

**The U.S.-DPRK Agreed Framework:
Is it Still Viable? Is it Enough?**

**by
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Executive Summary

Is *The Agreed Framework Between the United States of America and the Democratic People's Republic of Korea* still viable? And, if so, is it sufficient to achieve its stated objectives? These are among the key questions that this study addresses.

The Agreed Framework was signed between the U.S. and Democratic People's Republic of Korea (DPRK or North Korea) on October 21, 1994. It contained both nuclear and non-nuclear objectives--the former aimed at freezing and eventually eliminating suspected North Korean nuclear weapons capabilities; the latter at eventual normalization of U.S.-DPRK relations and a resumption of North-South dialogue between Pyongyang and Seoul.

Today, despite many challenges and repeated threats by Pyongyang to terminate the deal, the Agreed Framework remains in effect. Legitimate questions have been raised as to whether North Korea is circumventing the Agreed Framework, however, and the issues both directly and peripherally related to the Agreed Framework have increased in number and complexity. As a result, even the Agreed Framework's supporters have grown more cautious, while stressing that it still beats the alternative--a return to the 1994 nuclear stand-off between Washington and Pyongyang.

This study argues that the Agreed Framework remains a viable instrument for U.S.-DPRK cooperation on nuclear-related issues and a potentially useful vehicle for promoting North-South interaction, but in and of itself, is not sufficient to fully resolve all nuclear-related issues, much less bring lasting peace and security to the Peninsula. The Agreed Framework has been and can remain a useful element in a broader U.S. and Republic of Korea (ROK or South Korea) strategy of engagement with the North. But to do so, the process surrounding the Agreed Framework and other related initiatives requires careful management and effective coordination.

For better or worse, the Agreed Framework lies at the heart of current U.S. strategy for peace on the Peninsula, although it is not a strategy *per se*. Further measures and agreements--especially between the two

Koreas--will be necessary for any long-term reduction of tensions. But, in the near-term, the importance of the Agreed Framework should not be understated. The inability of the U.S. or ROK to live up to the promises inherent in the Agreed Framework, no less than North Korea's refusal to honor its part, could seriously undermine stability on the Peninsula.

AGREED FRAMEWORK

The Agreed Framework identifies four actions that the U.S. and DPRK have decided to take for the resolution of the nuclear issue:

- I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.
- II. The two sides will move toward full normalization of political and economic relations.
- III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.
- IV. Both sides will work together to strengthen the international nuclear non-proliferation regime.

General Observations

The Agreed Framework is a mutually derived and agreed upon *Framework* within which to achieve peace and stability; it is not an *Agreement* in the formal, legal sense of the term. Since it was not subject to Congressional ratification, there is no assurance of the Congressional support (funding) essential to its implementation. In addition, implementation will eventually require a formal Nuclear Cooperation Agreement and Congress retains statutory authority to disapprove or attach conditions to any such Agreement. As a result, the U.S. Congress will remain an active--and not always willing or accommodating--partner in this process.

The Agreed Framework is aimed, first and foremost, at "overall resolution of the nuclear issue." It is not designed to address, much less cure all Korean Peninsula ills. It was designed to deal with a crisis situation. It does not represent, by itself, a comprehensive long-term strategy for peace, even though it clearly supports this objective.

More specifically, it is not a substitute for a formal Peace Treaty which is still needed to replace the 1953 Armistice Agreement. The Agreed Framework was also not designed to address the ongoing DPRK food crisis or other systemic shortcomings of the North. Nor does it address the over-militarization of the Korean Peninsula.

Most importantly, the Agreed Framework does not provide a blueprint or specific timelines for a resumption of North-South dialogue. It does call on the DPRK to engage in such dialogue, but does not specifically tie progress in this area to other aspects of the agreement.

While the Agreed Framework was not intended to address North Korea's missile development or export programs, the two have become inextricably linked, since the U.S. Congress has tied "substantial progress" in halting North Korea's missile development and exports to future funding of the Korean Peninsula Energy Development Organization (KEDO).

Remember too, that the objective of the Agreed Framework was neither to hasten the collapse of the DPRK nor to prevent this from happening. Neither the current nor any future Agreed Framework/KEDO implementation strategy should be premised on the assumption that North Korea will collapse within the lifetime of the agreement, thereby relieving KEDO from having to fund and construct both LWRs.

Despite considerable effort to closely coordinate policies and practices, the Agreed Framework periodically serves as a source of tension and confusion between the ROK and the U.S. This is caused, in part, by the U.S. tendency to see the Agreed Framework and KEDO primarily as non-proliferation instruments, while South Korea sees them first and foremost as vehicles for promoting Peninsula stability and North-South dialogue. Another source of tension is concern that the DPRK is using the process both to achieve a separate peace with the U.S. and as a vehicle for driving a wedge between the U.S. and its South Korean ally.

Even if the Agreed Framework is fully implemented, the broader problems of the Peninsula will not be solved. Nor should implementation affect the presence of U.S. military forces on the Peninsula since their presence is tied to the ROK-U.S. alliance and the overall security challenge, and not to the Agreed Framework *per se*.

Finally, a failure to resolve the nuclear crisis, especially if the end result is a nuclear weapons-equipped DPRK, could have broad-ranging implications. Absent the Agreed Framework, or should the process irretrievably break down, the odds are high that North Korea would more actively be pursuing a nuclear weapons capability. The stakes involved in the successful implementation of the Agreed Framework are high, not just for the two signatories, but for the ROK, Japan, and the international community at large.

Task I: Replacing the DPRK's Reactors

Task one has four specific parts which deal with, respectively, providing the LWR, the interim energy offset, the immediate freeze and eventual dismantlement of current DPRK nuclear facilities, and the initiation of two sets of experts talks.

Providing the LWR. The U.S. did, and continues to make arrangements for the provision of LWRs. Construction continues at Kumho in North Korea although the 2003 target date now appears completely out of reach.

Energy Offset. The Agreed Framework states that the U.S. will provide 500,000 metric tons of heavy fuel oil annually to North Korea for heating and electricity production until the first LWR is completed and this is being done, albeit on a somewhat modified delivery schedule.

DPRK Freeze. In return, the DPRK agreed to freeze and eventually dismantle its graphite-moderated reactors and related facilities. Pyongyang continues to maintain that this provision has been honored, the controversy over Kumchangri notwithstanding, and there is little argument that the DPRK has frozen its graphite reactor construction and reprocessing activities at Yongbyon. It is important to note, that the Kumchangri suspect facility is just that....suspect! U.S. spokesmen confirm that "the U.S. has no basis at this point to conclude that the DPRK has violated the 1994 Agreed Framework."

Experts' Talks. The two sides agreed to hold expert talks to discuss issues related to alternative energy, the replacement of the graphite-moderated reactor, and specific arrangements for spent fuel storage and ultimate disposition. This promise has been met.

Task I Assessment. To date, there exists no convincing evidence that the DPRK is not taking its responsibilities seriously under the freeze agreement and the U.S. has also lived up to its end of the bargain. A major challenge to successful accomplishment of this portion of the agreement will be the approval of a U.S.-DPRK Nuclear Cooperation Agreement. A new target date is also required.

Task II: Full Normalization

Section II had three goals aimed at bringing both sides closer to full normalization of political and economic relations: reduced barriers to trade and investment, the opening of liaison offices in one another's capitals, and the eventual upgrading of bilateral relations to the Ambassadorial level.

Economic Relations. The U.S. specifically agreed to reduce barriers to trade and investment. Some modest steps were immediately taken, although the DPRK was anticipating and still desires a greater reduction in trade restrictions. U.S. officials have linked future sanctions-easing measures to:

A halt to North Korea's indigenous development, deployment, and export of offensive ballistic missiles.

Progress in recovering the remains of U.S. soldiers who died in the Korean War.

A reduction in the threat posed by North Korea's conventional military forces.

The cessation of North Korean acts of international terrorism.

Reforms by the North Korean government in dealing with domestic human rights issues.

Many members of Congress have also called for progress in these areas either concurrent with or prior to any additional U.S. "concessions." These specific areas of concern are not spelled out in the Agreed Framework. Nor is it clear what constitutes sufficient progress or how

many must be satisfied before further easing of restrictions occurs. What is clear, is that Pyongyang believes that U.S. actions to date have not lived up to the U.S. promise to reduce barriers to trade and investment.

Liaison Offices. Each side also agreed to open a liaison office in the other's capital following resolution of consular and other technical issues. Discussions are on-going but several matters remain unresolved and neither side appears in a rush.

Full Diplomatic Relations. Both sides also agreed ultimately to upgrade bilateral relations to the Ambassadorial level "as progress is made on issues of concern to each side." At a minimum, this is presumed from a U.S. perspective to include meaningful dialogue between the ROK and DPRK plus progress in the five above specified areas.

Task II Assessment. Only modest progress has been made thus far and the prospects for the establishment of liaison offices or full diplomatic relations seem slim in the near term.

Task III: Korean Peninsula Peace and Security

Section III calls for both sides to work together for peace and security on a nuclear-free Korean Peninsula. It calls for the U.S. to provide assurances against the threat of nuclear weapons and for the DPRK to "consistently take steps" to implement the 1991 North-South denuclearization pledge and to engage in North-South dialogue.

U.S. Assurances. Although the U.S. has agreed in principle to provide such assurances, it does not intend to do so until North Korea comes into full compliance with the NPT, including verification by IAEA of the completeness and accuracy of North Korea's initial report on the quantity of nuclear material in its possession.

1991 North-South Denuclearization Agreement. Although the DPRK agreed to take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula, to date there has been no movement toward implementing this 1991 agreement.

North-South Dialogue. The Agreed Framework notes that "the DPRK will engage in North-South dialogue, as this Agreed Framework will help create an atmosphere

that promotes such dialogue." There has been a considerable amount of dialogue between North and South as a result of the Agreed Framework and other initiatives and officials from North and South have sat with their American and Chinese colleagues through four official rounds of Four-Party Talks. Officials from both sides have also met to discuss such issues as food aid and separated family concerns. While, strictly speaking, these activities probably do not constitute direct North-South dialogue, they represent significant steps in the right direction.

Task III Assessment. While peace and security have yet to be achieved on the Peninsula, ROK President Kim Dae-Jung's Constructive Engagement policy and the North's willingness to keep the Agreed Framework and KEDO alive by yielding on Kumchangri are positive steps. The U.S. also deserves credit for patience and perseverance in bringing the Kumchangri crisis to an apparently successful conclusion.

Task IV: Nuclear Non-Proliferation

Task IV is a three-part, sequential task, with fairly clear milestones but no specific timelines. It calls for the DPRK to remain a party to the NPT and ties progress on LWR construction to safeguards and to IAEA verification of the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK.

NPT. The DPRK has "suspended" its announced intention to withdraw from the NPT and thus technically remains a party to the NPT although it now claims "unique status" which affects the IAEA's ability to ensure safeguards are met.

Safeguards. The DPRK still is not fully in compliance with its NPT safeguards obligations. Nonetheless, the IAEA has been supportive and complimentary of the Agreed Framework and has attempted to work within its constraints, realizing that it provides the best long-term hope for eventual full accounting.

Accountability. This section has drawn the most criticism, not for what it requires, but because it puts off the potential answer to the question "How much plutonium has the DPRK diverted?" Eventual compliance with this requirement remains a "moment of truth" both for North Korea and for the Agreed Framework.

Task IV Assessment. Little progress has been made on this section of the Agreed Framework and, unless the DPRK is willing to eventually come into full compliance with its safeguards agreement, the entire Agreed Framework eventually will fail.

Overall Assessment

Even though the Agreed Framework has come under increased criticism, the United States and its allies and North Korea remain better off with the Agreed Framework than without it. The DPRK's suspected nuclear weapons program at Yongbyon remains frozen today. Equally important, Pyongyang has allowed for the canning and continued safeguarding of the existing DPRK reactor's spent fuel. This, in and of itself, is a major contribution to U.S. non-proliferation goals.

The Agreed Framework also provides a vehicle for dialogue and a standard by which to measure DPRK sincerity and willingness to cooperate. Most importantly, it ties ultimate success--and the provision of key LWR components--to specific future DPRK performance. The North must continue to cooperate and become progressively more transparent in order to reap the Agreed Framework's major benefit--the two LWRS.

In short, there continues to be satisfactory, but by no means exemplary, progress toward the implementation of the Agreed Framework, even though many moments of truth still lie ahead. *One sobering final note: while successful accomplishment of the Agreed Framework alone is not sufficient to ensure peace on the Peninsula, its failure will certainly set back the process.*

KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION

The success of the Agreed Framework is closely linked to the success of its implementing mechanism, KEDO. Thus far, KEDO has successfully accomplished its two primary objectives: arranging for fuel oil deliveries and for the construction of the LWRs. Of equal importance, KEDO has provided the ROK with a meaningful, direct leadership role in the process and become an important vehicle for direct North-South contact. In short, KEDO has transformed a bilateral U.S.-DPRK arrangement into a multilateral effort in which the Republic of Korea now plays a leading role.

KEDO has also successfully brought Japan into the Agreed Framework process and has helped to ensure a coordinated approach toward North Korea among the U.S., South Korea, and Japan. KEDO has successfully expanded its membership beyond Northeast Asia, bringing in contributions from the European Union and over 20 other countries. This broad-based participation underscores the international significance of the Agreed Framework (and the global ramifications should it fail). This outside support is also critical to the major task that lies ahead for KEDO: the continued financing of both the fuel deliveries and the LWR construction project.

FOUR-PARTY TALKS

In April 1996, the ROK and U.S. proposed Four-Party Talks among South and North Korea, the U.S., and China. The express purpose was "to initiate a process aimed at achieving a permanent peace agreement." There was no attempt to tie this proposal to the Agreed Framework. They do have several important points in common, however. Both are aimed at enhancing the prospects for peace on the Peninsula, both see the value in engaging North Korea, and both recognize that the key ingredient in achieving long-term peace is direct dialogue between Seoul and Pyongyang.

Four rounds of Talks have been held to date with little real progress, beyond the establishment of two subcommittees, one to discuss replacing the armistice with a peace regime and the other to formulate possible confidence building or tension reduction measures. Obviously, the mere holding of Four-Party Talks does not ensure success. Difficult negotiations lie ahead and it is impossible to predict either the outcome of the talks or the terms of an eventual peace treaty.

However, conducting talks achieves several important purposes. It underscores the commitment of the other three parties to the armistice. It reiterates to North Korea that a separate peace treaty with the U.S., excluding the ROK, remains out of the question. It keeps Pyongyang engaged and provides an opportunity for direct discussions between North and South. And, it provides China an opportunity to be involved in the process. If discussions on Peninsula confidence building measures result in the implementation of South-North CBMs, then the talks will begin to make a more positive, pro-active contribution to peace and stability on the Korean Peninsula.

SUNSHINE POLICY

The inauguration of President Kim Dae-Jung has ushered in a new era in ROK politics and, with it, potential new opportunities for interaction with the. President Kim's Constructive Engagement or Sunshine Policy, while consistent and complementary with the Agreed Framework process and Four-Party Talks, attempts to place primary responsibility for South-North affairs in the hands of the Korean people. The Sunshine Policy rests on three basic principles:

First, we will not tolerate armed provocations of any kind;

Second, we do not intend to absorb North Korea; and

Third, we will actively promote exchanges and cooperation between South and North Korea.

These principles underwrite new policies that focus on: separation of politics from economic cooperation; envoy exchanges; developing solutions to the divided families issue; food aid, including agricultural development as well as humanitarian assistance; continued support to the LWR project through KEDO; and the promotion of intra-Korean and international cooperation. Underlying all these policies is the principle of reciprocity.

The Sunshine Policy calls for a gradual opening up of the North and confidence building measures today that will hopefully pave the way for eventual reunification. It recognizes that a great deal of stage setting must occur before the two sides can seriously think of merging. Meanwhile, the less the North Korean regime feels imminently threatened, the more likely it is to cooperate--and the less likely it is to lash out in irrational ways. Predicting the North's behavior remains a risky endeavor, however. This is why continued deterrence--in the form of a solid ROK-U.S. alliance and a continued U.S. military presence--is essential until complete reunification is achieved.

RECOMMENDATIONS

Many obstacles and moments of truth still lie ahead in the quest for a peaceful, prosperous, nuclear weapons-free Korean Peninsula. The ultimate success of the Agreed Framework, Four-Party Talks, or Sunshine Policy is by no means assured. But, while a positive

outcome cannot be guaranteed, there are steps that can be taken to help improve the prospects for success.

The following suggestions rest on two basic assumptions. First is the need for continued deterrence, given the level of uncertainty about what the North really desires or is willing to concede. Flowing from this is the need for close cooperation and coordination between Seoul and Washington. The continued presence of U.S. military forces on the Peninsula and the U.S.-ROK Security Treaty are not bargaining chips but rather are an essential stabilizing force which makes U.S.-DPRK and North-South cooperation possible.

Suggestions for the U.S.

Clear U.S. Policy Needed. The first thing that is needed is a clear-cut expression of overall U.S. security strategy for the Korean Peninsula. Washington needs to clearly define and articulate its long-term strategy and objectives for the Korean Peninsula and identify how individual initiatives such as the Agreed Framework and Four-Party Talks fit into the overall strategy. This strategy should be developed through close consultation with Seoul but should be tied, first and foremost, to U.S. national security interests.

Prepare a Package Deal. President Kim Dae-Jung has proposed a "package deal" approach to North Korea which ties together continued North Korean compliance with the Agreed Framework with food and economic aid, an end to the U.S. economic embargo, and normalized relations between Pyongyang and both Washington and Tokyo. The U.S. needs a comparable package deal approach, one that ties together its individual initiatives with clearly defined linkages and milestones. To be effective, the package should contain elements of deterrence as well as diplomacy.

Reject an "Honest Broker" Role. Some have argued that the U.S. must pursue a more "balanced" policy toward the Peninsula in order to serve as an "honest broker" between the South and North. I strongly disagree! The United States is, and must be seen (and portray itself) unambiguously as the ROK's foremost ally.

Honor the Agreed Framework. The U.S. must continue to demonstrate good faith adherence to the Agreed Framework. At a minimum this includes continued fuel oil deliveries and obtaining broader political and financial support for KEDO. A partial if not complete lifting of U.S. economic sanctions against North Korea should also

receive serious consideration. The Administration must also face up to the eventual need for a formal U.S.-DPRK Nuclear Cooperation Agreement in order to transfer American nuclear technology to the North. This will also require bipartisan Congressional support.

Support the Sunshine Policy. The U.S. needs to be clear and unambiguous in its support for the ROK's Sunshine Policy in practice as well as in principle. Thus far, President Kim's requests and recommendations have fallen largely on deaf ears, and American support for the Sunshine Policy must be described as lukewarm, at best.

Establish Progress Criteria. The U.S. also has to more clearly specify what constitutes sufficient progress in its missile talks, in South-North dialogue, and as pertains to diplomatic recognition. Clearly identified criteria and milestones, along with a willingness to honor such agreements, is a prerequisite to success of any package deal.

Discuss U.S. Post-Reunification Role. If U.S. and Korean officials are convinced that a continued U.S. military presence is necessary or desirable post-reunification, they must begin now to develop the strategic rationale. They must then make convincing arguments to potentially skeptical legislatures and publics in both nations, lest they be overtaken by events should reunification come quicker than expected.

Suggestions for the ROK

Support the Agreed Framework/KEDO and Four-Party Talks. President Kim fully supports the Agreed Framework/KEDO and Four-Party Talks. Other South Korean politicians also have to demonstrate political leadership (and courage) to ensure that Seoul continues to finance its share of the light water reactor.

Disregard "Propping Up" Accusations. The South should not hesitate to interact with the North and should understand that even actions that may serve to prop up the current regime contribute to the broader goals of opening up the North and paving the way for eventual peaceful reunification. This logic argues strongly in favor of continuing food aid and other humanitarian gestures and in supporting various people-to-people exchange programs.

Remove Restrictive Barriers. The ROK's National Security Law needs to be eliminated or at least significantly revised and other barriers to greater South-

North interaction need to be lifted. The South should welcome the opportunity for citizens on either side of the DMZ to compare and contrast living conditions and other quality of life factors.

Establish KADO. As part of the Sunshine Policy's desire to separate economics and humanitarian assistance from politics, South Korea has provided food aid and promised other agricultural assistance to the North. Such assistance has also been incorporated in most package deal proposals. What's missing is an implementing mechanism. I would propose establishing KADO--the Korean Peninsula Agricultural Development Organization--chaired by the ROK, to administer future food aid and agricultural assistance programs. KADO would provide a vehicle for channeling U.S., Japanese, and broader international food aid to North Korea with Seoul in the driver's seat and with emphasis on agricultural development to address North Korea's long-term food needs.

Support DPRK Membership in International Organizations. The ROK should support DPRK membership in multilateral organizations and especially in the ASEAN Regional Forum (ARF). President Kim has also expressed support for six-party talks which would also involve Russia and Japan. Broadening such proposals to include Mongolia and Canada should also be considered, since their inclusion might make such a gathering more acceptable to Pyongyang. The idea of establishing a Northeast Asia subgroup within the ARF should also be considered, involving the foreign ministers of all the Northeast Asia-North Pacific nations.

Deal Wisely with "Provocations." South and North Korea are technically still at war. As a result, a certain amount of spying and espionage will occur. A clear distinction must be made between hostile acts and intrusive intelligence collection efforts. Since the U.S. and South Korea have little to hide, they should consider offering an "open skies" agreement to permit mutual reconnaissance over each other's territory. Alternatively, neutral third party reconnaissance platforms could collect information to be shared by both sides. Mutual monitoring in the DMZ should also be considered, along with more traditional confidence building measures.

Build Better ROK-Japan Ties. Cordial, cooperative relations between the ROK and Japan today, and between a reunified Korea and Japan in the future, are absolutely essential for long-term regional stability. The ROK

government also needs to more vocally support the U.S.-Japan alliance and revised Defense Guidelines. The U.S. would be hard-pressed to defend the ROK without Japanese support. It is in Korea's vital national security interest that the U.S.-Japan alliance remain strong and viable.

Understand Differing PRC Objectives. Good Sino-ROK relations are important. However, it is important to understand the fundamental difference between Beijing's future vision and that espoused by the ROK and U.S. Chinese leaders prefer a future Asia in which China plays the primary regional balancer role, where military alliances no longer exist, where a reunified Korea looks to Beijing for its security guarantees, and where U.S. military forces no longer reside on the Korean Peninsula (or elsewhere in Asia). This fundamental difference in long-term visions must be remembered, even as China and the ROK (and U.S.) cooperate in order to achieve more complementary short-term goals.

Discuss Confederation. North Korea has long-argued for a South-North confederation as an interim step toward eventual reunification. While former ROK governments have uniformly rejected such proposals, Kim Dae-Jung historically has supported establishing a confederation as part of his "unification in three phases" philosophy. Why not see if Pyongyang is prepared to take "yes" for an answer, by agreeing without preconditions, to discuss its confederation proposal?

Suggestions for the DPRK

Honor the Agreed Framework. First and foremost, the DPRK must continue to live up to the letter, spirit, and intent of the Agreed Framework and honor agreed upon timelines. Pyongyang must also keep the oil delivery process completely transparent and strictly honor agreed-upon protocols. Pyongyang also needs to tone down its rhetoric.

Set Dismantlement Schedule. The DPRK should agree to a schedule that ensures that significant dismantlement of at least one of its reactors is underway by the time the first LWR goes into operation. The longer after construction begins on the first reactor that there is no action to dismantle, the less assured the U.S. Congressional dollars needed to see the agreement through. A good faith effort to begin this process now would be a very important signal of DPRK sincerity and commitment.

LWR Infrastructure. The DPRK should accept responsibility for providing the necessary infrastructure to handle the LWRs' electrical output. If it is not capable of doing so on its own, it should seek funding outside the KEDO process. If the LWR deal is really about satisfying North Korea's energy requirements, then the North might also consider pursuing alternate means of providing this energy beyond, or instead of, the LWRs.

Honor NPT Commitments. The DPRK must also fully honor its NPT membership. There are no provisions for "unique status." As long as the DPRK is not living up to IAEA requirements, it is technically not honoring the NPT and therefore not living up to the spirit and intent of the Agreed Framework.

Participate in Other Agreements. North Korea should sign and ratify the Comprehensive Nuclear Test Ban Treaty and the Chemical and Biological Weapons convention and make submissions to the annual UN Register of Conventional Arms, in order to demonstrate that it is willing to participate in a constructive manner in the international community.

Conclusion

While the Agreed Framework is focused on North Korea's suspected nuclear activities and has made measurable progress in freezing present programs and capabilities, it cannot, by itself, accomplish its overall mission to achieve peace and security on the Korean Peninsula. This requires a comprehensive, well-coordinated, forward-thinking, long-term U.S.-ROK strategy. The Agreed Framework remains an integral part of this broader strategy and, should it fail, the impact will be felt well beyond the boundaries of the Peninsula or Northeast Asia. As a result, all nations have a vested interest in seeing the Agreed Framework and other related and complementary initiatives through to a successful conclusion. The above recommendations are aimed at facilitating this process.

The U.S.-DPRK Agreed Framework: Is it Still Viable? Is it Enough?

INTRODUCTION

Is *The Agreed Framework Between the United States of America and the Democratic People's Republic of Korea* still viable? And, if so, is it sufficient to achieve its stated objectives? These are among the key questions that this study plans to address.

The Agreed Framework was signed between the U.S. and Democratic People's Republic of Korea (DPRK or North Korea) on October 21, 1994. It contained both nuclear and non-nuclear objectives--the former aimed at freezing and eventually eliminating suspected North Korean nuclear weapons capabilities; the latter at eventual normalization of U.S.-DPRK relations and a resumption of North-South dialogue between Pyongyang and Seoul.¹ The Agreed Framework's two primary objectives were to achieve an overall resolution of the nuclear issue and to achieve peace and security on a nuclear weapons-free Korean Peninsula.

In October 1997, the Pacific Forum CSIS produced an Agreed Framework Third Anniversary "Report Card" that assessed progress to date by all concerned parties toward achieving the Agreed Framework's objectives.² This new study, made possible by a grant from the United States Institute of Peace, updates and supercedes that earlier report.

The October 1997 study concluded that, while one could debate the merits and demerits of the Agreed Framework and argue that it could have been or should have been better, the United States and its allies and North Korea, at that time, were all better off with the Agreed Framework than without it. Understanding that the Agreed Framework was then still in an early stage, and that a passing grade at that point did not ensure graduation, it still seemed fair in October 1997 to give the Agreed Framework at least an overall C/C+, while

acknowledging that there was still considerable room for improvement.³

Today, despite many challenges and repeated threats (especially by Pyongyang) to terminate the deal, the Agreed Framework remains in effect. True, its critics have become more numerous and legitimate questions have been raised as to whether North Korea is circumventing the Agreed Framework or if the agreement applies to North Korea's entire nuclear program or just the Yongbyon facilities. In addition, the issues both directly and peripherally related to the Agreed Framework have increased in number and complexity, and have become more ingrained in partisan politics. As a result, even the Agreed Framework's most ardent supporters have grown more cautious and somewhat skeptical, while stressing that it still beats the alternative--a return to the 1994 nuclear stand-off between Washington and Pyongyang.

While the Agreed Framework's death has been frequently proclaimed or predicted, this study argues that it remains a viable instrument for U.S.-DPRK dialogue and cooperation on nuclear-related issues and a potentially useful vehicle for promoting North-South interaction and understanding. It also concludes that the Agreed Framework, in and of itself, is not sufficient to fully resolve all nuclear-related issues, much less to bring about lasting peace and security on the Peninsula.

The Agreed Framework has been and can remain a useful element in a broader U.S. and Republic of Korea (ROK or South Korea) strategy of engagement with the North. But to do so, the process surrounding the Agreed Framework and other related initiatives requires careful management and effective coordination.

¹See Appendix A for complete text.

²Ralph A. Cossa, *Monitoring the Agreed Framework: A Third Anniversary 'Report Card'* (Honolulu, HI: Pacific Forum CSIS, October 1997).

³Each of the four main tasks of the Agreed Framework was graded separately in addition to its overall grade. Appendix B reproduces the October 1997 "interim report card."

For better or worse, the Agreed Framework lies at the heart of the current U.S. strategy for peace on the Peninsula, although by itself it is not--and should not be confused for--a strategy *per se*; it is, as it states, only a framework. Further measures and agreements--especially between the two Koreas--will be necessary for any long-term reduction of tensions, and some experts/scholars raise valid questions as to whether North Korea will ever enter into such agreements. Nonetheless, in the near-term, the importance of the Agreed Framework should not be understated. The inability of the U.S. or ROK to live up to the promises inherent in the Agreed Framework, no less than North Korea's refusal to honor its part of the agreement, could seriously undermine stability on the Peninsula.

