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Korea-U.S. Relations: Issues for Congress

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Summary

North Korea's tests of a nuclear weapon on October 9, 2006, and missiles on July 4, 2006, create a higher level of tension in the issue of North Korea's nuclear weapons programs. The nuclear explosion was small, less than one kiloton, of a plutonium bomb. Experts calculate that North Korea has enough weapons-grade plutonium for six to eight atomic bombs. U.S. intelligence estimates reportedly agree with this. North Korea also is operating a secret nuclear program based on highly enriched uranium (HEU). Following the nuclear test, the United States and Japan secured a U.N. Security Council resolution imposing sanctions on North Korea, including measures to stop North Korean trade and financial transactions that support Pyongyang's weapons of mass destruction programs. However, China and South Korea indicate that they will take only limited measures to impose the sanctions.

North Korea agreed to end its second, one-year-old, boycott of six party nuclear negotiations on November 1, 2006. The talks have been deadlocked since they began in 2003, and five days of talks in December 2006 made no progress.. The United States and North Korea fundamentally disagree over the timing in a settlement process of North Korean dismantlement of its nuclear programs. China and Russia have not supported the core U.S. position that dismantlement must come at an early stage in a settlement process, and South Korea wavers on this point. They also express doubts toward the U.S. claim that North Korea has a secret HEU program. Until July 2005, the Bush Administration demanded unilateral concessions from North Korea and rejected offers of reciprocity and bilateral negotiations with Pyongyang — a strategy that the other six party governments criticized as too inflexible. North Korea appears to follow a strategy of securing a protracted diplomatic stalemate on the nuclear issue by widening the gap between its core negotiating proposal and the Bush Administration's core proposal, especially on the issue of the timing of dismantlement and by denying that it has a HEU program.

Connected to the nuclear negotiations is the issue of U.S. financial sanctions and pressure on foreign banks since September 2005 to stop granting North Korea accounts and access to their money transfer networks. The Bush Administration imposed these measures in response to North Korea's exports of counterfeit U.S. currency and U.S. products and drug trafficking. North Korea also remains on the U.S. list of terrorism-supporting countries, a position strongly supported by Japan because of North Korea's kidnapping of Japanese citizens. South Korea, however, emphasizes conciliation with North Korea.. The South Korean government and public is critical of Bush Administration policies toward North Korea and the U.S. military presence in South Korea. The United States will withdraw 12,500 troops between the end of 2004 and September 2008, and U.S. military officials have hinted that further withdrawals of ground forces will come after 2008. U.S.-South Korean negotiations are underway to dismantle the joint military command and create separate commands in the 2009-2012 period and to determine the degree to which the United States could deploy U.S. troops in South Korea to other trouble spots in Northeast Asia. Another difficult issue is the U.S.-R.O.K. attempt to negotiate a Free Trade Agreement by early 2007. This report will be updated periodically.

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Most Recent Developments

Six Party Agreement of February 13, 2007

Main Features of the Agreement.

1. An Initial Phase with a 60-day timetable.

- North Korea will freeze ("shut down and seal") its nuclear installations at Yongbyon, including the operating five megawatt nuclear reactor and plutonium reprocessing plant.

- North Korea will "invite back" the International Atomic Energy Agency (IAEA) to monitor the freeze at Yongbyon. This is the same role that the IAEA had from 1994 until December 2002 under the 1994 U.S.-North Korean Agreed Framework.

- As these arrangements are made during the 60-day period, North Korea is to receive 50,000 tons of heavy oil. South Korea reportedly will finance this shipment.

- North Korea "will discuss" with the other six parties "a list of all its nuclear programs, including plutonium extracted from used fuel rods" from the five megawatt reactor (which North Korea claims to have reprocessed into nuclear weapons-grade plutonium).

- North Korea and the United States will start talks "aimed at resolving bilateral issues and moving toward full diplomatic relations."

- North Korea and Japan will "start bilateral talks" toward normalization of relations on the basis of settlement of "outstanding issues of concern" (which Japan interprets as requiring a settlement of the issue of North Korea's kidnapping of Japanese citizens).

2. A "Next Phase" without a timetable or deadline specified for implementation.

- North Korea is to make "a complete declaration of all nuclear programs."

- A "disablement of all existing nuclear facilities."

- North Korea is to receive "economic, energy and humanitarian assistance up to the equivalent of 1 million tons of heavy fuel oil, including the initial shipment of 50,000 tons of heavy oil."

3. Establishment of five working groups to negotiate key issues. Agreements reached by the working groups "will be implemented as a whole in a coordinated manner." The working groups will deal with the following subjects:

- Denuclearization of the Korean Peninsula
- Normalization of DPRK (North Korea)-U.S. relations
- Normalization of DPRK-Japan relations
- Economy and energy cooperation
- Northeast Asia Peace and Security Mechanism

4. Negotiation in a separate forum of a "permanent peace regime on the Korean Peninsula" by the "directly related parties." (In the late 1990s, the United States, North Korea, South Korea, and China negotiated unsuccessfully over a Korean peace agreement.)

Objectives of the Agreement. The Six Party Agreement appears more closely in line with an objective of containing the size and scope of North Korea's nuclear programs — rather than dismantling — and, in doing so, limiting the threat to the United States and key allies and the threat of North Korean proliferation of nuclear weapons and/or nuclear technology. The objective of containment is embodied in the Agreement's Initial Phase: the freezing of Yongbyon and reinsertion of the IAEA in its monitoring role. Containment also seems to be the dominant feature of the Next Phase: "disablement" of nuclear facilities and a declaration of "all nuclear programs." The reference to dismantlement/abandonment of North Korea's nuclear programs is brief and vague — nuclear programs "that would be abandoned pursuant to the Joint Statement" of September 2005. Many experts have believed that containment rather than dismantlement has been the real goal of China and Russia in the Six Party Talks. Chinese and Russian officials throughout the talks have expressed sympathy for North Korea's "reward for freeze" core proposal. The Agreement's reference to "denuclearization of the Korean peninsula" has an uncertain meaning because the United States and North Korea have very different definitions of this term. North Korea defines this to include withdrawals of U.S. forces from South Korea, limits on U.S. military exercises in South Korea, and a cessation of deployment of new U.S. forces and weapons into South Korea and areas close to the Korean peninsula.

Prospects for Implementation. There seems to be a good likelihood that the Initial Phase will be carried out successfully. The 60-day timetable is specific. The freeze of the Yongbyon plutonium facilities, the reinsertion of IAEA monitoring, and the resumption of heavy oil shipments are similar to key provisions of the 1994 U.S.-North Korean Agreed Framework. South Korea reportedly has agreed to

finance the initial shipment of 50,000 tons of heavy oil.[1] Moreover, North Korea likely will secure more material benefits from implementation of the Initial Phase than just the 50,000 tons of heavy oil, which is much less than the one million tons that North Korea reportedly demanded in the Initial Phase. One benefit likely will be a weakening of the United Nations sanctions on North Korea that the U.N. Security Council approved in October 2006 after the North Korean nuclear test. (See subsequent section on U.N. Sanctions) The South Korean government is indicating that it will resume rice and fertilizer aid to North Korea and full-scale expansion of the Kaesong industrial complex inside North Korea. South Korea suspended all of these in July 2006 after North Korea's missile tests of July 4, 2006. Assistant Secretary of State Christopher Hill has stated that the Bush Administration will settle the issue of U.S. financial sanctions against Banco Delta of Macau within 30 days of the signature of the Six Party Agreement. Reports are widespread, and U.S. Treasury Department officials have hinted, that the Treasury Department will relax sanctions, which would allow Banco Delta to release some or all of the $24 million in frozen North Korean accounts.[2] More importantly, if sanctions are lifted, banks around the world likely will conclude that the Bush Administration is relaxing pressure on them to cease doing business with North Korea. (See subsequent section on U.S. Moves Against North Korean Illegal Activities)

However, the effectiveness of the apparent containment strategy behind the Six Party Agreement will be more determined by the implementation of the second or Next Phase. There are four issues in implementation of the Next Phase that are key to effective implementation and effective containment of North Korea's nuclear programs. The first issue is the absence of a timetable or deadlines in the Next Phase. This creates the possibility of another protracted situation of stalemate, which has been a prominent feature of North Korean strategy in the six party talks.

A second issue is North Korea's secret highly enriched uranium (HEU) program, which the Six Party Agreement does not mention. It is unclear whether a North Korean declaration of "all nuclear programs" would include the HEU program. North Korea continues to deny having an HEU program. Assistant Secretary of State Christopher Hill has said that "we need to ensure that we know precisely the status of that (the HEU) program."[3] It is uncertain, at best, whether China, South Korea, and Russia would support a Bush Administration position that North Korea must include the HEU program in a declaration. During much of the Six Party Talks, these governments publicly have expressed doubts about the credibility of the U.S. claim that Pyongyang has a secret HEU program, and/or they have expressed sympathy for North Korea's "reward for freeze" proposal which includes only the plutonium program. (See subsequent section on Nuclear Weapons and the Six Party Talks.)

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[1] How to handle North's current nukes? Dong-A Ilbo (Seoul, internet version), February 14, 2007.

[2] US: N Korea financial sanctions to be resolved in 30 days. Dow Jones International News, February 13, 2007. See the statements by Deputy Assistant Secretary of the Treasury Daniel Glaser, as reported by the Yonhap News Agency, February 14, 2007.

[3] Olesen, Alexa. US says it will resolve financial restrictions, but NKorea must address uranium. Associated Press, February 13, 2007.

