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Korea: U.S.-Korean Relations — Issues for Congress

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SUMMARY

North Korea's decision in December 2002 to restart nuclear installations at Yongbyon that were shut down under the U.S.-North Korean Agreed Framework of 1994 and its announced withdrawal from the Nuclear Non-Proliferation Treaty creates an acute foreign policy problem for the United States. North Korea's major motive appears to be to escalate pressure on the Bush Administration to negotiate a nuclear agreement that would provide new U.S. political and economic benefits to North Korea, starting with Pyongyang's proposed non-aggression pact. However, restarting the Yongbyon facilities opens up a possible North Korean intent to stage a "nuclear breakout" of its nuclear program and openly produce nuclear weapons within six months. North Korea claimed in April 2003 that it had nuclear weapons and that it had nearly completed reprocessing nuclear weapons-grade plutonium that could produce five or six atomic bombs. North Korea's actions follow the disclosure in October 2002 that North Korea is operating a secret nuclear program based on uranium enrichment and the decision by the Korean Peninsula Energy Development Organization (KEDO) in November 2002 to suspend shipments of heavy oil to North Korea — a key U.S. obligation under the Agreed Framework.

The main elements of Bush Administration policy are (1) terminating the Agreed Framework; (2) no negotiations with North Korea until it dismantles its nuclear program; (3) assembling an international coalition to apply economic pressure on North Korea; (4) planning for future economic sanctions and military interdiction against North Korea; and (5) warning North Korea not to reprocess nuclear weapons-grade plutonium, asserting that "all options are open," including military options. China, South Korea, and Russia have criticized the Bush Administration for not negotiating with North Korea, and they voice opposition to economic sanctions and the use of force against Pyongyang. However, Administration diplomacy has made progress in persuading Japan and South Korea to support economic sanctions if North Korea escalates provocations.

In 2003, the Pentagon announced plans to relocate the U.S. 2nd Infantry Division from the demilitarized zone to positions further south. Controversy over the 37,000 U.S. troops had grown in South Korea and reflected both disagreement over policy toward North Korea but also mounting South Korean public discontent over U.S. troops in South Korea. Incidents involving U.S. troops and South Korean civilians led to mass demonstrations in late 2002 in response to the killing of two South Korean schoolgirls by a U.S. military vehicle in June 2002. This also contributed to the election of Roh Moo-hyun as President in December 2002. His campaign stressed criticism of the United States. Since the election, Roh has stressed cooperation with the United States, and he opposed removing the 2nd Division until the North Korean nuclear issue is resolved.

MOST RECENT DEVELOPMENTS

The Bush Administration continued steps to escalate pressure on North Korea. At a second meeting of countries involved in the U.S.-initiated Proliferation Security Initiative, U.S. officials reportedly pressed for an early initiation of measures to interdict North Korean sea and air shipments of missiles and illegal drugs. The Administration also pressed within the Korean Peninsula Energy Development Organization for the termination of construction of light water nuclear reactors in North Korea, which the United States had agreed to in the 1994 U.S.-North Korean Agreed Framework. The Administration reportedly issued an intelligence assessment to Japan that North Korea had either developed nuclear warheads that it could mount on missiles or was close to attaining such a capability. The Administration continued to urge that any new meeting with North Korea be a five-party meeting. However, China reportedly proposed a three party meeting similar to the Beijing meeting of April 2003. South Korea urged the Bush Administration to develop a comprehensive settlement proposal to present at a future meeting. North Korea continued to claim that it possessed nuclear weapons and issued a new claim that it had completed the reprocessing of 8,000 nuclear fuel rods into nuclear weapons-grade plutonium. U.S. and South Korean intelligence assessments reportedly were that some reprocessing had taken place but that a relatively small percentage of the fuel rods had been reprocessed.

BACKGROUND AND ANALYSIS

U.S. Interests in South Korea

U.S. interests in the Republic of Korea (R.O.K. — South Korea) involve a wide range of security, economic, and political concerns. The United States fought the Korean War from 1950 to 1953, suffering over 33,000 killed and over 101,000 wounded. The United States agreed to defend South Korea from external aggression in the 1954 Mutual Defense Treaty. The United States maintains about 37,000 troops there to supplement the 650,000-strong South Korean armed forces. This force is intended to deter North Korea's (the Democratic People's Republic of Korea — D.P.R.K.) 1.2 million-man army, which is deployed in forward positions near the Demilitarized Zone (DMZ) dividing North and South Korea. Since 1991, attention has focused on the implications of North Korea's drive to develop nuclear weapons (see CRS Issue Brief IB91141, *North Korea's Nuclear Weapons Program*) and long range missiles, and severe food shortages in North Korea.

U.S. economic assistance to South Korea, from 1945 to 2002, totaled over 6 billion; most economic aid ended in the mid-1970s as South Korea's reached higher levels of economic development. U.S. military aid, 1945-2002, totaled over $8.8 billion. The acute financial crisis in late 1997 saw Seoul receive a $57 billion bailout from the International Monetary Fund (IMF). The United States is South Korea's second largest trading partner (replaced as number one by China in 2002) and largest export market. South Korea is the seventh largest U.S. trading partner. The United States has long viewed South Korean political stability as crucial to the nation's economic development, to maintaining the security balance on the peninsula, and to preserving peace in northeast Asia. However, U.S.

officials over the years have pressed the South Korean administration with varying degrees of intensity to gradually liberalize its political process, broaden the popular base of its government, and release political prisoners. In recent years, South Korea has become more democratic, but democracy has spawned more open criticism of the United States.