This paper assesses advances by all concerned parties toward achieving the Agreed Framework's major objectives, keeping in mind that it remains a work still very much in progress. It also discusses the successes and shortcomings of the Korean Peninsula Energy Development Organization (KEDO), the multilateral vehicle established by the U.S. and its security partners to implement the Agreed Framework and looks briefly at the Four-Party Talks among South and North Korea, the U.S., and China, as they support and build upon this process.

Given the requirement for close ROK-U.S. coordination, the study will then examine in some detail South Korean President Kim Dae-Jung's policy of Cooperative Engagement toward North Korea (also known as the "Sunshine Policy"). This comprehensive ROK strategy represents a marked change in ROK policy and attitude in dealing with the North and places the Agreed Framework and other U.S. initiatives in a new, and potentially more accommodating, geopolitical environment. This report will therefore look at how both the Agreed Framework/KEDO process and the Four-Party Talks relate to President Kim's Sunshine Policy, based on the author's assumption that it is absolutely essential to future Peninsula stability that any U.S.-driven efforts coincide with and complement the ROK's overall North Korea strategy.

This study will conclude with a series of recommendations or suggestions to the U.S., ROK, and other friends and allies, as well as to North Korea, on how best to implement their policies in support of the Agreed Framework's most ambitious overarching goal "to achieve peace and security on a nuclear-free Korean Peninsula."

BACKGROUND

Sadly, real peace has yet to come to the Korean Peninsula, which has been described all too accurately as one of the sole remaining battlefields of the Cold War. While the 1953 Armistice Agreement brought three years of direct combat to a close, a formal peace treaty has yet to be signed. From the perspective of successive governments in Washington and Seoul, peace and stability have been maintained since 1953 principally by the close security alliance between the United States and the Republic of Korea; an alliance that has provided the security umbrella under which the South continues to prosper and grow despite periodic challenges and the most recent economic setback. Others, particularly in Pyongyang, would argue that peace has been maintained despite, rather than because of, the U.S. presence.

History of Mistrust

All sides would agree that during most of the Cold War period, relations between the U.S./ROK and DPRK remained tense; an adversarial relationship clearly existed. This hostile atmosphere has been reinforced by periodic confrontations and crises: the 1968 Pueblo seizure and Blue House raid against the ROK President's residence in Seoul, the attack and destruction of an unarmed U.S. reconnaissance aircraft by North Korean jet fighters over international waters in the Sea of Japan/East Sea in 1969, several assassination attempts against ROK President Park Chung Hee (including one in 1974 in which his wife was killed), the 1976 ax murder of an American military officer at Panmunjom, the 1983 Rangoon terrorist bombing which killed many ROK senior officials (even though its intended target, ROK President Chun, escaped unharmed), and the bombing of a Korean airliner in 1987, not to mention frequent cross-border incidents, firefights, and other acts of terrorism and espionage too numerous to mention. Acts of infiltration and espionage and fiery rhetoric continue to mar the geopolitical landscape today.

Meanwhile, Pyongyang remains highly suspicious of U.S. and ROK intentions and interprets many historical events differently than Washington and Seoul. North Korea has long protested U.S. and ROK intelligence collection efforts, the continued presence of U.S. "occupation forces" in the South, and "aggressive, threatening, offensive" U.S.-ROK military exercises--exercises portrayed in Seoul and Washington as purely defensive and essential to deterrence. Regardless of one's interpretation, as a result of these and other actions,

distrust between the South and North and between the U.S. and DPRK remains high and deeply felt.

Brief Thaw

Despite this history of conflict and mistrust, some positive signs began emerging on the Korean Peninsula in the early 1990s as the Cold War was winding down elsewhere. In 1991, South and North Korea were admitted into the United Nations and both Moscow and Beijing subsequently established diplomatic relations with Seoul. Talks were also underway which promised to lead to diplomatic relations between Pyongyang and both Washington and Tokyo as well, as part of a "cross-recognition" understanding. More importantly, Seoul and Pyongyang began an official dialogue in earnest. A series of high level official meetings were held between September 1990 and October 1992 that included direct Prime Minister-level talks.

Of particular significance, in December 1991, two historic joint South-North agreements were signed: the Agreement on Reconciliation, Nonaggression, and Exchange and Cooperation and the Joint Declaration for Denuclearization of the Korean Peninsula.⁴ These ground-breaking bilateral agreements laid out a series of confidence building measures upon which to build future cooperation. They also provided proof that the two sides were capable of cooperating when both determined that such cooperation was mutually beneficial. The U.S., in a show of support for the Denuclearization Declaration, also agreed to open its military facilities in the ROK to DPRK inspection.

In addition, in January 1992 the DPRK signed a safeguards agreement with the International Atomic Energy Agency (IAEA), which finally subjected its nuclear facilities to outside inspection. The North had agreed in 1985 to sign the Treaty on the Non-Proliferation of Nuclear Weapons (NPT), but initially refused to agree to IAEA safeguards--in part due to concerns about suspected U.S. nuclear weapons in the ROK--rendering their signing more symbolic than

⁴For more on these agreements, see Byong-Hyo Choi and Seo-Hang Lee, "Peace and Stability on the Korean Peninsula and in Northeast Asia: A Korean Perspective," in *IFANS Review*, Vol. 3, No. 6, December 1995, pp. 1-12. Key points of both agreements are summarized in Appendix C.

substantive. The question of whether the United States maintained nuclear weapons on the Korean Peninsula became irrelevant in 1991 when U.S. President George Bush announced his decision to remove tactical nuclear weapons from all overseas bases and from deployed tactical ships and aircraft.⁵

Nuclear Stand-Off

Unfortunately, the honeymoon between North Korea and the rest of the international community was short-lived. During the summer of 1992, an IAEA inspection team uncovered discrepancies in North Korea's declaration of nuclear materials. As a result, the IAEA informally requested that it be given access to two additional sites in the Yongbyon nuclear complex that it suspected of housing nuclear waste. North Korea allowed the IAEA to visually inspect one of the sites but denied any access to the other, prompting the IAEA in February 1993, to request "special inspections."⁶ North Korea continued to deny IAEA access to the sites, claiming they were military installations with no connection to its nuclear program and, on March 12, 1993, announced its intention to withdraw from the NPT, effective June 12, 1993. By this time, relations between North and South Korea had also soured, in part due to South Korea's refusal to permanently cancel U.S.-ROK military exercises such as Team Spirit, which Washington and Seoul continued to deem as essential to maintain deterrence.

In April 1993 the United States indicated its readiness to participate in high-level negotiations with North Korea to help resolve the situation. Several rounds of meetings were held and, over the next year, IAEA

⁵Given the U.S. military's "neither confirm nor deny" (NCND) policy, Bush could not officially announce the withdrawal of nuclear weapons from Korea, since Washington had never affirmed their presence in the ROK. This dilemma was solved in December 1991 when South Korean President Roh Tae-woo certified (without actually confirming their earlier presence) that there were no U.S. nuclear weapons currently situated on Korean soil.

⁶The IAEA instituted "special inspections" to improve safeguards in response to embarrassment over Iraq's undetected nuclear program which was only revealed after the Gulf War, but this was the first time such inspections had been requested by the IAEA.

inspections were resumed on several occasions, with each instance ending in stalemate, often due to North Korean actions that were perceived to impede full accountability. The situation reached crisis proportions in mid-May 1994, when North Korean workers began removing spent fuel from their Yongbyon research reactor.

Following a failure of negotiations aimed at subjecting the refueling operation to international safeguards, the IAEA's Director General reported to the United Nations Secretary General in late May that the agency was quickly losing its ability to verify the amount of North Korea's past production of plutonium. Then, in early June, the United States announced that it intended to pursue global economic sanctions against North Korea if it did not allow IAEA inspectors to examine the spent fuel rods. North Korea responded that it would treat such sanctions as an act of war.

U.S.-DPRK Reach Agreement

Enter former U.S. President Jimmy Carter, who helped defuse the crisis with his June 15-18, 1994 visit to Pyongyang. Carter undertook the mission as a private, concerned citizen, albeit with the Clinton Administration's (reluctant) blessings. North Korea, on the other hand, saw him as a senior U.S. government representative and was pleased to have such a high-level interlocutor.

As a result of this visit, North Korean leader Kim Il Sung offered to freeze North Korea's nuclear program in return for the resumption of high-level talks between the United States and North Korea. Under the proposal, the IAEA would be allowed to monitor the fuel rods in the spent fuel pond and engage in some routine monitoring of North Korea's other nuclear facilities to maintain IAEA's continuity of safeguards at the sites. However, the issue of North Korea's past production of plutonium would be deferred, pending further U.S.-DPRK negotiations on the nuclear issue.⁷

After an interruption prompted by the sudden death of Kim Il Sung on July 8, 1994, Geneva negotiations resumed in mid-August, subsequently

⁷A full description is in Michael J. Mazarr, *North Korea and the Bomb*, (New York: St. Martin's Press, 1995). For additional insights, also see Leon Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton: Princeton University Press, 1998).

resulting in an "Agreed Statement" describing "elements [that] should be part of a final resolution of the nuclear issue," followed, on October 21, 1994, by the signing of the Agreed Framework.⁸

Since that time, there have been numerous fits and starts and many delays in the Agreed Framework's implementation. Some have been caused by actions directly related to compliance with the terms of the Agreed Framework by either the DPRK or the U.S. Others have been peripheral to the Agreed Framework but have had an impact on its progress nonetheless.

Current Challenges

The latest and most prominent in a long series of issues related to implementation, from a U.S. perspective, deals with U.S. suspicions as to the nature and intent of North Korean underground construction activity at Kumchangri, about 25 miles (40 kilometers) northwest of the Yongbyon nuclear complex. The U.S. demanded assurances, backed by on-site inspections, that this construction activity did not violate North Korea's pledge not to engage in nuclear weapons-related activity. From a North Korean perspective, U.S. failure to lift economic sanctions in return for DPRK compliance with the Agreed Framework has likewise resulted in bad faith accusations.

The Agreed Framework has also been impacted by several non-nuclear-related events. The discovery of North Korean submarines in ROK waters--espionage activity according to Seoul and unfortunate mechanical mishaps according to Pyongyang--has increased tensions and called the Agreed Framework process into question. Meanwhile, North Korea's firing of a three stage rocket over Japan--regardless of whether or not it was a (failed) attempt to launch a satellite--seriously threatened Japanese support for KEDO and made U.S. cooperation with Pyongyang more difficult. On the other hand, the decision by the U.S. Congress to attach strings to its funding of Agreed Framework/KEDO obligations--

⁸This has been a highly abbreviated, oversimplified historical sketch. For a more detailed chronology of key events related to the North Korea nuclear issue, please see Appendix D. For additional insights, also see the chapter on "North Korea: Living with Uncertainty" in Mitchell Reiss, *Bridled Ambition* (Washington, D.C.: Woodrow Wilson Press, 1995), pp.231-320.

including mandating a complete review of U.S. policy toward the DPRK--has likewise raised hackles in Pyongyang.⁹

These and other events that have transpired since the Agreed Framework was signed in October 1994, will be further discussed in the context of this investigation of the Agreed Framework, KEDO, the Four Party Talks, and South Korea's Sunshine Policy.

AGREED FRAMEWORK

The 1994 Geneva Agreed Framework identifies four actions that the U.S. and DPRK have decided to take for the resolution of the nuclear issue:

- I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.
- II. The two sides will move toward full normalization of political and economic relations.
- III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.
- IV. Both sides will work together to strengthen the international nuclear non-proliferation regime.

The first task is essentially a technical one and, thus, more easily measured and tracked. It contains within it some specific milestones and guidelines which, relatively speaking, are more easily monitored and less subject to misinterpretation or debate. Tasks two through four are more political and, with a few exceptions to be noted, less easily measured or assessed. Unlike the first task, what constitutes success or the complete accomplishment of the task in many instances remains vague in the other requirements.

It should be noted that both sides also signed an undisclosed annex which reportedly spells out some of the provisions in greater detail. The annex is said to more

⁹As laid out in the House-Senate Conference Report on HR4328 (Omnibus Appropriations Bill). See Appendix E for applicable sections of HR4328.

clearly define anticipated timelines and outline the sequence in which key events are to take place.¹⁰ This report also accepts at face value the U.S. government's assurance that nothing in the classified annex contradicts agreements contained in the public document.

General Observations

Before discussing the Agreed Framework's tasks in greater detail, a few general observations are in order, both about what the Agreed Framework is and is not, as well as its utility as regards the broader process of seeking peace and stability on the Peninsula.

Not a Treaty. First, as its name implies, the Agreed Framework is a mutually derived and agreed upon *Framework* within which to achieve peace and stability; it is not an *Agreement* in the formal, legal sense of the term--hence the term Agreed Framework vice Framework Agreement as it is sometimes mistakenly called. While both sides have attached a great deal of importance (and national credibility) to their performance under the Agreed Framework, it is important to note that neither side is legally obligated to live up to its promises.

This point was reinforced early on in a U.S. General Accounting Office report that clearly stated that the Agreed Framework should properly be described as "a nonbinding political agreement" or "nonbinding international agreement" rather than an internationally binding legal obligation.¹¹ This is why the preamble notes that "both parties *decided* [emphasis added] to take the following actions..." rather than *agreed* to perform them. U.S. State Department officials note that this approach was preferred in order to provide "the flexibility to respond to North Korea's policies and actions in implementing the Agreed Framework--flexibility that binding international agreements, such as a treaty, would not have provided."¹²

¹⁰Much of this information has since been made public and is summarized in Appendix F.

¹¹See "Nuclear Nonproliferation-Implications of the U.S./North Korean Agreement on Nuclear Issues," GAO Report to the Chairman, Committee on Energy and Natural Resources, U.S. Senate, October 1996 (GAO/RCED/NSIAD-97-8).

¹²As stated in the October 1996 GAO Report.

The good news is, since the Agreed Framework is not a formal treaty, it was not subject to the Congressional ratification process in the U.S., during which it could have been rejected or, at a minimum, would likely have been revised through a series of conditions that the DPRK in all probability would have found unacceptable. The bad news is, since it was not subject to ratification, there is still no assurance of the Congressional funding essential to the implementation of the agreement. This includes money for the purchase of heavy fuel oil promised annually by the U.S. to the DPRK, as well as money for KEDO's administrative overhead--an estimated total of about \$30 million per year, according to the Congressional Research Service (CRS).¹³

In addition, according to CRS analysts Richard Cronin and Zachary Davis, implementation of the agreement will eventually require a formal Nuclear Cooperation Agreement between the U.S. and DPRK since the transfer of U.S. technology is involved. Congress of course retains statutory authority to disapprove or attach conditions to any such Nuclear Cooperation Agreement. As a result, the U.S. Congress will remain an active--and not always willing or accommodating--partner in this process.

Focus is on Nuclear Issues. Second, the Agreed Framework is aimed, first and foremost, at "overall resolution of the nuclear issue." It is not designed to address, much less cure all Korean Peninsula ills. It was designed to deal with a crisis situation. It does not represent, by itself, a long-term strategy for comprehensive peace on the Peninsula, even though it clearly supports (and hopes to facilitate) this broader objective.

More specifically, it is not a substitute for a formal Peace Treaty which is still needed to replace the current, periodically challenged (by the DPRK) 1953 Armistice Agreement. The Four-Party Talks proposal put forth by then-ROK President Kim Young-Sam and U.S. President Bill Clinton during their April 1996 summit on Cheju Island in the ROK is aimed at fulfilling

¹³See Richard P. Cronin and Zachary S. Davis, "The U.S.-North Korea Nuclear Accord of October 1994: Background, Status, and Requirements of U.S. Nonproliferation Law," CRS Report to Congress 97-356F, March 11, 1997, published by the Congressional Research Service of the U.S. Library of Congress.

that task.¹⁴ The two initiatives should not be confused or unnecessarily linked, although they are mutually supportive. The Agreed Framework process no doubt helped set the stage for the Four-Party Talks, and successful talks could help pave the way for diplomatic recognition between the U.S. and DPRK--one of the Agreed Framework's stated objectives.

The Agreed Framework was also not designed to address the ongoing DPRK food crisis or other systemic shortcomings of the North's political and economic systems or infrastructure, beyond rendering limited assistance in meeting the DPRK's energy needs. Even in this case (as the next section of this report details), it was seen as providing an interim alternative energy source prior to the commissioning of the LWR and in return for deactivating the graphite reactors. It was not intended to satisfy all of North Korea's energy needs, but only to provide heavy fuel oil to offset the energy supposedly foregone due to the freeze.¹⁵

The Agreed Framework also does not address the over-militarization of the Korean Peninsula. North Korea's over 1.1 million man armed forces is the fifth largest military in the world, while South Korea's military (with its 670,000 active duty troops) ranks sixth. While the Carter-Kim Il Sung talks reportedly identified the need for mutual force reductions as a North-South confidence building measure, this goal was not addressed in the Agreed Framework.

Most importantly, the Agreed Framework does not provide a blueprint or specific timelines for a resumption of North-South dialogue. It does call on the DPRK to engage in such dialogue and to also take steps to implement the earlier North-South Declaration on the Denuclearization of the Korean Peninsula. But it does not specifically tie progress in this area to other aspects of the agreement. This has been one of the primary criticisms of the Agreed Framework, even among many of those who otherwise support it.

¹⁴See Appendix G for the complete text.

¹⁵For an interesting debate on the inter-related nature of these issues, see "North Korea on the Brink: Politics and Possibilities on the Eve of the Four-Party Talks," Center for War, Peace, and the News Media Issue Brief No. 21. August 1997.

North Korea Missile Program. The Agreed Framework was also not intended to address North Korea's missile development or export programs but it has become inextricably tied to DPRK missile activities, nonetheless. The August 31, 1998 launch of a three-stage rocket in what is generally believed to have been an unsuccessful attempted satellite launch prompted Japan for several months to withhold its promised funding for KEDO.¹⁶ While Japan has since agreed to resume its financial support to KEDO, another launch would make it extremely difficult, if not politically impossible, for Japan to continue funding North Korea's LWRs.

The U.S. Congress has also directly tied North Korean missile developments to KEDO funding. HR4328 hinges funding for KEDO prior to June 1, 1999, among other conditions, to the U.S. being "fully engaged in efforts to impede North Korea's development and export of ballistic missiles." For funding after June 1, 1999, Congress insists that the Clinton Administration certify that the U.S. "is making significant progress on reducing and eliminating the North Korean ballistic missile threat, including its ballistic missile exports."¹⁷

The U.S. has held four rounds of missile talks with North Korea, the most recent ending in Pyongyang on March 30, 1999. According to the primary U.S. negotiator, Deputy Assistant Secretary of State for Political and Military Affairs Robert Einhorn, "we had frank discussions... but I can't say we have made any breakthrough."¹⁸ North Korea claims that, as a sovereign state, it has a "legitimate right of self-defense to develop, test, and produce missiles," especially given the threat posed to it by the United States' missile and nuclear arsenals. But, DPRK negotiators reportedly are quick to add, they are willing to discuss an end to their export of missiles and related technology if handsomely

compensated by the U.S.¹⁹ The DPRK has agreed to a fifth round of talks to discuss compensation.

DPRK Collapse Neither an Objective Nor a Prerequisite. Remember too, that the objective of the Agreed Framework was neither to hasten the collapse of the DPRK nor to prevent this from happening. North Korea's future survival will be determined largely by its willingness to adapt and its ability to reform its economy and society. U.S. fuel oil deliveries and the dollars paid to North Korean workers employed in the LWR construction project (\$110 per month) may help in a marginal way to prop up the current regime but are unlikely to be major determinants of the Kim Jong-Il regime's ultimate fate.

Likewise, while eventual reunification under Seoul's leadership remains a clear and unambiguous long-term goal of both Washington and Seoul, neither the current nor any future Agreed Framework/KEDO implementation strategy should be premised on the assumption that North Korea will collapse within the lifetime of the agreement, thereby relieving KEDO from having to live up to the hard part of the deal--the funding and construction of both LWRs (to include the necessary Nuclear Cooperation Agreement). Unfortunately, some Agreed Framework proponents tried to sell the deal initially based on the implied high probability of a near-term DPRK collapse.

Differing U.S. and ROK Objectives/Viewpoints. Despite considerable effort by both Washington and Seoul to closely coordinate policies and practices that impact the Agreed Framework, this initiative periodically serves as a source of tension and confusion between the ROK and the U.S. This is caused, in part, by the U.S. tendency to see the Agreed Framework and KEDO primarily as non-proliferation instruments, while South Korea sees them first and foremost as vehicles for promoting Peninsula stability and North-South dialogue. In the extreme, this difference has led critics in the ROK to decry Washington's apparent willingness to "sacrifice the South" in the name of advancing American non-proliferation goals.

¹⁶Portions of the rocket flew over Japan without prior notification or warning to Japan from the DPRK.

¹⁷Applicable sections of HR4328 are contained in Appendix E.

¹⁸See Paul Shin, "N. Korea Rejects U.S. Missile Demand," Associated Press, 3/31/99 and Bill Tarrant, "U.S. Warns N. Korea Against Further Missile Tests," Reuters, 3/31/99, as reported in *NAPSNet Daily Report*, 3/31/99.

¹⁹Ibid. Also see "N.Korea Would Suspend Missile Tech Exports for Compensation," The Associated Press, 3/31/99, also reported in *NAPSNet*, 3/31/99. The North has reportedly asked for up to three billion U.S. dollars to halt its missile sales.

While not specified in the Agreed Framework, there was also an expectation on the part of both Seoul and Washington that the Agreed Framework process would not only defuse the nuclear crisis but would also serve as a vehicle for bringing Pyongyang out of its isolation on a step-by-step basis. However, as President Kim's Sunshine Policy illustrates, Seoul now places a higher priority on this policy objective than does Washington.

Another source of tension is concern that the DPRK is using the Agreed Framework both to achieve a separate peace with the U.S. and as a vehicle for driving a wedge between the U.S. and its South Korean ally. It is widely recognized that the negotiating process leading up to the Agreed Framework caused a great deal of tension between the U.S. and ROK. Despite close cooperation and consultation between the U.S. and ROK during every step of the Geneva negotiating process, ROK representatives were not physically present at the negotiating table. This was seen as insulting in Seoul and fueled broad suspicions about some secret deal between the U.S. and DPRK among many segments of South Korean society.

One of the most important aspects of the Four-Party Talks proposal was that it drew a clear, unambiguous limit to the extent of U.S.-DPRK cooperation, spelling out that "separate negotiations between the United States and North Korea on peace-related issues cannot be considered."²⁰ This effectively precludes the DPRK from using the Agreed Framework talks or any other direct exchanges between Pyongyang and Washington as a vehicle for excluding the ROK from Peninsula peace talks. This remains an important consideration for Seoul, even though President Kim seems willing to let U.S.-DPRK "normalization" occur independent of further progress in South-North deliberations.

In addition, differences of opinion between Seoul and Washington over how best to respond to North Korean provocations and posturing also strain the relationship. Ironically, at the time of the October 1997 study, the tendency was for Seoul to over-react to, or highly politicize North Korean actions while the U.S. appeared less critical and more tolerant. Today, President Kim is more inclined to "turn the other cheek" in responding to North Korean provocations while

²⁰Article 4, as reproduced in Appendix G.

Washington, and especially members of Congress, assume North Korea "guilty until proven innocent" of alleged infractions while pursuing a more hardline policy.

Despite the differences, ROK/U.S. tensions have reduced somewhat, given President Kim Dae-Jung's more flexible attitude in dealing with the North. But they continue to flare up from time to time, both over disagreements regarding the handling of the Agreed Framework's implementation and over other U.S.-DPRK-related actions (such as food aid, missile talks, and efforts aimed at a fuller accounting of U.S. military personnel still unaccounted for since the end of the Korean War).

Not Tied to U.S. Presence. It is also important to note that, even if the Agreed Framework is fully implemented and the DPRK exceeds all expectations in cooperating to bring it about, the broader problems of the Peninsula will not be solved. Nor should implementation affect the presence of U.S. military forces on the Peninsula since their presence is tied to the ROK-U.S. alliance and the overall security challenge, and not to the Agreed Framework *per se*.

This point was underscored during a Pacific Forum survey of a cross-section of retired and some active duty U.S. military officers on their views regarding a continued U.S. military presence in Korea. The overwhelming majority of respondents saw a continued need for U.S. forces on the Peninsula, even if the Agreed Framework was fully implemented. In fact, many saw this presence as necessary to guarantee full implementation and future compliance with the agreement.²¹

Consequences of Failure. Finally, we must remember that a failure to resolve the nuclear crisis, especially if the end result is a nuclear weapons-equipped DPRK, could have broad-ranging implications. Absent the Agreed Framework, or should the process irretrievably break down, the odds are high that North Korea would more actively be pursuing a nuclear weapons capability.

In addition, many feared at the time and still warn that a DPRK withdrawal from the NPT could open

²¹See Ralph A. Cossa, "Korean Peninsula Security in the Wake of the October 1994 Agreed Framework Between the U.S. and DPRK: (A Survey of U.S. Military Attitudes (Retired and Active Duty) Toward Korean Peninsula Issues)," Pacific Forum CSIS Special Report, December 1995.

the floodgates for others so inclined to follow suit; Iraq and Libya immediately come to mind. Consequence-free withdrawal from the NPT is a precedent few want to set, even though all signatories have a right of withdrawal upon three months notice.

The impact of a nuclear-armed DPRK on its immediate neighbors is also potentially troubling. Many argue that pressure on the ROK to develop its own nuclear weapons would be intense. Others argue that Japan would also soon follow suit if either or both Koreas became nuclear weapons states.²²

Given all the above, the stakes involved in the successful implementation of the Agreed Framework are high, not just for the two signatories--the U.S. and DPRK--but for the ROK, Japan, and the international community at large.

Task I: Replacing the DPRK's Reactors

Task one has four specific parts which deal with, respectively, providing the LWR, the interim energy offset, the immediate freeze and eventual dismantlement of current DPRK nuclear facilities, and the initiation of two sets of experts talks.

The LWR Project. Section I.1. of the Agreed Framework details U.S. promises regarding the provision of two LWRs to the DPRK, as follows:

In accordance with the October 21, 1994 letter of assurance from the U.S. President, the U.S. will undertake to make arrangements for the provision to the DPRK of a LWR project with a total generating capacity of approximately 2,000 MW (e) by a target date of 2003.

- The U.S. will organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK. The U.S., representing the international consortium, will serve as the principal point of contact with the DPRK for the LWR project.
- The U.S., representing the consortium, will make best efforts to secure the conclusion of a supply contract with the DPRK within six months of the date of this document for the provision of the LWR

²²I personally do not subscribe to this argument but acknowledge that others do.

project. Contract talks will begin as soon as possible after the date of this document.

- As necessary, the U.S. and the DPRK will conclude a bilateral agreement for cooperation in the field of peaceful uses of nuclear energy.

There is no question that the U.S. did, and continues to "undertake to make arrangements for the provision to the DPRK of a LWR project." With the March 1995 establishment of KEDO,²³ the U.S. also fulfilled its obligation to "organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK." The U.S. also made "best efforts" to secure a supply contract within six months but this best effort was undermined by disagreement over whether or not the LWR would have a "made in the ROK" label. After considerable high-level dialogue, a compromise position was reached in Kuala Lumpur in June 1995 which allowed the ROK a central role in providing a "South Korean-model" LWR of "original U.S. design" to the North.²⁴

This agreement led to the signing six months later of a LWR Supply Agreement between KEDO and the DPRK on December 15, 1995, missing the original target date by almost eight months.²⁵ The spirit of compromise continued in March 1996 when the ROK's Korean Electric Power Corporation (KEPCO) was formally accepted as the prime contractor to provide the LWR, a Korean Standard Nuclear Power Plant (KSNP) model, with a U.S. company, Duke Power Company, identified as the program coordinator or Technical Support Consultant (TSC). All the basic and implementing protocols necessary for construction to begin have been signed, including a Preliminary Works Contract between KEDO and the Prime Contractor, KEPCO, and ground-breaking ceremonies took place in mid-August 1997 in the Kumho area near Sinpo city,

²³See Appendix H for the text of the Agreement on the Establishment of KEDO.

²⁴See "Joint U.S.-DPRK Press Statement," Kuala Lumpur, June 13, 1995.

²⁵See "Supply Agreement Signed Between the Korean Peninsula Energy Development Organization (KEDO) and the Government of the Democratic People's Republic of Korea (DPRK)," December 15, 1995.

South Hamgyong Province, DPRK, which is the chosen site for the LWRs.²⁶

Construction presently continues at Kumho under the terms of a Turn Key Contract for the design, construction, and commissioning of the LWRs. The 2003 target date now appears completely out of reach, however. In fact, KEDO's ROK associate director, Chang Sun-Sop, announced in January 1999 that "delay beyond the deadline agreed upon in the 1994 agreement appears inevitable."²⁷ No new, more realistic target date has been agreed upon, however. Nonetheless, the U.S. can be seen as living up to the spirit and intent of the first two segments of Section I.1, especially since North Korea must accept its share of the blame for the delays.