The status of the HEU program is directly related to the apparent objective of containment of North Korea's nuclear programs. If the program is still in an early stage, then the Six Party Agreement potentially could establish an effective containment framework. Conversely, if the program is advanced — if North Korea has developed a centrifuge infrastructure capable of producing highly enriched uranium for atomic bomb production — then the Agreement's value would diminish. The last public or reported assessment of the HEU program by a U.S. official or intelligence agency was in 2004.[4] The issue of the HEU program's place in the Six Party Agreement and the three-year period between 2004 and 2007 would appear to enhance the importance of the provision of the Defense Authorization Act of FY2007 requiring the Bush Administration to report to Congress every 180 days in fiscal years 2007 and 2008 on the status of North Korea's nuclear and missile programs. (For additional background, see CRS Report RL31900, *Weapons of Mass Destruction: Trade Between North Korea and Pakistan*.)

A third issue in the Next Phase likely will be the definition of "disablement" of nuclear facilities. It is uncertain whether "disablement" would be appreciably different from the freeze of the Initial Stage. North Korea demonstrated in early 2003 that it could reverse quickly the similar freeze of Yongbyon under the 1994 U.S.-North Korean Agreed Framework — restarting the five megawatt reactor, re-starting the plutonium reprocessing plant, and removing stored reactor fuel rods for reprocessing into weapons-grade plutonium. South Korean Foreign Minister Song Min-soon stated that "disabling means although equipment is on the site, its capability is rendered useless." Nuclear expert David Albright of the Institute for Science and International Security stated shortly after his visit to Pyongyang in late January 2007 that North Korea likely would accept only "temporary disablement" that would "just ... extract fuel from the facilities and put it back when they [North Korea] want." (Albright's definition of temporary disablement appears to differ little from the situation of early 2003 when North Korea removed stored reactor fuel rods from storage ponds for reprocessing into plutonium.) Permanent disablement, he said, would involve the extraction and destruction of nuclear fuel.[5] The definitions of neither Foreign Minister Song nor Albright included destruction or removal of key parts and components of the reactor and the plutonium reprocessing plant.

The fourth issue is the absence of any provision in the Next Phase for verification of any North Korean declaration and/or disablement. The Next Phase does not provide for an upgrading of the role of the IAEA from the limited monitoring role to a full-fledged inspections role — which the IAEA carries out in most countries in which it operates and to which it is entitled under the 1992 IAEA-North Korea safeguards agreement, which was concluded while North Korea was a party to the Nuclear Non-Proliferation Treaty (NPT). North Korea withdrew from the Treaty in 2003. The Six Party Statement of September 19, 2005, contains a

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[4] Giacomo, Carol. U.S. says N. Korea atomic program more advanced. Reuters News, February 13, 2004. Statement of James Kelley, Assistant Secretary of State for East Asia. Kessler, Glenn. N. Korea nuclear estimate to rise. Washington Post, April 28, 2004. P. A1.

[5] Interview with ROK Foreign Minister Song Min-soon. Yonhap News Agency, February 15, 2007. Expert: North will not accept permanent disarmament. Dong-A Ilbo (internet version), February 15, 2007.

commitment by North Korea to rejoin the NPT and IAEA safeguards "at an early date." The Six Party Agreement of February 2007 contains no North Korean reaffirmation of that commitment.

The Working Groups. The working groups on denuclearization of the Korean peninsula and economy and energy cooperation may deal with the widely separated U.S. and North Korean terms and timetables for dismantlement of North Korea's nuclear programs. In particular, they may show whether North Korea persists in its position that it will not **begin** dismantlement of nuclear programs until light water nuclear reactors are **completely** constructed in North Korea — a likely timetable of 10-15 years before dismantlement would begin. (See subsequent section on Nuclear Weapons and the Six Party Talks.) They also may reveal the extent to which North Korea will link dismantlement to its "denuclearization" and "nuclear disarmament" proposals for U.S. military withdrawals and limits on U.S. military operations in and around the Korean peninsula. In the December 2006 six party meeting, North Korean representative, Kim Gye-gwan called for the talks to negotiate "nuclear disarmament" in Northeast Asia, and he stated that the Bush Administration would have to make concessions on "nuclear disarmament" before North Korea would agree to dismantlement of nuclear programs.[6]

The working group on U.S.-North Korean normalization likely will deal with an issue of contention between the Bush Administration and China and South Korea. Seoul and Beijing long have urged the Bush Administration to offer North Korea full diplomatic relations in exchange for a satisfactory nuclear settlement. The Bush Administration has asserted that full diplomatic relations depend on the settlement of a number of issues between the United States and North Korea, including North Korea's missile programs, other weapons of mass destruction, and human rights.

The Six Party Agreement also appears to raise the issue of coordination between the United States and Japan. The Japanese government has supported U.S. negotiating positions in the six party talks since 2003; but it is refusing to contribute financially to implement the Initial Phase of the Agreement or any other phase until North Korea resolves with Japan the issue of Japanese citizens kidnapped by North Korea. That will be a prime topic of the working group on the normalization of North Korea-Japan relations. Japan undoubtedly will want the United States to make it a prime condition for U.S. removal of North Korea from the U.S. list of state sponsors of terrorism. The Japanese government has urged both the Clinton and Bush Administrations to keep North Korea on the U.S. list of terrorism-supporting countries until North Korea settles the kidnapping issue.

North Korea's Nuclear and Missile Tests

North Korea conducted its first nuclear test on October 9, 2006. The U.S. Office of the Director of National Intelligence issued a statement on October 16,

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[6] Kim, Jack. N.Korea brings a laundry list of demands to talks. Reuters News, December 18, 2006. Lee, Brian. North has a long list of demands in Beijing. Joong Ang Ilbo (internet version), December 19, 2006. N Korea: ending sanctions won't guarantee nuke freeze. Dow Jones International News, December 24, 2006.

2006, that the explosion was very small, less than one kiloton (3-4 percent of the explosion power of the Nagasaki plutonium atomic bomb). U.S. officials also stated that the bomb tested was a plutonium bomb. Experts had differing views of the reasons for the smallness of the explosion. Many postulated that the test was not totally successful and that only a portion of the plutonium in the bomb had been detonated. Some experts speculated that North Korea may have tried to test a small scale atomic bomb. Most believed that North Korea had not reached the technology level to test a prototype of a nuclear warhead.[7] That issue is crucial because a nuclear warhead could be mounted on North Korea's variety of missiles that could reach Japanese or even U.S. territory. The test came after North Korea conducted multiple tests of missiles on July 4, 2006, in which the test of a long-range Taepodong missile failed but the tests of short range Scud and medium-range Nodong missiles were successful.

Most experts also were in agreement that North Korea has 40 to 50 kilograms of nuclear weapons-grade plutonium that it has extracted from its operating five megawatt nuclear reactor at Yongbyon. Using six kilograms per weapon, this would be enough for six to eight atomic bombs.[8] North Korea also has a nuclear weapons program based on highly enriched uranium, but U.S. officials admit that they know much less about the status of this program.

U.N. Sanctions

The international reaction to the nuclear test was uniformly harsh. China, North Korea's treaty ally, openly criticized North Korea, a break from Beijing's past policy of not criticizing North Korea in public. The Bush Administration's diplomacy focused on securing a United Nations Security Council resolution imposing sanctions on North Korea. The Security Council adopted Resolution 1718 on October 14, 2006, calling on North Korea to abandon its nuclear and missile programs. It imposed several sanctions:

Cargo inspections: Resolution 1718 requests (but not orders) countries to inspect cargo to and from North Korea to prevent trafficking in nuclear, chemical, or biological weapons and related materials.

Arms embargo: It bans trade with North Korea that would supply Pyongyang with battle tanks, armored combat vehicles, large artillery systems, combat aircraft, attack helicopters, warships, and missiles.

Trade restrictions: It bans trade in materials related to ballistic missiles or weapons of mass destruction. It also bans the sale of luxury goods to North Korea. (North Korean leader Kim Jong-il was estimated by the U.S. military in 2003 to spend $100 million annually in importing luxury goods.)

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[7] Evans, Michael. Now for stage two: putting a warhead on the end of a ballistic missile. *The Times (London)*, October 10, 2006. p. 7. U.S. nuclear scientist assesses N. Korea program. Reuters News, November 15, 2006.

[8] U.S. nuclear scientist assesses N. Korea program. Reuters News, November 15, 2006.

Asset freezes: It calls on countries to freeze funds and other financial assets and economic resources that are owned or controlled, directly or indirectly, by people connected with North Korea's unconventional weapons program.

Travel ban: It imposes a travel ban on people connected to North Korea's weapons program.

Responses of Key Governments to U.N. Sanctions

Japan. Japan acted strongly to enforce the U.N. sanctions. It banned North Korean ships from entering Japanese ports. It banned imports from North Korea. Japanese officials also said that Japan would assist the United States in stopping North Korean ships for searches. The government published a list of 24 luxury products banned from export to North Korea.

China. China has a wide range of relationships with North Korea that could be cut off or reduced in a broad Chinese enforcement of U.N. sanctions. Chinese economic-financial aid is large; China promised $2 billion in October 2005. China supplies North Korea with an estimated 90% of its oil (one million tons annually[9]) and 40% of its food. Investment deals between Chinese firms and North Korea concluded in 2005 and 2006 for investments in North Korean natural resources and infrastructure include "royalties" paid by the Chinese companies to North Korea of close to $2 billion.[10] Since 2002, there has been a major influx of Chinese consumer goods into North Korea, which provide important consumer needs of North Korea's elite. According to 2006 reports of the International Crisis Group and the Korea Institute for International Economic Policy, 80-90 percent of North Korea's consumer imports are from China. The Chinese government also allows high-ranking of the North Korean elite to visit Chinese cities on the border and perhaps elsewhere where the North Koreans shop for luxury goods. [11]North Korea exports products across its northern border with China. Many North Korean ships dock at Chinese ports. Chinese airports serve as refueling stops for aircraft traveling between Pyongyang and Tehran, Iran — apparently a major route for the transfer of North Korean missiles and possibly other weapons technology to Iran.