Recent Issues

Relations with North Korea

The Bush Administration's policy toward North Korea has been based on two factors within the Administration. First, President Bush has voiced profound distrust of North Korea and its leader, Kim Jong-il. Second, there are divisions over policy toward North Korea among factions within the Administration. An influential coalition consists of Secretary of Defense Rumsfeld and his advisers, Vice President Cheney and his advisers, and proliferation experts in the State Department and White House led by Undersecretary of State John Bolton. They reportedly oppose negotiations with North Korea, favor the issuance of demands for unilateral North Korean concessions on military issues, and advocate an overall U.S. strategy of isolating North Korea diplomatically and through economic sanctions. Officials within this group express hope and/or expectations of a collapse of the North Korean regime. They currently assert that North Korean nuclear provocations will escalate to a point at which other government will join the United States in isolating North Korea through economic sanctions. A second faction, mainly in the State Department and White House, is led by Secretary of State Powell and is composed of officials with experience on East Asian and Korean issues. This faction believes that the Administration should attempt negotiations before adopting more coercive measures, and they reportedly doubt the effectiveness of a strategy to bring about a North Korean collapse.

As part of a policy review toward North Korea, President Bush issued a statement on June 6, 2001, outlining policy objectives related to implementation of the U.S.-North Korean 1994 Agreed Framework on North Korea's nuclear program, North Korea's missile program, and its conventional forces. He stated that if North Korea took positive actions, the United States "will expand our efforts to help the North Korean people, ease sanctions, and take other political steps." President Bush's designation of North Korea as part of an "axis of evil" in his January 29, 2002 State of the Union address clarified the Administration's policy that had emerged after the June 6 statement. The policy is aimed at reducing and/or eliminating basic elements of North Korean military power, including weapons of mass destruction (WMDs), nuclear weapons and/or nuclear weapons-grade materials, missiles, and conventional artillery and rocket launchers positioned on the demilitarized zone (DMZ) within range of the South Korean capital, Seoul. The Administration's emphasis on WMDs mounted after the Central Intelligence Agency gained documentary evidence in Afghanistan that al Qaeda seeks WMDs and plans new attacks on the United States. This reportedly influenced the Bush Administration to broaden the definition of the war against terrorism to include states like North Korea that potentially could supply WMDs to al Qaeda.

Until December 2002, the Administration's strategy was to employ public accusations and warnings to pressure North Korea to make policy changes regarding its military assets in line with U.S. objectives. Beginning in July 2001, the Bush Administration warned that

it would suspend construction of the two light water nuclear reactors in North Korea (a provision of the 1994 U.S.-North Korean nuclear Agreed Framework) unless North Korea soon comes into compliance with its obligations to the International Atomic Energy Agency to allow full-scope inspections of nuclear facilities, including the secret uranium enrichment program North Korea admitted to in October 2002. The Bush Administration made a number of statements calling on North Korea to pull back artillery and rocket launchers from the DMZ. Beginning with statements in November 2001 and dramatically in the State of the Union address and in subsequent pronouncements, the Bush Administration set a demand that North Korea stop the export of missiles and weapons of mass destruction to the Middle East and South Asia, eliminate these weapons from its arsenal, and allow verification of such steps. President Bush's repeated declarations since the State of the Union that he would not stand by while this threat mounts constituted a broader warning to North Korea alongside the explicit warning of shutting down the light water reactors.

Administration officials said that they want a comprehensive negotiation with North Korea on all these issues. However, as stated previously, there has been substantial opposition within the Administration to any negotiations. Moreover, when U.S. and North Korean officials have met, opponents of negotiations have succeeded in restricting what U.S. officials can say. Except for vague references to a "bold initiative," the Administration has given no indication that it would offer North Korea reciprocal measures for North Korean agreement and steps to reduce its military power in these areas. Public statements by the Administration continually call for North Korea to take actions unilaterally. During his visit to South Korea in February 2002, President Bush issued a general offer to "welcome North Korea into the family of nations, and all the benefits, which would be trade, commerce and exchanges." Bush Administration officials reportedly have indicated in private remarks that the Administration believes that it does not have to offer strict reciprocal measures or compensation for North Korean concessions.

Nuclear Weapons. U.S. policy since 1994 has been based largely on the U.S.-North Korean Agreed Framework of October 1994. The Agreed Framework dealt primarily with nuclear facilities that North Korea was developing at a site called Yongbyon. Existing facilities included a five megawatt nuclear reactor and a plutonium reprocessing plant. Two larger reactors were under construction. U.S. intelligence estimates concluded that these facilities could give North Korea the capability to produce over 30 atomic weapons annually. North Korea had concluded a safeguards agreement with the International Atomic Energy Agency (IAEA) in 1992, which requires North Korea to report all nuclear programs to the IAEA and gives the IAEA the right to conduct a range of inspections of North Korea's nuclear installations. However, North Korea obstructed or refused IAEA inspections in 1993-94, including refusal to allow an IAEA special inspection of a underground facility, which the IAEA believed was a nuclear waste site. Secretary of Defense Rumsfeld estimated that North Korea has from two to five warheads in a statement of August 2001 in Moscow. The U.S. National Intelligence Council published an estimate in December 2001 "that North Korea has produced one, possibly two, nuclear weapons."

The Agreed Framework provided for the suspension of operations and construction of North Korea's "graphite-moderated reactors and related facilities" and the storage of 8,000 nuclear fuel rods that North Korea had removed from the five megawatt reactor in May 1994. It provided to North Korea 500,000 tons of heavy oil annually until two light water nuclear reactors (LWRs) are constructed in North Korea. The United States is obligated to facilitate

the heavy oil shipments and organize the construction of the LWRs. The IAEA monitored the freeze of the designated facilities and activities. The Agreed Framework states that before North Korea receives nuclear materials for the LWRs, it is obligated to come into full compliance with its obligations as a signatory to the Nuclear Non-Proliferation Treaty with regard to its past nuclear activities. Clinton Administration officials testified that this clause will obligate North Korea to allow IAEA inspection of the suspected waste site and the stored fuel rods. They also testified that any additional North Korean nuclear programs, including any secret programs, are covered by the 1992 safeguards agreement and are subject immediately to IAEA safeguards, including inspections.

