. In the meantime, we must keep deterrence strong and support the patient efforts of our South Korean ally.



## ADDITIONAL VIEWS

### *On the U.S.-DPRK Agreed Framework*

The 1994 U.S.-DPRK Agreed Framework remains a centerpiece of diplomacy with North Korea. Clearly, since 1994 other U.S.-DPRK negotiations of importance have taken place, but relative to these ongoing interactions, the AF is still the most developed “institution” that exists today on gaining a window on DPRK intentions. Moreover, if one peruses all the other specific recommendations in the report, they are all tied in one way or another with the AF, whether the issue is conventional energy for speeding up the AF implementation process or refurbishing the energy infrastructure in return for concessions on No Dong deployments. The AF may not be what concerns us the most (i.e., missiles), but it is still central.

*Victor D. Cha*

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### *On the U.S. Support of the ROK's Sunshine Policy*

While the report rightly emphasizes supporting South Korean president Kim Dae Jung's engagement policy, we should stress that it is at the same time incumbent on the ROK not to allow domestic political needs to create temporary, superficial celebrations and “peace declarations” with the DPRK (without significant changes on the ground) that might then reflect negatively on the U.S. role on the peninsula.

*Victor D. Cha*

## *Additional Views*

### *On Conventional Weapons Issues*

With regard to the United States raising conventional weapons issues in the current U.S.–North Korean talks: This action seems unnecessary and may provoke objections in South Korea that have little to do with the issues at hand. The public identification of this issue as now coming under the purview of the United States can encourage the perception of a lack of confidence in our South Korean allies. Although there is no need for a strict division of labor on addressing DPRK security threats, the public assumption that the South Koreans would “lead” on this has been an important part of the allied stance. The intent of the Kim Dae Jung administration has clearly been to take up conventional issues at the next opportunity, with the return visit of Kim Jong Il to Seoul the obvious venue. Maximum coordination with the United States would be part of the planning for that visit. The need to address the conventional issue is far greater in Seoul than in Washington, due to both public and political pressure. Finessing the two countries’ roles could help maintain the trust and cohesion between the United States and the ROK that was built up through coordination over the past three years during the Status of Forces Agreement revision, the No Gun Ri investigation, and the Kumchang-ni inspection.

*Stephen Costello*

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### *On Weapons of Mass Destruction*

The section “Weapons of Mass Destruction” notes that “if such talks [on conventional forces] are pursued, the United States has to be prepared to discuss the status of U.S. forces in Korea.” The United States should be willing to discuss the deployment of the U.S. Forces Korea within South Korea (i.e., if the DPRK moved its forces north and the United States moved some forces south, to the extent it is not harmful to the defense of the ROK) but not the possible withdrawal of some, or all, of the U.S. forces from Korea.

*Robert Dujarric*

## *Testing North Korea*

### *On the Recommendation to Take a Fresh Collective Look at the LWR Project as It Applies to Revising It*

In principle, I do not disagree with the recommendation to take a fresh look at the LWR project, provided the review is conducted in coordination with the ROK and Japan (and in consultation with the EU) and provided neither the United States nor KEDO, upon conclusion of the review, acts unilaterally vis-à-vis North Korea (which is a party to the Agreed Framework, the Supply Agreement, and other documents that govern the LWR project).

It would be a mistake, however, for the parties that review the LWR project to reopen it without fully considering the following constraints. First, Seoul has agreed to pay 70 percent of the cost of the LWR project, conservatively estimated at \$5 billion to \$6 billion, but likely to be much more. (Japan will provide financing for the bulk of the remaining amount.) Kim Dae Jung was able to secure funding for the project from the National Assembly in 1999, but the process even then was considerably rougher than expected. He may not be willing (and it may not be wise for him) to give up that funding only to try to secure new funding from the National Assembly for a coal-fired project. Even if coal-fired plants were cheaper than the proliferation-resistant light-water reactors, the National Assembly may not provide new funding for any massive project involving the DPRK at this stage. This is particularly true the closer we come to elections in the South, where President Kim already faces strong criticism for his policy toward the North. Unless another primary member of KEDO is willing to step up to the plate with financing, this possibility warrants caution.