There are known divisions within the Chinese government over the issue of support for North Korea. There are critics of Chinese supportive policies among officials of government-supported "think tanks" and reportedly the Foreign Ministry. They argue that China should cut these links to North Korea. However, advocates of maintaining support are within the ranks of the Chinese military leadership and senior, sometimes retired, Communist Party officials.

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[9] Wan Fei. Beijing observation: 'crossroad' Korean nuclear issue and Sino-DPRK relations. *Ta Kung Pao* (Hong Kong — internet version), October 21, 2006.

[10] Chong Chu-ho. China accelerates investment in North Korea. Yonhap News Agency, April 4, 2006. Kubota Furiko, China and North Korea accelerate formation of closer ties. *Sankei Shimbun* (internet version), May 11, 2006.

[11] Fairclough, Gordon. Close-out sale: North Korea's elite shop while they can. The Wall Street Journal Asia, December 18, 2006. P. A.

China has taken limited steps in response to U.N. sanctions. Four mainland Chinese banks cut off financial transfers to North Korea. The U.N. World Food Program reported that China previously had reduced its food aid to North Korea by two-thirds in 2006. China, however, seems unwilling to cut off or limit the bulk of these relationships with North Korea. Chinese officials have said that China will not search North Korea cargoes on ships and apparently on aircraft too. Reports from the China-North Korea border indicate that trade continues as before the nuclear test with no stepped-up Chinese inspections.[12] Reports that China suspended oil shipments in September 2006 have been contradicted by more recent reports. (Bush Administration officials reportedly have urged China to cut off oil on several occasions at least since early 2005.)[13] Chinese officials have stated that China probably will have a different definition of "luxury goods" in relation to North Korea than the U.S. definition. At the end of November 2006, the large Chinese Luanhe Industrial Group signed an agreement with the North Korean government for an investment in North Korea's largest copper mine.

South Korea. The South Korean government has taken only limited measures to enforce U.N. sanctions. In response to North Korea's missile tests in July 2006, the government suspended rice and fertilizer shipments to North Korea. (Rice aid had totaled 400,000 tons in 2004 and 2005.) The government banned travel to South Korea of North Korean officials connected to the nuclear program. It suspended government subsidies paid to South Korean tourists who visit Mount Kumgang in North Korea. However, the government stated that it would continue two major projects with North Korea that provide direct foreign exchange payments to the North Korean government of over $22 million annually (a figure that could grow substantially over the next five years). One is the tourist project at Mount Kumgang. The other is a special industry complex at Kaesong, inside North Korea, where South Korean manufacturing firms are investing in manufacturing, using North Korean workers. Bush Administration officials had criticized the Mount Kumgang project publicly. The government announced on November 13, 2006, that it would not join the U.S.-led Proliferation Security Initiative (PSI). The PSI, formed in 2003, aims to cut off the proliferation of weapons of mass destruction by countries like North Korea. After the adoption of Resolution 1718, the Bush Administration pressed South Korea to join the PSI and start searching North Korean ships that sail through South Korean territorial waters or dock at South Korean ports. About 150 North Korean ships pass through South Korean territory annually.[14] The South Korean Foreign Ministry reportedly advocated closer cooperation with the United States on PSI.[15] The R.O.K. National Intelligence Service reportedly identified specific North

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[12] Yardley, Jim. Sanctions don't dent North Korea-China trade. *New York Times*, October 27, 2006. p. A1.

[13] Kessler, Glenn. U.S. officials call on China to help enforce U.N. resolution on N. Korea. *Washington Post*, October 16, 2006. p. A15.

[14] Ramstad, Evan. Seoul goes easy on North. *Wall Street Journal Asia*, November 14, 2006. p. 3. Kim, Jack. S. Korea, US still apart on how hard to press North. Reuters News, October 20, 2006.

[15] Seoul sees no need to join UN sanctions on N. Korea. Chosun Ilbo (internet version), (continued...)

Korean vessels as suspicious, and Japanese intelligence sources have been cited that North Korean vessels have transferred counterfeit cigarettes to other ships in the South Korean port of Busan (Pusan).[16] However, the government reportedly decided to vote for a resolution proposed in the U.N. General Assembly to criticize North Korea over human rights abuses; this would be an important change of South Korean policy, which had been to abstain on such resolutions.

Europe. Resolution 1718 relates directly to recent North attempts to purchase nuclear technology and components from companies in Europe. Many of Kim Jong-il's luxury goods purchases have been in Europe. The European Union has prepared a draft list of such luxury goods to be denied to North Korea. Top North Korean officials, including Kim Jong-il are reported to have accounts in European banks totaling several billion dollars.[17]

Congressional Actions

In late September and early October 2006, Congress enacted two pieces of legislation on North Korea. H.R. 5122, the Defense Authorization bill for FY2007, signed into law on October 17, 2006, requires the President to appoint a Policy Coordinator for North Korea within 60 days of enactment, who then will report to the President and Congress within 90 days on policy recommendations. It also requires the Bush Administration to report to Congress every 180 days in fiscal years 2007 and 2008 on the status of North Korea's nuclear and missile programs. H.R. 5805 and S. 3367, the North Korea Nonproliferation Act of 2006, states that the policy of the United States should be to impose sanctions on "persons" who transfer missiles, nuclear weapons, and other weapons of mass destruction or goods or technology related to such weapons to and from North Korea.

As a result of the Democratic Party's victory in congressional elections in November 2006, leading Democratic Members of Congress issued statements calling on President Bush to carry out fully the provisions of the Defense Authorization bill. They also called for bilateral U.S. negotiations with North Korea, including sending Assistant Secretary of State Hill to Pyongyang.[18]

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[15] (...continued)
November 13, 2006. Seoul's PSI decision. Korea Herald (internet version), November 13, 2006.

[16] South Korea: overlooking of the North's suspicious ships — the government ignores the 'discovery of 20 vessels.' Sankei Shimbun (internet version), November 27, 2006. DPRK ships caught with fake cigarettes. JoongAng Ilbo (internet version), May 16, 2006.

[17] Damage with sanctions against Macau, DPRK foothold, money laundering, circulation of forged notes, even legal trades. Sankei Shimbun (internet version), January 23, 2006. Military, civil revolts continuous in N. Korea. Chosun Ilbo (internet version), November 10, 2004.

[18] U.S. Democrats call for nuclear talks in N. Korea capital. Dow Jones International News, November 15, 2006. Democrat Senators press President Bush to appoint N.K. Coordinator. Yonhap News Agency, October 26, 2006.

U.S. Interests in South Korea

U.S. interests in the Republic of Korea (R.O.K. — South Korea) involve security, economic, and political concerns. The United States suffered over 33,000 killed and over 101,000 wounded in the Korean War (1950-53). The United States agreed to defend South Korea from external aggression in the 1954 Mutual Defense Treaty. The United States maintains about 29,000 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. Since 1991, attention has focused on North Korea's drive to develop nuclear weapons (see CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch) and long-range missiles.

U.S. economic aid 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, from 1945 to 2002, totaled over $8.8 billion. 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.

Recent Issues

Relations with North Korea

The Bush Administration's policy toward North Korea has been based on three factors within the Administration. First, President Bush has voiced distrust of North Korea and its leader, Kim Jong-il. Second, there are divisions within the Administration over policy toward North Korea. A 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. They reportedly oppose negotiations with North Korea, favor the issuance of demands for unilateral North Korean concessions on military issues, and advocate a U.S. strategy of isolating North Korea diplomatically and through economic sanctions. Officials within this group express hope of a collapse of the North Korean regime. An alternative approach, advanced mainly by officials in the State Department and White House with experience on East Asian and Korean issues, favor negotiations before adopting more coercive measures; they reportedly doubt the effectiveness of a strategy to bring about a North Korean collapse.[19] The third factor is heavy reliance on other governments, especially China, to bring North Korea around to accept U.S. proposals on the nuclear issue.

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[19] Kessler, Glenn. "U.S. has a shifting script on N. Korea." *Washington Post*, December 7, 2003. p. A25. Beck, Peter. "The new Bush Korea team: a harder line?" *Weekly Dong-a* (Seoul), November 22, 2004.

Nuclear Weapons and the Six Party Talks.[20] From 1994 to 2003, U.S. policy was based largely on the U.S.-North Korean Agreed Framework of October 1994. It provided for the suspension of operations and construction of North Korea's active five megawatt nuclear reactor and plutonium reprocessing plant and larger 50 megawatt and 200 megawatt reactors under construction. It also specified the storage of 8,000 nuclear fuel rods that North Korea had removed from the five megawatt reactor in May 1994. It provided that the United States would facilitate the shipment of 500,000 tons of heavy oil annually to North Korea until two light-water nuclear reactors (LWRs) were constructed in North Korea. The Korean Peninsula Development Organization (KEDO), a multilateral body, was established to implement the LWR project. The IAEA monitored the freeze of the designated facilities and activities. North Korea would complete dismantlement of nuclear facilities when the construction of LWRs was completed.