The Korean Peninsula Energy Development Organization (KEDO) was created to implement provisions of the Agreed Framework related to heavy oil shipments and construction of the light water reactors. Lead members are the United States, Japan, South Korea, and the European Union. The Agreed Framework set a target date of 2003 for completion of the first of the light water reactors. KEDO officials now project the completion of the first light water reactor in 2008. From October 1995 through November 2002, North Korea has received the annual shipments of 500,000 tons of heavy oil. The cost to the United States of the heavy oil and financial support of KEDO from FY1995 through FY2002 is $378 million Congressional appropriations for the heavy oil and KEDO have risen from $30 million in FY1996 to $95 million in FY2002.

North Korea's admission of a secret uranium enrichment program in October 2002 confirmed U.S. intelligence information that had built up since 1998 concerning such a program. North Korea used the admission to warn that it possessed "big powerful weapons," and it demanded a negotiation with the United States to include a non-aggression pact, an end to U.S. "stifling" of North Korea's economy, and recognition of North Korea's "sovereignty." Some experts believe that the proposals of a non-aggression pact and an end to U.S. economic "stifling" are "smokescreens" for long-standing North Korean demands for a U.S.-North Korean bilateral peace treaty that would include U.S. troop withdrawal from South Korea and removal of North Korea from the U.S. list of terrorist states.

The Bush Administration reacted by calling for concerned governments to pressure North Korea to abandon the secret uranium enrichment program. In November 2002, it pushed a resolution through KEDO to suspend heavy oil shipments to North Korea. North Korea then initiated a number of aggressive moves to reactivate the plutonium-based nuclear program shut down in 1994 under the Agreed Framework: re-starting the small, five megawatt nuclear reactor, announcing that construction would resume on two larger reactors, and announcing that it would re-start the plutonium reprocessing plant. North Korea also expelled officials from the IAEA who had been monitoring the freeze of the plutonium facilities under the Agreed Framework. In January 2003, North Korea announced withdrawal from the Nuclear Non-Proliferation Treaty. It threatened to end its moratorium on long-range missile testing in effect since September 1999. North Korea reportedly asserted at the Beijing meeting in April 2003 that it possessed nuclear weapons and that it had nearly completed reprocessing of spent nuclear fuel into weapons-grade plutonium. Moreover, North Korea threatened to export nuclear materials. It justified these actions by citing the U.S.-initiated cutoff of heavy oil shipments and by charging that the Bush Administration planned a "pre-emptive nuclear attack" on North Korea. It escalated this by citing the U.S. attack on Iraq as justification for North Korea developing a "nuclear deterrent."

North Korea's major motive appears to be to escalate pressure on the Bush Administration to negotiate a new nuclear agreement that would provide new U.S. security, political, and economic benefits to North Korea. Pyongyang long has emphasized intimidation tactics in its diplomacy. However, restarting the Yongbyon installations opens up a possible North Korean intent or option to stage a "breakout" of its nuclear program in 2003 by openly producing nuclear weapons. The most dangerous North Korean move would be to move 8,000 stored fuel rods at Yongbyon into the plutonium reprocessing plant for the production of nuclear weapons-grade plutonium. According to estimates by nuclear experts and reportedly by U.S. intelligence agencies, if North Korea began to reprocess fuel rods, it would take about four months to produce weapons grade plutonium and another one or two months to produce four to six atomic bombs.

On the basis of a survey of U.S., South Korean, and Japanese press reports, North Korea's issued a detailed proposal at the Beijing meeting that reportedly contained the following elements: (1) a process in which the United States and its allies would provide a number of benefits to North Korea in an early stage and North Korea would act on its nuclear program in later stages; (2) a first step in which North Korea would declare that it will end its nuclear program and the United States would resume the supply of heavy oil through KEDO; (3) North Korea would allow renewed IAEA inspections but limited to Yongbyon; (4) the United States would supply energy to North Korea, presumably electricity; (5) the United States would facilitate the completion of both light water nuclear reactors under the Agreed Framework; (6) the United States would remove North Korea from the U.S. list of terrorist countries; (7) North Korea would continue its moratorium on long-range missile testing and would stop the export of missiles and missile technology; (8) the United States and Japan would establish full diplomatic ties with North Korea; and (9) a final step in which North Korea would dismantle its nuclear program and the United States would issue a written, legal security guarantee against both a U.S. nuclear attack and conventional attack on North Korea. It is unclear whether the North Korean proposal would have the United States issue a security guarantee in the final stage or prior to that. The status of the secret uranium enrichment program in the proposal also is unclear.

The Bush Administration's policy response to the secret program and the re-starting of the Yongbyon facilities consists of:

(1) Progressive suspension of the Agreed Framework: Administration officials have stated that the Agreed Framework will be terminated. Statements indicate a debate within the Administration over the timing of ending it. The Administration secured KEDO's decision to suspend heavy oil shipments to North Korea beginning in December 2002 despite reluctance by Japan and South Korea to move as quickly. North Korea cited this as justification for re-starting the Yongbyon nuclear facilities. The next decision for KEDO will be whether to continue or suspend construction of the two LWRs promised to North Korea in the Agreed Framework. However, North Korea's nuclear provocations since mid-December 2002 may have made the Administration cautious about a termination of the LWRs. In January 2003, the Administration budgeted $3 million for KEDO for FY2003, and Congress appropriated $5 million in foreign assistance legislation for FY2003.