Second, South Korea has already awarded a huge number of contracts for the LWR project. Canceling them would be very difficult both politically and economically. Similarly, Japan, which is suffering from its own economic problems, might balk at putting up money for coal-fired plants without assurances that its companies will receive a large share of the contracts. The difficulty of securing a new agreement on how contracts would be shared for

## *Additional Views*

a coal-fired project should not be underestimated. Procurement talks between KEDO's four primary members for the light-water reactors lasted more than a year and were extremely difficult.

Third, coal-fired plants need fuel to operate. Specifically, they need coal. The DPRK, which is unable to feed its own people and operate its existing power plants, is unlikely to agree to pay for this coal. If the LWR project is revised in favor of coal-fired plants, it will need to include a provision that fuel will be provided for them. It will also need a guarantee that the coal supply will not be shut off in the future should the North's relations with the outside world take a turn for the worse. Pyongyang, which would like to strengthen its relations with Washington, is likely to argue that this requirement should fall to the United States, which under the current accord is responsible for providing 500,000 tons of heavy fuel oil per year to the North until the first of the two reactors KEDO is building is completed.

Fourth, South Korea needs more nuclear plants for its own domestic energy purposes. It is running out of space for them in the South. It views the North as a good location to place them. Should the two Koreas unite, these reactors will be needed to help power a unified peninsula. If the two Koreas remain separate, North Korea can sell the power generated by the light-water reactors back to the South in return for desperately needed hard currency.

In view of these constraints, it is possible that South Korea might object to revising the terms of the LWR project. With only a year and a half left in office, President Kim is unlikely to support any initiatives that might even remotely put his Sunshine Policy further at risk. This is not to say that taking a fresh look at the LWR project is unhelpful. A review of any project is healthy from time to time. However, reopening the LWR project should take place only after all factors, including those mentioned above, have been carefully considered.

*Jason T. Shaplen*

## *Testing North Korea*

### *On U.S. Engagement in Negotiation with North Korea and on the Overall Context in the Task Force Report*

The Task Force Report encompasses the general principles that are critical to reducing tensions and improving security on the Korean peninsula. The United States should engage in negotiations within a comprehensive framework but proceed step-by-step in a rough reciprocal fashion to first address concerns about weapons of mass destruction. We should do so in close consultation with the ROK and Japan as well as with China, Russia, and the EU, acknowledging the ROK's central role and the reality that ultimate peace and the concomitant resolution of conventional forces must take place between South and North, albeit with the United States playing a key role. Although there are many elements in the report with which I agree, there are several with which I take issue or find incomplete. In large measure this is because I am aware of, but not free to discuss, critical elements of the negotiations that took place during the Clinton administration. I trust that the Bush administration is undertaking serious discussions and negotiations without prior conditions with North Korea and is consulting closely trilaterally and bilaterally, and that, between the experts inside and outside the administration, progress will be made.

*Wendy R. Sherman*

## DISSENTING VIEW

### *On the Bush–Kim Dae Jung Summit and on U.S. Goalposts for Normalization of Relations with the DPRK*

I endorse this report, which adequately reflects opinions I expressed during the deliberations. However, I would have been less euphemistic in describing the unfortunate fallout of the Bush administration's ill-advised public comments at the time of President Kim Dae Jung's visit to Washington. They were needless, thoughtless, and very damaging. In addition, I caution against our American tendency to move the goalposts for normalization of relations with the DPRK. We were the originators of the idea of cross-recognition in the 1970s. I believe it would be in our national interest to have diplomatic relations with the DPRK now. We would benefit from regular channels of communication, and there is nothing to be gained from treating the issue as a bargaining chip. To be sure, full "normalization" with North Korea (in the sense of mutual trust and willingness to experiment with large-scale aid projects, etc.) must be held in reserve. Progress may be decades away.