According to U.S. officials, North Korea admitted to having a secret uranium enrichment program when U.S. officials visited Pyongyang in October 2002 (North Korea since has denied making an admission). This confirmed U.S. intelligence information of such a program that had built up since 1998. The Bush Administration reacted by pushing a resolution through KEDO in November 2002 to suspend heavy oil shipments to North Korea. The Administration also secured a suspension of construction of the light-water reactors and a total termination in November 2005. North Korea then initiated a number of moves to reactivate the plutonium-based nuclear program shut down in 1994 under the Agreed Framework: re-starting the five-megawatt nuclear reactor, announcing that it would re-start the plutonium reprocessing plant, and removing the 8,000 nuclear fuel rods from storage facilities. North Korea expelled IAEA officials 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. North Korea later asserted that it possessed nuclear weapons and that it had completed reprocessing of the 8,000 fuel rods into weapons-grade plutonium. According to nuclear experts and reportedly by U.S. intelligence agencies, this reprocessing would produce enough plutonium for four to six atomic bombs. A Central Intelligence Agency statement of August 18, 2003, estimated "that North Korea has produced one or two simple fission-type nuclear weapons and has validated the designs without conducting yield-producing nuclear tests." Reuters News Agency and the *Washington Post* reported on April 28, 2004, that U.S. intelligence agencies were preparing a new National Intelligence Estimate that would conclude that North Korea had approximately eight atomic bombs based on plutonium and that the secret uranium enrichment program would be operational by 2007 and would produce enough weapons-grade uranium for up to six atomic bombs annually. "Senior

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[20] For assessments of diplomacy on the North Korean nuclear issues, see Pritchard, Charles L. "Six Party Talks Update: False Start or a Case for Optimism?" Washington: The Brookings Institution, December 1, 2005. Also: Albright, David and Hinderstein, Corey. Dismantling the DPRK's Nuclear Weapons Program. Washington: United States Institute of Peace, January 2006.

officials across the government" were quoted in March 2006 that North Korea had plutonium for 8 to 12 nuclear weapons.[21]

In early 2003, the Administration proposed multilateral talks, which became six party talks hosted by China. South Korea, Japan, and Russia also participated along with North Korea. Six party talks began in August 2003 and remained stalemated until September 2005, when the six parties produced a statement of principles on September 19. However, the talks quickly deadlocked as North Korea and the United States gave very different interpretations of the Six Party Statement and North Korea announced its second major boycott of the talks in November 2005, which has continued to the present.

There are at least four reasons for the deadlock. The first is a fundamental disagreement between the United States and North Korea over the timing in a settlement process of North Korean dismantlement of its nuclear programs. The Bush Administration has maintained a core position that dismantlement must come in an early stage of a settlement, and it estimated in 2005 that dismantlement would take about three years. Until August 2005, North Korea took the position that it would dismantle only after receiving a number of concessions and benefits from the United States, but it was ambiguous on the timing. In August 2005, North Korea made a relatively secondary demand for light water nuclear reactors its core demand for U.S. concessions, taking the position that it would dismantle only after LWRs were constructed. Pyongyang maintained this position after the Six Party Statement, which called for discussions of LWRs. This position set a time frame of at least ten years and more likely 15 years before North Korea would begin dismantlement (ten years is the amount of time nuclear experts say is needed to construct LWRs in a "normal nation"[22]).

A second reason is the relative lack of support for U.S. positions in the talks from China, South Korea, and Russia. In the early stages of the talks, Administration officials emphasized that North Korea would become isolated diplomatically and that the other parties in the talks would pressure North Korea to accede to U.S. proposals and demands. Administration officials stressed that China should exert diplomatic pressure on North Korea by exploiting North Korea's dependence on China for an estimated 90% of its oil and 40% of its food. However, North Korea exerted an effective counter-strategy in late 2003 into 2004 featuring proposals of a U.S. security guarantee, a long-term freeze of North Korea's plutonium program coinciding with U.S. concessions ("reward for freeze"), and retention by North Korea of a "peaceful" nuclear program. North Korea instituted a concerted propaganda campaign to promote these proposals, and it began a campaign of repeated denials that it had a secret highly-enriched uranium (HEU) program. Throughout 2004, China, Russia, and even South Korea expressed sympathy for Pyongyang's proposals, and Russia and China voiced doubts that North Korea has an HEU program. Pyongyang's first boycott of the talks (August 2004-July 2005) drew little

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[21] Brinkley, Joel. "U.S. squeezes North Korea's money flow." *New York Times*, March 10, 2006. p. A11.

[22] Herskovitz, Jon. "N. Korea says to build light-water nuclear reactors." Reuters News, December 19, 2005.

criticism from these governments; and while South Korea criticized the second boycott (November 2005 to the present), Beijing and Moscow refrained from any public criticism. China appeared to demand from North Korea at least a nominal commitment to the talks and avoidance of provocative acts like a nuclear test; but China displayed a permissive attitude toward North Korean tactics in the talks, rejected sanctions on North Korea, and heightened levels of economic and financial aid to North Korea — the last being a reported commitment of $2 billion in October 2005. China's criticism of North Korea in the draft resolution on missiles, which China and Russia presented in the U.N. Security Council in July 2006, was the first public criticism of Pyongyang by the Chinese government since the six party talks began in August 2003.

A third factor may have been the slowness of the Bush Administration in moving from a diplomatic strategy of demanding a unilateral North Korean nuclear dismantlement and rejecting bilateral discussions with North Korea to a strategy of offering some reciprocal concessions to North Korea in return for dismantlement and engaging in bilateral discussions in six party meetings. This reportedly was due to the factional disputes within the Bush Administration. China, South Korea, and Russia criticized the absence or limits of U.S. offers of reciprocity and the U.S. refusal to negotiate bilaterally with North Korea. Officials of these governments accused the Bush Administration of conducting a policy aimed at producing a collapse of the Kim Jong-il regime — a "regime change" policy. In response to these criticisms, the Bush Administration offered a core proposal in June 2004 and modified it in July 2005 under Assistant Secretary of State Christopher Hill. The Administration's proposal calls for North Korean dismantlement over about a three-year period in an initial stage of a settlement. During this period, South Korea and Japan would supply North Korea with heavy oil, and South Korea would implement its offer of July 2005 to provide North Korea with 2,000 megawatts of electricity annually. After North Korea completed dismantlement, it would receive a permanent security guarantee. However, the Bush Administration did not offer North Korea full diplomatic relations in exchange for dismantlement, despite calls from Beijing, Seoul, and Moscow for Washington to make such an offer. These governments, too, gave little support to the Bush Administration's initiatives beginning with the June 2004 proposal. China and Russia, in particular, have not supported the core U.S. position that dismantlement must be an early stage of a settlement process.

The fourth reason for the deadlock appears to be North Korea's strategy of securing a protracted diplomatic stalemate on the nuclear issue. After the U.S. proposal of June 2004, Pyongyang's main tactic has been to progressively enlarge the gap between North Korean proposals and the Bush Administration's core proposal, thus "killing" the Administration's proposal as a basis for negotiations. After July 2004, North Korea enlarged its demands for U.S. concessions under the demand that the United States end its "hostile policy" and "nuclear threat." It proposed a "regional disarmament" agenda in March 2005, demanding a range of U.S. military concessions in return for a nuclear settlement. As stated previously, Pyongyang's linkage of LWR construction and nuclear dismantlement creates a huge time frame gap between its position and the Bush Administration's position. Pyongyang's boycotts create stalemate, but North Korea also appears to use boycotts and threats of boycott to condition South Korea, China, and Russia to treat North Korea's proposals and positions sympathetically when it does agree to a meeting,

thus isolating the Bush Administration. (Only Japan has supported consistently U.S. positions.)

U.S. Moves Against North Korean Illegal Activities. North Korea's justification for its second boycott of the six party talks is the U.S. financial sanctions against a bank in Macau, Banco Delta, for involvement in North Korean money-laundering and counterfeiting activities. The U.S.-North Korean "working group" that met alongside the six party nuclear talks in December 2006 made no progress on the issue. U.S. administrations have cited North Korea since the mid-1990s for instigating a number of activities abroad that are illegal under U.S. law. These include production and trafficking in heroin, methamphetamines, counterfeit U.S. brand cigarettes, counterfeit pharmaceuticals, and counterfeit U.S. currency. North Korea is estimated to earn between $500 million and $1 billion annually through these activities and may earn $500-$700 million annually from counterfeit cigarettes alone.[23] (For a detailed discussion, see CRS Report RL33324, *North Korean Counterfeiting of U.S. Currency*, by Raphael F. Perl and Dick K. Nanto; and CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.) These earnings reportedly go directly to North Korean leader, Kim Jong-il, through Bureau 39 of the Communist Party. He reportedly uses the funds to reward his political elite with imported consumer goods and to procure foreign components for weapons of mass destruction, especially the secret uranium enrichment program.

In September 2005, the Bush Administration made the first overt U.S. move against North Korean illegal activities; the Treasury Department named the Banco Delta in the Chinese territory of Macau as a money laundering concern under the U.S. Patriot Act. The Department accused Banco Delta of distributing North Korean counterfeit U.S. currency and laundering money from the criminal enterprises of North Korean front companies. The Macau government closed Banco Delta and froze more than 40 North Korean accounts with the bank totaling $24 million. Banks in a number of other countries also froze North Korean accounts and ended financial transactions with North Korea, sometimes after the Treasury Department warned them against doing further business with North Korea. North Korea reportedly has maintained accounts in banks in Singapore, Switzerland, Austria, and Luxembourg. According to Treasury Department officials and other sources, these freezes have restricted the flow of foreign exchange to Kim Jong-il and have limited his ability to distribute consumer goods to members of his political elite. However, according to other reports, North Korea succeeded in opening new accounts in banks in Russia and possibly other countries.[24] Moreover, statements by Treasury Department officials an "orange alerts" issued by Interpol in March 2005 and June 2006 indicate that North Korea is continuing its counterfeiting activities.[25]

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[23] Presentation of David Asher, Institute for Defense Analyses, at the American Enterprise Institute, February 1, 2006. Ban, Annie I. N.K. makes $700m selling fake cigarettes. *Korea Herald* (internet version), August 18, 2006.