The "bilateral agreement for cooperation in the field of peaceful uses of nuclear energy" has not yet been deemed "as necessary" but cannot be put off indefinitely. As noted earlier, such an agreement is likely to be required since critical U.S. components are involved in the LWR project and, under the Atomic Energy Act of 1954, this requires a formal agreement subject to Congressional approval.²⁸ This represents a significant future domestic hurdle for the Clinton Administration. Given the current mood of the U.S. Congress, this could become the U.S. "deal-breaker," provided that the process proceeds to this "moment of truth."²⁹

²⁶Six protocols covering various aspects of the supply agreement have been signed: Juridical Status, Privileges, and Immunities; Communications; Transportation; Labor, Goods, Facilities, and other Services; Site Take-over, Site Access, and Use of Site; and Actions in the Event of Nonpayment. In addition, 19 implementing agreements have been signed outlining, in detail, how the six protocols will work in practice.

²⁷See "Impossible to Finish N. Korea Reactors by 2003-KEDO," Reuters, 1/12/99, as cited in the *Northeast Asia Peace and Security (NAPSNET) Daily Report*, 1/12/99.

²⁸See Cronin and Davis' CRS Report, pp. 9-13, for additional details on statutes governing the transfer of critical nuclear components and additional export requirements.

²⁹As the Timelines Chart in Appendix F shows, several other events must occur prior to the delivery of sensitive nuclear components requiring the

Energy Offset. The Agreed Framework states in Section I.2. that the U.S. will "make arrangements to offset the energy foregone due to the freeze of the DPRK's graphite-moderated reactors, pending completion of the first LWR unit." It specifically notes that alternative energy will be provided in the form of heavy oil for heating and electricity production. It further notes that deliveries of heavy oil will begin within three months and will reach a rate of 500,000 metric tons (mt) annually, in accordance with an agreed schedule of deliveries.³⁰

The first delivery was therefore due by Jan 21, 1995 and, in fact, two deliveries were made by that date (on January 16 and 19), totaling just over 50,000mt. These initial deliveries were paid for by reprogramming U.S. Department of Defense funds, prompting several Congressional complaints. Once KEDO was established in March 1995, however, it took over the responsibility for arranging and paying for fuel oil deliveries and has ensured that the U.S. has lived up to its promises even though it has experienced considerable difficulty in acquiring the necessary funds to finance these deliveries.

More specifically, the promised first year delivery of 150,000mt of fuel oil was carried out, as was the following year's (Oct 95 - Oct 96) 500,000mt shipments. A total of 500,000mt of heavy fuel oil was also delivered to meet 1997 obligations, but the deliveries were spread out, by mutual consent, until January 1998. This was done after delayed off-loading had caused the U.S. to absorb heavy demurrage charges between April and October of 1997.

According to the *1997/1998 KEDO Annual Report*, the demurrage charges were incurred when vessels chartered by KEDO to deliver fuel oil to the DPRK were unable to discharge their cargo during the contracted period of time, largely because DPRK storage facilities at the ports of discharge and/or power plants were insufficient to absorb the deliveries as originally scheduled. As a result, both sides agreed that deliveries

Nuclear Cooperation Agreement. These include "full accountability" for past North Korean nuclear activities, which skeptics predict will not occur. The full accountability task will be discussed shortly.

³⁰50,000mt were promised within three months, with a total of 150,000mt due the first year and 500,000mt each year thereafter until the first LWR unit was completed.

would not be scheduled until it could be assured that each delivery could be unloaded in a timely fashion.³¹ As a result of the new delivery procedures, the U.S., on January 31, 1999, completed its 1998 heavy fuel oil delivery obligations while avoiding excessive demurrage charges.

No heavy fuel oil deliveries have occurred thus far in 1999 (through 31 March), but a total of 100,000mt of fuel oil is scheduled for delivery during April and May 1999.³² However, the U.S. Congress has attached significant strings to its funding of fuel oil deliveries. The biggest hurdle, an agreement with North Korea to inspect the suspect underground facility at Kumchangri, has been cleared. However, the Congress has also mandated that funding is contingent on an independent review of U.S. policy toward North Korea (being undertaken by former Secretary of Defense William Perry) and on "progress in South-North deliberations."³³ This is in addition to the previously mentioned "significant progress" on reducing and eliminating the ballistic missile threat.

While there is an "escape clause"--President Clinton can waive certification if he determines it is "vital to the national security interests of the United States" and "provides written policy justifications" to this effect to the Congress--this resolution underscores Congress' growing dissatisfaction, with the Clinton Administration's handling of North Korea policy. Much of this dissatisfaction comes from the Congress' Republican majority, although North Korea is gaining a broad bipartisan unpopularity. None of this suggests easy passage of legislation for future funding of fuel oil deliveries, especially as we approach year 2000 U.S. presidential elections. The prospects of early or quick passage of a U.S.-DPRK Nuclear Cooperation Agreement are even more remote.

The annual fuel deliveries are to continue until the first LWR is completed, the presumption being that

³¹Korean Peninsula Energy Development Organization Annual Report, 1997/1998, pp. 9-10. The 1997/1998 Report provides the full schedule for actual 1997 deliveries and for 1998 actual and planned deliveries.

³²According to KEDO officials, 44,000mt will be delivered in April, followed by 66,000mt in May.

³³As note in Appendix E.

the LWR will then start supplying electric energy to the DPRK. However, North Korea's existing transmission and distribution system is inadequate to handle the electricity generated by the new LWRs. As a result, much of the North's existing equipment will need to be replaced or modernized.³⁴ None of the agreements to date creates a legal obligation to pay for the grid upgrade.

The State Department and KEDO maintain that North Korea is responsible. However, North Korea has not yet legally obligated itself to pay, and reportedly has persistently sought KEDO's agreement to provide the grid upgrade (KEDO has consistently refused). Given its track record and desperate financial condition, one could expect North Korea to exert pressure on others to pay for the grid upgrade.³⁵

North Korea must also do its part in ensuring that the heavy fuel oil is used exclusively for heating and electricity production. Indications that some oil from the initial delivery was diverted, possibly for use by North Korea's armed forces, has rightfully increased Congressional scrutiny of the deliveries. Maximum transparency is essential regarding the destination and use of KEDO-brokered oil deliveries.

DPRK Freeze. In return for the fuel oil deliveries, the DPRK agreed to freeze its graphite-moderated reactors and related facilities "upon receipt of U.S. assurances for the provision of LWR's and for arrangements for interim energy alternatives." The DPRK also agreed to "eventually dismantle these reactors and related facilities."

Section I.3. of the Agreed Framework provides some specific conditions and timelines for this to occur:

- The freeze on the DPRK's graphite-moderated reactors and related facilities will be fully implemented within one month of the date of this document. During this one-month period, and throughout the freeze, the International Atomic Energy Agency will be allowed to monitor this

³⁴The GAO estimates that the cost of the upgrade could reach \$750 million.

³⁵This problem is laid out in considerable detail in the October 1996 GAO Report and in a follow-on June 1997 Report to the Chairman, Committee on Energy and Natural Resources, U.S. Senate (hereafter cited as June 1997 GAO Report).

freeze, and the DPRK will provide full cooperation to the IAEA for this purpose.

- Dismantlement of the DPRK's graphite-moderated reactors and related facilities will be completed when the LWR project is completed.
- The U.S. and DPRK will cooperate in finding a method to store safely the spent fuel from the 5 MW (e) experimental reactor during the construction of the LWR project, and to dispose of the fuel in a safe manner that does not involve reprocessing in the DPRK.

The DPRK continues to maintain that this provision has been honored, the controversy over Kumchangri notwithstanding. There is little argument that the DPRK has frozen its graphite reactor construction and reprocessing activities at Yongbyon. "Canning"--a process of encasing the 50,000 kilograms of spent fuel--began in April 1996 and is essentially completed.³⁶ The spent fuel is to remain at the spent fuel storage basin at Yongbyon where it will continue to be subject to monitoring by the IAEA until it is eventually shipped out of the DPRK.

Kumchangri. It is important to note, in the wake of North Korea's agreement finally to allow periodic inspections at Kumchangri (but in advance of such inspections taking place), that the suspect facility is just that....suspect! As a State Department spokesman noted at the height of the controversy (before North Korean relented and allowed the U.S. inspections), "the U.S. has no basis at this point to conclude that the DPRK has violated the 1994 Agreed Framework."³⁷ These remarks were echoed by a Pentagon spokesman, who added, "But we would like to see firsthand to assure ourselves what is going on..."³⁸ Earlier, U.S. Special Ambassador for

North Korea Charles Kartman had created quite a controversy when he stated in Seoul that the U.S. had "conclusive evidence" that the site was nuclear-weapons related. This was subsequently amended, however, to "compelling" evidence. The nature of this evidence has not been revealed publicly.

The inspection of Kumchangri was demanded by the U.S. after intelligence leaks to the New York Times revealed the presence of this suspect site, presumably to ensure that the DPRK was living up to its Agreed Framework commitment to "freeze the DPRK's graphite-moderated reactors and related facilities."³⁹ However, the Agreed Framework does not define what constitutes a "related facility" or how (or by whom) the initial determination is made. The Agreed Framework does identify the IAEA as the arbitrator or inspector, noting that "throughout the freeze, the International Atomic Energy Agency will be allowed to monitor this freeze, and the DPRK will provide full cooperation to the IAEA for this purpose." The U.S. choose to deal directly with Pyongyang on this suspect site, however, rather than to call on the good offices of the IAEA.

The North Koreans have stated that the site is a sensitive military location but is not related either to Yongbyon or to nuclear activities. Pyongyang originally insisted on US\$300 million as compensation for a one-time U.S. inspection of Kumchangri. The U.S. refused and continues to insist that no compensation was provided in return for the north's ultimate agreement to multiple visits, even though the DPRK commentary on the agreement stated that the U.S. had agreed to pay a "fee" and Congressional critics are calling it a "food for access" deal.⁴⁰ Secretary of State Madeleine Albright's press statement, when announcing the Kumchangri agreement, was less than fully convincing:

³⁶The 50,000 kilograms of spent fuel are contained in about 8,000 fuel rods and contain about 25 kilograms of plutonium, enough to produce between 3-6 nuclear weapons.

³⁷James Rubin, "State department Noon Briefing, March 11, 1999 (USIA Transcript, 3/11/99), as reported in *NAPSNet Daily Report*, 3/12/99.

³⁸ Mike Doubleday, "Pentagon Spokesman's Regular Briefing, March 11, 1999" (USIA Transcript), as reported in *NAPSNET Daily Report*, 3/12/99.

³⁹Some critics of U.S. policy, like Selig Harrison, claim that random inspections like the ones insisted at Kumchangri, are not called for at this stage in the Agreed Framework process. See Selig Harrison, "A Showdown That Shouldn't Happen," *The Washington Post*, National Weekly Edition, 11/30/98, p. 22.

⁴⁰For a good summary of the Kumchangri agreement and its various interpretations, see Shawn Crispin, "Buying Time," *Far Eastern Economic Review*, April 1, 1999, pp.18-20.

In the negotiations, we did not agree to North Korean demands for "compensation" in return for access.

We did report to the DPRK something we've often said publicly: removal of our suspicions concerning Kumchangri would enable us to resume progress in our relationship as outlined in the Agreed Framework. In this regard, we have decided to take a concrete step in the form of a bilateral pilot agricultural project.⁴¹

Dismantlement. Another aspect of the timetable that has come under considerable criticism is the proviso that dismantlement of the current DPRK reactors "will be completed when the LWR project is completed." Critics maintain that the DPRK could leave their current facilities fully intact even after the first LWR goes into operation. What is missing, they maintain, is not when dismantlement will be completed but when it is to begin.

U.S. officials claim that side agreements with the DPRK have laid out a series of timelines including agreement by Pyongyang to start dismantlement of its existing nuclear reactors and reprocessing plant upon completion of the first LWR.⁴² Whenever it occurs, dismantlement is likely to be a very complex and expensive task. The amount of outside technical and financial assistance needed by the DPRK to accomplish this task is unclear. Pyongyang's inability (or refusal) to pay could constitute another stumbling block.

Experts' Talks. The two sides were also supposed to hold two sets of expert talks "as soon as possible after the date of this document." At one set of talks, experts were to discuss issues related to alternative energy and the replacement of the graphite-moderated reactor program with the LWR project. The other set of talks was to discuss specific arrangements for spent fuel storage and ultimate disposition. While the distinction between the two sets of talks has proven artificial, experts' talks have been held and this promise has been met.

⁴¹U.S. State Department Press Release, "Statement by Secretary of State Madeleine K. Albright," March 16, 1999.

⁴²These timelines, based on statements by U.S. defense department and KEDO officials, are contained in Appendix F.

Task I Assessment. To date, there exists no convincing evidence that the DPRK is not taking its responsibilities seriously under the freeze agreement.⁴³ The U.S. has also lived up to its end of the bargain, albeit not without some difficulty and a few close calls, given Congressional reluctance, often until the last moment, to authorize funds requested by the Administration for the purchase of promised heavy fuel oil.

In the October 1997 *Report Card*, the grade for all participants for Task I was B+/A-.⁴⁴ The B+ grade should hold, at least until the inspection at Kumchangri provides confirmation as to whether or not that site is nuclear weapons-related. The A- portion is dropped since the level and spirit of cooperation have declined.

In order to maintain or improve upon this grade KEDO must continue to fund and provide the fuel and both sides must, at a minimum, strictly adhere to agreed upon timelines. Better procedures for working out questions regarding inevitable future suspect sites are also needed. A major challenge to a successful final grade will be the approval of a U.S.-DPRK Nuclear Cooperation Agreement. It is also clear that a new target date is required.

Task II: Full Normalization Section II has three goals aimed at bringing both sides closer to full normalization of political and economic relations: reduced barriers to trade and investment, the opening of liaison offices in one another's capitals, and the eventual upgrading of bilateral relations to the Ambassadorial level.

Economic Relations. In Section II.1. of the Agreed Framework, both sides specifically agreed to "reduce barriers to trade and investment, including restrictions on telecommunications services and financial transactions" within three months. Some "modest steps" were immediately taken by the U.S. to ease economic sanctions against the DPRK, although the DPRK was anticipating and still desires a greater reduction in trade restrictions.

⁴³As noted, Ambassador Kartman's "compelling evidence" was not shared with the general public and few, if any, expect that inspections at Kumchangri at this stage will prove (or disprove) anything.

⁴⁴I elected to give a composite grade rather than separate grades for the U.S. and DPRK since, in the final analysis, if one fails, both fail.

In January 1995, within three months of the agreement, the U.S. announced it was taking incremental steps to permit U.S. companies to provide direct telecommunications service between the U.S. and DPRK, to allow the import of magnesite from the DPRK, to reduce the restrictions on financial transactions not involving the DPRK government or its entities, and to authorize the licensing of U.S. business transactions that further KEDO's construction of LWRs in the DPRK.⁴⁵ One month later, the Treasury Department's Office of Foreign Assets Control (which administers the embargo against North Korea) amended its regulations to specifically authorize the actions outlined in table 1.

In December, 1996, the U.S. also approved the license of a U.S. firm to pursue a commercial deal to sell North Korea up to 500,000 tons of grain.⁴⁶ In addition, in April 1997, Treasury amended its regulations to permit payments to the DPRK associated with U.S. aircraft landing and overflight rights, although no such flights have yet occurred.

According to Ambassador Kartman, the U.S. "will consider further sanctions-easing measures as North Korea makes progress on issues of concern to us."⁴⁷ While Kartman did not specifically spell them out in his Congressional testimony, other State Department officials have reportedly noted that these issues of concern include:

- A halt to North Korea's indigenous development, deployment, and export of offensive ballistic missiles.

⁴⁵These self-described "modest steps" were laid out by then-Acting Assistant Secretary of State Charles Kartman before the House International Relations Subcommittee on Asia and the Pacific on February 26, 1997 during its Hearing on U.S. Policy Toward the Korean Peninsula. While many individuals in the U.S., ROK, and DPRK share credit for keeping the process on track, Ambassador Kartman's efforts should be singled out for particular praise.

⁴⁶The initial deal, in which Cargill Inc. was to trade 20,000 tons of wheat for 4,400 tons of zinc in April 1997, fell through at the last moment when it became apparent that the DPRK would not have the zinc ready for shipment as promised.

⁴⁷Feb 26, 1997 Congressional testimony.

- Progress in recovering and returning to America the remains of missing U.S. soldiers who died while serving in the Korean War.

- A reduction in the threat posed to South Korea by North Korea's conventional military forces.

- The cessation by North Korea of engagement in, and sponsorship of, acts of international terrorism.

- Reforms by the North Korean government in dealing with domestic human rights issues.⁴⁸

Many members of Congress have also called for progress in these areas either concurrent with or prior to any additional U.S. "concessions." Most prominent has been a linkage between cooperation on missile-related issues and the eventual lifting of sanctions. These specific areas of concern are not spelled out in the Agreed Framework, however, and it is not clear if they have otherwise been made explicit to the North Koreans. Nor is it clear what constitutes sufficient progress or how many of the above concerns must be satisfied before further easing of restrictions occurs. What is clear, from numerous DPRK statements, is that Pyongyang believes that U.S. actions to date have not lived up to the U.S. promise to reduce barriers to trade and investment.

North Korea, not without some justification, has complained bitterly about linking the lifting of sanctions to non-nuclear, non-Agreed Framework-related conditions and has accused the U.S. of violating the spirit, if not the letter, of the Agreed Framework. Ambassador Robert Gallucci, the former State Department official who was the primary U.S. negotiator for the Agreed Framework, has reportedly acknowledged that the Clinton Administration, in effect, reneged on its offer to lift sanctions because it feared criticism from Congress and the media. In a recent interview with the Washington Times, Gallucci stated,

We met the minimum on the embargo because, while we might have wished to be positively regarded in Pyongyang, we did not wish to be negatively

⁴⁸These concerns, attributed to State Department officials, are contained in the June 1997 GAO Report.

Table 1
List of Authorized Economic Activities

- \$ Transactions related to telephone and telecommunications connections between the United States and North Korea;
- \$ Credit card use by Americans for personal travel to North Korea, other U.S. travel-related transactions, and travel-related transactions for North Korean nationals in the United States;
- \$ Financial transactions associated with opening of U.S. news offices in North Korea, and North Korean news offices in the United States, subject to OFAC's approval of a specific license;
- \$ Financial and other related transactions incident to the import or export of certain informational materials--compact disks, CD ROMs, artworks, and news wire feeds;
- \$ North Korea's use of the U.S. banking system to clear financial transactions involving U.S. dollars, provided that persons subject to U.S. jurisdiction cannot be originators or ultimate beneficiaries of funds transfers;
- \$ The case-by-case release of certain funds held in U.S. financial institutions, subject to OFAC licensing, provided that no funds are released to North Korea or its nationals;
- \$ U.S. imports, subject to a specific OFAC license, of North Korean-origin magnesite or magnesia--minerals used in domestic steel production;
- \$ Financial transactions related to the establishment and operation of a U.S. liaison office in North Korea, and a North Korean liaison office in the United States; and
- \$ Other financial transactions, subject to OFAC licensing, for U.S. firms participating in energy sector projects connected with North Korea's transition to light-water reactor power plants, including the supply of alternative energy (heavy fuel oil) and the disposition of the spent nuclear fuel removed from North Korea's 5-megawatt electric (MW(e)) nuclear power reactor.

Source: June 1997 GAO Report

regarded in Seoul or at home. We had the perception that both the press and the Congress had an awful lot of skepticism about the Agreed Framework.

Putting in gratuitous benefits in the first few months of the deal in order to win the confidence of the North would seem like we were not addressing the political vulnerabilities of the agreement and make it harder to defend over time....

What happened after the Republicans took control of the Congress is that it was harder than before to get congressional support for funding for KEDO and its activities.⁴⁹

Gallucci reportedly said that the letter of the accord was fulfilled, however, and pointed out that the economic embargo was reduced, even if it was by the minimum amount. He countered that the DPRK also has offered only minimal compliance on its commitment in the agreement to engage the ROK in serious discussions aimed at resolving tensions on the peninsula.

Nonetheless, Pyongyang claims to feel betrayed that the U.S. has not lived up to its end of the bargain and has applied additional conditions and periodically threatens to walk away from the Agreed Framework because of this U.S. "violation." Selig Harrison has even implied that the crisis over Kumchangri was an attempt by Pyongyang to pressure the U.S. to live up to its commitment to lift economic sanctions. Harrison, who maintains close contacts with North Korean officials and is seen as generally sympathetic to their plight, claims that both the "easily detected" construction activity and the "flaunting" of its long-range missile capabilities were aimed at "seeking to put pressure on Washington to live up to the agreement," although he concedes that they merely made matter worse.⁵⁰

Leon Sigal, another close observer of North Korean activities, echoes this belief. He states that "Pyongyang may be deliberately alarming us by manipulating what the intelligence community is seeing

and hearing in order to get us to negotiate in earnest."⁵¹

Sigal sees the North as pushing first and foremost for political normalization with the U.S. It is impossible to tell if this rationale represents the real reasons behind, or are merely excuses for, Pyongyang's actions. Regardless, the end result has been increased suspicions regarding the North's intentions.

In order to get things back on track and to keep the U.S. in full compliance, Harrison has called for a lifting of all U.S. sanctions on non-strategic trade and investment that can be lifted without Congressional approval. South Korean President Kim Dae-Jung has gone even further, personally asking both the Clinton Administration and the U.S. Congress to lift all U.S. sanctions against North Korea, since such action would support his own policy of Constructive Engagement with the DPRK.⁵²

It seems safe to predict that a lifting of U.S. sanctions will not result in a rush of U.S. investment in North Korea, since there are many safer places to invest money, especially given North Korea's unpredictability and reputation. Pyongyang's efforts, for example, have failed to show much progress in drawing investments into the Rajin-Songbin Special Economic Zone, even with United Nations backing. A lifting of U.S. sanctions will help bring home to North Korea the realization that it is their own behavior and anti-free market policies, and not U.S. sanctions, that are the primary reason for a lack of foreign investment and economic interaction.

Liaison Offices. Each side also agreed to open a liaison office in the other's capital following resolution of consular and other technical issues. Discussions are ongoing but several matters remain unresolved, including the handling of diplomatic pouches, arrangements for supplying and supporting the U.S. office in Pyongyang (the U.S. reportedly wanting a direct route through Panmunjom), and the North's ability to find suitable (affordable) offices in Washington. The DPRK currently does not appear to attach any sense of urgency to this milestone.

⁴⁹Ben Barber, "Clinton Hardened Position on North Korea to Appease Conservatives," The Washington Times, 1/27/99, p.11.

⁵⁰Harrison, p. 22.

⁵¹As quoted in David Briscoe, "Analysts Eye New Deal with North Korea," Associated Press, 1/12/99, and reproduced in NAPSNET, 1/12/99.

⁵²A review of Kim's Constructive Engagement policy is included later in this report.

Some have speculated that Pyongyang sees little extra value to be gained by anything short of full diplomatic recognition. An exchange of liaison offices adds the expense of maintaining DPRK missions in both New York (the current UN mission) and Washington, while giving American "spies" a base in Pyongyang. The minuses associated with a liaison office, from a DPRK perspective, seem to outweigh the pluses at present, especially since South Korean President Kim took away a potential North Korean plus--an opportunity to irritate the South and cause tensions between Seoul and Washington--when he announced his support not only for liaison offices but for the establishment of full diplomatic relations between Washington and Pyongyang.

Full Diplomatic Relations. Both sides also agreed ultimately to upgrade bilateral relations to the Ambassadorial level "as progress is made on issues of concern to each side." At a minimum, this is presumed from a U.S. perspective to include meaningful dialogue between the ROK and DPRK plus significant progress at least on the missile issue, if not in the five areas specified earlier in our discussion of the lifting of economic sanctions (as recapped in table 2).

It remains to be seen what demands the DPRK will bring to the table when and if bilateral diplomatic discussions progress to this level. If North Korean comments during Four-Party Talks negotiations are any indicator, these issues of concern likely will include lifting the complete regime of U.S. economic sanctions against North Korea, withdrawing U.S. military troops from South Korea, and providing North Korea with additional food assistance. However, North Korea has not officially identified these or other issues as impediments to upgrading diplomatic relations between the countries and will likely not block any U.S. overture to establish complete ties, since it apparently still holds normalization of relations with the U.S. as one of its primary aims.

South Korea traditionally has been against the U.S. (or Japan) establishing full diplomatic relations with Pyongyang until North Korea also recognizes, or at least agrees to deal more directly with, Seoul. As noted, however, this has changed under President Kim Dae-Jung. President Kim continues to urge Washington (and Tokyo) to move forward on the diplomatic front. Given the current political climate in Washington, however, it appears extremely unlikely that Washington will take such a step anytime soon--and especially, not before the 2000 presidential election.

Table 2
U.S. Issues of Concern

- A halt to North Korea's indigenous development, deployment, and export of offensive ballistic missiles.
- Progress in recovering and returning to America the remains of missing U.S. soldiers who died while serving in the Korean War.
- A reduction in the threat posed to South Korea by North Korea's conventional military forces.
- The cessation by North Korea of engagement in, and sponsorship of, acts of international terrorism.
- Reforms by the North Korean government in dealing with domestic human rights issues.

Task II Assessment. Only modest progress has been made thus far and the prospects for the establishment of liaison offices or full diplomatic relations seem slim in the near term. President Kim's blessings notwithstanding, it appears unlikely that diplomatic relations between the U.S. and North Korea will precede significant progress in the Four-Party Talks and some form of genuine North-South rapprochement. In short, neither side has done anything to improve upon their previous collective C-/C *Report Card* grade. A better defined statement of each side's expectations would assist in any future effort to grade results.

Task III: Korean Peninsula Peace and Security

Section III calls for both sides to "work together for peace and security on a nuclear-free Korean Peninsula." At the time of the October 1997 *Report Card*, all the parties were in danger of flunking this assignment. Since then, there has been modest progress, despite the setback caused by the Kumchangri controversy. Much of the credit must go to President Kim Dae-Jung, whose Cooperative Engagement policy encouraged, rather than complained about, attempts to build better U.S.-DPRK relations, while also extending repeated olive branches toward Pyongyang.

While North Korea appeared to go out of its way to make matters worse during the Kumchangri crisis, on the plus side the North was at least willing to sit down and discuss this highly sensitive sovereignty issue and ultimately agreed to the necessary actions to keep the Agreed Framework alive. As will be discussed later, Pyongyang has also agreed to keep the Four-Party Talks process alive. However, all-too-frequent vitriolic invectives and periodic acts of espionage by Pyongyang undermine confidence and work against the Agreed Framework's long-range goal of promoting peace and stability on the Peninsula.

U.S. Assurances. Section III also specifically calls for the U.S. to provide assurances against the threat of nuclear weapons and for the DPRK to "consistently take steps" to implement the 1991 North-South denuclearization pledge and to engage in North-South dialogue.

The U.S. specifically agreed to "provide formal assurances to the DPRK against the threat or use of nuclear weapons by the U.S." According to State Department officials, the United States does not intend to provide these assurances until North Korea comes into full compliance with the NPT. Specifically, before U.S. assurance will be provided, North Korea must implement the NPT-mandated nuclear safeguards pursuant to its safeguards agreement with the IAEA, including verification by IAEA of the completeness and accuracy of North Korea's initial report on the quantity of nuclear material in its possession.⁵³

This, *de facto*, ties this promise to accomplishment of Task IV responsibilities, although this is not clearly specified in the Agreed Framework. The DPRK, having lost its earlier security blanket provided by mutual security treaties with the former Soviet Union and PRC,⁵⁴ argues that it has no deterrence against the combined U.S./ROK nuclear capability provided by the U.S. nuclear umbrella. Despite U.S. President Bush's 1991 announcement that all overseas-based nuclear

weapons had been brought home and ROK President Roh's subsequent certification that the ROK was nuclear weapons-free, the DPRK periodically accuses the U.S. of maintaining nuclear weapons in the ROK.

1991 North-South Denuclearization Agreement. For its part, the DPRK agreed to "consistently take steps" to implement the North-South Joint Declaration on the Denuclearization of the Korean Peninsula. As noted earlier, there were actually two 1991 North-South agreements, one dealing with Reconciliation, Nonaggression, and Exchange and Cooperation and the other with Denuclearization. The Agreed Framework made specific reference only to the latter. While Pyongyang occasionally plays lip service to these agreements, to date there has been no movement toward implementing either since ministerial meetings between the two sides were broken off after the October 1992 meeting. However, steps taken by Pyongyang under the Agreed Framework (especially the "freeze") nonetheless support the spirit and intent of the Denuclearization Agreement.