*William H. Gleysteen Jr.*

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## *Testing North Korea*

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## APPENDIXES

## APPENDIX I

AGREED FRAMEWORK BETWEEN  
THE UNITED STATES OF AMERICA AND  
THE DEMOCRATIC PEOPLE'S  
REPUBLIC OF KOREA  
Geneva, October 21, 1994

Delegations of the governments of the United States of America (U.S.) and the Democratic People's Republic of Korea (DPRK) held talks in Geneva from September 23 to October 21, 1994, to negotiate an overall resolution of the nuclear issue on the Korean Peninsula.

Both sides reaffirmed the importance of attaining the objectives contained in the August 12, 1994, Agreed Statement between the U.S. and the DPRK and upholding the principles of the June 11, 1993, Joint Statement of the U.S. and the DPRK to achieve peace and security on a nuclear-free Korean peninsula. The U.S. and the DPRK decided to take the following actions for the resolution of the nuclear issue:

- I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.
  - 1) In accordance with the October 20, 1994, letter of assurance from the U.S. President, the U.S. will undertake to make arrangements for the provision to the DPRK of a LWR project with a total generating capacity of approximately 2,000 MW(e) by a target date of 2003.
    - The U.S. will organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK. The U.S., representing the international consortium, will serve as the principal point of contact with the DPRK for the LWR project.
    - The U.S., representing the consortium, will make best efforts to secure the conclusion of a supply contract with the DPRK within six months of the date of this Document

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for the provision of the LWR project. Contract talks will begin as soon as possible after the date of this Document.

- As necessary, the U.S. and the DPRK will conclude a bilateral agreement for cooperation in the field of peaceful uses of nuclear energy.
- 2) In accordance with the October 20, 1994, letter of assurance from the U.S. President, the U.S., representing the consortium, will make arrangements to offset the energy foregone due to the freeze of the DPRK's graphite-moderated reactors and related facilities, pending completion of the first LWR unit.
- Alternative energy will be provided in the form of heavy oil for heating and electricity production.
  - Deliveries of heavy oil will begin within three months of the date of this Document and will reach a rate of 500,000 tons annually, in accordance with an agreed schedule of deliveries.
- 3) Upon receipt of U.S. assurances for the provision of LWRs and for arrangements for interim energy alternatives, the DPRK will freeze its graphite-moderated reactors and related facilities and will eventually dismantle these reactors and related facilities.
- The freeze on the DPRK's graphite-moderated reactors and related facilities will be fully implemented within one month of the date of this Document. During this one-month period, and throughout the freeze, the International Atomic Energy Agency (IAEA) will be allowed to monitor this freeze, and the DPRK will provide full cooperation to the IAEA for this purpose.
  - Dismantlement of the DPRK's graphite-moderated reactors and related facilities will be completed when the LWR project is completed.
  - The U.S. and the DPRK will cooperate in finding a method to store safely the spent fuel from the 5 MW(e)

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experimental reactor during the construction of the LWR project, and to dispose of the fuel in a safe manner that does not involve reprocessing in the DPRK.

- 4) As soon as possible after the date of this document U.S. and DPRK experts will hold two sets of experts talks.
  - At one set of talks, experts will discuss issues related to alternative energy and the replacement of the graphite-moderated reactor program with the LWR project.
  - At the other set of talks, experts will discuss specific arrangements for spent fuel storage and ultimate disposition.

II. The two sides will move toward full normalization of political and economic relations.

- 1) Within three months of the date of this Document, both sides will reduce barriers to trade and investment, including restrictions on telecommunications services and financial transactions.
- 2) Each side will open a liaison office in the other's capital following resolution of consular and other technical issues through expert level discussions.
- 3) As progress is made on issues of concern to each side, the U.S. and the DPRK will upgrade bilateral relations to the Ambassadorial level.

III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.

- 1) The U.S. will provide formal assurances to the DPRK, against the threat or use of nuclear weapons by the U.S.
- 2) The DPRK will consistently take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula.
- 3) The DPRK will engage in North-South dialogue, as this Agreed Framework will help create an atmosphere that promotes such dialogue.



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IV. Both sides will work together to strengthen the international nuclear nonproliferation regime.