(2) No substantive negotiations with North Korea until it dismantles its nuclear program: Until January 7, 2003, the Administration rejected negotiation of any new agreement with North Korea over the secret program, insisting that North Korea first abide

by its past nuclear agreements, including dismantling the secret uranium enrichment program. On January 7, the Administration proposed a dialogue with North Korea that would not be the negotiation of a new agreement. In a communique of January 7, 2003, with Japan and South Korea, the proposal stated that "the United States is willing to talk to North Korea about how it will meet its obligations to the international community" but that "the United States will not provide quid pro quos to North Korea to live up to its existing obligations." In 2003, the President and Administration officials have declared repeatedly that the Administration will not discuss any reciprocity or benefits to North Korea until North Korea dismantles its nuclear program. In February 2003, the Administration began to promote a multilateral forum. The Administration wanted South Korea, Japan, China, and Russia included in such a forum. However, in talks with China, the Administration agreed to China's proposal for a three party meeting (China, North Korea, and the United States) in Beijing with the participation of other countries left undetermined. Secretary of Defense Rumsfeld reportedly opposed the Beijing talks. President Bush reportedly restricted what the chief U.S. official at Beijing could say to only re-stating the Administration's public position that North Korea must dismantle its nuclear program before the United States would discuss with it ways to improve U.S.-North Korean relations. Administration officials subsequently said that the United States would not offer a "counter-proposal" to North Korea's proposal at Beijing and that they expected North Korea to offer extensive unilateral concessions at future meetings.

(3) Forming an international coalition to pressure North Korea to end its nuclear program: The Administration's multilateral negotiation proposal is a tactical move in this strategy. Since the Beijing meeting, Administration diplomacy has aimed at securing support from other governments for a regime of economic sanctions against North Korea. Japan and South Korea have expressed a willingness to pressure economically if North Korea undertakes further nuclear provocations; Japan is imposing restrictions on North Korean economic activity in Japan. The Administration has placed emphasis on China as a source of pressure on North Korea, citing China's stated support for a non-nuclear Korean peninsula. China has a mutual defense treaty with North Korea and supplies North Korea with large quantities of oil and food. China, South Korea, and Russia have withheld full support from the U.S. position, causing frustration within the Administration. They criticize the Administration for not conducting a diplomatic dialogue with North Korea. They all advocate that the United States offer North Korea a security guarantee in any agreement on nuclear weapons. They stated opposition to the U.N. Security Council formally taking up the issue, and China blocked Security Council action in early April 2003. China reportedly pressured North Korea to adopt greater flexibility regarding its demand for bilateral talks with United States, leading to the three-party Beijing meeting. However, in return, China apparently made diplomatic commitments to North Korea, including support for North Korean opposition to U.N. Security Council consideration, North Korean opposition to South Korean and Japanese participation in multilateral talks, and North Korea's proposal of a formal security guarantee from the United States. There reportedly is debate within the Chinese government over policy toward North Korea. There are influential parties who advocate that China cut or end support of North Korea. However, influential elements of the China military reportedly urge that China extend military support to North Korea if the United States resorts to military force. China's official position remains opposed to economic sanctions and asserts that the United States should offer a comprehensive negotiating proposal including a security guarantee and economic aid for North Korea. Russia shares the Chinese position.

(4) Planning economic sanctions and military interdiction if North Korea does not end its nuclear program: The Administration reportedly has drafted plans for economic sanctions, including cutting off financial flows to North Korea from Japan and other sources and interdicting North Korean weapons shipments to the Middle East and South Asia. Administration officials assert that North Korea's escalation of provocations will convince other governments to support economic sanctions and thus isolate North Korea. Since the Beijing meeting, the Administration has proposed that other governments join it in enacting such measures. President Bush proposed a Proliferation Security Initiative aimed at interdicting exports of weapons of mass destruction by proliferator countries, especially North Korea. Administration officials view Japan's recent actions to restrict North Korea's economic activities as the beginning of sanctions and interdiction.

(5) Ambivalence concerning U.S. military options if North Korea fully activates its nuclear program: The Administration stressed in January 2003 that the United States would not attack North Korea; this was in response to North Korea's charge that the United States planned a pre-emptive attack and to concerns voiced by China, Russia, and South Korea. In February 2003, Administration statements on military options focused on the growing belief that North Korea would attempt to reprocess the 8,000 spent nuclear fuel rods at Yongbyon into weapons-grade plutonium and produce five or six atomic bombs. In late 2002, Clinton Administration officials disclosed that in 1994, the Administration approved a Pentagon plan to bomb Yongbyon to prevent reprocessing of the fuel rods. However, press reports and Administration statements claim that the United States has only limited intelligence capabilities to learn whether or not North Korea has reprocessed the spent nuclear fuel and that the Administration is uncertain of the situation. Statements by Pentagon officials indicate that contingency plans for direct military action against North Korea envisage strikes against multiple targets, including North Korean artillery on the demilitarized zone, rather than a strike solely against North Korea's nuclear installations.

North Korea's Missile Program. Following the disclosure of North Korea's secret uranium enrichment program, Pyongyang issued threats to end a moratorium on long-range missile testing, which it had instituted in September 1999. The last such missile test, on August 31, 1998, flew over Japanese territory. Japan also believes it is threatened by approximately 100 intermediate-range Nodong missiles, which North Korea has deployed.

Parts of the missile tested on August 31, 1998, landed in waters close to Alaska. U.S. intelligence agencies responded with a conclusion that North Korea was close to developing a Taepo Dong-1 missile that would have the range to reach Alaska, the U.S. territory of Guam, the U.S. Commonwealth of the Northern Marianas, and the Japanese island of Okinawa, home to thousands of U.S. military personnel and their dependents. Reports since 2000 cite U.S. intelligence findings that North Korea is developing a Taepo Dong-2 intercontinental missile that would be capable of striking Alaska, Hawaii, and the U.S. west coast with nuclear weapons. First tested in 1993, the Nodong missile has an estimated range of 600-900 miles. The upper range would cover all of Japan including Okinawa.