[24] Meyer, Josh. Squeeze on North Korea's money supply yields results. *Los Angeles Times*, November 2, 2006. p. 1.

[25] N.K. government controls counterfeiting of U.S. currency: U.S. Treasury. Yonhap News (continued...)

The South Korea government reacted to the U.S. financial sanctions first with concern over their impact on the six party talks and second by asserting that it had no information that verified the U.S. claim of North Korean counterfeiting. By March 2006, the government had shifted its position toward agreement with the U.S. claim, and government officials stated that they had warned North Korea to deal with the U.S. allegations.

China said nothing of substance publicly about the issue, undoubtedly reflecting China's sensitive position as the location for much of North Korea's illicit banking and counterfeit export activities. Besides access to Chinese banks, North Korea reportedly has been able to use Chinese companies as fronts for the purchase of nuclear technologies. China has been a transport hub for North Korean ships and aircraft, including a refueling point for air traffic between Pyongyang and Tehran, Iran. U.S. officials also have cited a Chinese government tolerance for the operations of Chinese organized crime groups with North Korea.[26] The Chinese government reportedly investigated Banco Delta and concluded that the Treasury Department's allegations were correct.[27] However, there have been reports that North Korea reacted to the shutdown of Banco Delta by shifting its financial operations to banks on the Chinese mainland. After the U.N. Security Council Resolution 1718 passed, four state-owned Chinese banks stopped transactions with North Korea.[28] In March 2006, the Bank of China warned Chinese banks that counterfeit U.S. $100 bills "have flowed into our country from overseas" but did not name North Korea as the source of the counterfeit currency.[29] U.S. officials have praised such Chinese government actions but also have said that China could do more.[30]

The Bush Administration officially held that the U.S. financial sanctions were a separate issue from the six party talks. However, some U.S. officials stated that there was increased sentiment within the Administration that the United States needed to apply pressure on North Korea in order to break North Korea's strategy of creating a diplomatic stalemate on the nuclear issue. These officials also stated that the Treasury and Justice departments had authority to take additional financial and legal steps against North Korea's illegal activities.

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[25] (...continued)
Agency, October 25, 2006. Gertz, Bill. Global flow of illicit funds cut. *Washington Times*, October 5, 2006. p. A4.

[26] Ibid. Asher, David L. How to Approach the China-North Korea Relationship. Heritage Foundation Lecture #969. October 10, 2006.

[27] Fackler, Martin. "North Korean Counterfeiting Complicates Nuclear Crisis." *New York Times*, January 29, 2003. p. 3. "China Finds N. Korea Guilty of Money Laundering." *Chosun Ilbo* (Seoul, internet version), January 11, 2006.

[28] China calls for calm as it toughens stance on N Korea. Dow Jones International News, October 20, 2006.

[29] Fairclough, Gordon. "China Warns of Forgeries." *The Wall Street Journal Asia*, March 24, 2006. p. 7.

[30] Meyer, Squeeze on North Korea's money supply yields results, *Los Angeles Times*, November 2, 2006, p. 1.

North Korea's Missile Program.[31] North Korea maintained a moratorium on flight testing of long-range missiles since September 1999 until the missile launches on July 4, 2006. North Korea fired seven missiles into the Sea of Japan, including one long-range Taepodong II missile. The Taepodong II's liftoff failed after 40 seconds, and the missile fell into the sea, an apparent failure. However, the other missiles tested successfully, reportedly including a new model of the Scud short-range missile. The previous such missile test, of a Taepodong I on August 31, 1998, flew over Japanese territory.

Japan believes it is threatened by approximately 200 intermediate-range Nodong missiles, which North Korea has deployed. U.S. officials reportedly claimed in September 2003 that North Korea had developed a more accurate, longer-range intermediate ballistic missile that could reach Okinawa and Guam (sites of major U.S. military bases). This new missile, dubbed the Taepodong X, appears to be based on the design of the Soviet SS-N-6 missile. It is believed to have a range of between 2,500 and 4,000 kilometers.[32] In 2005, Iran reportedly purchased 18 Taepodong X missiles from North Korea. On January 17, 2006, Iran tested successfully a "Shahab-4" missile that reached a distance of nearly 3,000 kilometers before being destroyed in mid-flight. It reportedly was the Taepodong X.[33]

In the 1990s, North Korea exported short-range Scud missiles and Scud missile technology to countries in the Middle East. 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. Japan's *Sankei Shimbun* newspaper reported on August 6, 2003, that North Korea and Iran were negotiating a deal for the export of the long-range Taepodong II missile to Iran and the joint development of nuclear warheads. In February 2006, it was disclosed that Iran had purchased 18 BM-25 mobile missiles from North Korea with a range of 2,500 kilometers. Pakistani and Iranian tests of North Korean-designed missiles have provided "surrogate testing" that diluted the limitations of the September 1999 moratorium. The Iranian test of the Taepodong X was a prime example. Iranians reportedly were at the test site for the July 4, 2006, missile launches.

The test launch of the Taepodong I 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 ... and the complete cessation of export sales of such missiles and the equipment and technology associated with them." The Perry initiative offered to normalize U.S.-North Korean relations, end to U.S. economic sanctions, and provide other economic benefits in return for North Korean concessions on the missile and nuclear issues.

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[31] Kim Kyoung-soo (ed.). *North Korea's Weapons of Mass Destruction*. Elizabeth, New Jersey, and Seoul: Hollym Corporation, 2004: p.121-148.

[32] North Korea's growing missile arsenal. Reuters News, July 7, 2006. Kerr, Paul. New North Korean missile suspected. *Arms Control Today* (internet version), September 2004.

[33] Iran develops missile with 4,000-KM range. Middle East Newsline, March 2, 2006. Vick, Charles P. Has the No-Dong B/Shahab-4 finally been tested in Iran for North Korea? *Global Security* (internet version) May 2, 2006.

In October 2000, the Clinton Administration reportedly 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 offered to cease the deployment of Nodong and Taepodong 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 a missile settlement; 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. The Bush Administration has offered no specific negotiating proposal on missiles. The Administration emphasized the necessity of installing an anti-missile defense system and sought to dissuade a number of North Korea's customers from buying new missiles.

Weapons of Mass Destruction.[34] 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 has expressed concern that North Korea might sell nuclear, chemical, or biological weapons to a terrorist group such as Al Qaeda or that Al Qaeda might acquire these weapons from a Middle East country that had purchased them from North Korea. The Bush Administration has not accused North Korea directly of providing terrorist groups with WMDs. There are reports from the early 1990s that North Korea assisted Syria and Iran in developing chemical and biological weapons capabilities.

North Korea's Inclusion on the U.S. Terrorism List. In February 2000, North Korea began to demand that the United States remove it from the U.S. list of terrorist countries. North Korea's proposals at the six party nuclear talks also call for the United States to remove Pyongyang from the terrorist list. North Korea's chief motive appears to be to open the way for the nation to receive financial aid from the World Bank and the International Monetary Fund (IMF). 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 South Korean also has urged the United States to remove North Korean from the terrorism list so that North Korea could receive international financial assistance.

Japan has urged the United States to keep North Korea on the terrorism list until North Korea resolves Japan's concerns over North Korea's kidnapping of Japanese citizens. The Clinton Administration gave Japan's concerns increased priority in U.S. diplomacy in 2000 (See CRS Report RL30613, *North Korea: Terrorism List Removal?*, by Larry Niksch and Raphael Perl). At the Beijing meetings, the Bush

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[34] Ibid., p.79-120.

Administration called on North Korea to resolve the issue with Japan. In 2004, the Administration made the kidnapping of Japanese citizens an official reason for North Korea's inclusion on the terrorist list. Kim Jong-il's admission, during the Kim-Koizumi summit of September 2002, that North Korea had kidnapped Japanese citizens did not resolve the issue.[35] His claim that eight of the 13 admitted kidnapped victims are dead raised new issues for the Japanese government, including information about the deaths of the kidnapped and the possibility that more Japanese were kidnapped. The five living kidnapped Japanese returned to Japan in October 2002. In return, Japan promised North Korea 250,000 tons of food and $10 million in medical supplies. However, in late 2004, Japan announced that the remains of two alleged kidnapped Japanese that North Korea had turned over to Japan were false remains. This prompted demands in Japan for sanctions against North Korea. The Bush Administration reportedly advised Japan to refrain from sanctions because of a potential negative impact on the six party talks.

Food Aid. North Korea's order to the U.N. World Food Program (WFP) to suspend food aid after December 2005 ended a ten-year program of WFP food aid to North Korea. The two-year program negotiated in early 2006 to feed small children and young women is much more limited in scope. Moreover, apparently influenced by North Korea's nuclear and missile tests, country donations to the WFP for North Korea aid declined in 2006. As of early November 2006, the WFP had received $12.7 million of its targeted amount of $102 million.

From 1995 through 2004, the United States supplied North Korea with over 1.9 million metric tons of food aid through the United Nations World Food Program (WFP). South Korea has extended increasing amounts of bilateral food aid to North Korea, including one million tons of rice in 2004. 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. The Bush Administration reduced food aid, citing North Korean refusal to allow adequate access and monitoring. It pledged 50,000 tons for 2005 but suspended the delivery of the remaining 25,000 tons when North Korea ordered the WFP to cease operations. The WFP acknowledged that North Korea places restrictions on its monitors' access to the food distribution system, but it professed that most of its food aid reached 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. The regime reportedly 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 has spent none of several billion dollars in foreign exchange earnings since 1998 to import food or medicines. The regime refuses to adopt agricultural reforms similar to those of fellow communist countries, China and Vietnam, including dismantling of Stalinist

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[35] Japan. Ministry of Foreign Affairs. Abductions of Japanese Citizens by North Korea. April 2006.

collective farms. It is estimated that one to three million North Koreans died of malnutrition between 1995 and 2003.[36]

North Korean Refugees in China and Human Rights. This issue confronted governments after March 2002 when North Korean refugees, aided by South Korean and European NGOs, 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. Estimates of the number of refugees cover a huge range, from 10,000 to 300,000, including a State Department estimate of 30,000-50,000 in June 2005.