- 1) The DPRK will remain a party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and will allow implementation of its safeguards agreement under the Treaty.
- 2) Upon conclusion of the supply contract for the provision of the LWR project, ad hoc and routine inspections will resume under the DPRK's safeguards agreement with the IAEA with respect to the facilities not subject to the freeze. Pending conclusion of the supply contract, inspections required by the IAEA for the continuity of safeguards will continue at the facilities not subject to the freeze.
- 3) When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK will come into full compliance with its safeguards agreement with the IAEA (INFCIRC/403), including taking all steps that may be deemed necessary by the IAEA, following consultations with the Agency with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK.

*Robert L. Gallucci*  
Head of Delegation of the  
United States of America,  
Ambassador at Large of the  
United States of America

*Kang Sok Ju*  
Head of the Delegation of the  
Democratic People's Republic of  
Korea, First Vice-Minister of  
Foreign Affairs of the Democratic  
People's Republic of Korea

## APPENDIX II

### SOUTH-NORTH JOINT DECLARATION

In accordance with the noble will of the entire people who yearn for the peaceful reunification of the nation, President Kim Dae Jung of the Republic of Korea and National Defense Commission Chairman Kim Jong Il of the Democratic People's Republic of Korea held a historic meeting and summit talks in Pyongyang from June 13–15, 2000.

The leaders of the South and North, recognizing that the meeting and the summit talks, the first since the division of the country, were of great significance in promoting mutual understanding, developing South-North relations and realizing peaceful reunification, declared as follows:

1. The South and North have agreed to resolve the question of reunification on their own Initiative and through the joint efforts of the Korean people, who are the masters of the country.
2. Acknowledging that there are common elements in the South's proposal for a confederation and the North's proposal for a federation of lower stage as the formulae for achieving reunification, the South and the North agreed to promote reunification in that direction.
3. The South and North have agreed to promptly resolve humanitarian issues such as exchange visits by separated family members and relatives on the occasion of the August 15 National Liberation Day and the question of former long-term prisoners who had refused to renounce Communism.
4. The South and North have agreed to consolidate mutual trust by promoting balanced development of the national economy through economic cooperation and by stimulating cooperation and exchanges in civic, cultural, sports, public health, environmental, and all other fields.

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5. The South and North have agreed to hold a dialogue between relevant authorities in the near future to implement the above agreement expeditiously.

President Kim Dae Jung cordially invited National Defense Commission Chairman Kim Jong Il to visit Seoul, and Chairman Kim Jong Il decided to visit Seoul at an appropriate time.

June 15, 2000

*Kim Dae Jung*  
President  
The Republic of Korea

*Kim Jong Il*  
Chairman  
National Defense Commission  
The Democratic People's  
Republic of Korea

## APPENDIX III

### AGREEMENT ON RECONCILIATION, NON-AGGRESSION, AND EXCHANGES AND COOPERATION BETWEEN SOUTH AND NORTH KOREA (THE BASIC AGREEMENT)

South and North Korea,

In keeping with the longing of the entire Korean race for the peaceful unification of our divided fatherland;

Reaffirming the three basic principles of unification set forth in the South-North Joint Communiqué of July 4, 1972;

Determined to end the state of political and military confrontation and achieve national reconciliation;

Also determined to avoid armed aggression and hostilities, and to ensure the lessening of tension and the establishment of peace;

Expressing the desire to realize multi-faceted exchanges and cooperation to promote interests and prosperity common to the Korean people;

Recognizing that their relationship, not being a relationship as between states, is a special one constituted temporarily in the process of unification;

Pledging themselves to exert joint efforts to achieve peaceful unification;

Hereby agreed as follows;

#### CHAPTER 1: SOUTH-NORTH RECONCILIATION

1. South and North Korea shall recognize and respect the system of each other.
2. South and North Korea shall not interfere in the internal affairs of each other.
3. South and North Korea shall not slander or defame each other.