Throughout the 1990s, North Korea exported short-range Scud missiles and Scud missile technology to a number of countries in the Middle East. After 1995, it exported Nodong missiles and Nodong technology to Iran, Pakistan, and Libya. In 1998, Iran and Pakistan successfully tested medium range missiles modeled on the Nodong. North Korea reportedly shipped 50 complete Nodong missiles to Libya in 1999.

The test launch of the Taepo Dong-1 missile spurred the Clinton Administration to intensify diplomacy on North Korea's missile program. The Administration's 1999 Perry initiative set the goal of "verifiable cessation of testing, production and deployment of missiles exceeding the parameters of the Missile Technology Control Regime, and the complete cessation of export sales of such missiles and the equipment and technology associated with them." Dr. Perry seemed to envisage the negotiation of a series of agreements on the individual components of the North Korean missile program; each agreement would build progressively toward termination of the entire program. The Perry initiative offered North Korea steps to normalize U.S.-North Korean relations, an end to U.S. economic sanctions, and other economic benefits in return for positive North Korean actions on the missile and nuclear issues. This produced in September 1999 a qualified North Korean promise not to conduct further long-range missile tests, which North Korea repeated in June 2000. The Clinton Administration responded by announcing in September 1999 a lifting of a significant number of U.S. economic sanctions against North Korea. It published the implementing regulation for the lifting of these sanctions on June 19, 2000.

No further agreements on missiles were concluded by the end of the Clinton Administration. Secretary of State Albright visited Pyongyang in October 2000, and missile talks intensified. Unlike Perry's view of a series of agreements, the Clinton Administration proposed a comprehensive deal covering all aspects of the issue. North Korea offered to prohibit exports of medium and long-range missiles and related technologies in exchange for "in-kind assistance." (North Korea previously had demanded $1 billion annually.) It also offered to ban permanently missile tests and production above a certain range in exchange for "in kind assistance" and assistance in launching commercial satellites. Pyongyang also offered to cease the deployment of Nodong and Taepo Dong missiles. It proposed that President Clinton visit North Korea to conclude an agreement. The negotiations reportedly stalled over four issues: North Korea's refusal to include short-range Scud missiles in the commitment to cease the development and deployment of missiles; North Korea's non-response to the U.S. position that it would have to agree to dismantle the already deployed Nodong missiles; the details of U.S. verification of a missile agreement; and the nature and size of a U.S. financial compensation package.

President Bush's June 6, 2001 statement set a goal of "verifiable constraints on North Korea's missile programs and a ban on its missile exports." Administration officials have emphasized the necessity of a strong verification mechanism in any missile accord. After the January 2002 State of the Union speech, the Administration repeatedly described North Korea as a dangerous proliferator of missiles, and they demanded that North Korea cease exporting missiles and missile technology. However, the Administration has offered no specific negotiating proposal on missiles. The Administration emphasized the necessity of installing a anti-missile defense system in Alaska by the end of 2004, which it claimed would be 90% effective in intercepting North Korean missiles; non-Administration experts have expressed skepticism over this claim.

Weapons of Mass Destruction. The Bush Administration's emphasis on North Korea's weapons of mass destruction (WMDs) resulted from the September 11 terrorist attack. A Pentagon report on the North Korean military, released in September 2000, stated that North Korea had developed up to 5,000 metric tons of chemical munitions and had the capability to produce biological weapons, including anthrax, smallpox, the bubonic plague, and cholera. The Bush Administration expresses a fear that North Korea might sell nuclear,

chemical, or biological weapons to a terrorist group like al Qaeda or that al Qaeda might acquire these weapons from a Middle East country that had purchased them from North Korea. In November 2001, President Bush included North Korea's WMDs as part of the "war against terrorism" when he stated: "We want to know. Are they developing weapons of mass destruction? And they ought to stop proliferating. So part of the war on terror is to deny terrorist weapons." In the State of the Union on January 29, 2002, he described North Korea as "a regime arming with missiles and weapons of mass destruction." Upon departing for his trip to East Asia, President Bush stated on February 16, 2002, that "America will not allow North Korea and other dangerous regimes to threaten freedom with weapons of mass destruction." The Bush Administration has not accused North Korea of providing terrorist groups with WMDs. When asked about this in a joint press conference with South Korea's Defense Minister on November 15, 2001, Secretary of Defense Donald Rumsfeld answered "we do not have anything specific." There are reports from the early 1990s that North Korea exported nuclear technology to Iran and that North Korea assisted Syria and Iran to develop chemical and biological weapons capabilities.

North Korea's Inclusion on the U.S. Terrorism List. Beginning in February 2000, North Korea began to demand that the United States remove it from the U.S. list of terrorist countries. It made this a pre-condition for the visit of a high level North Korean official to Washington. Although it later dropped this pre-condition, it continued to demand removal from the terrorist list. In response to the terrorist attack of September 11, 2001, North Korea issued statements opposing terrorism and signed two United Nations conventions against terrorism. North Korea's proposal related to the current nuclear situation that the United States end its "stifling" of North Korea's economy is believed by several Korean experts to be a subterfuge for the demand for removal from the terrorist list.

South Korea also urged the United States to remove North Korea from the terrorism list in order to open the way for North Korea to receive financial aid from the World Bank and the International Monetary Fund (IMF). U.S. law P.L. 95-118, the International Financial Institutions Act, requires the United States to oppose any proposals in the IMF and World Bank to extend loans or other financial assistance to countries on the terrorism list. The Kim Dae-jung Administration advised the Clinton Administration in July 2000 to drop from consideration past North Korean terrorist acts against South Korea. The Kim Dae-jung Administration advocated North Korean admission to the World Bank and the IMF.