Generally, China tacitly accepted the refugees so long as their presence was not highly visible. China also allowed foreign private 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 instituted periodic crackdowns that included police sweeps of refugee populated areas, rounding up of refugees, and repatriation to North Korea. Since early 2002, China allowed refugees who had gained asylum in foreign diplomatic missions to emigrate to South Korea. However, China's crackdown on the border reportedly included the torture of captured refugees to gain information on the NGOs that assisted them.

China tries to prevent any scenario that would lead to a collapse of the Pyongyang regime, its long-standing ally. 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 have made China susceptible to North Korean pressure to crack down on the refugees and return them. Reports since 2002 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 to North Korea. South Korea, which 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.[37] However, South Korea, too, opposes encouragement of a refugee exodus from North Korea.

The Bush Administration gave the refugee issue low priority. The Administration requested that China allow U.N. assistance to the refugees but asserted that South Korea should lead diplomatically with China. The issue has been

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[36] Natsios, Andrew S. *The Great North Korean Famine*. Washington, U.S. Institute of Peace Press, 2001. Flake, L. Gordon and Snyder, Scott. *Paved with Good Intentions: The NGO Experience in North Korea*. Westport, Connecticut: Praeger, 2003.

[37] Kirk, Jeremy. "N. Korean Defections Strain Ties," *Washington Times*, February 11, 2005. p.A17.

aired in congressional hearings. The North Korean Human Rights Act (P.L. 108-333), passed by Congress in October 2004, provided for the admittance of North Korean refugees into the United States. In early 2006, key Members of Congress criticized the Bush Administration for failing to implement this provision, and the Administration admitted the first group of six refugees.

The refugee issue had led to increased outside attention to human rights conditions in North Korea. Reports assert that refugees forcibly returned from China have been imprisoned and tortured in an extensive apparatus of North Korean concentration camps modeled after the "gulag" labor camp system in the Soviet Union under Stalin. Reports by Amnesty International, the U.S. State Department, and, most recently, the U.S. Committee for Human Rights in North Korea have described this system as holding up to 250,000 people. In 2003, 2004, and 2005, the United States secured resolutions from the U.N. Human Rights Commission expressing concern over human rights violations in North Korea, including concentration camps and forced labor. South Korea abstained from the Commission's votes in the interest of pursuing its "sunshine" policy with North Korea.[38] However, the South Korean government reportedly decided in November 2006 to vote for a new resolution proposed in the U.N. General Assembly. South Korean officials also criticized passage by Congress of the North Korean Human Rights Act of 2004. The act requires the U.S. executive branch adopt a number of measures aimed at furthering human rights in North Korea, including financial support of nongovernmental human rights groups, increased radio broadcasts into North Korea, sending of radios into North Korea, and a demand for more effective monitoring of food aid.

South Korea's Conciliation Policy Toward North Korea. The Roh Moo-hyun Administration of South Korea stated on November 13, 2006, that it decided not to join the U.S.-led Proliferation Security Initiative (PSI) because it feared that North Korea would take military action against it. However, many observers believe that the real reason for the decision was the Roh Administration's desire to continue South Korea's policy of conciliation with North Korea despite the nuclear test.

The conciliation policy has been effect since 1998. South Korean President Kim Dae-jung took office in 1998, proclaiming a "sunshine policy" of reconciliation with North Korea. He achieved a breakthrough in meeting with North Korean leader Kim Jong-il in Pyongyang, June 13-14, 2000. His successor, Roh Moo-hyun, has continued these policies under the heading, "Peace and Prosperity Policy," which his government describes as seeking "reconciliation, cooperation, and the establishment of peace" with North Korea. South Korean officials also hold that these policies will encourage positive internal change within North Korea. Key principles of this conciliation policy are: the extension of South Korean economic and humanitarian aid to North Korea, the promotion of North-South economic relations, separating economic initiatives from political and military issues, no expectation of strict North Korean reciprocity for South Korean conciliation measures, avoidance of South

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[38] Hawk, David. *The Hidden Gulag: Exposing North Korea's Prison Camps*. Washington, U.S. Committee for Human Rights in North Korea, 2004.

Korean government public criticisms of North Korea, and settlement of security issues with North Korea (including the nuclear issue) through dialogue only without pressure and coercion. Since the June 2000 summit, South Korea has achieved regular government-to-government meetings with North Korea. South Korea has extended growing amounts of economic and humanitarian aid to North Korea — $2.6 billion planned for 2006, double the amount in 2005. This included significant amounts of food and fertilizer, including 400,000 tons of rice in 2004 and 2005. North-South trade surpassed $1 billion in 2005, a ten-fold increase since the early 1990s. Seoul and Pyongyang also instituted a series of reunion meetings of members of separated families. As of 2005, nearly 10,000 South Korean had participated in reunions.[39]

The conciliation policy also has produced three major economic projects. A tourist project at Mount Kumgang, in North Korea just north of the demilitarized zone (DMZ), has hosted over one million visitors from South Korea. It began in 1998 under an agreement between the North Korean government and Hyundai Asan, a major company within the Hyundai business empire. Another agreement is for the connecting of roads and railways across the DMZ. The roads opened in 2003; but the scheduled opening of the rail lines on May 25, 2006, was canceled by North Korea at the last moment. The third project is the establishment by Hyundai Asan of an "industrial complex" at Kaesong just north of the DMZ. South Korean companies are to invest in manufacturing, using North Korean labor. As of November 2006, 21 companies had set up facilities, employing about 10,000 North Korean workers. The plan envisages 2,000 companies investing by 2012, employing at least 500,000 North Koreans. North Korean workers are paid $50 monthly plus $7.50 for social insurance. The wages are paid to a North Korean state agency.[40]

Critics have pointed to several negative effects of the conciliation policy. North Korean leader Kim Jong-il appears to view South Korea as a source of financial subsidies for the North Korean military and elite North Koreans. The Mount Kumgang tourist project resulted in significant South Korean financial subsidies to Kim Jong-il through both official payments and secret payments by Hyundai Asan, especially in the 1999-2001 period.[41] As official and secret payments were made during this period, the North Korean regime accelerated its overseas purchases of components for its secret uranium enrichment nuclear weapons program.[42] The

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[39] Republic of Korea. Ministry of Unification. Peace and Prosperity: White Paper on Korean Unification 2005. 169 pages.

[40] "Factbox — South Korea's industrial park in the North." *Reuters News*, June 12, 2006. Faiola, Anthony. "Two Koreas learn to work as one." *Washington Post*, February 28, 2006. p. A10.

[41] CRS was informed about the secret Hyundai payments in 2001. The Kim Dae-jung administration denied for two years that secret payments were made. In June 2003, a South Korean special prosecutor reported that secret payments of $500 million were made shortly before the June 2000 North-South summit. See Kang Chu-an. North cash called "payoff" by counsel. *Chungang Ilbo* (internet version), June 26, 2003.

[42] Pincus, Walter. "North Korea's nuclear plans were no secret." *Washington Post*, February 1, 2003. This report cited estimates and statements of the Central Intelligence

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Kaesong industrial complex also will generate considerable foreign exchange income to the regime in the near future — an estimated $500 million in annual wage income by 2012 and an additional $1.78 billion in estimated tax revenues by 2017.[43] Another criticism is that South Korea does little monitoring of the food and fertilizer shipments to North Korea. Critics assert that people-to-people exchanges are primarily one way with far more South Koreans visiting North Korea than North Koreans visiting South Korea and that South Korean visitors face restrictions on their movements that prevent them from day-to-day contacts with the North Korean people. Critics also have focused on the North Korean workers in the Kaesong industrial complex. While working conditions in the South Korean factories are better than working conditions throughout much of North Korea, the wages of the North Korean workers are paid directly to a North Korean state agency. An official of the South Korean Unification Ministry acknowledged in November 2006 that the North Korean workers receive only about five percent of official monthly wage of $57 in cash from the North Korean government agency, the rest in the form of goods.[44] The U.S. State Department's coordinator of U.S. human rights policy toward North Korea has criticized the Kaesong project on these grounds.[45]

U.S.-R.O.K. Negotiations over a Free Trade Agreement (FTA)

In May 2006, South Korea and the United States began negotiations over a Free Trade Agreement. The negotiations are conducted under the trade promotion authority (TPA) that Congress granted to the President under the Bipartisan Trade Promotion Act of 2002 (P.L. 107-210). The authority allows the President to negotiate trade agreements that would receive expedited congressional consideration (no amendments and limited debate). However, the TPA is due to expire July 1, 2007, placing a tight time restriction on the negotiations. Congress would have to approve an FTA before it could enter into force. Because of the deadline, the Bush Administration reportedly believes that an agreement must be reached by March 2007. A U.S.-R.O.K. FTA would be the second largest FTA in which the United States is a participant and the largest in which South Korea is a participant. U.S.-R.O.K. trade in 2005 was valued at $72 billion with South Korea having a $16 billion surplus. Estimates are that a FTA would increase trade by 10-20 percent over the next five years.[46]

The negotiations come as the U.S.-South Korean alliance has showed signs of fraying due to differences over policies toward North Korea and anti-American

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[42] (...continued)
Agency and former Clinton Administration officials.