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4. South and North Korea shall refrain from any acts of sabotage or insurrection against each other.
5. South and North Korea shall together endeavor to transform the present state of armistice into a firm state of peace between the two sides and shall abide by the present Military Armistice Agreement until such a state of peace is realized.
6. South and North Korea shall cease to compete with or confront each other, and instead shall cooperate and endeavor to promote the racial dignity and interests of Korea in the international arena.
7. South and North Korea shall establish and operate a South-North Liaison Office at Panmunjom within three months of the entry into force of this Agreement to ensure close liaison and consultations between the two sides.
8. South and North Korea shall establish a South-North Political Committee within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement to consider concrete measures to ensure the implementation and observance of the agreement on South-North reconciliation.

### CHAPTER 2: AGREEMENT OF NON-AGGRESSION BETWEEN SOUTH AND NORTH KOREA

9. South and North Korea shall not use force against each other and shall not undertake armed aggression against each other.
10. South and North Korea shall resolve peacefully, through dialogue and negotiation, any differences of views and disputes arising between them.
11. The South-North demarcation line and the areas for non-aggression shall be identical with the Military Demarcation Line provided in the Military Armistice Agreement of July 27, 1953, and the areas that each side has exercised jurisdiction over until the present time.

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12. In order to implement and guarantee non-aggression, the South and the North shall establish a South-North Joint Military Commission within three months of the entry into force of this Agreement. In the said Commission, the two sides shall discuss problems and carry out steps to build up military confidence and realize arms reduction, in particular, the mutual notification and control of large-scale movements of military units and major military exercises, the peaceful utilization of the Demilitarized Zone, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and attack capabilities, and verifications thereof.
13. South and North Korea shall install and operate a telephone line between the military authorities of each side to prevent the outbreak and escalation of accidental armed clashes.
14. South and North Korea shall establish a South-North Military Sub-Committee within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement to discuss concrete measures for the implementation and observance of the agreement on non-aggression and to remove the state of military confrontation.

### CHAPTER 3: EXCHANGES AND COOPERATION BETWEEN SOUTH AND NORTH KOREA

15. In order to promote the integrated and balanced development of the national economy and the welfare of the entire people, the South and the North shall engage in economic exchanges and cooperation, including the joint development of resources, the trade of goods as intra-Korean commerce, and joint ventures.
16. South and North Korea shall carry out exchanges and promote cooperation in various fields such as science and technology, education, literature and the arts, health, sports, the environment, journalism and media, including newspapers, radio, television broadcasts, and other publications.

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17. South and North Korea shall implement freedom of intra-Korean travel and contact among the members of the Korean people.
18. South and North Korea shall permit free correspondence, movement between the two sides, meetings, and visits between dispersed family members and other relatives, promote their voluntary reunion, and take measures to resolve other humanitarian issues.
19. South and North Korea shall reconnect the railway and the previously severed roads, and shall open sea and air routes.
20. South and North Korea shall establish and link facilities for exchanges by post and telecommunications, and shall guarantee the confidentiality of intra-Korean mail and telecommunications.
21. South and North Korea shall cooperate in the international arena in the economic, cultural, and other fields, and shall advance abroad together.
22. In order to implement the agreement on exchanges and cooperation in the economic, cultural, and other fields, South and North Korea shall establish joint commissions for each sector, including a Joint South-North Economic Exchanges and Cooperation Commission, within three months of the entry into force of this Agreement.
23. A Sub-committee on South-North Exchanges and Cooperation shall be established within the framework of the South-North High-Level Negotiations within one month of the entry into force of this Agreement, to discuss concrete measures for the implementation and observance of the agreement on South-North exchanges and cooperation.

## *Appendixes*

### CHAPTER 4: AMENDMENTS AND EFFECTUATION

25. This Agreement may be amended or supplemented by agreement between the two sides.
26. This Agreement shall enter into force from the date the South and the North exchange the appropriate instruments following the completion of the respective procedures necessary for its implementation.

Signed on December 13, 1991\*

*Chung Won-shik*  
Chief Delegate of the  
South delegation to the  
South-North High-Level  
Talks, Prime Minister of  
the Republic of Korea

*Yon Hyong-muk*  
Head of the North delegation  
to the South-North High-Level  
Talks, Premier of the Administration  
Council of the Democratic  
People's Republic of Korea

\* This Agreement entered into force on February 19, 1992.