North-South Dialogue. This has been the most contentious aspect of the agreement and the one section that many in the U.S. and ROK see as the true litmus test of DPRK intentions.⁵⁵ However, what constitutes direct North-South dialogue is not clear in the Agreed Framework. In fact, the term "direct" is not even used. Instead, Section III.3.--the only section directly referring to North-South dialogue--merely notes that "*the DPRK will engage in North-South dialogue, as this Agreed Framework will help create an atmosphere that promotes such dialogue.*"

There has, of course, been a considerable amount of dialogue between North and South as a result of the Agreed Framework, the Four-Party Talks, and other initiatives. Under the Agreed Framework, large groups of ROK specialists have traveled to the North as part of the various KEDO delegations and South Koreans are now regularly working alongside their North Korean counterparts at the LWR construction site at Kumho. Such interaction has taken place with little fanfare or negative reaction from either side. Meanwhile, officials from North and South have sat with their American and Chinese colleagues through four official rounds of Four-Party Talks. Officials from both sides have also met to

⁵³As spelled out in the June 1997 GAO Report.

⁵⁴Security treaties still exist between the DPRK and both China and Russia but they have reportedly been revised in a manner which makes security guarantees less certain and essentially non-existent if Pyongyang initiates the hostilities.

⁵⁵This was underscored by the U.S. Congress' linkage of progress in North-South dialogue to future funding for KEDO.

discuss such issues as food aid and separated family concerns.

Meanwhile, South Korean Red Cross personnel have held periodic discussions with their North Korean counterparts and have even been permitted to accompany food aid deliveries to the North. At the business level, several ROK firms have opened, or are planning to open, factories in the North and the Honorary Chairman of Hyundai, after an historic meeting with North Korean leader Kim Jong-Il, has arranged for routine tours of Mt. Kumgang in North Korea for ROK citizens (who are admittedly kept well isolated from contact with people in the North). Efforts also continue to field joint North-South teams for Asian and international sporting events and Seoul has even offered to permit Pyongyang to share in hosting some World Cup 2002 soccer events.

While, strictly speaking, these activities probably do not constitute direct North-South dialogue (at least not as envisioned by the U.S. and ROK at the Agreed Framework's signing), they represent significant steps in the right direction. Should the Four-Party Talks move from form to substance, and should they be conducted as envisioned by the U.S. and ROK--i.e., with the North and South occupying the center seats and with China and the U.S. increasingly on the sidelines--most reasonable observers would agree that this would satisfy Section III North-South dialogue criteria.

So too would a resumption of talks aimed at implementing either of the 1991 agreements or a resumption of the foreign ministry-level talks of the early 1990's that appeared on the verge of setting up a meeting of the two presidents before the North's threat to abandon the IAEA brought all progress to a halt. For his part, President Kim has expressed his willingness to meet with Kim Jong-Il. Although he has acknowledged that the prospects for a near-term meeting currently appear slim, he continues to believe that "(the possibility of) a dialogue between the South and North Korean leaders cannot be ruled out."⁵⁶ Kim Jong-Il has been circumspect about such a leaders meeting.

Task III Assessment. While peace and security have yet to be achieved on the Peninsula, ROK President Kim Dae-Jung's Constructive Engagement policy and the

⁵⁶See "Courting the North: President Kim presses for inter-Korean talks," NEWSREVIEW, March 6, 1999, p.5.

North's willingness to keep the Agreed Framework and KEDO alive by yielding on Kumchangri are positive steps. The U.S. also deserves credit for patience and perseverance in bringing the Kumchangri crisis to an apparently successful conclusion, although some (myself included) have expressed concern that the North may believe it is being rewarded for bad behavior, thus reinforcing a "compensation for crisis" mentality that could create problems in the future.⁵⁷ Nonetheless, Section III is the area of most improvement since the 1997 *Report Card*, resulting in a modest upgrade to C-/C from its earlier D/D+ grade.

Task IV: Nuclear Non-Proliferation

Task IV is a three-part, sequential task, with fairly clear milestones but no specific timelines. First and foremost, it calls for the DPRK to remain a party to the NPT Treaty. It also ties progress on LWR construction to safeguards and eventually, but before delivery of key nuclear components, to "consultations with the [IAEA] with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK."

NPT. The Agreed Framework specifically states in Section IV.1. that "the DPRK will remain a party to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and will allow implementation of its safeguards agreement under the Treaty." The DPRK has "suspended" its announced intention to withdraw from the NPT and thus technically remains a party to the NPT although it now claims "unique status" which affects the IAEA's ability to ensure safeguards are met.

Safeguards. Section IV lays out safeguard requirements both upon completion of the LWR supply contract and pending completion of that contract. It states that, "pending conclusion of the supply contract, inspections required by the IAEA for the continuity of safeguards will continue," and that, upon completion, "ad hoc and routine

⁵⁷For the author's views on the "compensation for crisis" mentality, see Ralph A. Cossa, "U.S.-DPRK Talks: Time to Break Bad Habits" PacNet 46-98, Dec 4, 1998. PacNet is a weekly publication of the Pacific Forum CSIS disseminated via e-mail and fax. A shorter version of this argument can also be found in Ralph A. Cossa, "Stop Appeasing Pyongyang and Give It a Wake-Up Call," *International Herald Tribune*, Dec 4, 1998.

inspections will resume...with respect to the facilities not subject to the freeze."⁵⁸ Although the supply contract was completed in December 1995 and some IAEA inspection activities have been permitted, the DPRK still is not fully in compliance with its NPT safeguards obligations.

The IAEA is generally uncomfortable with the position that the Agreed Framework has put it in--i.e., giving Pyongyang an excuse for delaying answers to key questions about plutonium inventories and past practices. Nonetheless, the IAEA has been supportive and complimentary of the Agreed Framework and has attempted to work within its constraints, realizing that it represents an improvement over the pre-Framework situation and provides the best long-term hope for eventual full accounting.

Accountability. The last section of the Agreed Framework has drawn the most criticism, not for what it requires, but because it puts off the potential answer to the question "How much plutonium has the DPRK diverted (i.e., how many potential bombs worth)?" until a later date, by stipulating that:

When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK will come into full compliance with its safeguards agreement with the IAEA (INFCIRC/403), including taking all steps that may be deemed necessary by the IAEA, following consultations with the agency with regard to verifying the accuracy and completeness of the DPRK's initial report on all nuclear material in the DPRK.

Eventual compliance with this requirement is seen as the most important section in the eyes of those who see the Agreed Framework first and foremost as a non-proliferation tool. It is, in the words of Cronin and Davis, a "moment of truth" both for North Korea and for the Agreed Framework.⁵⁹ From a U.S./ROK perspective,

⁵⁸Since the LWR contract has not been completed, Selig Harrison (among other) argue that inspection of "facilities not subject to the freeze," i.e., Kumchangri, are not yet required.

⁵⁹One specialist has noted that this is more likely to represent a "moment of confusion" than a "moment of truth" since the ability of the IAEA to

this requires unequivocal North Korea acceptance of intrusive inspection by the IAEA. Without full compliance, KEDO cannot deliver critical nuclear components and the U.S. cannot enter into a Nuclear Cooperation Agreement with Pyongyang. As written, the Agreed Framework appears to put the confirmation necessary for the U.S. to proceed with such deliveries in the hands of the IAEA, rather than in U.S. or KEDO hands.

Task IV Assessment. Task IV retains its C/C+ grade at present. While greater cooperation with the IAEA on the part of the DPRK could improve the situation considerably in the short term, unless the DPRK is willing to eventually come into full compliance with its safeguards agreement, the entire Agreed Framework eventually will receive a failing grade. Even if the Clinton Administration wanted to show some flexibility in this requirement (keeping in mind that no such flexibility exists in the wording), it appears nearly certain that the U.S. Congress would block any Nuclear Cooperation Agreement or additional funding for the delivery of key components if the DPRK reneges on this key promise.

Overall Assessment

Since the last "Report Card," the Agreed Framework has come under increased criticism, some but not all of it justified. Nonetheless, it remains clear to this observer that the United States and its allies and North Korea, even today, remain better off with the Agreed Framework than without it. As an independent task force sponsored by the Council on Foreign Relations (CFR) to examine U.S. policy toward the Korean Peninsula concluded last fall:

In our opinion, the Agreed Framework is a necessary--but not sufficient--component of a policy designed to enhance stability on the peninsula. Unless and until it is proven that North is violating the accord, it should remain a centerpiece of U.S. policy.

Although the Agreed Framework does not, in itself, address the larger threat represented by North Korean terrorism, missiles, conventional weapons, and weapons of mass destruction (WMD), we recognize that

reconstruct past activities, even with unlimited access and full cooperation, has deteriorated over time.

these issues will be more difficult to address if we unilaterally dismantle the Agreed Framework and attempt to start over from square one.

We also recognize that any unilateral U.S. move that precipitates the collapse of the Agreed Framework would seriously complicate our relations with Seoul and Tokyo.

Moreover, we note that an end to the Agreed Framework would allow North Korea to accelerate any nuclear weapons program by utilizing the facilities at Yongbyon, which are now effectively capped by the bilateral agreement.⁶⁰

As the CFR task force notes, the DPRK's suspected nuclear weapons program at Yongbyon remains frozen today. Equally important, Pyongyang has allowed for the canning and continued safeguarding of the existing DPRK reactor's spent fuel. This, in and of itself, is a major contribution to U.S. non-proliferation goals.

The Agreed Framework also provides a vehicle for dialogue and a standard by which to measure DPRK sincerity and willingness to cooperate. In the end, it should be noted, the North was willing to submit Kumchangri to U.S. inspection rather than let the Agreed Framework die, even if it could not resist using tried and true brinkmanship techniques to gain additional benefits from compliance.

Most importantly, it ties ultimate success--and the provision of key LWR components--to specific future DPRK performance. The North must continue to cooperate and become progressively more transparent in order to reap the Agreed Framework's major benefit--the two LWRS. Meanwhile, all the money spent to date on the Agreed Framework would have been insufficient to cover the expenses of one month's worth of enforced sanctions, much less the cost of even a short-lived conflict.

It is also useful to remember that documents such as the Agreed Framework represent the best or most that each side was willing to give or compromise. Both sides must see benefits; neither will have all its aspirations realized. Also, common agreement on terms

and conditions or tasks to be achieved does not equate to common objectives, motives, or desires. Both sides will attempt to move the process forward in a manner most conducive to its own vision of the desired outcome. With luck, this can be done without undermining the process.

In short, there continues to be satisfactory, but by no means exemplary, progress toward the implementation of the Agreed Framework, even though many moments of truth still lie ahead. As a result, I would continue to give the Agreed Framework an overall C/C+ (table 3), while acknowledging that there is still considerable room for improvement and that a passing grade at this point still does not ensure graduation.

One sobering final note: while successful accomplishment of the Agreed Framework alone is not sufficient to ensure peace on the Korean Peninsula, its failure will certainly set back the process.

⁶⁰As contained in an October 7, 1998 open letter from the task force to President Clinton. The full text of this letter is contained in Appendix I.

KOREAN PENINSULA ENERGY DEVELOPMENT ORGANIZATION

As the above discussion documents, the success of the Agreed Framework is closely linked to the success of its implementing mechanism, KEDO.⁶¹ Thus far, KEDO's efforts have generally been praiseworthy.

KEDO Accomplishments

KEDO's efforts have made it possible for the U.S. to live up to its end of the Agreed Framework bargain by the successful accomplishment, at least to date, of its two primary objectives: arranging for fuel oil deliveries and (by negotiating the supply agreement and necessary support contracts) arranging for the construction of the LWRs.

Of equal importance, the establishment of KEDO has provided a creative way for the ROK to be directly involved in the Agreed Framework process in a meaningful way. From its inception, the ROK has been a member of KEDO's Executive Board and has had a direct role in KEDO's decision-making process. ROK officials have been involved in all KEDO meetings with the DPRK. (The DPRK initially tried to limit ROK participation, but in the face of firm insistence that the ROK would participate in all KEDO activities, has now come to accept this arrangement.)

As a result, KEDO has become an important vehicle for direct North-South contact. For example, while ROK officials were not in the room during the direct negotiations that led up to the Agreed Framework,⁶² they did directly participate in extensive negotiations between KEDO and North Korea on the supply agreement and related protocols. Also, South Korean personnel made up most of the site survey teams sent to North Korea to investigate the proposed site for the reactors and have been the predominant member involved in the actual site preparation.

⁶¹The text of the Agreement on the Establishment of KEDO is contained in Appendix H.

⁶²ROK officials were present in Geneva, however, literally in the next room. U.S. negotiators coordinated closely with their ROK counterparts throughout their negotiations with the DPRK. This fact is frequently overlooked by ROK critics of the Agreed Framework that they claim was "imposed on the ROK by the U.S."

In addition, KEDO officials report that it is not unusual for meetings in the DPRK to start off in English and then shift to Korean since the preponderance of the KEDO team members are from the ROK. As Ambassador Stephen Bosworth, KEDO's former Executive Director and current U.S. Ambassador to the ROK once noted:

It was not uncommon [at KEDO social gatherings in the DPRK] to see Koreans from both sides chatting together in a corner while the Americans and Japanese were clustered around the food table. Opportunities for further contact can only grow as we move ahead with the nuclear power plant program.⁶³

As the LWR project progresses, hundreds if not thousands of South Koreans will be traveling to the North and will be coming in direct contact with the thousands of North Korean workers who will be involved in construction activity (largely under South Korean supervision). While such activity is kept low-key and may not technically qualify as direct dialogue, it is a most important confidence building mechanism.

In short, one of the unsung successes of KEDO is that it has transformed the bilateral U.S.-DPRK Agreed Framework process into a multilateral effort in which the Republic of Korea now plays a leading role; a role which North Korea, albeit begrudgingly, has come to accept. This has also helped restore South Korean confidence in the U.S.; confidence that was shaken during the negotiating process leading up to the Agreed Framework.

KEDO has also successfully brought Japan into the Agreed Framework process. Japan is one of the three co-founders of KEDO and also sits on the Executive Board. In addition to the most obvious benefit--Japanese financial contributions--this direct participation has helped to ensure a coordinated approach toward North Korea among the U.S., South Korea, and Japan. As Scott Snyder of the U.S. Institute of Peace observed, "KEDO serves as the most effective available model of day-to-day policy coordination among the United States, South Korea, and Japan in their dealings with North Korea."⁶⁴

⁶³Stephen W. Bosworth, "The Korean Peninsula Energy Development Organization (KEDO): A Status Report," *Korean Economic Update*, Vol. 7, No. 2, April 1996.

⁶⁴Scott Snyder, "A Coming Crisis on the

Table 3
Agreed Framework Report Card

<u>Grade</u>	<u>Task</u>
<u>B+</u>	I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.
<u>C-/C</u>	II. The two sides will move toward full normalization of political and economic relations.
<u>C-/C</u>	III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.
<u>C/C+</u>	IV. Both sides will work together to strengthen the international nuclear non-proliferation regime.
<u>C/C+</u>	Overall Grade

Strengths: KEDO's continued ability to bring the U.S., ROK, and Japan together to interact with the DPRK; continued efforts by all parties to keep the process alive.

Weaknesses: Many areas still in need of improvement: questionable adherence to spirit of agreement by both sides; direct North-South dialogue still weak; U.S. future political/financial support not certain; lack of clarity over what constitutes satisfactory compliance; major tests of commitment still to come.

As of March 31, 1999

It also provides a positive example of ROK-Japanese cooperation that can help offset other strains in this frequently-troubled relationship.

KEDO Membership/Financing

KEDO has also successfully expanded its membership beyond Northeast Asia, most recently bringing in the European Union's European Atomic Energy Community (EAEC) as an Executive Board

Korean Peninsula?" United States Institute of Peace Special Report (undated).

member.⁶⁵ Other member countries include Argentina, Australia, Canada, Chile, Finland, Indonesia, New Zealand and Poland. KEDO has also received financial contributions from Brunei, Germany, Greece, Malaysia, Netherlands, Norway, Oman, the Philippines, Singapore, Switzerland, Thailand and the United Kingdom. Executive Board members have accounted for the bulk of KEDO's \$200 million in contributions, with about half

⁶⁵According to the *1997/1998 KEDO Annual Report*, the EAEC's term of representation on the Executive Board is to coincide with its "substantial and sustained support to KEDO."

coming from the U.S., given its primary responsibility for providing the promised heavy crude oil.⁶⁶ However, over \$20 million has been contributed by the other above-referenced states. This broad-based participation underscores the international significance of the Agreed Framework (and the global ramifications if it should fail).

This outside support is also critical to the major task that lies ahead for KEDO: the continued financing of both the fuel deliveries and the LWR construction project itself. While KEDO has done a credible job of raising money thus far, it continues its hand-to-mouth existence and is likely to remain perpetually in debt. The Asian financial crisis has complicated matters by making it more difficult, both financially and politically, for Seoul and Tokyo to live up to their financial obligations.

Just to fulfill KEDO's pledge to supply and finance two LWRs will cost around \$4.6 billion.⁶⁷ As confirmed by a cost sharing resolution adopted by the KEDO Executive Board last November,⁶⁸ the ROK will provide 70% of the actual cost while Japan will contribute the equivalent of US\$1 billion in yen.⁶⁹ In addition, the European Union will provide 75 million ECU equally over five years. Executive Board members also pledged "to make all appropriate efforts" to obtain funding for the difference between the estimated budget and the amount thus far pledged, "should any additional funding be required," which it no doubt will be.⁷⁰

⁶⁶In addition, Indonesia on two occasions has provided oil.

⁶⁷The previous KEDO estimate of \$5.1785 was revised downward in November 1999 based on changes in exchange rates.

⁶⁸See Appendix J for the KEDO press release announcing the cost-sharing agreement.

⁶⁹Tokyo initially balked at signing this agreement in the aftermath of North Korea's August 1998 attempted satellite launch (which resulted in a missile overflight of Japanese territory), and has warned that another launch could put further Japanese support to KEDO in serious jeopardy.

⁷⁰According to the 11/10/98, "Cost Sharing" press release.

In the same resolution, the U.S. "reconfirmed its commitment to seek funding for the supply of heavy fuel oil to the DPRK and for other KEDO needs, as appropriate, from the U.S. Congress and all other possible sources." As noted earlier, the U.S. Congress has already put the Clinton Administration on notice that such funding will not be forthcoming in the future unless, among other things, progress is being made on U.S.-DPRK missile talks, on the implementation of North-South dialogue, and on the implementation of the Joint Declaration on the Denuclearization of the Korean Peninsula.⁷¹

Even before last fall's Congressional ultimatum, the Clinton Administration was finding it increasingly difficult to come up with the funds necessary to pay for its obligated fuel oil deliveries. This compelled U.S. Secretary of State Madeleine Albright to go hat in hand to Japan and Korea last year, asking both of these hard-hit economies to help cover the U.S.' share. As former State Department official David G. Brown has noted, "this nickel and dime approach to a crucial foreign policy interest is inappropriate for a great power; it is putting at risk the benefits won through laudable American leadership."⁷²

Should any of KEDO's three primary partners fail to fully fund their acknowledged share, the prospects for "peace and stability on a non-nuclear Korean Peninsula" will be severely set back. America's failure to live up to its share of the bargain-- or, for that matter, renewed appeals for its allies to cover Washington's share (when the U.S. should be offering to lighten their load)-- will also place strains on both the U.S.-Japan and U.S.-ROK alliances.

⁷¹As summarized in Appendix C.

⁷²David G. Brown, "Sharing Non-Proliferation Costs in Korea," *PacNet* No.23, June 5, 1998, p. 1.

KEDO's Broader Mission

While "implementation of the Agreed Framework" is KEDO's most specific task, its mission statement (table 4) also states that KEDO more generally should also "contribute to the strengthening of the international non-proliferation regime while improving the prospects for lasting peace and stability on the Korean Peninsula."

In background discussions with this author, KEDO officials have argued, convincingly, that the "implementation" task is sufficient to occupy all their energy and efforts today. Nonetheless, the door remains open for an expanded mission in the future. One suggestion has been the coordination of food aid to the DPRK. Thus far, however, the U.S., ROK, and Japan jointly have wisely resisted getting KEDO involved in this or other non-Agreed Framework-related activities.

Nonetheless, KEDO has clearly lived up to its third mission as well, providing an outstanding example of a cooperative and targeted international diplomatic effort. The KEDO model can serve as a template worthy of emulation by others trying to develop multilateral cooperative approaches to regional problems. The multinational, non-governmental Council for Security Cooperation in the Asia Pacific (CSCAP), for one, has examined the KEDO model as it explores the possibility of developing some type of Asia-Pacific cooperative nuclear energy safety and security mechanism.⁷³

Finally, it should be noted that the People's Republic of China was absent from the list of KEDO members and contributors cited above. While Beijing has been publicly supportive of KEDO's efforts, it has chosen not to join KEDO or to contribute financially to its efforts. Officially, U.S. State Department and KEDO officials assert that Beijing can play an equally useful role as an interlocutor with Pyongyang outside the formal KEDO structure, but some have privately expressed

⁷³This "PACATOM" project is being undertaken by CSCAP's International Working Group on Confidence and Security Building Measures. Both South and North Korea are represented in CSCAP, as are all the nuclear energy producers/consumers in the region. For project details, see Ralph A. Cossa, *PACATOM: Building Confidence and Enhancing Nuclear Transparency - A CSCAP Working Group Special Report* (Honolulu: Pacific Forum CSIS Occasional Paper, October 1998).

Table 4
KEDO Mission Statement

The Mission of KEDO is to:

Contribute to the strengthening of the international non-proliferation regime while improving the prospects for lasting peace and stability on the Korean Peninsula and beyond;

Assist in implementation of the Agreed Framework between the United States and the Democratic Peoples' Republic of Korea (DPRK), under which the DPRK agreed to freeze and ultimately dismantle its existing nuclear program, by 1) financing and constructing in the DPRK two proliferation-resistant light-water reactors of the Korean Standard Nuclear Power Plant model and 2) providing the DPRK with an alternative source of energy for heating and electricity production until the first of those reactors is completed, and, in so doing, meet or exceed international standards of nuclear and conventional safety, environmental protection, and ethical business practices; and

Serve as an example of how a cooperative and targeted international diplomatic effort can lead to the resolution of regional security or political crises, and provide a work environment where a multinational staff, with varied cultural, social, and professional backgrounds, can work harmoniously to accomplish organizational, professional and personal goals.

frustration at China's reluctance to join. China prefers to remain outside this process, even though its membership would no doubt be welcomed.

China has also expressed its adamant objection to Taiwan's participation in KEDO, arguing that only recognized governments should participate. China continues to regard Taiwan as a "renegade province" and has objected to its participation in governmental organizations. President Clinton, in his controversial "three no's" statement in Shanghai,⁷⁴ seemingly endorsed

⁷⁴No independence, no "two China's" or "one China, one Taiwan," and no Taiwan participation in governmental organizations.

this Chinese view, although one could argue that non-governmental entities should also be allowed to contribute to KEDO.

While the Agreed Framework continues to struggle for a passing grade, I would argue that KEDO deserves an A both for effort and for performance thus far. Its future success, however, hinges on continued U.S., ROK, Japanese, and broader international financial and political support.

FOUR-PARTY TALKS

During their April 1996 summit meeting on Cheju Island in the ROK, then-South Korean President Kim Young Sam and U.S. President Bill Clinton proposed a Four Party Meeting (later and now more frequently referred to as the Four-Party Talks proposal) among South and North Korea, the U.S., and China. The express purpose of the talks was "to initiate a process aimed at achieving a permanent peace agreement."⁷⁵ There was no attempt in the statement to tie this meeting proposal to the Agreed Framework.

The Four Party Meeting proposal and the Agreed Framework do have several important points in common, however. Both are aimed at enhancing the prospects for peace on the Peninsula. Both see the value in engaging North Korea. And, both also recognize that the key ingredient in achieving long-term peace is direct dialogue between Seoul and Pyongyang. This is much more clearly spelled out in the April 1996 summit statement than in the earlier Agreed Framework. Specifically, paragraph four of the joint proposal states:

The two Presidents confirmed the fundamental principle that establishment of a stable, permanent peace on the Korean Peninsula *is the task of the Korean people*. Both Presidents agreed that *South and North Korea should take the lead* in a renewed search for a permanent peace arrangement, and that separate negotiations between the United States and North Korea on peace-related issues cannot be considered. [emphasis added]

It is important to put this proposal in its proper context. It followed in the wake of a North Korean

⁷⁵See Appendix G for the complete text. The purpose is spelled out in paragraph six.

attempt to unilaterally abandon the existing Armistice Agreement. Instead, Pyongyang was demanding direct bilateral peace talks with the United States. The joint Presidential declaration flatly stated that the current Armistice should be maintained until it was succeeded by a permanent North-South peace treaty; a principle that China has also unambiguously endorsed. In one important respect, the proposal accomplished its primary (unstated) purpose the day it was issued: it put the ball back in the North's court by refusing to accept its unilateral declaration regarding the Armistice and by ruling out any hope of a separate peace agreement solely with the United States.

Status of Talks

After a year and one half of negotiations, all four parties finally agreed to enter into formal peace talks and four meetings have been held to date, all in Geneva. The first meeting, chaired by the U.S., took place in December 1997. By all accounts, the meeting was more ceremonial than substantive. Working level preparatory talks for the second meeting were to begin in February 1998 but North Korea opted to skip this phase. The second official session, this time chaired by China, took place in March 1998. On the positive side, all sides did agree that confidence building measures should be on the agenda. However, an impasse quickly developed when North Korea insisted that the subject of U.S. troop withdrawals be put on the table. The U.S. and ROK refused and the meeting made no substantive progress toward establishing a Korean Peninsula Peace Treaty.

Pyongyang, after months of hesitation, finally agreed to a third formal session, which was chaired by the ROK in October, 1998. The North adamantly repeated its demands for a separate treaty with the U.S. and for a U.S. troop withdrawal from the Peninsula. However, after much prodding, North Korea also agreed to the establishment of two subcommittees, one to discuss replacing the armistice with a peace regime and the other to formulate possible confidence building or tension reduction measures. All four parties also adopted a "Memorandum on the Establishment and Operation of the Subcommittees."

The fourth meeting, chaired this time by the DPRK, occurred in late January 1999. All sides agreed upon procedures for the two working groups, an event seen as "highly significant" by the U.S. However, a DPRK participant, Deputy Foreign Minister Kim Gye-gwan stated "I don't think I can find any visible progress out of the current talks," adding that the talks would

remain "empty" until DPRK demands regarding the withdrawal of U.S. troops from the ROK were met. Ideas for tension reduction on the Korean Peninsula, including the establishment of a humanitarian corridor and a new communications channel apparently were raised (but not agreed upon) and a senior U.S. official acknowledged that "measurable progress" on replacing the Armistice Agreement was unlikely anytime soon.⁷⁶ All sides agreed to meet again in mid-April, 1999.

Obviously, the mere holding of Four-Party Talks does not ensure their success. Difficult negotiations lie ahead and it is impossible to predict either the outcome of the talks or the terms of an eventual peace treaty. However, conducting talks achieves several important purposes. First, it underscores the commitment of the other three parties to the armistice until such time as a treaty is achieved. Secondly, it reiterates to North Korea that a separate peace treaty with the U.S., excluding the ROK, remains out of the question. Third, it keeps Pyongyang engaged and provides an opportunity for direct discussions between North and South. Fourth, it provides China an opportunity to be actively involved in the process--Chinese strong backing for the establishment of the two subcommittees reportedly was instrumental in convincing North Korea to accept this ROK proposal. If discussions on Peninsula confidence building measures (CBMs) actually take place and, more importantly, if they result in the implementation of South-North CBMs, they will make a more positive, pro-active contribution to peace and stability on the Korean Peninsula.

Impact of Asian Financial Crisis

The severe financial crisis in South Korea has not had a direct bearing on the Talks themselves or on the major issues on or off the table. The South's current economic difficulties, severe as they are, pale in comparison with those of the North. (The joke in Seoul, however, is that former President Kim Young-Sam's major accomplishment was in narrowing this gap--just not in the way South Koreans had anticipated.)

The crisis may have had an impact on the attitude of the South, however, while perhaps lowering the paranoia of the North. While the conventional

⁷⁶For more details, see Geir Moulson, "U.S., China, Korea Wrap Up Talks," *The Associated Press*, 1/22/99, as cited in the *NAPSNET Daily Report*, 1/25/99.

wisdom has long held that South Korea was in no rush for reunification, given the enormous costs sure to be involved in absorbing the North, some in Seoul appeared in recent years to be challenging this view. The North, meanwhile, was ever suspicious of the South's desire to force their collapse in order to absorb them. To the extent either of these views held sway during Seoul's economic heyday, they have significantly diminished today.

The South's top priority today is getting its own house back in order while the North must look inward for the most serious threat to its survival. Each sees the maintenance of the geopolitical status quo on the Peninsula in its interest (as do the other two members of the Four-Party Talks). One could argue that the financial crisis has thus contributed to a greater spirit of cooperation on both sides, by decreasing Seoul's incentive for promoting the North's collapse while hopefully reducing the North's paranoia about the South's intentions.