[43] Moon Ihlwan. "Bridging the Korean economic divide." *Business Week Online*, March 8, 2006.

[44] SKorea says northern workers at joint industrial zone get paid. Associated Press, November 11, 2006.

[45] Lefkowitz, Jay. "Freedom for all Koreans." *The Wall Street Journal Asia*, April 28, 2006. p. 13.

[46] Ramstad, Evan. Pressure in U.S.-Seoul trade talks. The Wall Street Journal Asia, December 4, 2006. P. 1.

sentiment in South Korea. Some observers assert that a successful negotiation would help to shore up the alliance. On the other hand, failure of the negotiations could damage the relationship fundamentally. Each country has key objectives in the negotiations. The United States seeks reduction or elimination of South Korean restrictions on agriculture imports, especially U.S. rice and beef. It also seeks a reduction of South Korean taxes and other regulations on foreign auto sales (especially bigger U.S. cars), and foreign investment. The United States wants stronger South Korean government enforcement of intellectual property rights and policies more favorable to foreign business activity in South Korea. South Korea seeks FTA preferential treatment for goods produced in the Kaesong industrial zone in North Korea, the inclusion of South Korean residents in the U.S. visa waiver program, a modification of U.S. anti-dumping laws, and reduction of U.S. restrictions on maritime services trade.

Negotiations have been difficult with continuing deadlocks over South Korean restrictions on U.S. beef and rice, U.S. refusal to change U.S. anti-dumping laws, and South Korean taxes and restrictions on U.S. automobiles and pharmaceuticals. The negotiations went into February 2007 focusing on beef, U.S. counter-veiling duties, and South Korean restrictions on U.S. automobiles and pharmaceuticals.[47] See CRS Report RL33435, *The Proposed South Korea-U.S. Free Trade Agreement (KORUSFTA)*.

Anti-Americanism and Plans to Change the U.S. Military Presence[48]

The U.S. alliance with South Korea is undergoing fundamental changes that are affecting the alliance structure and the U.S. military presence in South Korea. Anti-American sentiment has emerged as a major factor in South Korean politics. At the popular level, South Korean fears of a North Korean attack are declining, prompting growing questioning of the need for U.S. forces in South Korea. This declining fear is related to minimal concern over potential North Korean nuclear threats to the United States and Japan and North Korean proliferation of weapons of mass destruction. South Korean public opinion became critical of the U.S. military because of incidents involving the U.S. military and South Korean civilians. In 2002, massive South Korean protests erupted when a U.S. military vehicle killed two Korean schoolgirls and the U.S. military personnel driving the vehicle were acquitted in a U.S. court martial. Since then, polls have shown majorities or substantial pluralities of South Koreans in favor of the withdrawal of U.S. forces from South Korea. Popular support for the R.O.K. government's conciliation policy toward North Korea has brought forth substantial South Korean public sentiment against the Bush Administration's perceived policy toward North Korea. This sentiment has

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[47] U.S. negotiator hopeful of 'substantial progress' in latest trade talks with S. Korea. Yonhap News Agency, February 12, 2007. Yoo Soh-jung. Korea, U.S. discuss beef import standards. Korea Herald (internet version), February 7, 2007.

[48] Perry, Charles. *Alliance Diversification and the Future of the U.S.-Korean Security Relationship*. Herndon, Virginia: Brassey's, Inc., 2004. Mitchell, Derek (ed.). *Strategy and Sentiment: South Korean Views of the United States and the U.S.-ROK Alliance*. Washington, Center for Strategic and International Studies, 2004.

included fears that the United States plans to launch a unilateral military attack on North Korea. South Korean attitudes critical of the United States and sympathetic to North Korea are especially pronounced among South Koreans below the age of 50, while older South Koreans remain substantially pro-United States.[49] Recent South Koreans indicate that anti-American sentiment declined in 2006, but the situation no doubt remains volatile.

At the level of the South Korean government the political elite, a generational change of leadership has taken place. Members of a so-called 386 generation have gained dominant positions in the Roh Moo-hyun administration and in the majority Uri party which controls the National Assembly. Many of these people were student protestors against the South Korean military government of the 1980s and criticize the United States for "supporting" that government. They strongly believe in conciliation with North Korea and that the conciliation policy will bring about moderation in Pyongyang's policies. Members of the 386 generation also have established new centers of media opinion in the internet, which have gained a wide following among "computer savvy" younger South Koreans. Most spokesmen for the 386 generation express support for the U.S.-R.O.K. alliance, but they also advocate that South Korea establish policies that are independent of the United States. These views crystalized in the 2002 South Korea presidential election when Roh Moo-hyun won on a platform of criticisms of the United States and advocacy of South Korean "independence" from the United States.[50]

There are three areas of South Korean policy changes which reflect these changing attitudes and generational shift. The Roh Moo-hyun administration is demanding changes in the military alliance structure. It wants to change the command structure from the U.S.-R.O.K. Combined Forces Command, which is commanded by a four-star U.S. general, by 2111 or 2012; South Korean forces would be removed from the authority of the U.S. Commander. President Roh has said that South Korea would have the right to veto any U.S. plan to utilize U.S. forces in South Korea in military crises outside the Korean peninsula in Northeast Asia; his objective appears to be to keep South Korea out of military crises involving China with either Taiwan or Japan. Second, as indicated previously, U.S. and R.O.K. policies toward North Korea have diverged. This has become evident in the six party nuclear talks, in South Korean financial subsidies to North Korea, in South Korean opposition to a more assertive U.S. policy toward North Korean human rights abuses, and most recently, in U.S.-R.O.K. differences in responding to North Korea's July 2006 missile firings. Third, South Korea has become increasingly critical of Japan over the issues of Japan's historical rule over Korea, territorial disputes with Japan, and Japan's policies toward North Korea. This criticism of Japan includes South Korean opposition to U.S. encouragement of Japan taking on a greater military security role in the Western Pacific. Correspondingly, South Korea has established

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[49] Lee Naw-young. "Changes in Korean public perception of the U.S. and Korea-U.S. relations." *East Asian Review*, Summer 2005. p. 3-45.

[50] Lee Jung-hoon. "The emergence of new elites in South Korea and its implications for popular sentiment toward the United States." In *Strategy and Sentiment: South Korean Views of the United States and the U.S.-ROK Alliance*, edited by Derek J. Mitchell. Washington, Center for Strategic and International Studies, June 2004. p. 59-66.

friendlier relations with China with their growing economic relationship as the base. South Korean diplomatic cooperation with China in policies toward North Korea has become an important factor in the six party negotiations.

The South Korean government expresses support for the alliance, and the South Korean Defense Ministry has sought to minimize changes in the U.S. military presence. Nevertheless, the Defense Ministry has had to accede to the changes sought by President Roh and his administration. Officials of the Roh Administration and the Bush Administration tout alliance unity in their public statements and minimize disputes and problems. President Roh went against South Korean public opinion and sent 3,600 R.O.K. troops to Iraq. He asserted that his ability to influence U.S. policy toward North Korea would be enhanced by sending South Korean troops to Iraq.

Despite this public show of unity, the Bush Administration and the Pentagon appear to seek changes in the alliance structure in ways that likely will loosen military coordination and reduce the U.S. military presence in South Korea. Part of this relates to the restructuring of the U.S. military, especially the U.S. Army, that is proceeding on a global basis, the aim being to create smaller, more mobile army units that can be more easily moved to sites of military crises. This concept has been termed "strategic flexibility." However, statements by officials like Secretary of Defense Rumsfeld indicate that it also is a response to South Korean public complaints against U.S. troops, broader anti-American sentiment in South Korea, and diverging South Korean policies.

In 2003, the Bush Administration made a series of decisions to alter the U.S. military presence in South Korea and reduce the number of U.S. troops. The Second Infantry Division of about 15,000 is being withdrawn from its position just below the DMZ to "hub bases" about 75 miles south; and the U.S. military is relocating the U.S. Yongsan base, which has housed about 8,000 U.S. military personnel in the center of Seoul, away from the city to the "hub bases," to be completed in 2008. In August 2004, the United States withdrew a 3,600-man brigade of the Second Division and sent it to Iraq. In October 2004, South Korea and the United States agreed to a U.S. plan to withdraw an additional 12,500 U.S. troops but on a more deferred basis, in stages stretching to September 2008; the Pentagon originally wanted to withdraw these troops by the end of 2005. The Pentagon has put in place an $11 billion plan to modernize U.S. forces in South Korea, and it has deployed F-117 stealth fighters to South Korea for extended training.

The Bush Administration and Roh Moo-hyun Administration issued a statement in January 2006 in which South Korea "fully understands" the U.S. strategic flexibility doctrine and the United States "respects" South Korea's wish that U.S. forces in South Korea do not involve South Korea in unwanted conflicts in Northeast Asia. However, the Pentagon appears to view South Korea's position on these issues as providing justification for further U.S. troop withdrawals after September 2008. The Pentagon appears to seek avoidance of a situation of divided U.S. and R.O.K. commands involving large numbers of U.S. forces. Moreover, a South Korean veto threat over the use of U.S. forces, especially U.S. air power, in a conflict with China undoubtedly creates a rationale for withdrawing U.S. air forces from South Korea before any potential conflict with China could materialize. In congressional

testimony in the spring of 2006, Pentagon officials discussed the command structure and strategic flexibility issues and indicated that the Pentagon foresaw larger troop reductions after September 2008.[51] Most importantly, U.S. military officials have stated that the future U.S. military role in the defense of South Korea will be primarily one of air support rather than ground force support.[52]

The Pentagon reportedly also has a plan to reshape the military command structure in South Korea to lower the U.S. role. The plan reportedly involves a downgrading of U.S. Forces Korea (USFK) and placing USFK under a U.S. Army I Corps Command, which the Pentagon plans to move from Washington State to Japan. This undoubtedly would involve a reduction in the rank of the U.S. commander in Korea (he currently is a four-star general).[53] Thus, when President Roh proposed in 2005 that South Korea gain operational control over South Korean troops in wartime, Secretary of Defense Rumsfeld agreed to negotiate a dismantling of the U.S.-R.O.K. Combined Forces Command (CFC). The CFC, commanded by the U.S. Commander-in-Chief in Korea, has had operational control over R.O.K. forces in wartime since 1978. U.S.-R.O.K. negotiations have set a time frame of October 15, 2009, and March 15, 2009, for affecting the command restructuring. An implementation plan is to be drafted in the first half of 2007. The structure will involve separate R.O.K. and U.S. Commands. A Military Cooperation Center will be responsible for planning military operations, joint military exercises, logistics support, intelligence exchanges, and assisting in the operation of the C4I (communication, command, control, computer) system. A key issue in command restructuring is the transfer of the C4I command system to South Korea.