Japan urged the Clinton and Bush administrations to keep North Korea on the terrorism list until North Korea resolved Japan's concerns. Japan's concerns are North Korea's sanctuary to members of the terrorist Japanese Red Army organization and evidence that North Korea kidnapped and is holding at least ten Japanese citizens. The Clinton Administration gave Japan's concern increased priority in U.S. diplomacy in 2000. Secretary Albright raised the issue of kidnapped Japanese when she met with Kim Jong-il in Pyongyang in October 2000. A high ranking State Department official met with family members of kidnapped Japanese in February 2001 and reportedly assured them that the Bush Administration would not remove North Korea from the terrorism list. (See CRS Report RL30613, *North Korea: Terrorism List Removal?)* Kim Jong-il's admission of kidnapping Japanese during the Kim-Koizumi summit of September 2002 did not resolve the issue. His claim that 8 of the 13 admitted kidnapped victims are dead and his ambivalence regarding the return to Japan of the five living Japanese raised new issues for the Japanese government, including information about the deaths of the kidnapped victims, North Korean

compensation to the families of the victims, and the possibility that more Japanese were kidnapped. The five living kidnapped Japanese returned to Japan in October 2002 for a visit. However, the Japanese government did not allow them to return to North Korea, and their family members remain in North Korea.

Food Aid. Secretary of State Powell announced on February 25, 2003, that the United States would extend 40,000 metric tons of food aid to North Korea in 2003 and was prepared to extend another 60,000 tons if North Korea agreed to greater access of food donors and more effective monitoring of food aid distribution. The offer appears to be a reduced U.S. commitment from previous years. Since 1995, the United States supplied North Korea with 1.9 million metric tons of food aid, including 157,000 metric tons in 2002. On June 8, 2002, the Administration stated that future U.S. food aid would depend on North Korea's willingness to allow access of food donors to all areas of the country, a nationwide nutritional survey, and an improved monitoring system. Since November 2002, U.S. officials have reiterated these conditions and have cited evidence that North Korea has diverted food aid to the North Korea military and the communist elite. North Korea has rejected the Administration's conditions.

Agriculture production in North Korea began to decline in the mid-1980s. Severe food shortages appeared in 1990-1991. In September 1995, North Korea appealed for international food assistance. From 1996 through 2001, the United States contributed about 1.8 million tons of food aid to North Korea through the United Nations World Food Program. The Clinton Administration used food aid to secure North Korean agreement to certain types of negotiations and North Korean agreement to allow a U.S. inspection of the suspected nuclear site at Kumchangri. Critics have pointed to two other issues: the weaknesses in monitoring food aid distribution in North Korea and the absence of North Korean economic reforms, especially agricultural reforms.

The U.N. World Food Program requested donations of 611,000 tons of food for North Korea in 2002, but it received only 430,000 tons. It acknowledges that the North Korea places restrictions on its monitors' access to the food distribution system, but it believes that most of its food aid reaches needy people. Several private aid groups, however, withdrew from North Korea because of such restrictions and suspicions that the North Korean regime was diverting food aid to the military or the communist elite living mainly in the capital of Pyongyang. It is generally agreed that the regime gives priority to these two groups in its overall food distribution policy. Some experts also believe that North Korean officials divert some food aid for sale on the extensive black market. The regime, too, refuses to adopt agricultural reforms similar to those of fellow communist countries, China and Vietnam, including dismantling of Stalinist collective farms. While such reforms resulted in big increases in food production in China and Vietnam, North Korea continues to experience sizeable food shortages year after year with no end in sight. It is estimated that one to three million North Koreans died of malnutrition between 1995 and 2002.

The conditions set on future food aid by the Bush Administration in June 2002, cited above, appears to result from two factors. One is the influence of Andrew Natsios, the Director of the U.S. Agency for International Development, who was intimately involved in food aid programs to North Korea in the 1990s. His 2002 book, *The Great North Korean Famine,* highlights a view that the North Korean government employed duplicity and manipulation of food aid donors.

North Korean Refugees in China. This issue confronted governments after March 2002 when North Korean refugees sought asylum in foreign diplomatic missions in China and the Chinese government sought to prevent access to the missions and forcibly removed refugees from the Japanese and South Korean embassies. The refugee exodus from North Korea into China's Manchuria region began in the mid-1990s as the result of the dire food situation in North Korea's provinces in the far north and northeast along the Chinese border. The North Korean government reportedly suspended the state food rationing system in these provinces beginning about 1993 and never allowed international food aid donors into them Estimates of the number of refugees cover a huge range, from 10,000 to 300,000.

China followed conflicting policies reflecting conflicting interests. Generally, China tacitly accepted the refugees so long as their presence was underground and/or not highly visible. China also allowed foreign private non-government groups (NGOs), including South Korean NGOs, to provide aid to the refugees, again so long as their activities were not highly visible. China barred any official international aid presence, including any role for the United Nations High Commission for Refugees. It also interrupted its general policy of tacit acceptance with periodic crackdowns that included police sweeps of refugee populated areas, rounding up of refugees, and returning them to North Korea.

North Korea remains as China's last ally, and China supports the North Korean regime and trying to prevent any scenario that would lead to a collapse of the Pyongyang regime. Chinese officials fear that too much visibility of the refugees and especially any U.N. presence could spark an escalation of the refugee outflow and lead to a North Korean regime crisis and possible collapse. China's crackdowns are sometimes a reaction to increased visibility of the refugee issue. China's interests in buttressing North Korea also has made China susceptible to North Korean pressure to crack down on the refugees and return them. Reports in 2003 described stepped-up security on both sides of the China-North Korea border to stop the movement of refugees and Chinese roundups of refugees and repatriation of them to North Korea. The Chinese government also appears reluctant to establish the precedent of allowing any United Nations presence on its soil.