In addition, while President Kim Dae-Jung's belief in a more conciliatory approach toward North Korea predates both his inauguration and the Asian financial crisis, Kim's Sunshine Policy is no doubt more acceptable to the general ROK public--and even to hardliners who otherwise would have supported absorption--since it makes a virtue out of current reality. The simple truth is, South Korea must recover from its own financial crisis before it can seriously think about absorbing or integrating the North into a fully unified new Korean state.

Link to Agreed Framework

Any attempt to more formally tie the Four-Party Talks to Agreed Framework provisions could prove disruptive or counterproductive. Keeping the two negotiations completely separate seems to better serve the interests of all concerned. Nonetheless, should the Four-Party Talks move from form to substance, this almost certainly will be viewed as North Korean fulfillment of the Agreed Framework's call for the resumption of North-South dialogue. As mentioned earlier, the reverse is not true. Even if the Four-Party Talks do not result in the desired South-North dialogue, the Agreed Framework's objectives can be met, provided that some other form of direct official dialogue eventually takes place. The prospects for such dialogue have been increased with the institution of South Korea's Sunshine Policy.

SUNSHINE POLICY

The inauguration of President Kim Dae-Jung as Korea's first democratically elected opposition candidate has ushered in a completely new era in ROK politics and, with it, potential new opportunities for interaction with the North--provided, of course, that North Korean leader Kim Jong-Il is finally willing to step forward and accept the olive branch being offered by the South.

From the moment he was elected to lead the ROK, President Kim extended a hand of friendship toward North Korea, even while keeping his other hand firmly on South Korea's defensive shield--the U.S.-ROK security alliance. The South's new Constructive Engagement or Sunshine Policy embraces both cooperation and deterrence.⁷⁷ As President Kim observed in his 50th Anniversary Commemorative speech,

If Koreans are to survive on the Peninsula in the cold realities of today's international politics, both Koreas should open a new chapter of reconciliation, exchanges, and cooperation. Let us initiate a good relationship for mutual prosperity and coexistence within the framework of the [1991] Agreement on Reconciliation, Nonaggression, and Exchanges and Cooperation between the South and North.⁷⁸

These words of peace and reconciliation underscore the profound shift in the ROK's policy toward the North since the new ROK President's February 1998 inauguration. President Kim's new Sunshine Policy opens an unprecedented window of opportunity for South-North cooperation. It also coincides, at least in

⁷⁷The Sunshine policy gets its name from the Aesop's Fable about the contest between the sun and the wind to compel a man to remove his overcoat. The harder the wind blew, the more the man clutched his coat. The sun easily convinces the man to remove his coat, however, through its warmth and radiance. The name has fallen into disfavor since it sounds overly optimistic and perhaps naive. As a result, Seoul now prefers to call it the Constructive Engagement Policy.

⁷⁸"President Kim Dae-Jung Commemorates 50th Anniversary of the Republic of Korea," *Korea Update*, Aug 15, 1998, vol. 9, no. 6, p. 4.

theory, with U.S. security objectives regarding the Korean Peninsula and thus provides opportunities for closer ROK-U.S. cooperation on long-term Peninsula security issues.

Background

When it comes to dealing with North Korea, the Republic of Korea and the United States share two very critical goals: to deter aggression, and to bring about eventual peaceful reunification. There is also a strong coincidence of views between Washington and Seoul on how the first is to be achieved: namely, through the combined deterrence provided by the U.S.-ROK security alliance and the presence of 37,000 American troops serving alongside their ROK counterparts under the Combined Forces Command.

The quest for peaceful reunification has proven much more difficult to manage, however, in large part because this also requires Pyongyang's cooperation. The North, on occasion, has demonstrated a willingness to cooperate, most notably at the beginning of this decade, when South-North ministerial-level talks were held and the previously-referenced 1991 Basic Agreement and companion Joint Declaration on a Non-Nuclear Korean Peninsula were signed by both sides.⁷⁹

Hopes for meaningful North-South cooperation were quickly dashed, however, during the various nuclear-related crises of 1992-94 and, as already documented, neither the subsequent Agreed Framework nor the Four-Party Talks has resulted in a return to this earlier all-too-brief era of cooperation and compromise.

Both the Agreed Framework and Four-Party Talks are seen by Pyongyang (and Seoul) as U.S.-driven initiatives and Pyongyang has made no secret that it is more interested in establishing direct dialogue links with Washington than with Seoul. The U.S. (and Chinese) view that the two major powers are at the Four-Party Talks merely to facilitate South-North discussion is not shared by Pyongyang. North Korea still appears intent on trying to reach a separate peace agreement with the U.S., even though the Four-Party Talks proposal made it clear that this is unacceptable both to Seoul and to Washington. Meanwhile, North Korea sees KEDO primarily as a U.S. tool for living up to America's Agreed Framework obligations.

⁷⁹As summarized in Appendix C.

President Kim's Sunshine Policy, while consistent and complementary with these earlier U.S.-driven initiatives, represents a noteworthy attempt to place primary responsibility and direction of South-North affairs back in the hands of the Korean people on both sides of the Demilitarized Zone (DMZ), where it belongs. It is important in analyzing the Sunshine Policy to place it in this larger perspective.

Kim Dae-Jung's Foreign Policy

Key elements of President Kim's foreign policy were clearly outlined in his "Address to the Nation" the morning after his historic election:

To strengthen our national security, we will preserve and maintain alliance ties and close cooperation with the United States--*the central factor in our national security.*

To maintain peace and stability on the Korean Peninsula, we will do our best to elicit positive cooperation with the four major powers around us--the United States, Japan, China, and Russia. Since I was a presidential candidate in 1971, *I have consistently advocated Four Power guarantees for Korean peace.* The need for it has increased today. [emphasis added]⁸⁰

It is within the context of this very proactive foreign policy agenda, built upon the foundation of the U.S.-ROK security alliance and dependant on the active support of all four major powers, that his overtures toward the North were couched.⁸¹ This recognizes that Seoul's Sunshine Policy cannot be implemented in a vacuum.

Sunshine Policy Principles. As President Kim reminded everyone in his 50th Anniversary Commemorative speech, the Sunshine Policy rests on three basic principles:

⁸⁰Kim Dae-Jung, "Address to the Nation," December 19, 1997, as reprinted in *A Profile of Courage and Vision: Kim Dae-Jung* (Seoul: Korean Overseas Information Service, February 1998), p. 26.

⁸¹President Kim has been particularly bold in stressing the importance of close ROK-Japanese cooperation to future Peninsula stability--an essential but politically-sensitive undertaking.

First, we will not tolerate armed provocations of any kind;

Second, we do not intend to absorb North Korea; and

Third, we will actively promote exchanges and cooperation between South and North Korea.⁸²

According to the ROK Ministry of Unification, these principles underwrite new policies that focus on: separation of politics from economic cooperation; envoy exchanges to confirm South-North intentions at the highest official levels; developing solutions to the divided families issue, primarily through the good offices of the Red Cross; food aid, including agricultural development and economic cooperation as well as humanitarian assistance; continued support to the LWR project through KEDO; and the promotion of intra-Korean and international cooperation.⁸³

Underlying all these policies is the principle of reciprocity. This calls for both sides to understand and respect one another's opinions and, most importantly, to "keep their promises made to each other."⁸⁴ It also calls for an end to the old "zero-sum" approach and to demands for unilateral concessions. A certain amount of flexibility is built into the ROK approach, however. As the Ministry of Unification explains: "We do not ask for an exact 100 in return for every 100 we give to the North.

What is required is that the North should make a certain degree of corresponding efforts in response to our efforts to improve intra-Korean relations."⁸⁵

Long-Term Objectives. This approach toward North Korea represents a dramatic break from past policies that focused on the collapse and absorption of North Korea--the debate being over "hard landings" versus "soft landing." Kim Dae-Jung's predecessor appeared to shun policies that could somehow be construed as "propping

⁸²"President Kim Dae-Jung Commemorates 50th Anniversary of the Republic of Korea," p. 4.

⁸³These policies are laid out in considerable detail in the *Korean Unification Bulletin*, vol. 1, no. 1, July 1998, published by the ROK Ministry of Unification.

⁸⁴*Ibid.*, p. 4.

⁸⁵*Ibid.*

up" the North regardless of whether of not they supported ROK long-term objectives. The Sunshine Policy puts long-term security objectives first.

President Kim set the tone and laid the foundation for his subsequent Sunshine Policy in his December 1997 Address to the Nation when he announced:

For now, our goal is to secure peace and stability on the Peninsula, and exchanges and cooperation between the South and the North. National unification can be discussed and achieved later through progressive and gradual means.⁸⁶

Results. According to South Korea, this policy is beginning to bear some fruit. In addition to periodic discussions over humanitarian issues, some cautious South-North joint business ventures (separating economics from politics), and the afore-mentioned beginning of tours for South Koreans to North Korea's Mt. Kumgang, the South "positively assesses" a recent letter from the DPRK proposing high-level talks.⁸⁷ While the letter contains some of the standard DPRK preconditions--an end to ROK-U.S. military exercises and abolishment of the ROK National Security Law--and derogatory references to the U.S., it is otherwise generally positive in tone, stressing "the three principles of the fatherland's reunification--independence, peaceful reunification, and grand national unity." South Korea has responded by calling on the North to hold talks "without any conditions and as soon as possible."⁸⁸

General Observations

It is not my intention to second guess the Sunshine Policy or offer an alternative since I believe this approach to be based on very sound principles--it calls for a gradual opening up of the North and confidence building measures today that will hopefully pave the way

⁸⁶Kim Dae-Jung, "Address to the Nation," p. 26.

⁸⁷See Appendix K for a copy of the DPRK's February 3, 1999 letter.

⁸⁸According to the February 4, 1999 ROK Ministry of National Unification Press Release which accompanied the release of the DPRK's letter.

for eventual reunification. The challenge of course, is to implement it in the face of North Korean suspicion and likely continued resistance. In the Recommendations section that follows shortly, some practical suggestions and new approaches will be offered to assist both in implementing the Agreed Framework and in pursuing the Sunshine Policy's broader goals. But first, a few general observations.

Challenge of Democracy. In attempting to implement his Sunshine Policy, President Kim is experiencing the great challenge that living in a democracy poses to the effective conduct of foreign policy.⁸⁹ Developing and implementing sound foreign policy in a vibrant democracy is difficult even when there is broad bipartisan support for one's policies. When this is not the case or, worse yet, when the ruling party is either in the minority in the legislature (as was originally the case in the ROK and still is in the U.S.) or is a member of a fragile coalition (Kim's position today), the challenge can be enormous.⁹⁰

Timing. The timing of ultimate reunification cannot be predicted. North Korea could collapse tomorrow. But, it is at least as likely that it will muddle through for some time. Even if there is a sudden change in regime (should Kim Jong-Il be deposed) this will not automatically result in a more hospitable government or in one more willing to cooperate with Seoul. In certain respects, Kim Jong-Il, given his mandate as Kim Il-Sung's heir and chosen successor, has greater flexibility when it comes to changing direction or choosing to cooperate with the ROK than any likely North Korean successor. The challenge is to convince him to see the wisdom of following that path; a path which, to him, appears fraught with potential dangers.

DPRK Regime Survival. It must also be remembered that those pursuing peaceful reunification under Seoul are

⁸⁹This is not a new challenge. In his seminal book on *Democracy in America*, Frenchman Alexis De Tocqueville pointed out in 1835 how democracies, for all their many benefits, were ill-suited to the task of conducting foreign policy.

⁹⁰I point this out not to recommend that either nation rethink its commitment to democracy but to understand that as one tries to fine-tune a President's policies and offer suggestions, one must always keep an eye on what is politically feasible.

saying to the North: "please die a quiet, graceful death." This is a request that no leader in Pyongyang is likely to willingly accept today. We must assume that personal and regime survival continue to motivate Kim Chong-Il and his colleagues in the North and this factor must be taken into account. No North Korean leader under its current system of political control is going to cooperate with Seoul if convinced that such cooperation will result in removal from power, incarceration, or death.

The main difference between the Sunshine Policy and earlier approaches is that it is more accepting of allowing the North to die of natural causes over time rather than trying to hasten this outcome by prematurely turning off life support systems today. It recognizes that a great deal of "stage setting" must occur before the two sides can even seriously think of merging. The less the North Korean regime feels imminently threatened, the more likely it is to cooperate--and the less likely it is to lash out in irrational ways.

Deterrence Essential. Predicting the North's behavior remains a risky endeavor, however. This is why continued deterrence--in the form of a solid ROK-U.S. alliance and a continued U.S. military presence--is essential until complete reunification is achieved.

RECOMMENDATIONS

Many obstacles and moments of truth still lie ahead in the quest for a peaceful, prosperous, nuclear-free Korean Peninsula. The ultimate success of the Agreed Framework/KEDO process, the Four-Party Talks, and/or South Korea's Sunshine Policy is by no means assured. But, while a positive outcome cannot be guaranteed, there are steps that the U.S. and ROK can take, collectively and individually, and along with other friends and allies, to help improve the prospects for success. There is also a great deal that the DPRK could and should do to more positively contribute to the process and some suggestions for Pyongyang to consider are also included in this report. Table 5 briefly summarizes key recommendations.

Basic Assumptions

The following suggestions for U.S. and ROK policymakers all rest on two basic assumptions. First and foremost is the need for continued deterrence, given the level of uncertainty about what the North really desires or is willing to concede in the interests of greater peace and stability. Flowing from this is the need for close

cooperation and coordination between Seoul and Washington.

Continued Deterrence. The Sunshine Policy's first basic principle is that the ROK "will not tolerate armed provocations of any kind." This principle is only credible if backed by the combined strength of the U.S.-ROK security alliance. As long as the Peninsula remains divided, and as long as separate political entities exist to the north and south of the DMZ with separate military forces, the U.S. security umbrella must remain intact. The mere signing of a formal Peace Treaty (the stated goal of the Four-Party Talks) will not change this; nor will continued adherence to the Agreed Framework's provisions.

As a result, Washington and Seoul must make it clear to Pyongyang that the continued presence of U.S. troops in the ROK is not a bargaining chip but an essential stabilizing force which makes U.S.-DPRK and South-North dialogue possible. Until reunification, the status and fate of U.S. forces based in the ROK is for Seoul and Washington alone to determine; as far as Pyongyang is concerned, the U.S. presence must be seen as non-negotiable.⁹¹ Once reunification occurs, it will then be up to Washington and the new unified Korean government to decide the desirability and nature of any new bilateral security arrangement.

Close ROK-U.S. Coordination. If deterrence is to be maintained, close cooperation and coordination is required between the U.S. and ROK, not just under the Agreed Framework, but as regards U.S.-DPRK and ROK-DPRK relations in general. Greater effort is needed to reconcile the different approaches or attitudes in Washington and Seoul in response to real or perceived North Korean provocations--as well as to dealing with North Korea in general.

One thing appears certain: North Korea will continue to seek the daylight between various U.S. and ROK approaches and views in order to gain negotiating advantage. Keeping these policy gaps as narrow as possible is in both the ROK's and America's national security interest and will make dealing with the DPRK (always a grueling task) perhaps a little less difficult.

⁹¹See Ralph A. Cossa, "U.S. Troop Presence is Non-Negotiable," *The Japan Times*, August 3, 1997, p. 19, for more of the author's views on this subject.

Table 5
List of Recommendations

basic assumptions: continued deterrence/close U.S.-ROK cooperation and coordination.

Suggestions for the U.S.

- clearly define and articulate a comprehensive long-term strategy and objectives;
- develop "package deal" approach that ties together Agreed Framework, Four-Party Talks, US-DPRK missile talks, etc., with clearly defined milestones;
- show good faith adherence to Agreed Framework through continued oil deliveries;
- obtain broader political/financial support for KEDO and develop bipartisan consensus needed to achieve Nuclear Cooperation Agreement;
- consider partial/complete lifting of economic sanctions to keep in full compliance with spirit of Agreed Framework;
- demonstrate clear, unambiguous support for the Sunshine Policy;
- clearly specify what constitutes sufficient progress, identify milestones, and honor quid pro quo agreements when milestones are reached;
- develop strategic rationale for post-reunification military presence.

Suggestions for the ROK

- support Agreed Framework/Four-Party Talks and continue to finance LWR;
- pursue goal of opening up the North, even if actions prop up current regime;
- eliminate/revise National Security Law/other barriers to South-North interaction;
- establish Korean Peninsula Agricultural Development Organization to administer ROK/U.S./Japanese food aid and agricultural assistance;
- support DPRK membership in ARF/other organizations, including broader eight-party mechanism;
- offer "open skies" agreement/mutual DMZ monitoring/traditional CBMs.
- build better ROK-Japan ties/unequivocally support U.S.-Japan alliance and revised Defense Guidelines;
- understand fundamental difference between Beijing's future vision and that of ROK/U.S., even as all cooperate to achieve complementary short-term goals;
- discuss North Korea's confederation proposal as interim step toward reunification.

Suggestions for the DPRK

- live up to letter, spirit, and intent of Agreed Framework, honor timelines, and keep oil delivery process transparent;
- honor NPT commitments and come into full compliance with IAEA;
- tone down rhetoric and abandon brinkmanship tactics;
- establish dismantlement schedule for existing reactor/facilities;
- provide necessary LWR infrastructure and/or consider alternate energy means;
- sign the CTBT and other non-proliferation regimes.

The U.S. has every right to pursue its own agenda with the DPRK separate from the ROK on issues of unique importance or relevance, such as resolution of long-standing Prisoner of War/Missing in Action (POW/MIA) issues left over from the Korean War or bilateral missile talks aimed at getting the North to refrain from developing and selling long-range missiles. But, the United States must ensure that its bilateral initiatives with North Korea do not give Pyongyang false hopes that it can isolate Seoul from the broader Korean Peninsula peace process. The U.S. message, as initially spelled out in no uncertain terms in the Four-Party Talks proposal, must remain crystal clear: *South Korea cannot and will not be excluded from any peace agreement or from any negotiations directly related to the Peninsula's future security structure.*

Progress in bilateral U.S.-DPRK relations is not worth the gain if it detracts from settlement of the larger issue of peace on the Peninsula being undertaken by the Sunshine Policy and other combined U.S.-ROK initiatives such as the Agreed Framework/KEDO and the Four-Party Talks. Given that both the U.S. and ROK are vibrant democracies, both governments must also ensure that public opinion is well informed about the process and about the stakes involved. Every effort must be made to keep partisan domestic politics separate from this important foreign policy task.

Suggestions for the U.S.

The following suggestions are offered to U.S. policymakers and opinion leaders in hopes that they will contribute to enhancing the prospects for reaching the Agreed Framework's long-term objective, shared by all other U.S. and ROK policy initiatives, of promoting a stable, peaceful, nuclear-free Korean Peninsula. Incorporated are additional suggestions for U.S.-ROK coordination and cooperation in areas where the U.S. has or should take the lead.

Clear U.S. Policy Needed. The first thing that is needed is a clear-cut expression of overall U.S. security strategy for the Korean Peninsula. The Agreed Framework/KEDO process and the Four-Party Talks are not strategies; they are instruments aimed at dealing with two specific aspects of the overall problem: the North's suspected nuclear program and the need to replace the Armistice with a permanent peace treaty. Washington needs to clearly define and articulate its long-term strategy and objectives for the Korean Peninsula and identify how individual initiatives such as the Agreed Framework, Four-Party Talks, and other initiatives (such as the missile talks and MIA discussions) fit into the overall strategy.

This strategy should be developed through close consultation with Seoul but should be tied, first and foremost, to U.S. national security interests. While the U.S. and ROK must closely coordinate their approaches, each must recognize and accept that the other's tactics on occasion will differ as they sometimes pursue alternate paths toward the same common goal. While some may argue that a comprehensive U.S. policy already exists, "the Congressionally-mandated review," to cite former U.S. Assistant Secretary of Defense Richard Armitage, "has made it clear that current policy toward North Korea is politically unsustainable."⁹² A new approach is needed, Ambassador Armitage asserts, and this new approach "must treat the Agreed Framework as the beginning of a policy toward North Korea, not as the end of the problem."

The Council on Foreign Relations Task Force Letter to President Clinton provided an outline of what a new, comprehensive U.S. policy should include, when it urged the President to:

Order a careful examination of current U.S. policy, in light of new circumstances, to include: our interpretations of North Korean intentions; the effectiveness of our coordination with allies; our long-term policy objectives; integration of our disparate negotiating instruments with Pyongyang into a more comprehensive approach; and a consideration of our posture, should the North Korean nuclear effort remain active or the Agreed Framework collapse.

The Council was among many who also urged the Clinton Administration to appoint a senior person from outside the government to conduct a complete North Korea policy review; an action that was subsequently mandated and tied to future funding for KEDO by the Congress. As a result, former Secretary of Defense William Perry was chosen to conduct this review.

Seriously Consider Perry's Recommendations. At this writing, Dr. Perry's recommendations have not yet been presented to President Clinton or otherwise made public. Given his well-deserved reputation for fairness, objectivity, and balance, however, one can safely recommend that his report should be taken seriously and

⁹²Richard L. Armitage, "A Comprehensive Approach to North Korea," *National Defense University (NDU) Strategic Forum*, No. 159, March 1999, reporting on the results of a Working Group on U.S. Policy Toward North Korea. See Appendix L for the complete text.

subjected to non-partisan analysis, comment, and support. Regrettably, as the year 2000 elections approach, it will become increasingly more easy to recommend good policy than it will be to implement it.

However, the stakes involved in dealing with North Korea are too high to continually subject the process to partisan politics and power plays between the Administration and Congress. While honest differences of opinion are sure to continue to exist, it is sincerely hoped that both the Administration and Congress will positively approach the Perry Report's recommendations and use them, along with the recommendations in this and other studies, to build a new, comprehensive bipartisan policy toward the Korean Peninsula; one that is consistent with, and compliments President Kim's Sunshine Policy as well.

Prepare a Package Deal. President Kim Dae-Jung, on the first anniversary of his inauguration, proposed a "package deal" approach to North Korea which tied together continued North Korean compliance with the Agreed Framework (including inspections of Kumchangri) with food and economic aid, an end to the U.S. economic embargo, and normalized relations between Pyongyang and both Washington and Tokyo. The U.S. needs a comparable "package deal" approach, one that ties together individual programs like the Agreed Framework/KEDO, the Four-Party Talks, the US-DPRK missile talks, and other such initiatives, with clearly defined linkages and milestones.

Preliminary reports by Dr. Perry indicate that his review of U.S. North Korea policy will also stress the need for a more comprehensive strategy which also incorporates a package deal approach. Dr. Perry has received considerable guidance from Congress as to what they expect his report to include. A group of senior Republicans, lead by Benjamin Gilman, Chairman of the House of Representatives International Relations Committee, sent Dr. Perry a letter listing all the points they expect his policy report to address or insist upon, keyed to North Korea's current dangerous or destabilizing actions.⁹³ Unfortunately, the letter fails to mention what the Congress might be willing to do in return as a quid pro quo.

⁹³The full text of Congressman Gilman's March 5, 1999 letter is contained in Appendix M. The letter starts off by noting the Agreed Framework's failure to terminate North Korea's missile program, once again linking (in the eyes of Congress) the Agreed Framework to a task it was never designed to address.

The National Defense University's Armitage Report also stressed a package deal but cautions that "the package should contain elements of deterrence and diplomacy." The Armitage Report does recognize that North Korea must get as well as give for any package deal to work:

Washington should table an offer that meets Pyongyang's legitimate economic, security, and political concerns. This would allow the U.S. to seize the diplomatic initiative as well as the political and moral high ground....

The objective of negotiations should be to offer Pyongyang clear choices in regard to its future: on the one hand, economic benefits, security assurances, political legitimization; on the other, the certainty of enhanced military deterrence.

Reject an "Honest Broker" Role. Some have argued that the U.S. must pursue a more "balanced" policy toward the Peninsula in order to serve as an "honest broker" between the South and North. I strongly disagree! "Balanced" and "honest broker" imply a degree of neutrality which the U.S.--as a security ally of the ROK--does not, and should not, have. The United States is, and must be seen (and portray itself) unambiguously as the ROK's foremost ally. The U.S. must be seen as honest, and must continue its attempts to broker a peace treaty between South and North. But, Washington must continue to be seen, in the eyes of South and North Koreans alike, as a staunch ally of the ROK, if nonetheless dedicated to a fair and lasting peace on the Peninsula.

Honor the Agreed Framework. The U.S. must continue to demonstrate its good faith adherence to the Agreed Framework. At a minimum this includes continued fuel oil deliveries and obtaining broader political and financial support for KEDO. A partial if not complete lifting of U.S. economic sanctions against North Korea should also receive immediate serious consideration, to keep the U.S. in full compliance with both the letter and spirit of the Agreed Framework.

To accomplish this, the Clinton Administration needs to expend more political capital to build a broader constituency for KEDO within the Congress. Sooner or later, this must be achieved, for as Richard Allen of the Heritage Foundation observed early on in the process, the "most problematic aspect" of the Agreed Framework process could be the United States itself. As Allen noted:

Nuclear specialists, diplomats, financiers, technicians, KEDOCrats, and all the rest can labor mightily at their constructs for the development of this Agreed Framework, but all of this will be of

little help if the mood in Washington turns sour and things go south. Whether that mood will sour depends directly on the ability of the Clinton Administration to get along with the Congress."⁹⁴

The U.S. (and ROK and Japan) should also agree to keep KEDO out of the humanitarian relief process. Emergency assistance is better handled through the UN or through the Red Cross or some other non-governmental organization. Longer-lasting systemic relief and reform of the North's agricultural sector appear to be appropriate topics of discussion regarding South-North confidence building measures. Here, Seoul should take the lead, albeit with active U.S. support and assistance.⁹⁵

Bipartisan Support. The Administration must eventually face up to the need for a formal U.S.-DPRK Nuclear Cooperation Agreement in order to transfer American nuclear technology used in the ROK reactors to the North. As with everything else, this will also require bipartisan Congressional support. For its part, the U.S. Congress must also face up to the need and responsibility to keep the KEDO process alive through assured funding. The current "Perils of Pauline" approach, that keeps KEDO tied to the railroad tracks in the face of an oncoming train until the last possible second, must end. Were the Agreed Framework to fail because of petty partisan domestic politics, this would be unforgivable. Instead, consideration should be given to a multi-year funding agreement for KEDO.

Stop Encouraging Bad Behavior. The U.S. apparent willingness to continually pay North Korea to do what it has agreed, under the Agreed Framework, already to do--i.e., demonstrate that it is honoring its pledge to freeze its nuclear activities--is reinforcing a "compensation for crisis" mentality in North Korea. What we witnessed in the Kumchangri underground facility crisis was classic North Korean behavior. Pyongyang turned an opportunity for cooperation into a crisis, given the prospect that it could reap financial benefit from the confrontation. The impression in this instance that the U.S., once again, has paid for North Korea's cooperation (U.S. official denials to the contrary)

⁹⁴Richard V. Allen, "The Second Anniversary of the U.S.-North Korean Accord: Cause for Celebration?" The Heritage Lectures No. 587, p. 4., October 1995.

⁹⁵See the "Recommendation for the ROK" section for a more specific proposal on putting Seoul in the lead.

increases the prospects for similar demands (and crises) in the future.⁹⁶

Support the Sunshine Policy. The U.S. needs to be clear and unambiguous in its support for the ROK's Sunshine policy in practice as well as in principle. In June 1998, President Kim took the bold step of asking the U.S. Congress both to lift the economic embargo on the North and to fully live up to the U.S.'s commitments regarding KEDO fuel oil deliveries and other promised steps, including the establishment of diplomatic ties. While praising President Kim personally and giving him a "hero's welcome" during his visit to Washington, his requests have thus far fallen largely on deaf ears, and American support for the Sunshine Policy must be described as lukewarm, at best.

Diplomatic Relations. In bold contrast to his predecessor, President Kim Dae-Jung has acknowledged that diplomatic relations between Pyongyang and Washington (and between Pyongyang and Tokyo) are long overdue, as the second half of the cross-recognition process that began when Moscow and Beijing establishing formal ties with Seoul after both Koreas joined the United Nations. Four-way recognition is a prerequisite to formal peace and should be seen as part of the process leading to peaceful reunification. Realistically speaking, it would be extremely difficult, politically, to establish formal diplomatic relations today. Ideally this would come at the signing of a Peace Treaty which included cross-recognition between Seoul and Pyongyang as well. However, at a minimum, the U.S. should clearly identify what steps are required and then be prepared to move forward if the North satisfies these requirements.