## APPENDIX IV

### Total U.S. Government and NGO Aid to North Korea

Year	Total (millions USD)	U.N. contribution (millions USD)	KEDO contribution (millions USD)	NGO contribution (millions USD)
1995	\$9.50	N/A	\$9.50	N/A
1996	\$30.51	\$8.51	\$22.00	N/A
1997	\$80.12	\$55.12	\$25.00	N/A
1998	\$229.25	\$178.81	\$50.00	\$.44
1999	\$280.39	\$215.00	\$65.10	\$.29
2000	\$98.80	\$83.80	\$15.00	N/A
2001	\$120.00	N/A	\$120.00	N/A
<b>TOTAL</b>	<b>\$848.57</b>	<b>\$541.24</b>	<b>\$306.60</b>	<b>\$.73</b>

Sources: KEDO Annual Reports FY 1995–99; Congressional Research Service; U.S. AID Annual Reports FY 1995–99.

### South Korean Humanitarian Aid to North Korea

Year	ROK aid (gov. & NGO) (millions USD)	ROK government (millions USD)	ROK NGO aid (millions USD)
1995	\$232.25	\$232.00	\$.25
1996	\$4.60	\$3.05	\$1.55
1997	\$47.23	\$26.67	\$20.56
1998	\$31.85	\$11.00	\$20.85
1999	\$44.44	\$28.25	\$18.63
2000	\$82.14	\$78.63	\$3.51
<b>TOTAL</b>	<b>\$442.51</b>	<b>\$379.60</b>	<b>\$65.35</b>

Source: ROK Ministry of Unification ([www.unikorea.go.kr/eg/](http://www.unikorea.go.kr/eg/)).

Note: Excludes contributions to World Food Programme.

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# TESTING NORTH KOREA THE NEXT STAGE IN U.S. AND ROK POLICY

REPORT OF AN INDEPENDENT TASK FORCE  
SPONSORED BY THE COUNCIL ON FOREIGN RELATIONS

The historic June 2000 North-South summit spawned new hopes for the future of Korea. The prospect of winding down a half-century of confrontation on the Korean peninsula seemed within the realm of possibility. North Korea's secretive leader Kim Jong Il suddenly emerged as a public figure and Pyongyang rapidly established diplomatic ties with a host of America's friends in Europe and Asia. Yet as the months have passed, even if Korea has turned a page in its history, none of the basic issues of the Korea question have been resolved. A new administration in Washington faces a new set of challenges in Korea with profound implications for U.S. interests in East Asia.

Tensions remain lower than at any time in recent memory, but the demilitarized zone separating North from South Korea remains the most heavily armed border on earth. North-South relations face an uncertain future, and few signs of real change inside North Korea are evident. There is growing uncertainty surrounding the direction of inter-Korean relations, the prospects for dealing with North Korea, and the likelihood for reform in Pyongyang.

The Task Force, co-chaired by Morton I. Abramowitz and James T. Laney, argues that diplomatic gains in recent years are not irreversible. Successful implementation of the Agreed Framework between the United States and North Korea, which froze Pyongyang's known nuclear program in exchange for two light-water reactors and other economic benefits, faces considerable challenges inherited by the Bush administration. Despite eleventh-hour talks on North Korea's ballistic missile program in the waning weeks of the Clinton administration, it remains largely unconstrained. The conventional arms standoff at the 38th parallel also continues unabated. Verification, too, persists as a key problem facing both the nuclear and missile issues.

In this report, a group of leading specialists with long Korea experience in and out of government spells out its preferred course of action for the United States in a series of detailed policy recommendations to guide Washington as it proceeds in its diplomacy toward North Korea. Among its recommendations is a suggestion to trade U.S. assistance in addressing North Korea's electrical power shortage for further concessions on the nuclear and ballistic programs. The report also stresses the importance of close policy coordination with South Korea and Japan and concludes that the United States has much at stake in how the future of the Korean peninsula unfolds, and should therefore be treated as a high foreign policy priority.



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