In 2002 several South Korean and European NGOs assisted a small number of refugees to travel to Chinese cities where there are foreign diplomatic missions and seek asylum from foreign governments and repatriation to South Korea. China's attempts to prevent this added to the world-wide publicity, and China eventually allowed all of these refugees to emigrate to South Korea. China, however, reportedly instituted another crackdown in Manchuria against both the refugee population and the foreign NGOs. Chinese security authorities reportedly tortured captured refugees to gain information on the NGOs that assisted them. South Korea, which previously had turned refugees away from its diplomatic missions, changed its policy in response to the new situation. It accepted refugees seeking entrance into its missions and allowed them entrance into South Korea, and it negotiated with China over how to deal with these refugees.

The Bush Administration gave the refugee issue low priority. President Bush did not raise the issue with Chinese leaders when he visited China in February 2002. The Administration has asserted that South Korea should have the lead diplomatically in dealing with China. Congress has been more active on the issue. The issue has been aired in hearings. In June 2002, the House of Representatives passed H.Con.Res. 213, which calls

on China to halt forced returns of refugees to North Korea and give the U.N. High Commission on Refugees access to the North Korean refugees.

Responding to South Korea's Sunshine Policy. U.S. responses to President Kim Dae-jung's "sunshine policy" has been an issue since South Korea achieved a breakthrough in relations with North Korea with the meeting of Kim Dae-jung and North Korean leader Kim Jong-il in Pyongyang, June 13-14, 2000. Their joint declaration said North Korea and South Korea would work for economic cooperation, cultural and sports exchanges, and meetings of divided Korean families. The summit apparently was in part the result of Kim Dae-jung's speech in Berlin in March 2000. He offered to provide large scale economic aid to rebuild North Korea's infrastructure. Following the summit, Seoul and Pyongyang negotiated agreements on the restoration of a railway and road across the DMZ, investment guarantees and tax measures to stimulate South Korean private investments in North Korea, provision of 600,000 tons of South Korean food aid to North Korea, and flood control projects for the Imjim River. A meeting of defense ministers occurred but with little result. President Kim called on the United States to support his sunshine policy by normalizing diplomatic relations with North Korea, negotiating a missile agreement with Pyongyang, and removing North Korea from the U.S. terrorist list. However, the sunshine policy stagnated after December 2000. North Korea demanded that South Korea supply it with two million kilowatts of electricity and rejected a South Korean reply proposing a survey of North Korea's electrical grid.

The Bush Administration periodically issues a general statement that it supports the sunshine policy. However, the U.S. response to the component parts of the sunshine policy indicates a mixed reaction. The Bush administration supported South Korea's proposals to build a railroad and road across the demilitarized zone and assist North Korea in flood control of the Imjim River. It also supported North-South agreements to reunite divided Korean families and for investment guarantees for R.O.K. firms investing in North Korea.

The Bush Administration had reservations over other components of the sunshine policy. As stated previously, the Bush and Kim administrations appear to disagree over North Korea's inclusion on the U.S. terrorism list. The U.S. military command in Korea and the Central Intelligence Agency reportedly believe that North Korea has gained greater financial flexibility to make military purchases because of the nearly $400 million it has received from the Hyundai Corporation during 1999-2001 for the right to operate a tourist project at Mount Kumgang in North Korea. According to informed sources available to CRS in 1991, Hyundai made additional secret payments to North Korea. Hyundai denied making secret payments, but new accusations of secret payments and government subsidies to Hyundai for these payments arose. In early 2003, the Hyundai and the Kim Dae-jung administration admitted that Hyundai had made secret payments to North Korea of $500 million, that much of the money was transferred shortly before the June 2000 North-South summit, and that the government had reimbursed Hyundai for much of the payments. According to the South Korean newspaper, *Choson Ilbo*, February 25, 2001, U.S. officials voiced concerns to South Korean intelligence chief, Lim Dong-won, during his visit to Washington in February 2001 and that the CIA delivered a memorandum to the R.O.K. government containing a list of weapons that North Korea recently purchased from overseas. The *Korea Herald*, February 5, 2001, quoted a spokesman for the U.S. Military Command in Korea that "I know that military experts at home and abroad are concerned about Pyongyang's possible diversion of the [Hyundai] cash for military purposes." South Korea's

Unification Minister stated before a Korean National Assembly committee on April 2002 that the government was aware of a possibility that North Korea would use the Hyundai payments for military purposes. The Kim Dae-jung Administration has touted the Mt. Kumgang project as a highlight of its sunshine policy. It has decided to financially subsidize the project, which has been a big money loser for the Hyundai Corporation.

Roh Moo-hyun, inaugurated President on February 26, 2003, states that he will continue the sunshine policy and opposes economic sanctions. He has asserted that his government will not always support the United States against North Korea.

North Korea's blockage of implementation of the agreements of 2000 continued until August 2002. North-South relations reached a nadir in June 2002 when the North Korean navy attacked South Korean naval units. However, North Korea expressed "regret"over the incident, and negotiations in August 2002 produced a family reunion held in September and agreements to implement economic agreements of 2000. A key agreement called for the North and South Korean militaries to construct the rail and road linkages through the demilitarized zone (DMZ) in east and west sectors. Work actually began on September 18, 2002. The road in the eastern sector was opened in February 2003. South Korea is supplying needed materials to North Korea for the road and rail connections. Seoul and Pyongyang reached agreement in November 2002 on South Korean infrastructure aid to construct a special economic zone at Kaesong inside North Korea to attract South Korean and other outside private investment. North Korea is to issue a law and regulations for foreign investment at Kaesong.