Establish Progress Criteria. The U.S. and ROK also have to more clearly specify what constitutes sufficient progress in South-North dialogue. Is just showing up at the Four-Party Talks sufficient? I believe that high priority should be attached to obtaining North Korean acceptance of, and compliance with, the mutually-negotiated 1991 South-North Agreement on Reconciliation, Nonaggression, and Exchange and Cooperation and the companion Joint Declaration on a Non-Nuclear Korean Peninsula. The Clinton Administration and Congress also need an agreed-upon definition of what constitutes "significant progress" for the missile talks. Clearly identified criteria and milestones, along with a willingness to honor quid pro

⁹⁶The U.S.-DPRK Joint Press Statement, as reprinted in Appendix N, states that "the DPRK has decided to provide the United States with satisfactory access" and "the U.S. has decided to take a step to improve political and economic relations."

quo agreements, is a prerequisite to success of any package deal.

Discuss U.S. Post-Reunification Role. The U.S. Defense Department's and President Kim's stated preferences notwithstanding, it is unwise to assume that a post-reunification U.S. military presence on the Korean Peninsula will be supportable either in Washington or in Seoul. But, it is also too soon to rule out this possibility. The advisability and feasibility of U.S. bases and forces in a reunified Korea is highly scenario-dependent.

Despite these unknowns, under most plausible scenarios (and especially under a confederation scenario), I personally see a future role for U.S. forces on the Korean Peninsula after reunification, at least in the near term, in order to help ensure a secure environment conducive to much-needed demilitarization, if for no other reason. Not all security specialists agree however. Even among military professionals fully committed to sustaining Korean Peninsula security, there is serious question of the advisability and sustainability of a U.S. military presence on the Korean Peninsula post-reunification, according to the previously referenced Pacific Forum CSIS survey.

In that survey, a cross-section of retired and some active duty U.S. military officers were asked about their views regarding a continued U.S. presence today, under a South-North confederation, and under full reunification. Not surprisingly, the overwhelming majority agreed that a continued U.S. military presence on the Korean Peninsula was essential today, even if the DPRK continues to honor the 1994 Agreed Framework.⁹⁷ Moreover, most agreed that a continued military presence was desirable and appeared supportable even under most confederation scenarios.

However, slightly more than half believed that U.S. forces had no role to play on the Peninsula post-reunification. Many of these still supported a modest U.S. military presence in Japan and elsewhere in Asia post-Korean reunification as a hedge against future uncertainty. But survey respondents raised serious questions both about the strategic necessity and about the probability of political support (in either Washington or Seoul) for a continued U.S. military presence on the Korean Peninsula once genuine reunification is achieved.

⁹⁷Ralph A. Cossa, *Korean Peninsula Security in the Wake of the October 1994 Agreed Framework Between the U.S. and DPRK*. Also summarized in "Korean Peninsula Security: A Survey of U.S. Military Attitudes (Retired and Active Duty) Toward Korean Peninsula Issues," *PacNet*, No. 1, Jan 5, 1996.

If U.S. and Korean officials and strategic planners are convinced that a continued U.S. military presence is necessary or desirable post-reunification, they must begin serious discussions now in order to develop the strategic rationale.⁹⁸ They must then begin making convincing arguments to potentially skeptical legislatures and publics in both nations, lest they be overtaken by events should reunification come quicker than expected. A firm position, backed by their respective publics and legislatures, is essential to counter North Korean arguments and proposals which invariably focus on the withdrawal of U.S. forces.

Suggestions for the ROK

The following suggestions are offered to reinforce and build upon President Kim Dae-Jung's current Sunshine Policy approach toward North Korea while also enhancing the prospects for success of the Agreed Framework and Four-Party Talks. Interwoven in these suggestions to my ROK colleagues are some additional recommendations for joint ROK-U.S. action, given the closeness of our security ties and the continued need for close coordination and cooperation.

Support the Agreed Framework/KEDO and Four-Party Talks. President Kim has wisely committed his nation to full support for both the Agreed Framework/KEDO and Four-Party Talks processes. These compliment the Sunshine Policy and are likewise aimed at promoting direct dialogue and contact between South and North. South Korean politicians will also have to demonstrate political leadership (and courage) to ensure that Seoul lives up to its financial end of the KEDO bargain and continues to finance its share of the light water reactor project despite the current financial crisis.

Disregard "Propping Up" Accusations. The Sunshine Policy is not aimed at hastening the collapse of North Korea; indeed the second basic principle specifically states that the South will not attempt to absorb the North. It should also not be specifically aimed at propping up the current North Korean regime ... and is not. If, however, some policies contribute to the DPRK's survivability, at least in the near term, so be it!

The real goal of promoting exchanges and cooperation with North Korea (the Sunshine Policy's third principle) is to open up the North, to build confidence, and to expose the people of North Korea to

⁹⁸The Pacific Forum CSIS, in conjunction with the Yoido Society in Korea and the Okazaki Institute in Japan, is currently engaged in such analysis at the track two, non-governmental level.

the prospects of a better, safer, more prosperous and secure life. Its aim is to create a desire and incentive for eventual reunification under Seoul's political and economic system. As former-ROK Foreign Minister Han Sung-Joo has noted,

the success of the Sunshine Policy will hinge not on whether the North agrees to inter-Korean dialogue or renounces its hitherto hostile policy toward the South, but in the extent to which it can induce the North to open up and change.⁹⁹

It is possible, but not likely, that increased suffering alone will cause the North Korean regime to be toppled.

But, the ability of the North Korean people to endure hardship should not be underestimated and the ability of starving people in the countryside to affect political change in Pyongyang should not be overestimated. If history is any guide, it is the classic "spiral of rising expectations" that forces political change more than mere suffering alone. What appears as "propping up" today may be creating a greater awareness in the North of what's possible and available, thus setting the spiral in motion.

The South should not hesitate to interact with the North on these terms and should understand that even actions that on the surface may serve to prop up the current regime contribute to the broader goals of opening up the North and paving the way for eventual peaceful reunification. This logic argues strongly in favor of continuing food aid and other humanitarian gestures without significant political strings attached. ROK support for greater World Bank and Asian Development Bank involvement in North Korean development efforts (with appropriate strings attached of course) should also be considered as another means of promoting a greater opening up of North Korea.¹⁰⁰

Promote People-to-People Exchange Programs. The need to expose people in the North to the realities present in the South and the rest of the world in part lies behind the policies of people-to-people and envoy exchange programs and is one of the important practical benefits

⁹⁹Han Sung-Joo, "The Myth and Reality of New North Korea Policy," *The JoongAng Ilbo*, July 6, 1998, as reprinted in English in *Korea Focus*, July-August, 1998, p. 57.

¹⁰⁰See David G. Brown, "Seoul's North Korea Policy Challenges" and other chapters in Ralph A. Cossa (ed), *Managing Relations With North Korea: Where Do We Go From Here?*, Pacific Forum CSIS Special Report, October 1997, for additional details.

behind the divided family visitations proposal (and no doubt one reason why the North has been hesitant to fully embrace this initiative). High priority should be assigned to working out a mutually-acceptable divided families visitation program. Initiatives such as the Mt. Kumgang Tourism Project being conducted by South Korean businessman Chung Ju-Yung as well as President Kim's proposal to field joint South-North teams for international sporting events such as the Asian Games and Olympics likewise contribute to the opening up process.

Remove Restrictive Barriers. To promote greater awareness and exchange in both directions, the ROK's National Security Law needs to be eliminated or at least significantly revised and other barriers to greater South-North interaction need to be lifted. Even with its setbacks caused by the ongoing Asian financial crisis, the South should welcome the opportunity for citizens on either side of the DMZ to compare and contrast living conditions and other quality of life factors.

To date, President Kim has been hesitant to take on this challenge, stating that he did not want to generate domestic political disputes at this time of economic difficulty, even while acknowledging that "some poisonous parts" of the law are likely to be amended soon.¹⁰¹ There are signs that President Kim will soon live up to his promise to the secretary general of Amnesty International that "the day the government will amend the law will come and it will not be too long from now."¹⁰²

In late March, 1999, the ROK Minister of Justice announced that the National Security Law will be revised so that people will be liable for prosecution only if they "engage in activity damaging to the security of South Korea." The existing clause reads "engage in activity benefiting North Korea." Under the current law, people are liable for prosecution for activity unrelated to national security. According to the Justice Minister, the ROK will not completely scrap the law, but phrases related to "praising and encouraging North Korea" are expected to be deleted.¹⁰³

Establish KADO. As part of the Sunshine Policy's desire to separate economics and humanitarian assistance from politics, South Korea has provided food aid and promised other agricultural assistance to the North. It has

¹⁰¹"We Are Technically Still at War," *NewsReview*, Sept 19, 1998, p. 6.

¹⁰²*Ibid.*

¹⁰³"National Security Law to be Revised," *Chosun Ilbo* 3/25/99, as cited in *NAPSNET*, 3/25/99.

also urged the United States, Japan, and others to provide such assistance and praised the U.S. decision, in concert with the Kumchangri agreement, to provide additional agricultural assistance to the North. Such assistance has also been incorporated in most package deal proposals.

What's missing from these proposals, however, is an implementing mechanism. Whether or not one supports the Agreed Framework, it is clear that its implementing mechanism, KEDO, has been one of the bright spots in U.S.-ROK-Japan cooperation with North Korea. I would propose a parallel organization, KADO--the Korean Peninsula Agricultural Development Organization--chaired not by the U.S. but by the ROK, to administer the future food aid and agricultural assistance programs that would be a central part of any package deal. KADO would provide a vehicle for channeling U.S., Japanese, and broader international food aid to North Korea with Seoul in the driver's seat and with emphasis not just on handouts but on agricultural development to address North Korea's long-term food needs. This could help depoliticize U.S. and Japanese food aid and would provide a meaningful demonstration of actual support for President Kim's Constructive Engagement policy. It would also enhance direct South-North dialogue.

Support DPRK Membership in the ARF... As part of the opening up campaign, the ROK should encourage and support DPRK membership in both governmental and non-governmental multilateral organizations. Of particular significance would be unqualified support for DPRK membership in the ASEAN Regional Forum (ARF). While the ROK has been very supportive of DPRK participation in track two efforts--leading the effort to bring the DPRK into the Council for Security Cooperation in the Asia Pacific (CSCAP)¹⁰⁴ and encouraging their participation in the Northeast Asian Cooperation Dialogue (NEACD)¹⁰⁵--until recently, it seemed less certain about the desirability of having the DPRK enter the ARF at this time.

In my own discussions with ROK foreign ministry officials I note (and fully understand and appreciate) mixed feelings on this subject. On the one hand is the need for more dialogue and greater DPRK awareness of

¹⁰⁴A multinational grouping of regional institutes which now includes both South and North Korea among its 18 members.

¹⁰⁵Intended to involve North Korean foreign ministry and defense officials and scholars in dialogue with their US, ROK, Japanese, Chinese, and Russian counterparts. North Korea has thus far refused to attend.

geopolitical realities which immediate participation offers. On the other is the continued frustration over North Korea's refusal to recognize the ROK's legitimacy and resume direct dialogue. On balance, however, I would argue that more rather than less DPRK participation in multilateral organizations best serves Sunshine Policy objectives. This argues for the earliest possible DPRK participation in official forums such as the ARF.

ROK President Kim Dae-Jung has apparently reached this same conclusion. At an ASEAN meeting with other regional leaders in Hanoi in December, 1998, he reportedly praised the ARF as an important contributor to regional peace and security and publicly urged North Korea to join.¹⁰⁶ This presumably means that the ROK is now prepared to support DPRK membership in the ARF without preconditions. If true, this should be made clear and then echoed by the U.S. and the other ARF members.

... And Other Multilateral Forums. President Kim has also been supportive of other multilateral initiatives including then-Foreign Minister Han Sung-Joo's 1994 proposal for an official Northeast Asia Security Dialogue. Immediately prior to his inauguration, President Kim Dae-Jung reintroduced a variation of this theme when he called for a Six Nation Declaration on Peace and Stability in Northeast Asia (which North Korea unfortunately quickly dismissed as "a silly and dangerous plan.")¹⁰⁷

The DPRK has expressed discomfort with the traditional four plus two format since the DPRK does not enjoy diplomatic relations with either the U.S. or Japan, while the ROK has formal ties with all four of the major participating powers. DPRK spokesmen continue to make it clear that North Korea has no intention of participating in four plus two dialogues until "all bilateral relationships are in balance," i.e., until the U.S. and Japan recognize the DPRK.¹⁰⁸ Nonetheless, it is useful to keep

¹⁰⁶See Lee Chang-Sup, "NK Invited to Security Forum in Asia," *Korea Times*, 12/17/99, p.5.

¹⁰⁷See, for example, "N. Korea Calls Six-Nation Joint Peace Declaration 'Silly,'" AP-Dow Jones News Service, Seoul, 2/20/98 and "North Korea Throws Cold Water on Warming Ties," Reuters, Tokyo, 2/20/98.

¹⁰⁸Based on my own discussions with DPRK diplomats at the February 1996 UN Regional Centre's annual conference in Kathmandu, Nepal and elsewhere. These views were also spelled out in a summary statement entitled "Features of Security Situation in the Asia-Pacific Region, Northeast Region, and the Korean

such proposals on the table. Broadening the proposal to include Mongolia and Canada should also be seriously considered, since North Korea sees both as generally neutral and non-threatening. Their inclusion might make such a gathering more acceptable to Pyongyang.

The idea of establishing a Northeast Asia subgroup within the ARF should also be considered. Once a year the foreign ministers of all the Northeast Asia-North Pacific nations--Canada, China, Japan, South Korea, Mongolia, Russia, and the U.S. (and, hopefully one day, North Korea)--meet at the ARF. This presents a golden opportunity for sub-regional discussions, perhaps over lunch initially, but preferably during a separate half day meeting.¹⁰⁹

Deal Wisely with "Provocations." The Sunshine Policy, Agreed Framework, Four-Party Talks, and other initiatives aside, the fact remains that South and North Korea are technically still at war. As a result, one should expect that a certain amount of spying and espionage will occur by each against the other. While the North would obviously rather not get caught in these acts, such actions also contribute to the atmosphere of tensions that Pyongyang apparently views as useful to perpetuating its regime and increasing its bargaining position.¹¹⁰

In assessing North Korean motives and in determining the appropriate response, a clear distinction should be made between hostile, aggressive acts (assassination attempts, acts of terrorism, etc.) and intrusive intelligence collection efforts. The fact that the North employs submarine-borne infiltration teams and frogmen to determine what's going on in the South is a reflection of their weakness and basic distrust, but not necessarily of any hostile intentions. Unlike Seoul, they do not have ready access to high technology photo reconnaissance and sophisticated listening post

Peninsula," issued by So Chank-Sik, Chief of the DPRK Ministry of Foreign Affairs' Disarmament Division and distributed at the annual UN Regional Centre's conference in Kathmandu, Nepal, Feb 21-24, 1996.

¹⁰⁹I recently suggested to the Mongolian Foreign Ministry that, as the newest and most neutral member of this group, Ulaanbaatar take the initiative in calling for such a meeting.

¹¹⁰See Ramesh Thakur and Ralph A. Cossa, "Kashmir and Korea: Intractable Conflicts in a Nuclear Shadow," *International Herald Tribune*, 2/23/99, p.8, for more on North Korea's need for a certain level of tension and uncertainty.

techniques and are not privy to the high-quality intelligence information provided to the ROK by its U.S. allies (although one suspects that the Chinese and perhaps even the Russians may share some intelligence data with their North Korean colleagues).

Consider an Open Skies Proposal. Since the U.S. and South Korea have little to hide when it comes to their combined military capabilities (indeed, a greater awareness of this combined strength serves the cause of deterrence) and have no plans to invade the North, the possibility should be considered of offering some type of "open skies" agreement to permit mutual reconnaissance opportunities over one another's territories. Alternatively, third party reconnaissance platforms operated by a neutral nation or organization could monitor troop disposition and movements with the information collected then shared by both sides.¹¹¹

Propose Mutual DMZ Monitoring. Another way to deal with the basic distrust that drives the North's (and the South's) intelligence collection effort is the establishment of a South-North technological monitoring system within and along the DMZ (and perhaps extended both northward and southward from there) that could provide early warning of unusual troop movements.¹¹² In fact, a preliminary technological monitoring model for the Korean Peninsula already has been prepared by the U.S. Cooperative Monitoring Center at the Sandia National Labs in Albuquerque, New Mexico, working in cooperation with the ROK's Korean Institute for Defense Analysis.¹¹³ North Korean officials and scholars have been exposed to this preliminary study and would be welcome to work alongside ROK and American specialists to revise the draft if necessary to make it a more suitable South-North confidence building measure.

Develop Additional Confidence Building Measures. The "open skies" and "cooperative monitoring" proposals are examples of the type of confidence building measures needed between South and North Korea. Other

¹¹¹The U.S. On-Site Inspection Agency has done useful work in this area and could provide a model from which South and North Korea could build their own "open skies" regime.

¹¹²A similar system has worked for years in the Sinai Desert between Israel and Egypt.

¹¹³For details, see *Confidence Building on the Korean Peninsula: A Conceptual Development for the Cooperative Monitoring of Limited-Force Deployment Zones*, Sandia National Laboratories, Sandia Report SAND97-0583, April 1997.

traditional CBMs that could be pursued as part of the Sunshine Policy include direct military to military contacts, visits by military delegations, military personnel exchange programs, prior notification of military exercises, the opening of military exercises to international observers, greater openness regarding military budgets and defense planning and procurement, and the sharing of defense information. Encouraging North Korea to produce a Defense White Paper and to contribute to the UN Register of Conventional Arms would also set the stage for dialogue on one another's submissions.

Long overdue also are South-North discussions on mutual force reductions. Neither side can afford to sustain large standing armies on a wartime footing in the face of their current economic crises. In addition, simple arithmetic tells us that a reunified Korea, absent any significant prior force reductions, would have 1.85 million men under arms. This would make it the second or third largest army in the world, larger than the U.S. military and more than nine times the size of Japan's Self-Defense Force. When one adds up the number of tanks, artillery, aircraft, and other items of military hardware on both sides of the DMZ, the figures are staggering. South-North dialogue must focus, early on, on reducing the number of military forces and hardware on both sides, in order to make eventual reunification less alarming to a unified Korea's neighbors.

Build Better ROK-Japan Ties. One of President Kim's most forward-thinking (and politically courageous) foreign policy initiatives has been the high priority he attaches to improved ROK-Japan relations. Cordial, cooperative relations between the ROK and Japan today, and between a reunified Korea and Japan in the future, are absolutely essential for long-term regional stability. Unfortunately, one of the few things that the people of the South and North have in common is a mutual distrust of Japan. If future South-North ties are built on this factor, with Japan emerging as the common concern today and future threat tomorrow, this will put a unified Korea on a collision course with the United States, whose national security strategy rests upon the foundation of close U.S.-Japan relations and greater Japanese involvement in regional security affairs (within the framework of the U.S.-Japan Mutual Security Treaty and Japan's Peace Constitution).

In recent years, there has been an unprecedented level of official cooperation between the ROK and Japan and the August 1998 North Korean missile launch over Japanese airspace has prompted both sides to call for even closer defense cooperation, to include their first-ever joint naval exercise (focused on humanitarian search

and rescue operations).¹¹⁴ An ongoing initiative called the "K-J Shuttle," aimed at bringing together young scholars from each country for informal frank discussions, is particularly important and worthy of support since it reaches the next generation of leaders.¹¹⁵

President Kim's visit to Japan in October 1998 and Prime Minister Obuchi's return visit to Korea in March 1999 has also helped the healing process.

Support the U.S.-Japan Alliance. The Korean government also needs to be more vocal in its support for the U.S.-Japan alliance and for the September 1997 revised Defense Guidelines which outline the level and nature of Japanese support to U.S. military forces in the event of contingency situations such as a North Korean invasion of the ROK. Simply stated, the U.S. would be hard-pressed to defend the ROK in the event of an all-out attack from the North without Japanese support, including but not limited to unrestricted use of U.S. Japan-based forces and facilities and Japanese logistic support. It is in Korea's vital national security interest that the U.S.-Japan alliance remain strong and viable.¹¹⁶

Understand Differing PRC Objectives. President Kim fully understands the importance of, and attaches high priority to, improved relations not only with Japan, but with China as well. Sino-ROK relations have been particularly good in recent years, with China reportedly playing a constructive behind-the-scenes role in improving South-North relations. China is also a participant in the Four-Party Talks, hosting the second formal meeting in Beijing in March 1998.

However, it is important to understand the fundamental difference between Beijing's future vision of the Peninsula and that espoused by President Kim (and preferred by the U.S.). President Kim has stated repeatedly that he sees a post-reunification role for the

¹¹⁴See, for example, Oh Young-jin, "ROK, Japan Agree to Jointly Counter NK Missile Threat," *The Korea Times*, Sept 2, 1998, p. 1.

¹¹⁵The "K-J Shuttle" is operated by the Yoido Society in Korea and the Okazaki Institute in Japan as part of a broader U.S.-Japan-ROK trilateral project conducted by these institutes with the Pacific Forum CSIS.

¹¹⁶For more on the importance of the alliance and the need for its revitalization, please see Ralph A. Cossa, *Restructuring the U.S.-Japan Alliance: Toward A More Equal Partnership* (editor), Washington D.C.:The CSIS Press, 1997 (Significant Issues Series, Vol XIX, No 5).

U.S.-ROK alliance, to include a continued U.S. military presence on the Peninsula. Chinese leaders, perhaps understandably, have a different vision. Chinese leaders would prefer a future Asia in which China and not the U.S. plays the primary regional balancer role, where military alliances ("leftovers from the Cold War") no longer exist, where a reunified Korea looks to Beijing for its security guarantees (against their common Japanese threat?), and where U.S. military forces no longer reside on the Korean Peninsula (or elsewhere in Asia).¹¹⁷ This fundamental difference in long-term visions must be remembered, even as China and the ROK (and U.S.) cooperate in order to achieve more complementary short-term goals.

Discuss Confederation. North Korea has long-argued for a South-North confederation as an interim step toward eventual reunification. At a CSCAP North Pacific Working Group meeting in early 1997, a North Korean scholar from the Foreign Ministry-directed Institute of Disarmament and Peace in Pyongyang once again spelled out the North's confederation views:

It is the international trend today to set up a confederal state or coalition government among the peoples with different ideas and views.

The proposal for national reunification through confederation advanced by the respected President Kim Il-sung is the formula to achieve reunification on the basis of one nation, one state, two systems, and two governments, leaving the ideas and systems existing between the north and the south as they are.

The proposal for national reunification through confederation is the way for the north and the south to embody the idea of independence, peaceful reunification, and great national unity in real terms, and this proposal provides institutional guarantee for coexistence of two systems in the north and the south from the principle of neither side conquering or being conquered by the other.

The proposal is aimed to resolve national reunification by the method which guarantees peace, stability, impartiality, and neutrality.¹¹⁸

¹¹⁷This is my personal assessment of China's long-term vision, based on extensive discussions with Chinese officials and security analysts and the study of strategic thought emanating from government-operated research institutes. For more on these conflicting long-range visions, see Ralph A. Cossa and Jane Skanderup, *Trilateral Relations Among the United States, Japan, and China* (Honolulu: Pacific Forum CSIS Occasional Paper, Sept. 1998), pp. 25-28.

¹¹⁸Pak Hyon-jae, "Problems in Confidence-

Former ROK governments have uniformly rejected such proposals as a North Korea scheme to perpetual separation. However, as an opposition leader, Kim Dae-Jung also saw merit in establishing a confederation as part of his "unification in three phases" philosophy. This has now become a part of the ROK's unification policy and is explained as follows:

The three-stage unification formula calls for the formation of a confederation in the first stage, a federation in the second, and complete unification in the third. The most important stage is the first stage which is the preparatory period for unification.

>Confederation= means a systematic mechanism through which the two Koreas will form close, cooperative organizations, while maintaining two different systems and two governments as well as two militaries and foreign policies. Thus, the two sides will peacefully manage the state of the division of the country and develop a unification-oriented cooperative relationship.¹¹⁹

These two proposals sound remarkably similar. Surely they can form the basis for South-North dialogue, if not at the official level, then at least at the track two level. I would encourage ROK participants in the CSCAP North Pacific Working Group to accept rather than reject North Korea's confederation proposal as a good starting point for discussion on ways to advance down the road toward reunification and to table President Kim's own "unification in three phases" concept to further facilitate this discussion. The North has been challenging the South for years to examine such a proposal; why not see if they are prepared to take "yes" for an answer.

Suggestions For the DPRK

Honor the Agreed Framework. First and foremost, the DPRK must continue to live up to the letter, spirit, and intent of the Agreed Framework and honor agreed upon timelines. Pyongyang must also keep the oil delivery process completely transparent to ensure there is no further diversion of oil for military use. North Korea must also strictly honor protocols aimed at ensuring the safety and security of the (mostly) ROK workers that will

Building in North Pacific Region," paper presented at the second CSCAP North Pacific Working Group meeting, Vancouver, Canada, Jan 31 - Feb 2, 1997, pp. 3-4.

¹¹⁹"The New Administration's North Korea Policy," Korean Overseas Culture and Information Service, Seoul, Korea, Feb, 1998, pp.2-3.

be there to help them build the reactors. Harassment of these workers or denial of legal protection or what are assumed in the ROK to be basic human rights would clearly be unacceptable and would seriously jeopardize the agreement. Even minor incidents will likely be exaggerated in the press and will seriously chip away at public support in the ROK (and U.S.) for the process.

Tone Down Rhetoric. The DPRK also needs to stop threatening to withdraw from the Agreed Framework when things do not go entirely its way. Like the fable about the little boy who cried "wolf" so often that no one believed him when the wolf was actually at his door, the DPRK's monotonous threats are seldom taken seriously anymore. The only ones who pay attention to these seemingly endless threats--and cite them often--are the critics of the Agreed Framework. Unless Pyongyang sees some advantage in continually providing its detractors with ammunition to use against North Korea, it should tone down its rhetoric and abandon its brinkmanship tactics (which have long since stopped being taken seriously by the other side).¹²⁰

Set Dismantlement Schedule. The DPRK should also agree to a schedule that ensures that significant dismantlement of at least one of its reactors is underway by the time the first LWR goes into operation. The longer after construction begins on the first reactor that there is no action to dismantle, the louder will be the critics and the less assured will be the U.S. Congressional dollars needed to see the agreement through. Since, technically speaking, North Korea apparently can delay the start of the dismantlement process at least until the first LWR is completed, a good faith effort to begin this process now would be a very important signal of DPRK sincerity and commitment to the Agreed Framework process.

LWR Infrastructure. The DPRK should also publicly take on the responsibility for providing the necessary infrastructure to handle the LWRs' electrical output. If it is not capable of doing so on its own, it should seek other means of funding (Asia Development Bank, World Bank, etc.) outside the KEDO process. It should also not try to use the Four-Party Talks as a vehicle for obtaining this assistance. Nor should it try to tie these talks in any other way to the Agreed Framework.

¹²⁰For example, an ROK spokesman described recent DPRK threats to abandon the Agreed Framework as "routine rhetoric before any important meeting," according to Reuters News Service (Bill Tarrant, "N.Korea Threatens to Scrap Nuclear Pact with U.S.," 1/12/99; see *NAPSNET* 1/12/99).

Consider Energy Alternatives. If, in fact, the LWR deal is really about satisfying North Korea's energy requirements, then the North might also want to consider pursuing alternate means of providing this energy beyond, or instead of, the LWRs. Many other means are available, to include the windmill project being investigated by the Nautilus Institute as well as more traditional means such as hydroelectric power sources. From a purely energy standpoint, LWRs make little sense but, from a political perspective, any flexibility in seeking other means of meeting the Agreed Framework's commitment to provide an alternate source of energy production¹²¹ must come from Pyongyang.

Honor NPT Commitments. The DPRK must also fully honor its NPT membership. There are no provisions for "unique status" under the NPT. As long as the DPRK is not living up to IAEA requirements, it is technically not honoring the NPT and therefore not living up to the spirit and intent of the Agreed Framework. Pyongyang should also stop its brinkmanship where the NPT and IAEA are concerned.

Participate in Other International Agreements. Finally, while not directly related to the Agreed Framework, North Korea should sign and then ratify the Comprehensive Nuclear Test Ban Treaty (CTBT). North Korea is one of 44 states whose signature is required for the treaty to enter into force. Of this group, only three (North Korea, India, and Pakistan) have not signed. Signing and ratifying the CTBT is another way North Korea can demonstrate that it is willing to participate in a constructive manner in the international community, especially on nuclear-related issues. It would also put added pressure in India and Pakistan to follow through on their professed willingness eventually to sign the CTBT.

Pyongyang should also seriously consider full participation in other international regimes, such as the Chemical Weapons and Biological Weapons Conventions, but only if it intends to abide by verification protocols without expectation of additional rewards or incentives. DPRK participation in the annual UN Register of Conventional Arms is also long overdue. North Korea should also consider preparing a defense white paper.¹²²

¹²¹In lieu of the originally frozen graphite reactors, which were not designed to provide energy in the first place.