The United Nations Command, established in 1950 at the start of the Korean War, is to remain under the U.S. commander.[54] U.S. military officials have called for negotiations with R.O.K. counterparts over the role of the U.N. Command after the U.S. and R.O.K. commands have been separated. One issue is the role of the U.N. Command in maintaining the 1953 Korean armistice, including commanding South Korean forces in fulfilling functions related to the armistice. Another is the authority of the U.N. Commander in wartime once U.S. and R.O.K. commands are separated.[55]

The scheme to disband the CFC and establish separate military commands has been controversial in South Korea. A number of former R.O.K. military commanders and defense ministers oppose the plan. Leaders of the opposition Grand

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[51] "U.S. officials raise possibility of further troop cut in S. Korea." *Yonhap News Agency*, March 10, 2006.

[52] Jin Dae-woon. Korea, U.S. compromise on command transfer. *Korea Herald* (internet version), October 22, 2006.

[53] Halloran, Richard. "U.S. Pacific Command facing sweeping changes." *Washington Times*, February 2, 2004. p. A11.

[54] Jin Dae-woon. Korea, U.S. compromise on command transfer. *Korea Herald* (internet version), October 22, 2006.

[55] Jin Dae-soong. Speculation rises over U.S. intentions on UNC. Korea Herald (internet version), January 21, 2007.

National Party have called for cancellation of the plan. However, incoming U.S. Secretary of Defense, Roberts Gates, has endorsed the plan and has said that he will work with South Korean counterparts to implement it.[56]

Several issues will have an important bearing on the alliance prior to the end of the current U.S. force restructuring and withdrawal cycle in September 2008. One is the degree of divergence between the United States and South Korea over policy toward North Korea, especially if the nuclear negotiations fail. A second will be the outcome of U.S.-R.O.K. negotiations over restructuring of the Combined Forces Command and further U.S. troop withdrawals. South Korean officials complained that the changes in the U.S. force structure beginning in 2003 were unilateral decisions by the Bush Administration with minimal prior negotiations with South Korea. (However, the Pentagon did agree under urgings from the South Korean Defense Ministry to move back the withdrawal of 12,500 U.S. troops from December 2005 to September 2008.) The U.S. withdrawal from the Yongson base in Seoul also has encountered difficulties. The South Korean Defense Ministry stated in December 2006 that the relocation of U.S. forces from the DMZ and the Yongson garrison in Seoul likely would have to be postponed from 2008 to 2013 because of financial cost (an estimated $10.7 billion) and delays in the construction of relocation facilities at Pyongtaek. General B.B. Bell, the U.S. commander in South Korea, expressed strong opposition to the delay, citing the current poor living conditions for U.S. troops.[57] A third will be the outcome of the negotiations over a U.S.-South Korea Free Trade Agreement. If these negotiations fail to bring about an FTA, many analysts believe that the alliance will suffer fundamental damage. A fourth will be the extent to which relations with the United States will enter into South Korean presidential and National Assembly elections in 2007. If candidates, especially presidential candidates, adopt anti-American themes and win elections, as Roh Moo-hyun did in 2002, this too could produce fundamental damage to the alliance. If tensions between China and Taiwan or Japan should mount, South Korean policy toward the U.S. strategic flexibility doctrine could pose a bigger threat to the alliance. Finally, any new incidents between the U.S. military and South Korean civilians similar to the killings of the Korean schoolgirls in 2002 could turn South Korean public and political opinion more decidedly against the alliance and the U.S. military presence. The reaction of South Koreans in Seoul to a major delay in the U.S. withdrawal from the Yongson base could be volatile, given their growing opposition to that base in recent years.

The total cost of stationing U.S. troops in South Korea is nearly $3 billion annually. The South Korean direct financial contribution for 2005 and 2006 is approximately $681 million. This is 38% of the total cost of maintaining U.S. forces in South Korea. In recent U.S.-R.O.K. military negotiations, Pentagon officials called for South Korea to increase its share to at least 50%. They stated that if South Korea does not raise its share, the Pentagon will make cuts in costs and/or U.S.

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[56] U.S. Defense nominee calls for politically sustainable ties with South Korea. Yonhap News Agency, December 6, 2006.

[57] USFK commander to 'fight' any move to delay US military base relocation. Yonhap News Agency, January 9, 2007.

personnel.[58] A U.S.-R.O.K. agreement of December 2006 specified a South Korean financial contribution of $785 million in 2007 and $785 million in 2008.

South Korea's Political System

From the end of the Korean War in 1953, South Korea was governed by authoritarian leaders, Rhee Syngman, Park Chung-hee, and Chun Doo-hwan. Park and Chun were military leaders who took power through coup d'etats. Except for several years in the 1960s, the governments under these leaders followed policies highly restrictive of political and civil liberties. However, the Park Chung-hee government (1963-1979) orchestrated the Korean "economic miracle," which turned South Korea from a poor, agricultural-based country into the modern industrial and high technology country it is today. In 1987, massive pro-democracy demonstrations (and behind-the-scenes American pressure) forced Chun to allow the drafting of a new constitution and the holding of free presidential elections. The constitution established a President, elected for a single five year term. Since 1987, four presidents have been elected to office. A National Assembly of 299 members, elected to four-year terms, received expanded powers to legislate laws and to conduct oversight and investigations over the executive branch. Courts were given greater independence from South Korean presidents. Municipal and provincial governments were given new powers independent of the central government.

The developments of 1987 also ushered in new political forces which have operated alongside more traditional elements of Korean political culture.[59] The President remains a powerful figure. However, his tenure is only one term, and his base of support is no longer the military. The military since 1987 has ended its political role. Political parties were weak and unstable under the authoritarian regimes, and they have retained many of those characteristics despite their growing importance in the National Assembly and at the local level. Political parties generally have been the appendages of powerful political leaders. They often were based on different regions of South Korea. Members have viewed their loyalty as directed to the leader rather than to a party as an institution. They have viewed the political parties as a means of acquiring power and position. Parties thus have been unstable, often lasting only for short periods before breaking up. The latest example is the process of apparent disintegration of the Uri Party in 2007. The Uri Party has been led by President Roh Moo-hyun, who was elected in December 2002. It has been the largest party in the National Assembly with 139 seats. However, with polls showing Roh's public approval extremely lower and the Uri Party's prospect in the December 2007 president election as very poor, defections began from the party in January and February 2007. Uri's strength in the National Assembly fell to 110, and the party seems on the verge of a break-up.[60] There thus likely will be a realignment of political parties before the president election with a new party or perhaps a

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[58] Pentagon taps Seoul on cost-sharing. *Washington Times*, October 3, 2006. p. A4.

[59] Steinberg, David I and Shin, Myung. Tensions in South Korean political parties in transition. Asian Survey, July-August 2006. p. 517-537.

[60] Herskovitz, Jon. Mass defection decimates South Korea's ruling party. Reuters News, February 5, 2007.

coalition of new parties being formed to choose a candidate (or candidates) to run against the nominee of the Grand National Party (GNP). The GNP has been the chief opposition party with 127 seats in the National Assembly. The GNP has much higher approval ratings than the Uri Party, but it faces an intense rivalry for the presidential nomination between the former mayor of Seoul, Lee Myung-bak and Park Geun-hye, the daughter of authoritarian President Park Chung-hee.

Political parties and political institutions that have arisen since 1987 have demonstrated sharper ideological positions, especially on issues like relations with North Korea and the United States. Ideological divisions on these issues have had a strong generational element in them. Older South Koreans have attitudes more favorable to the United States and are anti-communist. Younger South Koreans, including the 386 generation discussed above, are more supportive of conciliation with North Korea and are critical of key elements of the South Korean-U.S. alliance. An array of non-governmental groups influence the government on key policy issues such as the role of labor unions, environmental policies, government support of farmers, women's issues, and consumer issues. The press includes a number of newspapers but also extensive news-oriented computer websites.

For Additional Reading

CRS Report RL31900. *Weapons of Mass Destruction: Trade Between North Korea and Pakistan*, by Sharon Squassoni.

CRS Report RS21391. *North Korea's Nuclear Weapons: Latest Developments*, by Sharon Squassoni.

CRS Report RL31555. *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

CRS Report RL32167. *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.

CRS Report RL31785. *Foreign Assistance to North Korea*, by Mark E. Manyin.

CRS Report RL31696. *North Korea: Economic Sanctions*, by Dianne E. Rennack.

CRS Report RL33590. *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

CRS Report RS21391. *North Korea's Nuclear Weapons: Latest Developments*, by Sharon Squassoni.

CRS Report RL33435. *The Proposed South Korea-U.S. Free Trade Agreement (KORUSFTA)*, by William H. Cooper and Mark E. Manyin.