Roh Moo-hyun's Election, Anti-Americanism, Plans to Change the U.S. Military Presence

On June 5, 2003, the United States and South Korea announced that the U.S. Second Infantry Division of about 15,000 troops would be withdrawn from its position just below the demilitarized zone and relocated to "hub bases" about 75 miles south. They also announced that the U.S. Yongsan base, housing about 8,000 American military personnel in the center Seoul, would be relocated away from the city. (A 1991 agreement to relocate Yongsan never was implemented.) The U.S. military would invest $11 billion to upgrade its forces in Korea. These moves are part of a comprehensive plan by Secretary of Defense Rumsfeld to restructure the U.S. Army and revise the system of U.S. bases worldwide. However, these moves also come after large-scale demonstrations in South Korea against U.S. forces and the related election of Roh Moo-hyun as President, who criticized the United States frequently during his campaign, in December 2002.

The protests and Roh's election were the result of South Korean public anger over the killing of two South Korean schoolgirls by a U.S. military vehicle in June 2002. The South Korean government wanted the two American military personnel operating the vehicle turned over to South Korean authorities; but the U.S. Military Command refused, citing the provision in the U.S.-R.O.K. Status of Forces Agreement that American military personnel accused of crimes while on duty would remain under U.S. military jurisdiction. The court-martials of the two vehicle operators found them innocent. The South Korean reaction was massive demonstrations, isolated violence directed at U.S. soldiers, and wider discrimination against Americans (businesses refusing to serve Americans). Since his election, Roh has stated support for the U.S.-R.O.K. alliance. In a meeting with South Korean military

commanders, he told them to start planning for a day when U.S. troops would withdraw from South Korea. However, his government immediately declared that there should be no changes in U.S. troop strength until the North Korean nuclear issue is resolved. This was in response to statements by U.S. defense officials that the Bush Administration was considering changes in the U.S. force structure in South Korea. The Roh Administration agreed reluctantly to the relocation of the Second Division announced June 5, 2003.

These events were the culmination of changing South Korean attitudes toward the U.S. military presence that began to appear in 1998. Since that time, South Korean fears of a military threat from North Korea have declined. According to recent polls, South Koreans increasingly do not register the same level of concern as many Americans over a North Korean invasion threat, suspected nuclear weapons development, ballistic missile testing, and missile sales abroad. In congressional testimony in March 2001, General Thomas Schwartz, U.S. Commander-in-Chief in Korea, asserted that the North Korean military threat was growing due to the size of its forces (over one million) and armaments, the holding of large North Korean field exercises in 2000, and especially the concentration of artillery and multiple rocket launchers within range of the South Korean capital, Seoul. Schwartz's testimony received criticism within South Korea and from a number of U.S. experts. The credibility of the U.S. military command (USFK) declined in South Korea. The critics argued that North Korean conventional military capabilities have eroded since the early 1990s due to the obsolescence of offensive weaponry like tanks and strike aircraft, logistics/supplies deficiencies, the absence of major field exercises from 1994 to 2000, food shortages among even North Korean front-line troops on the DMZ, and the decline in the physical and mental capabilities of North Korean draftees after a decade of malnutrition.

Declining South Korean fears of a North Korean invasion and the inter-Korean dialogue have produced a growing debate in South Korea over the U.S. military presence. Small radical groups, which demand a total U.S. military withdrawal, have been joined by a network of non-government civic groups. Several prominent South Koreans have proposed changes in the size and functions of U.S. troops, including a proposal to convert U.S. troops to a peacekeeping force. Polls, including a poll commissioned by the State Department's Office of International Information Programs in September 2000, show a majority of South Koreans in favor of a reduction in the number of U.S. troops in South Korea. A South Korean newspaper poll of February 2003 showed 57 percent of South Koreans in favor of a reduction of U.S. troops or a total U.S. troop withdrawal. However, a frequently voiced view among South Koreans is that the Pentagon's plan to relocate the Second Division is intended to punish South Korea for the anti-American protest in 2002.

The official U.S. position since 1995 had been that the United States has no plans to reduce the number of U.S. troops in South Korea. In March 2002, the U.S. and R.O.K. governments announced a ten-year program to reduce by nearly 50% the bases and land used by U.S. forces in South Korea but that the total number of 37,000 U.S. troops would remain.

The North-South summit of June 2000 and South Korea's sunshine policy intensified this debate. South Koreans grew increasingly skeptical of President Bush's statements that he supported the sunshine policy. South Koreans viewed U.S. forces more and more from the standpoint of their impact on prospects for improved North-South relations. Roh Moo-hyun advocated a South Korean policy toward North Korea more independent from U.S. policy. He emphasized his opposition to North Korea possessing nuclear weapons, but he

criticized the Bush Administration for its reluctance to negotiate with North Korea and its reported advocacy of economic sanctions. He asserted that his ability to influence U.S. policy toward North Korea was a primary reason for his support of the U.S. war against Iraq and his plan to send 700 South Korean medical and engineering personnel to Iraq. Officials of his administration have expressed concern that a motive of the Bush Administration's plan to relocate the Second Division is to get the Division out of range of North Korean artillery just north of the demilitarized zone in case the Administration decides to attack North Korea similar to the U.S. attack on Iraq.

The total cost of stationing U.S. troops in South Korea is nearly $3 billion annually. The South Korean direct financial contribution for 2002 is $490 million, up from $399 million in 2000. In 2000, criticism arose in the South Korean media and among civic groups over the R.O.K. government's selection of the Boeing's F-15K fighter over European competitors as South Korea's next generation fighter. The controversy arose over reports and statements that the selection was made under pressure from the Bush Administration.

FOR ADDITIONAL READING

CRS Issue Brief IB91141. *North Korea's Nuclear Weapons Program.*
CRS Report RS21391. *North Korea's Nuclear Weapons: How Soon an Arsenal?*
CRS Report RS21473. *North Korean Ballistic Missile Threat to the United States.*
CRS Report RL31696. *North Korea: Economic Sanctions.*
CRS Report RL31785. *U.S. Assistance to North Korea.*