¹²²A useful generic model for such defense policy papers have been developed by CSCAP. See Ralph A. Cossa (ed), *Promoting Regional Transparency: Defense Policy Papers and the UN Register of Conventional Arms* (Honolulu: Pacific Forum CSIS Occasional Paper,

Other Suggestions

Japan. There is also a great deal other outside players can do. As already noted, Japan in particular has played and will likely continue to play a key role. Japanese financial assistance is key to KEDO's and the Agreed Framework's success and should be continued. As in the case with the U.S., Japan should be prepared to move forward, albeit cautiously, with its own normalization efforts with the DPRK. But, as is the case today, maintaining and improving upon Japan-ROK relations must take priority over normalization with the DPRK.

China. The PRC is credited with playing an important behind-the-scenes role in encouraging North Korea to enter into dialogue with the South and should have an opportunity to more openly display its helpfulness as the Four-Party Talks proceed. China could demonstrate its support for the Agreed Framework process more directly by joining KEDO and KADO, and by coordinating its own fuel and food deliveries more closely with the U.S. and ROK.

ASEAN. The ASEAN States have contributed to the peace process on the Peninsula by including positive references to the Agreed Framework, the Four-Party Talks, and the need for North-South direct dialogue during ASEAN Regional Forum deliberations. Most ASEAN states are KEDO members or contributors but their level of support should be increased. The ASEAN states should continue to welcome North Korea to join the ARF.

Middle Eastern States. Moderate Arab states and especially members of the oil-rich Gulf Cooperation Council also have a vested interest in seeing North Korea become a more responsible member of the international community (especially given North Korea missile sales to several of the region's rogue states) and should be more actively supporting KEDO with oil and dollars.

Conclusion

While the Agreed Framework is focused on North Korea's suspected nuclear activities and has made measurable progress in freezing present programs and capabilities, it cannot, by itself, accomplish its overall mission "to achieve peace and security on a nuclear weapons-free Korean Peninsula." This requires a comprehensive, well-coordinated, forward-thinking, long-term U.S.-ROK strategy.

The Agreed Framework remains an integral part of this broader strategy and, should it fail, the impact will be felt well beyond the boundaries of the Peninsula or Northeast Asia. As a result, all nations have a vested interest in seeing the Agreed Framework and other related and complimentary initiatives through to a successful conclusion. The above recommendations are aimed at facilitating this process.

Comments and suggestions regarding this study are welcome, and should be directed to Ralph A. Cossa, Executive Director, Pacific Forum CSIS, 1001 Bishop Street, Pauahi Tower, Suite 1150, Honolulu, Hawaii, 96813. Phone: (808) 521-6745; Fax: (808) 599-8690; Email: pacforum@lava.net.

Appendix A

Agreed Framework Between The United States of America and The Democratic People's Republic of Korea Geneva, October 21, 1994

Delegations of the Governments of the United States of America (U.S.) and the Democratic People's Republic of Korea (DPRK) held talks in Geneva from September 23 to October 17, 1994, to negotiate on overall resolution of the nuclear issue on the Korean Peninsula.

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

I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.

1. In accordance with the October 21, 1994 letter of assurance from the U.S. President, the U.S. will undertake to make arrangements for the provision to the DPRK of a LWR project with a total generating capacity of approximately 2,000 MW (e) by a target date of 2003.

-- The U.S. will organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK. The U.S., representing the international consortium, will serve as the principal point of contact with the DPRK for the LWR project.

-- The U.S., representing the consortium, will make best efforts to secure the conclusion of a supply contract with the DPRK within six months of the date of this document for the provision of the LWR project. Contract talks will begin as soon as possible after the date of this document.

-- As necessary, the U.S. and the DPRK will conclude a bilateral agreement for cooperation in the field of peaceful uses of nuclear energy.

2. In accordance with the October 21, 1994 U.S. letter of assurance concerning interim energy alternatives, the U.S., representing the consortium, will make arrangements to offset the energy foregone due to the freeze of the DPRK's graphite-moderated reactors, pending completion of the first LWR unit.

-- Alternative energy will be provided in the form of heavy oil for heating and electricity production.

-- Deliveries of heavy oil will begin within three months of the date of this Document and will reach a rate of 500,000 tons annually, in accordance with an agreed schedule of deliveries.

3. Upon receipt of U.S. assurances for the provision of LWR's and for arrangements for interim energy alternatives, the DPRK will freeze its graphite-moderated reactors and related facilities and will eventually dismantle these reactors and related facilities.

-- The freeze on the DPRK's graphite-moderated reactors and related facilities will be fully implemented within one month of the date of this documents. During this one-month period, and throughout the freeze, the International Atomic Energy Agency will be allowed to monitor this freeze, and the DPRK will provide full cooperation to the IAEA for this purpose.

-- Dismantlement of the DPRK's graphite-moderated reactors and related facilities will be completed when the LWR project is completed.

-- The U.S. and DPRK will cooperate in finding a method to store safely the spent fuel from the 5 MW (e) experimental reactor during the construction of the LWR project, and to dispose of the fuel in a safe manner that does not involve reprocessing in the DPRK.

4. As soon as possible after the date of this document U.S. and DPRK experts will hold two sets of experts talks.

-- At one set of talks, experts will discuss issues related to alternative energy and the replacement of the graphite-moderated reactor program with the LWR project.

-- At the other set of talks, experts will discuss specific arrangements for spent fuel storage and ultimate disposition.

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

1. Within three months of the date of this Document, both sides will reduce barriers to trade and investment, including restriction son telecommunications services and financial transactions.

2. Each side will open an liaison office in the other's capital following resolution of consular and other technical issues through expert level discussions.

3. As progress is made on issues of concern to each side, the U.S. and DPRK will upgrade bilateral relations to the Ambassadorial level.

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

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

IV. Both sides will work together to strengthen the international nuclear non-proliferation regime.

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

Appendix B

Agreed Framework October 1997 Interim Report Card

<u>Grade</u>	<u>Task</u>
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<u>B+/A-</u>	I. Both sides will cooperate to replace the DPRK's graphite-moderated reactors and related facilities with light-water reactor (LWR) power plants.
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<u>C-/C</u>	II. The two sides will move toward full normalization of political and economic relations.
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<u>D/D+</u>	III. Both sides will work together for peace and security on a nuclear-free Korean peninsula.
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<u>C/C+</u>	IV. Both sides will work together to strengthen the international nuclear non-proliferation regime.
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C/C+ Overall Grade at end of Year Three

Strengths: KEDO's ability to bring the U.S., ROK, and Japan together to interact effectively with the DPRK; apparent genuine commitment by all parties to keep the process alive; general behavior of all parties thus far.

Weaknesses: Many areas still in need of improvement: direct North-South dialogue still lacking; U.S./ROK future political support not certain; lack of clarity over what constitutes satisfactory compliance; major tests of commitment (especially for DPRK) still to come.

Appendix C

December 1991 North-South Joint Declarations

The Agreement on Reconciliation, Nonaggression, and Exchange and Cooperation commits North and South Korea to build confidence and improve relations in political, security, trade, and other areas.

Reconciliation Measures

- Respect for each other's political and social systems; noninterference in each other's internal affairs; renunciation of propaganda, sabotage, and subversion; and a commitment to cooperate in the international arena;
- Resolution to transfer the Military Armistice Agreement of July 1953 into a "solid state of peace";
- Establishment of a joint reconciliation commission and a working-level group to ensure implementation and observance of the agreement.

Nonaggression Measures

- Nonuse of force, peaceful resolution of disputes, and prevention of accidental armed clashes;
- Establishment of a joint military commission to negotiate confidence- and security-building measures and arms reduction accords on notification and limitation of military exercises; peaceful use of the demilitarized zone; exchanges of military personnel and information; phased reduction of armaments; elimination of weapons of mass destruction and surprise attack capabilities; verification provisions; and installation of a hotline between "military authorities."

Trade, Exchange, Cultural, and Humanitarian Measures

- Increase trade, economic development, and cooperation;
- Increase travel, communication, and educational contact;
- Family reunions and visits.

The **Joint Declaration on a Non-Nuclear Korean Peninsula** includes a range of measures specifically designed to address the nuclear issue:

- Not to test, produce, receive, possess, store, deploy, or use nuclear weapons;
- Not to possess facilities for nuclear reprocessing or uranium enrichment;
- To use nuclear energy solely for peaceful purposes;
- To verify compliance upon the request of one party but agreed to by both;
- To ensure implementation through the establishment and regular meeting of a South-North Joint Nuclear Control Commission.

Source: The Institute of Foreign Affairs and National Security Review, December 1995

Appendix D

Chronology of Key Events Related to the North Korean Nuclear Issue¹

Mid-1950s: North Korea began developing its nuclear program. The rationale for the program was scientific research and the production of radioactive isotopes for medical and industrial uses.

1980s: North Korea began operating a 5-MW(e) research reactor and a "radiochemical laboratory"--North Korea's term for its plutonium reprocessing plant--in Yongbyon. North Korea also began constructing two larger reactors--a 50-MW(e) reactor in Yongbyon and a 200-MW(e) reactor at Taechon.

December 1985: North Korea signed the NPT, which, among other things, obligated North Korea to negotiate an agreement with the IAEA for safeguarding the nuclear materials in its possession.

1989: North Korea shut down its 5-MW(e) reactor for between 70 to 100 days. Sources believe that North Korea removed and later reprocessed the fuel, separating up to 13 kilograms of weapons-grade plutonium usable for producing nuclear bombs. (The suspected diversion was, among other things, inferred from a subsequent laboratory analysis of materials collected during IAEA's inspections that began in 1992.)

1990 and 1991: North Korea ran the 5-MW(e) reactor at low levels for about 30 days in 1990 and about 50 days in 1991. Such low levels of operation create the technical possibility that fuel could have been removed and subsequently reprocessed. However, U.S. experts consider this unlikely.

April 12, 1991: The Defense Minister for the Republic of Korea (South Korea) stated that South Korea might launch a commando attack on Yongbyon if North Korea continued with the construction of the 50-MW(e) reactor there.

Late 1991: The U.S. withdrew all nuclear weapons from South Korea, thereby removing one rationale that North Korea had used to delay signing its safeguards agreement with IAEA.

¹This chronology, taken from the October 1996 GAO Report, was itself compiled primarily from Congressional Research Service reports and briefs and journal articles. The preparers noted that they attempted to reconcile inconsistencies between the sources but did not independently verify the information, which is provided for background use only.

December 31, 1991: North Korea and South Korea signed a "Joint Declaration on the Denuclearization of the Korean Peninsula." They pledged, among other things, not to (1) test, produce, receive, possess, deploy or use nuclear weapons or (2) possess nuclear reprocessing and uranium enrichment facilities. The parties also agreed to allow mutual inspections subject to procedures to be negotiated between them.

Early January 1992: High-level officials from the U.S. and North Korea met to discuss the range of issues affecting the countries' relations, including the nuclear issue.

January 30, 1992: North Korea signed a safeguards agreement with IAEA. The agreement called for IAEA to inspect the nation's nuclear facilities after ratification by North Korea's legislative body.

April 10, 1992: The IAEA/North Korea safeguards agreement became effective.

May 4, 1992: North Korea submitted its declaration of nuclear materials to IAEA, as required by IAEA's safeguards agreements. According to the declaration, North Korea had seven sites and about 90 grams of plutonium in its possession that were subject to IAEA's inspections. According to North Korea, the nuclear material resulted from its reprocessing of 89 defective fuel rods in 1989.

May 1992: IAEA began inspections to verify the correctness and completeness of North Korea's declaration.²

July 1992: An IAEA inspection team collected information that subsequently resulted in the disclosure of discrepancies in North Korea's declaration of nuclear materials. Instead of reprocessing spent fuel from 89 damaged fuel rods on just one occasion, IAEA concluded that North Korea has probably reprocessed spent fuel on three to four occasions since 1989. Additional inspections revealed further inconsistencies in North Korea's declaration.

Late 1992: IAEA informally requested that it be given access to two additional sites--located in the Yongbyon nuclear complex--that it suspected of housing nuclear waste. North Korea allowed IAEA to visually inspect one of the sites but denied any access to the other.

February 9, 1993: IAEA invoked the "special inspections clause" of its safeguards agreement with North Korea, indicating that it wanted to inspect two sites that North

²IAEA conducted numerous inspections to verify the completeness of North Korea's declaration between about mid-1992 and early 1993. IAEA inspectors also placed seals and other safeguards on equipment and buildings at North Korea's declared nuclear sites.

Korea had not declared and that IAEA suspected had a bearing on the history of North Korea's nuclear program.

February 1993: North Korea denied IAEA access to the two undeclared sites. North Korea said that the sites were military installations with no connection to its nuclear program.

February 22, 1993: At a meeting of the IAEA board, the members were shown U.S. aerial surveillance photographs and a chemical analysis of data collected by IAEA inspectors. The evidence reportedly (1) confirmed the existence of a nuclear waste dump--long denied by North Korea--and (2) disclosed discrepancies in North Korea's declaration of the nuclear materials in its possession.

March 12, 1993: North Korea announced its intention to withdraw from the NPT, effective June 12, 1993. The announcement elevated what was viewed as a serious proliferation threat into a major diplomatic confrontation between the U.S. and North Korea.

April 1, 1993: IAEA declared that North Korea was not adhering to its safeguards agreement with IAEA and, consequently, that IAEA could no longer guarantee that North Korea's nuclear material was not being diverted for nonpeaceful purposes.

April 8, 1993: In a statement to the media, the President of the UN Security Council welcomed all efforts to resolve the impasse that had arisen between North Korea and IAEA. The President encouraged IAEA to continue, among other things, its consultations with North Korea for a proper settlement of the nuclear verification issue.

April 22, 1993: The U.S. indicated its readiness to participate in high-level negotiations with North Korea to help resolve the crisis caused by North Korea's refusal to abide by the NPT. The U.S. objectives for the talks were to get North Korea to (1) remain in the NPT and come into compliance with its NPT obligations, which require full inspections at its nuclear facilities, and (2) carry out its December 1991 denuclearization accord with South Korea.³

May 1993: The UN Security Council passed a resolution requesting North Korea (1) to allow IAEA inspections and (2) not to withdraw from the NPT.

³The move followed South Korea's Apr. 15, 1993, decision to allow U.S./North Korean negotiations. (Prior to that time, the United States and South Korea had insisted upon negotiations between North and South Korea to resolve the nuclear issue before the United States would engage in broad, comprehensive talks with North Korea.)

IAEA sent inspectors to (1) verify that there had been no further diversion of nuclear material and (2) maintain monitoring equipment that IAEA had previously installed at North Korea's declared nuclear facilities.

June 2-11, 1993: The U.S. and North Korea held their first round of high-level talks in New York. On June 11, 1993, hours before North Korea's withdrawal from the NPT would have become effective, the U.S. and North Korea issued a joint statement in which North Korea agreed to "suspend" its withdrawal from the NPT for as long as it "considers necessary." North Korea also agreed to the full and impartial application of IAEA's safeguards. The U.S. granted assurances against the threat and use of force, including nuclear weapons, and a promise of "non-interference" in North Korea's internal affairs. The U.S. subsequently stated that (1) North Korea must accept IAEA inspections to ensure the continuity of the safeguards, (2) forgo reprocessing, and (3) allow IAEA to be present when it refueled its 5-MW(e) reactor.

July 1993: Speaking before U.S. military forces deployed in South Korea, President Clinton reportedly said that if North Korea developed and used nuclear weapons, "we would quickly and overwhelmingly retaliate. It would mean the end of their country as they know it."

July 14-19, 1993: The U.S. and North Korean delegations held a second round of high-level negotiations in Geneva, Switzerland. Both sides reaffirmed the principles of the June 11, 1993, joint statement. As part of the final resolution of the nuclear issue, the U.S. said that it was willing to explore options for replacing North Korea's graphite-moderated reactors and related facilities with light-water reactors.

August 1993: North Korea limited the operations of an IAEA inspection team that had been sent to (1) replace film and batteries in cameras and (2) check seals installed by IAEA in 1992. North Korea reportedly required that the team work at night with flashlights.

Fall 1993: IAEA requested North Korea to allow greater access to its facilities. North Korea denied the request. In reaction to North Korea's rebuffs of the IAEA, the U.S. refused to schedule a third negotiating session with North Korea. Instead, North Korean and U.S. officials held low-level meetings at the UN in October and November 1993.

Early November 1993: IAEA's Director General delivered a report to the UN which stated that if IAEA inspectors were not permitted to revisit North Korea's nuclear facilities, IAEA could no longer verify the IAEA/North Korea safeguards agreement.

November 1993: On November 11, 1993, North Korea proposed that the U.S. and North Korea negotiate a "package solution" to the nuclear weapons issue. The U.S. subsequently accepted North Korea's proposal in principle. However, the U.S. required that North Korea, among other things, allow IAEA full access to North Korea's seven declared facilities so that IAEA could maintain its "continuity of safeguards."

December 3, 1993: In mid-level talks at the UN, North Korea offered to restore IAEA's access to five of its declared sites so that IAEA could change the film and batteries in the cameras monitoring North Korea's activities at the sites.

Late 1993: The U.S. Central Intelligence Agency and the Defense Intelligence Agency estimated that North Korea had separated about 12 kilograms of plutonium--enough for one to two nuclear bombs.⁴

December 1993: IAEA's Director General warned that safeguards on North Korea's declared installations and materials could no longer provide a meaningful assurance of peaceful use. However, he said that the integrity of IAEA's safeguards could be restored if inspections were reinstated.

December 29, 1993: North Korea and the U.S. reached a tentative understanding about IAEA's inspections of North Korea's declared facilities. Sources indicate that the understanding shifted negotiations toward talks between North Korea and the IAEA.

Early January 1994: North Korea announced that IAEA inspectors would be allowed to visit all seven of its declared nuclear facilities. (The two suspected-- undeclared--sites were still off-limits.) North Korea justified the limited inspections on the basis that its action to withdraw from the NPT in June 1993 had exempted it from the inspection requirements applicable to other NPT members.

January 1994: The Director of the Central Intelligence Agency estimated that North Korea may have produced one or two nuclear weapons.

Early 1994: North Korea and IAEA conducted negotiations on the details of IAEA's inspections pursuant to the December 29, 1993, "tentative" U.S./North Korean understanding.

⁴The estimates vary of both the (1) amount of plutonium in North Korea's possession (from 7 to 24 kilograms) and (2) number of nuclear weapons that could be manufactured from the material. Until Jan. 1994, the Department of Energy (DOE) estimated that 8 kilograms would be needed to make a small nuclear weapon. Thus, the United States' estimate of 12 kilograms could result in one to two bombs. In January 1994, however, DOE reduced the estimate of the amount of plutonium needed to 4 kilograms--enough to make up to three bombs if the U.S. estimate is used and up to six bombs if the other estimates are used.

Late January 1994: The U.S. announced that it would deploy additional Patriot missile batteries, Apache helicopters, and advanced counter-artillery radar in South Korea.

February 15, 1994: North Korea agreed in writing to a limited inspection of all of its declared nuclear sites in accordance with a checklist of procedures prepared by IAEA.⁵ The checklist specified that IAEA would, among other things, take samples from a "glove box" connected to the reprocessing facility and perform gamma ray scans of the facility. According to IAEA, the procedures were needed to restore IAEA's continuity of knowledge at the declared sites.

February 25, 1994: The U.S. and North Korea issued a statement, entitled "Agreed Conclusions," which specified, among other things, that the inspections would proceed consistent with the timing and manner agreed to between North Korea and IAEA on February 15, 1994. The statement also announced U.S./North Korean intentions to begin a third round of negotiations in March 1994.⁶

March 3-14, 1994: IAEA resumed inspections. The inspectors proceeded without incident at several locations but encountered problems at the reprocessing plant, where they were precluded from (1) entering certain portions of the plant and (2) performing activities--such as taking samples from reprocessing equipment and conducting a gamma ray scan of the reprocessing facility--that North Korea had agreed to on February 15, 1994.⁷

March 15, 1994: IAEA terminated inspections after North Korea barred the inspectors from taking samples at key locations in its plutonium reprocessing plant. The March 1994 inspection reportedly indicated that North Korea had (1) resumed construction on the second reprocessing line in the facility, (2) constructed new connections between the old and new reprocessing lines, and (3) broken seals on previously tagged reprocessing equipment.

March 20, 1994: The U.S. announced that it would not participate in the third round of U.S./North Korean high-level negotiations scheduled for March 1994. Instead, the U.S. said it would refer the results of the aborted IAEA inspection to the UN Security Council for action.

March 21, 1994: IAEA indicated, once again, that it could no longer ensure that North Korea's nuclear materials were not being diverted for nonpeaceful purposes.

⁵At that time, IAEA was expected to report to the United Nations Security Council that the continuity of its inspections program in North Korea had completely broken down.

⁶The agreement concluded working-level talks that had begun in Aug 1993.

⁷According to one source, the access problems occurred in response to a "log-jam" in the negotiations between the United States and North Korea. North Korea allowed the inspections to resume in the spring of 1994.

March 30, 1994: The U.S. Secretary of Defense warned publicly that the U.S. intended to stop North Korea from developing a substantial arsenal of nuclear weapons, even at the cost of another war on the Korean Peninsula.

Early April 1994: The UN Security Council decided to request that North Korea allow IAEA to complete its inspections.

April 4, 1994: President Clinton ordered the establishment of a Senior Policy Steering Group on Korea to coordinate all aspects of the U.S. policy on the nuclear issue on the Korean Peninsula.

May 3, 1994: President Clinton publicly offered a "hand of friendship" to North Korea if it pledged not to develop nuclear weapons. In a speech to the National Press Club, the U.S. Secretary of Defense outlined the two choices available to North Korea: continue its nuclear program and face the consequences--including the possibility of war--or drop the program and accept economic aid and normal relations with the U.S. and its allies.

Mid-May 1994: Workers began removing the spent fuel from the 5-MW(e) reactor in violation of North Korea's safeguards agreement with IAEA and IAEA's previous instructions informing North Korea that IAEA inspectors would need to sample, segregate, and monitor the fuel rods to preserve evidence of past plutonium production. North Korea refused to comply but allowed two inspectors to watch the fuel-removal process. IAEA informed North Korea that the removal of fuel without proper safeguards constituted "a serious violation" of the safeguards agreement. The U.S. offered to hold the long-deferred third series of high-level talks to consider the entire range of issues related to the Korean peninsula, including the economic, diplomatic, and other benefits that North Korea could receive in return for reversing its decision to withdraw from the NPT. The talks were conditioned on North Korea's willingness to allow IAEA to monitor the refueling operation and to safeguard the fuel rods already removed.

May 21, 1994: North Korea agreed to meet with IAEA inspectors to discuss ways to preserve the fuel rods that North Korea was removing from its 5-MW(e) reactor in order to permit a future assessment of the reactor's operating history.

End of May 1994: North Korea rejected IAEA's proposal for preserving the fuel rods. South Korea responded by putting its military on a higher state of alert.

May 28, 1994: Following a failure of negotiations aimed at subjecting the refueling operation to international safeguards, IAEA's Director General reported to the UN Secretary General that the agency was quickly losing its ability to verify the amount of North Korea's past production of plutonium.

May 30, 1994: The President of the UN Security Council, on behalf of the Council members, urged North Korea "to proceed with the discharge operations at the five megawatt [5-MW(e)]

reactor in a manner which preserves the technical possibility of fuel measurements, in accordance with IAEA's requirements." In deference to China, the statement did not include a direct threat of economic sanctions.

June 3, 1994: IAEA's Director General told the UN Security Council that North Korea had removed all but 1,800 of the 8,000 fuel rods in the 5-MW(e) reactor and that by mixing them up, North Korea had made it impossible to reconstruct the operating history of the reactor.

Early June 1994: IAEA members voted to exempt North Korea from receiving IAEA technical assistance--a benefit accorded IAEA members. North Korea responded by quitting IAEA and threatening to expel the IAEA inspectors.⁸

Early June 1994: The U.S. announced that it intended to pursue global economic sanctions against North Korea if it did not allow IAEA inspectors to examine the spent fuel rods removed from the 5-MW(e) reactor in Yongbyon. North Korea responded that it would treat such sanctions as an act of war.

June 5, 1994: The Secretary of Defense confirmed that the U.S. had built up its troops in South Korea.

June 15, 1994: The U.S. Ambassador to the UN announced that the U.S. would begin consultations with other countries to implement sanctions against North Korea.

June 15-18, 1994: Former President Carter visited Pyongyang, North Korea. While there, Kim Il Sung--the North Korean leader at that time--offered to freeze North Korea's nuclear program in return for the resumption of high-level talks between the U.S. and North Korea. Under the proposal, IAEA would be allowed to (1) monitor the fuel rods in the spent fuel pond and (2) engage in some routine monitoring of North Korea's other nuclear facilities to maintain IAEA's continuity of safeguards at the sites. However, the issue of North Korea's past production of plutonium would be deferred.

June 21, 1994: The U.S. offered to (1) resume high-level talks with North Korea and (2) suspend its efforts to have the UN impose sanctions on North Korea once the talks were under way. At about the same time, North Korea took steps to follow up on pledges it had made to former President Carter. Specifically, North Korea extended the visas for IAEA inspectors and proposed a date for a summit with South Korea.

June 27, 1994: The U.S. and North Korea announced that their negotiations would resume on July 8, 1994.

⁸North Korea's withdrawal from IAEA did not affect its obligations under the NPT.

July 8-10, 1994: The U.S. and North Korea began a third round of negotiations to discuss, among other things, a proposal by the North Korean leader to freeze North Korea's nuclear program. The negotiations--held in Geneva--terminated prematurely because of the death of North Korea's leader on July 8, 1994.

August 5-14, 1994: The U.S. and North Korea resumed the Geneva negotiations interrupted by the death of Kim Il Sung. The negotiations reportedly explored North Korea's willingness to abandon its graphite-moderated reactors in return for a U.S. commitment to, among other things, make arrangements for supplying North Korea with light-water reactors.

August 12, 1994: The U.S. and North Korea issued an "Agreed Statement" describing "elements [that] should be part of a final resolution of the nuclear issue" in North Korea, including (1) a freeze on North Korea's nuclear program in exchange for light-water reactors and interim energy supplies and (2) movement toward the full normalization of political and economic relations.

September 10, 1994: The U.S. and North Korea held simultaneous working-level meetings in Berlin and Pyongyang to discuss plans for replacing North Korea's reactors with light-water reactors and establishing liaison offices in each other's capitals.

September 23, 1994: The third round of high-level negotiations between the U.S. and North Korea resumed in Geneva.

October 21, 1994: The U.S. and North Korea concluded the "Agreed Framework," an agreement intended to produce an overall settlement of the nuclear issue on the Korean Peninsula. In conjunction, the U.S. provided an October 20, 1994, letter from President Clinton to Kim Jong Il--the Supreme Leader of North Korea. The letter stated, among other things, that the President would use "the full powers" of his office to facilitate the arrangements for the financing and construction of the light-water reactor project and for the funding and implementation of interim energy supplies.

Appendix E

House-Senate Conference Report on HR4328 (Omnibus Appropriations Bill)

Section 582. Korean Peninsula Energy Development Organization

- (a) of the funds made available under the heading “Nonproliferation, Anti-terrorism, Demining and Related Programs”, not to exceed \$35,000,000 may be made available for the Korean Peninsula Energy Development Organization (hereafter referred to in this section as “KEDO”), notwithstanding any other provision of law, only for the administrative expenses and heavy fuel oil costs associated with the Agreed Framework: Provided, that none of these funds may be made available until March 1, 1999.
- (b) of the funds made available for KEDO, up to \$15,000,000 may be made available prior to June 1, 1999, if, thirty days prior to such obligation of funds, the President certifies and so reports to Congress that:
 - (1) (A) the parties to the Agreed Framework have taken and continue to take demonstrable steps to assure that progress is made on the implementation of the January 1, 1993, Joint Declaration on the Denuclearization of the Korean Peninsula in which the government of North Korea has committed not to “test,” manufacture, produce, receive, possess, store, deploy or use nuclear weapons;
 - (B) the parties to the Agreed Framework have taken and continue to take demonstrable steps to assure that progress is made on the implementation of the North-South dialogue; and
 - (C) North Korea is complying with all provisions of the Agreed Framework and with the Confidential Minute between North Korea and the United States.
- (2) North Korea is cooperating fully in the canning and safe storage of all spent fuel from its graphite-moderated nuclear reactors;
- (3) North Korea has not significantly diverted assistance provided by the United States for purposes for which it was not intended; and
- (4) The United States is fully engaged in efforts to impede North Korea’s development and export of ballistic missiles; and

- (c) of the funds made available for KEDO, up to \$20,000,000 may be made available on or after June 1, 1999, if, thirty days prior to such obligation of funds, the President certifies and so reports to Congress that:
- (1) the United States has initiated meaningful discussions with North Korea on implementation of the Joint Declaration on the Denuclearization of the Korean Peninsula;
 - (2) the United States has reached agreement with North Korea on the means for satisfying U.S. construction, and;
 - (3) the United States is making significant progress on reducing and eliminating the North Korean ballistic missile threat, including its ballistic missile exports.
- (d) the President may waive the certification requirements of subsections (b) and (c) if the President determines that it is vital to the national security interests of the United States and provides written policy justifications to the appropriate congressional committees prior to his exercise of such waiver. No funds may be obligated for KEDO until 30 days after submission to Congress of such waiver.
- (e) not later than January 1, 1999, the President shall name a "North Korea Policy Coordinator", who shall conduct a full and complete interagency review of United States policy toward North Korea, shall provide policy direction for negotiations with North Korea related to nuclear weapons, ballistic missiles, and other security related issues, and shall also provide leadership for United States participation in KEDO.
- (f) the Secretary of State shall submit to the appropriate congressional committees an annual report (to be submitted with the annual presentation for appropriations) providing a full and detailed accounting of the fiscal year request for the United States contribution to KEDO, the expected operating budget of the KEDO, to include unpaid debt, proposed annual costs associated with heavy fuel oil purchases, and the amount of funds pledged by other donor nations and organizations to support KEDO activities on a per country basis, and other related activities.
- (g) the Secretary of Defense shall submit to the appropriate congressional committees an annual report on the degree to which KEDO's mission and the Agreed Framework continue to promote important United States national security interests, contribute to delaying North Korean indigenous development of nuclear weapons-related technology, and positively impact the level of tension on the Korean Peninsula.

Appendix F

Agreed Framework Timelines

KEDO	DPRK
1. 500,000 tons of HFO/year; Start work on LWRs	1. Freeze on nuclear activities; Canning of spent fuel rods from 5MW (e) experimental reactor
2. Completion of "significant portion" of LWRs	
	3. DPRK comes into full compliance with IAEA/NPT obligations

(Bilateral Nuclear Cooperation Agreement)

4. Start shipping sensitive nuclear technologies	4. Start exporting spent fuel rods
5. Complete shipping of sensitive nuclear technologies	5. Complete exporting spent fuel rods
6. Complete 1st LWR; HFO shipments stop	
	7. Start dismantlement of nuclear reactors and reprocessing plant
8. Complete 2nd LWR	8. Complete dismantlement of nuclear reactors and reprocessing plant

Appendix G

ROK- U.S. Joint Announcement Proposal to Hold a Four Party Meeting to Promote Peace on the Korean Peninsula

1. The President of the Republic of Korea, Kim Young Sam, and the President of the United States of America, William J. Clinton, held a summit meeting at Cheju Island, Korea on April 16, 1996. They had an in-depth exchange of views regarding the situation on the Korean Peninsula and on ways to promote dialogue and peace on the Korean Peninsula.
2. President Clinton pledged the steadfast U.S. commitment to the security of the Republic of Korea and reaffirmed the strength of the U.S. - Korea security alliance. Both Presidents agreed that the present Armistice agreement should be maintained until it is succeeded by a permanent peace agreement.
3. The two Presidents expressed their shared desire to foster a stable, permanent peace on the Korean Peninsula, where tensions remain high. They agreed to work positively and with an open mind to encourage a process for reconciliation and peace on the Korean Peninsula.
4. The two Presidents confirmed the fundamental principle that establishment of a stable, permanent peace on the Korean Peninsula is the task of the Korean people. Both Presidents agreed that South and North Korea should take the lead in a renewed search for a permanent peace arrangement, and that separate negotiations between the United States and North Korea on peace-related issues cannot be considered.
5. President Kim affirmed the Republic of Korea is willing to meet without preconditions at the governmental level with representatives of the DPRK. President Clinton affirmed that the U.S. is prepared to play an active and cooperative role in support of this effort. Both Presidents agreed that China's cooperation would be extremely helpful.
6. Accordingly, the two Presidents proposed to convene a Four Party Meeting of representatives of the Republic of Korea, the Democratic People's Republic of Korea, the People's Republic of China, and the United States as soon as possible and without preconditions. The purpose would be to initiate a process aimed at achieving a permanent peace agreement.
7. The two Presidents agreed that this peace process also should address a wide range of tension reduction measures.
8. President Clinton praised the Republic of Korea initiative as a positive and important step in easing tensions on the Korean Peninsula. President Kim acknowledged the importance of continued American support.

Appendix H

Agreement on the Establishment of the Korean Peninsula Energy Development Organization

The Government of the Republic of Korea, the Government of Japan, and the Government of the United States of America;

Affirming the objective of an overall resolution of the North Korean nuclear issue, as referred to in the Agreed Framework Between the United States of America and the Democratic People's Republic of Korea, signed in Geneva on October 21, 1994 (hereinafter referred to as "the Agreed Framework");

Recognizing the critical importance of the nonproliferation and other steps that must be taken by North Korea, as described in the Agreed Framework, as a condition of implementation of the Agreed Framework;

Bearing in mind the paramount importance of maintaining peace and security on the Korean Peninsula;

Wishing to cooperate in taking the steps necessary to implement the Agreed Framework, consistent with the Charter of the United Nations, the Treaty on the Non-Proliferation of Nuclear Weapons, and the Statute of the International Atomic Energy Agency; and

Convinced of the need to establish an organization, as contemplated in the Agreed Framework, to coordinate cooperation among interested parties and to facilitate the financing and execution of projects needed to implement the Agreed Framework;

Have agreed as follows:

ARTICLE I

The Korean Peninsula Energy Development Organization (hereinafter referred to as "KEDO" or the "Organization") is established upon the terms and conditions hereinafter set forth.

ARTICLE II

(a) The purposes of the Organization shall be to:

(1) provide for the financing and supply of a light-water reactor (hereinafter referred to as "LWR") project in North Korea (hereinafter referred to as "the DPRK") consisting of two reactors of the Korean standard nuclear plant model with a capacity of approximately 1,000

MW(e) each, pursuant to a supply agreement to be concluded between the Organization and the DPRK;

(2) provide for the supply of interim energy alternatives in lieu of the energy from the DPRK's graphite-moderated reactors pending construction of the first light-water reactor unit; and

(3) provide for the implementation of any other measures deemed necessary to accomplish the foregoing or otherwise to carry out the objectives of the Agreed Framework.

(b) The Organization shall fulfill its purposes with a view toward ensuring the full implementation by the DPRK of its undertakings as described in the Agreed Framework.

ARTICLE III

In carrying out these purposes, the Organization may do any of the following:

(a) Evaluate and administer projects designed to further the purposes of the Organization;

(b) Receive funds from members of the Organization or other states or entities for financing projects designed to further the purposes of the Organization, manage and disburse such funds, and retain for Organization purposes any interest that accumulates on such funds;

(c) Receive in-kind contributions from members of the Organization or other states or entities for projects designed to further the purposes of the Organization;

(d) Receive funds or other compensation from the DPRK in payment for the LWR project and other goods and services provided by the Organization;

(e) Cooperate and enter into agreements, contracts, or other arrangements with appropriate financial institutions, as may be agreed upon, for the handling of funds received by the Organization or designated for projects of the Organization;

(f) Acquire any property, facilities, equipment, or goods necessary for achieving the purposes of the Organization;

(g) Conclude or enter into agreements, contracts, or other arrangements, including loan agreements, with states, international organizations, or other appropriate entities, as may be necessary for achieving the purposes and exercising the functions of the organization;

(h) Coordinate with and assist states, local authorities and other public entities, national and international institutions, and private parties in carrying out activities that further the purposes of the organization, including activities promoting nuclear safety;

- (i) Dispose of any receipts, funds, accounts, or other assets of the Organization and distribute the proceeds in accordance with the financial obligations of the Organization, with any remaining assets or proceeds therefrom to be distributed in an equitable manner according to the contributions of each member of the Organization, as may be determined by the Organization; and
- (j) Exercise such other powers as shall be necessary in furtherance of its purposes and functions, consistent with this Agreement.

ARTICLE IV

- (a) Activities undertaken by the Organization shall be carried out consistent with the Charter of the United Nations, the Treaty on the Non-Proliferation of Nuclear Weapons, and the Statute of the International Atomic Energy Agency.
- (b) Activities undertaken by the Organization shall be subject to the DPRK's compliance with the terms of all agreements between the DPRK and KEDO and to the DPRK acting in a manner consistent with the Agreed Framework. In the event that these conditions are not satisfied, the Organization may take appropriate steps.
- (c) The Organization shall obtain formal assurances from the DPRK that nuclear materials, equipment, or technology transferred to the DPRK in connection with projects undertaken by the Organization shall be used exclusively for such projects, only for peaceful purposes, and in a manner that ensures the safe use of nuclear energy.

ARTICLE V

- (a) The original members of the Organization shall be the Republic of Korea, Japan, and the United States of America (hereinafter referred to as the "original Members.")
- (b) Additional states that support the purposes of the Organization and offer assistance, such as providing funds, goods, or services to the Organization, may, with the approval of the Executive Board, also become members of the Organization (hereinafter jointly with the original Members referred to as "Members") in accordance with the procedures in Article XIV(h).

ARTICLE VI

- (a) The authority to carry out the functions of the organization shall be vested in the Executive Board.
- (b) The Executive Board shall consist of one representative of each of the original Members.
- (c) The Executive Board shall select a Chair from among the representatives serving on the Executive Board for a term of two years.

(d) The Executive Board shall meet whenever necessary at the request of the Chair of the Executive Board, the Executive Director, or any representative serving on the Executive Board, in accordance with rules of procedure it shall adopt.

(e) Decisions of the Executive Board shall be made by a consensus of the representatives of all of the original Members.

(f) The Executive Board may approve such rules and regulations as may be necessary or appropriate to achieve the purposes of the Organization.

(g) The Executive Board may take any necessary action on any matter relating to the functions of the Organization.

ARTICLE VII

(a) The General Conference shall consist of representatives of all the Members.

(b) The General Conference shall be held annually to consider the annual report, as referred to in Article XII.

(c) Extraordinary meetings of the General Conference shall be held at the direction of the Executive Board to discuss matters submitted by the Executive Board.

(d) The General Conference may submit a report containing recommendations to the Executive Board for its consideration.

ARTICLE VIII

(a) The staff of the Organization shall be headed by an Executive Director. The Executive Director shall be appointed by the Executive Board as soon as possible after this Agreement enters into force.

(b) The Executive Director shall be the chief administrative officer of the Organization and shall be under the authority and subject to the control of the Executive Board. The Executive Director shall exercise all the powers delegated to him or her by the Executive Board and shall be responsible for conducting the ordinary business of the Organization, including the organization and direction of a headquarters and a staff, the preparation of annual budgets, the procurement of financing, and the approval, execution and administration of contracts to achieve the purposes of the Organization. The Executive Director may delegate such powers to other officers or staff members as he or she deems appropriate. The Executive Director shall perform his or her duties in accordance with all rules and regulations approved by the Executive Board.

- (c) The Executive Director shall be assisted by two Deputy Executive Directors. The two Deputy Executive Directors shall be appointed by the Executive Board.
- (d) The Executive Director and the Deputy Executive Directors shall be appointed for terms of two years and may be reappointed. They shall be nationals of the original Members. The terms of employment, including salaries, of these officers shall be determined by the Executive Board. The Executive Director and the Deputy Executive Directors may be removed prior to the expiration of their terms by a decision of the Executive Board.
- (e) The Executive Director shall have the authority to approve projects, execute contracts, and enter into other financial obligations on behalf of the Organization within the guidelines adopted by the Executive Board and the limits of the approved budget, provided that the Executive Director shall obtain the prior approval of the Executive Board for projects, contracts, or financial obligations that exceed a specified value, which shall be determined by the Executive Board based on the need for effective and efficient operation of the Organization.
- (f) The Executive Director shall establish staff positions and terms of employment, including salaries, subject to the approval of the Executive Board. The Executive Director shall appoint qualified personnel to such staff positions and dismiss personnel as necessary, in accordance with rules and regulations to be approved by the Executive Board. The Executive Director shall seek to appoint a staff in which the nationals of the original Members are fairly represented, paying due regard to the importance of securing the highest standards of integrity, efficiency, and technical competence.
- (g) The Executive Director shall report to the Executive Board and the General Conference on the activities and finances of the Organization. The Executive Director shall promptly bring to the notice of the Executive Board any matter that may require Executive Board action.
- (h) The Executive Director, with the advice of the Deputy Executive Directors, shall prepare rules and regulations consistent with this Agreement and the purposes of the Organization. The rules and regulations shall be submitted to the Executive Board for its approval prior to implementation.
- (i) In the performance of their duties, the Executive Director and the staff shall not seek or receive instructions from any government or from any other authority external to the Organization. They shall refrain from any action that might reflect on their position as international officials responsible only to the Organization. Each Member undertakes to respect the exclusively international character of the responsibilities of the Executive Director and the staff and not to seek to influence them in the discharge of their responsibilities.

ARTICLE IX

- (a) The Executive Board shall establish Advisory Committees to provide advice to the Executive Director and the Executive Board, as appropriate, on specific projects being carried out by the Organization or proposed to be carried out by the Organization. Advisory Committees shall be established for the light-water reactor project, the project for the provision of the interim energy alternatives, and such other projects as the Executive Board may determine.
- (b) Each Advisory Committee shall include representatives of the original Members and other Members that support the project for which the Advisory Committee was established.
- (c) The Advisory Committees shall meet at such times as they may determine.
- (d) The Executive Director shall keep the Advisory Committees fully informed of matters pertinent to their respective projects, and the Executive Board and Executive Director shall give due consideration to the recommendations of the Advisory Committees.

ARTICLE X

- (a) The budget for each fiscal year shall be prepared by the Executive Director and shall be approved by the Executive Board. The Organization's fiscal year shall be from January 1 to December 31.
- (b) Each Member may make voluntary contributions to the Organization by providing or making available such funds as it deems appropriate. Such contributions may be made directly to the Organization or by paying the Organization's contractors. Contributions shall be made by cash deposit, escrow, letter of credit, promissory note, or by such other legal means and in such currency as may be agreed between the Organization and the contributor.
- (c) The Organization may seek contributions from such other public or private sources as it deems appropriate.
- (d) The Organization shall establish an account or accounts to receive funds from Members or other sources, including independent accounts for those funds to be reserved, for specific projects and the administration of the Organization. Interest or dividends accruing on such accounts shall be reinvested for activities of the Organization. Excess funds shall be distributed as set forth in Article III(i).

ARTICLE XI

- (a) Members may make available to the Organization or its contractors goods, services, equipment, and facilities that may be of assistance in achieving the purposes of the Organization.

(b) The Organization may accept from such other public or private sources as it deems appropriate any goods, services, equipment, and facilities that may be of assistance in achieving the purposes of the Organization.

(c) The Executive Director shall be responsible for valuing in-kind contributions to the Organization, whether direct or indirect. Members shall cooperate with the Executive Director in the valuation process, including by providing regular reports of in-kind contributions and access to records necessary to verify the value of such contributions.

(d) In the event of a dispute concerning the value of an in-kind contribution, the Executive Board shall review the matter and render a decision.

ARTICLE XII

The Executive Director shall submit to the Executive Board for its approval an annual report on the activities of the Organization, which shall include a description of the status of the LWR project and other projects, a comparison of planned activities to completed activities, and an audited statement of the Organization's accounts. Upon the approval of the Executive Board, the Executive Director shall distribute the annual report to the Members. The Executive Director shall submit to the Executive Board such other reports as may be required by the Executive Board.

ARTICLE XIII

(a) To carry out its purposes and functions, the Organization shall possess legal capacity and, in particular, the capacity to: (1) contract; (2) lease or rent real property; (3) acquire and dispose of personal property; and (4) institute legal proceedings. Members may accord the Organization such legal capacity in accordance with their respective laws and regulations where necessary for the Organization to carry out its purposes and functions.

(b) No Member shall be liable, by reason of its status or participation as a Member, for acts, omissions, or obligations of the Organization.

(c) Information provided to the Organization by a Member shall be used exclusively for the purposes of the Organization and shall not be publicly disclosed without the express consent of that Member.

(d) Implementation of this Agreement in the Members' territories shall be in accordance with the laws and regulations, including budgetary appropriations, of such Members.

ARTICLE XIV (a) This Agreement shall enter into force upon signature by the original Members.

(b) States approved by the Executive Board for membership in accordance with Article V(b) may become Members by submitting an instrument of acceptance of this Agreement to the Executive Director, which shall become effective on the date of receipt by the Executive Director.

(c) This Agreement may be amended by written agreement of the original Members.

(d) This Agreement may be terminated or suspended by written agreement of the original Members.

ARTICLE XV

A Member may withdraw from this Agreement at any time by giving written notice of withdrawal to the Executive Director. The withdrawal shall become effective ninety days after receipt of the notice of withdrawal by the Executive Director.

DONE at New York, this ninth day of March, 1995, in three copies in the English language.

For the Government of the Republic of Korea:

For the Government of Japan:

For the Government of the United States of America:

Appendix I

COUNCIL ON FOREIGN RELATIONS

WASHINGTON OFFICE 1779 MASSACHUSETTS AVENUE, N.W. WASHINGTON, D.C. 20036
Tel 202 518 3400 Fax 202 986 2984

The Honorable Bill Clinton
President of the United States of America
The White House
Washington, DC 20500

October 7, 1998

Dear Mr. President:

We are members of an independent task force sponsored by the Council on Foreign Relations to examine U.S. policy toward the Korean Peninsula. In this letter we write from our deep concern about the sustainability of U.S. policy after the discovery of what may be an underground nuclear facility in North Korea. At the very least, this development contradicts the American people's expectations of North Korea under the 1994 Agreed Framework. At worst, it represents an outright violation of the accord and a continuing determination by the DPRK to develop nuclear weapons that would threaten the entire region. The credibility of existing arrangements with Pyongyang has been further undermined by the August 31 launch of a North Korean ballistic missile over Japan, even assuming it was just a missile to launch a satellite. Thus far, negotiations aimed at clarifying North Korean adherence to the Agreed Framework have yielded little. Meanwhile, the U.S. Congress is close to eliminating funding for the Korean Peninsula Energy Development Organization (KEDO), which also could lead to a collapse of the Agreed Framework.

In our opinion, the Agreed Framework is a necessary but not sufficient component of a policy designed to enhance stability on the peninsula. Unless and until it is proven that North is violating the accord, it should remain a centerpiece of U.S. policy. Although the Agreed Framework does not, in itself, address the larger threat represented by North Korean terrorism, missiles, conventional weapons, and weapons of mass destruction (WMD), we recognize that these issues will be more difficult to address if we unilaterally dismantle the Agreed Framework and attempt to start over from square one. We also recognize that any unilateral U.S. move that precipitates the collapse of the Agreed Framework would seriously complicate our relations with Seoul and Tokyo. Moreover, we note that an end to the Agreed Framework would allow North Korea to accelerate any nuclear weapons program by utilizing the facilities at Yongbyon, which are now effectively capped by the bilateral agreement.

However, in view of the deteriorating situation, we urge you to consider the following steps:

- Order a careful examination of current U.S. policy, in light of new circumstances, to include: our interpretations of North Korean intentions; the effectiveness of our coordination with allies; our long-term policy objectives; integration of our disparate negotiating instruments with Pyongyang into a more comprehensive approach; and a consideration of our posture, should the North Korean nuclear effort remain active or the Agreed Framework collapse. This examination should be completed within 60 days.

- As part of the examination, it is essential to clarify North Korean intentions with regard to the suspect underground facility and adherence to the Agreed Framework. Future funding for KEDO, in our view, should therefore be conditioned on:

- North Korean clarification of the underground facility and any other suspect sites, with full inspections as required;
- completion of all canning of the fuel rods at Yongbyon;
- a firm deadline for completion of both requirements, set sometime before delivery of FY 99 Heavy Fuel Oil is completed in October 1999.

- Appoint a senior person (or persons) from outside government to lead this examination of U.S. policy. This person should have the stature necessary to establish bipartisan support in the Congress and to work closely with our South Korean and Japanese allies on a common approach. This senior person should convey directly to those at the center of power in Pyongyang the seriousness with which the United States views recent North Korean actions and should test North Korean willingness to engage in more constructive approaches to our long-standing confrontation.

- If North Korean adherence to the Agreed Framework is credibly reaffirmed, then the re-examination of longer-term U.S. policy on the peninsula should also consider a decision to eliminate on a case by case basis those trade sanctions on North Korea implemented under the Trading with the Enemy Act. This step would complement Seoul's approach to the North, which is designed to expose North Korea to external forces for gradual change by allowing a limited degree of private cultural and economic interaction with the North. It must be emphasized, however, that such moves are unthinkable without Pyongyang's clarification of its adherence to the Agreed Framework, and that failure on North Korea's part to do so will lead eventually to a collapse of the accord in any case.

In sum, we believe: a) that the actions of North Korea and mounting opposition to the Agreed Framework could lead quickly to a new crisis; b) that recent developments require a re-examination of our approach to North Korea; c) that the Agreed Framework shall remain the cornerstone of building a new relationship with North Korea only if North Korea can provide access to demonstrate that it is not pursuing a nuclear weapons capability.

We believe the gravity of the situation requires no less than these steps, and that the longer-term viability of U.S. policy toward the peninsula will be put at risk by short-term fixes designed only to obtain funding for the Agreed Framework.

Respectfully,

Morton Abramowitz
James Laney
(Co-chairs, Independent Task Force on Managing Change on the Korean Peninsula)

Richard V. Allen
Richard L. Armitage
Daniel E. Bob
Jerome A. Cohen
James Delaney
William Drennan
L. Gordon Flake
Michael J. Green
Donald P. Gregg
Morton H. Halperin
Frank S. Jannuzi
Richard Kessler
Robert A. Manning
Marcus Noland
Sam Nunn
Donald Oberdorfer
Kongdan Oh
James J. Przystup
Robert W. RisCassi
Jason T. Shaplen*
Stephen J. Solarz
Helmut Sonnenfeldt
Nancy Bernkopf Tucker
William Watts
Donald S. Zagoria

The Statement of the Task Force reflects the general policy thrust and judgments reached by the group, although not all members necessarily subscribe fully to every finding and recommendation in the Statement being released today.

* Because of his position at KEDO, Mr. Shaplen neither endorses nor dissents from the views pertaining to KEDO expressed above.

Appendix J

PRESS RELEASE

**KEDO Executive Board Agrees on Cost Sharing
for Light Water Reactor Project
November 10, 1998**

Executive Board members of the Korean Peninsula Energy Development Organization (KEDO) met at KEDO headquarters in New York on November 9, 1998, and formally adopted a resolution on cost sharing for the light-water reactor project, through which KEDO will supply and finance two light-water reactors to the Democratic People's Republic of Korea (DPRK).

Resolution of this important issue will allow KEDO in the near future to conclude a contract with its prime contractor for the project (the Korea Electric Power Corporation) and to increase significantly work at its project site in Kumho, DPRK. Significant preliminary infrastructure work involving hundreds of workers has been underway at the project site since August, 1997 and has made very good progress. This work was preceded by several extensive surveys of the site.

With respect to today's cost sharing agreement, the Executive Board-- whose members are Japan, the Republic of Korea (ROK), the United States (U.S.) and the European Union (EU)--agreed on a new budget estimate for the project of US\$4.6 billion. An original estimate of U.S.\$5.1785 billion, agreed in November, 1997, was revised to reflect changes in exchange rates.

With regard to specific funding, the ROK has agreed to provide 70% of the project's actual cost, Japan has agreed to contribute the equivalent of US\$1 billion in yen as of October 20, 1998 to the project, the EU has agreed to contribute 75 million ECU equally over five years to help fulfill KEDO's financial needs, and the U.S. has reconfirmed its commitment to seek funding for the supply of heavy fuel oil to the DPRK and for other KEDO needs, as appropriate, from the U.S. Congress and all other possible sources. All of the above contributions are subject to the internal approval and/or procedures of respective Executive Board members.

Executive Board members further agreed to make all appropriate efforts to obtain funding for the difference between the new budget estimate of US\$4.6 billion and the total amount so far pledged to the project, should any additional funding be required. The U.S.--in accordance with the U.S.-DPRK Agreed Framework, under which KEDO

was founded--has reconfirmed its commitment to assume leadership for organizing arrangements for any such additional financing, taking into consideration the following:

- the ROK and Japan, as described above with respect to their pledges to provide 70% of the project's actual cost and the yen equivalent of US\$1 billion (as of October 20, 1998), respectively, are committed to making maximum contributions equal to their central and significant roles;
- the U.S. is making special contributions in accordance with the Agreed Framework; and,
- the EU is providing contributions that constitute substantial and sustained support to KEDO.

Today's agreement marks a significant milestone in KEDO's work and reconfirms the strong commitment of KEDO's Executive Board members to the project.

Appendix K

DPRK Letter to the ROK February 3, 1999

Letter to the South Korean Authorities, Political Parties and Organizations, and Individuals at Home and Abroad: Today, the Republic's government, political parties, and organizations are convening a joint meeting in Pyongyang. They send this letter with the desire that the entire nation is united, averts the danger of war that is deepening daily, and ensures an epoch-making phase for fatherland reunification unfolds this year.

While the world pays keen attention and has deep concern toward the Korean peninsula, a grave situation threatening the existence itself of the nation is being fostered. The United States, which considers crushing our Republic a key issue in implementing its Asian strategy, is maneuvering to ignite the fuse of war without fail, recently having brought up the so-called non-existent suspicion of an underground nuclear facility and the issues of missiles and biochemical weapons.

The ravages of modern war are not restricted to a certain regional borders or targets. Our nation, having lived with the pain of division for over half a century, can never afford to go through the calamity of war again at the end of the 1990s.

Our nation can never enter the 21st century with the tragedy of national division and the consistently intimidating danger of war. The entire nation should greet the new era of reunification and prosperity by cooperating in averting the approaching danger of war and providing a new phase for the fatherland's reunification for this year, a crossroads of history.

With such desire, we propose the following to the South Korean authorities, political parties, organizations, and individuals at home and abroad, keeping in mind a noble patriotic enthusiasm to fulfill our responsibility before the nation.

First, let us designate this year as the year of national independence and great unity. To that end, let us collect the strength and wisdom of the entire nation.

Independence and great unity are most crucial to us today, when a war is being forced by outside forces. [If we are] scattered apart by lacking independence and depending on and following outside forces, the ravages of war cannot be avoided. However, we can head off the war whipped up by outside forces if we defend the nation's sovereignty with our lives and unite.

This is a serious lesson taught by the history of our nation, which went through the ordeal of war and the country's ruin. This is also our valuable experience, we who weathered all sorts of tribulations in history with a faith in independence and the power of unity.

All compatriots in South Korea should head off and frustrate the US war maneuvers and resolutely oppose flunkeyism and dependence on outside forces whipping up a war by highly upholding national independence and great unity as a patriotic and nation-loving banner.

The South Korean authorities, political parties, and organizations should resolutely decide to firmly part from submissive acts and depending on outside forces. They should enter the true road of independence and the road of grand national unity.

Second, let us sincerely implement the three principles of the fatherland's reunification -- independence, peaceful reunification, and grand national unity.

The three principles of the fatherland's reunification are a reunification program common to the nation that the North and the South agreed upon and declared before the nation. The only just principle that the North and the South should depend on for the fatherland's reunification is the three principles of independence, peaceful reunification, and grand national unity.

If the three principles of the fatherland's reunification, which are the basis of the common nation, are shaken, no problem related to North-South relations and the fatherland's reunification can be resolved. If the three principles of the fatherland's reunification reconfirmed in the North-South agreement are rejected, all of the articles in the North-South agreement, which was provided based on this, will become insignificant. Ultimately, the North-South agreement itself will remain empty paper.

The South Korean authorities, political parties, and organizations should take steps to solidify the three principles of the fatherland's reunification as the principles of activities for the country's reunification and as the starting point for policy toward the North. Along with this, all kinds of pseudo principles and bases contrary to the three principles of the fatherland's reunification should be renounced.

Third, let us arrange dialogues between the authorities and other wide-ranging dialogues between the North and South.

The basic method for opening a new phase in the fatherland's reunification through national independence and grand unity is extensive dialogue between the North and South. We have consistently called for resolving the country's reunification issue through dialogue, and there is not the slightest change in this position at the present.

If war commotion opposing the opposite party to the dialogue continues; patriotic reunification figures are arrested and punished in accordance with the National Security Law; and

anti-North scheming acts continue, reunification-oriented dialogue cannot be expected. This will only result in further aggravating North-South relations. This is a historic summation of North-South dialogue that experienced a process of twists and turns, suspension and rupture. We should not repeat such a dialogue [process] of the past.

The North and the South should part with the past dialogues that promoted only antagonism and confrontation and make a new start that is aimed at reunification-oriented dialogue. In order for North-South dialogue to take a new step as true reunification-oriented dialogue, practical measures should first be taken in South Korea to remove the stumbling blocks to dialogue. More than anything else, the cooperation with outside forces opposing the Republic should be broken off and joint military exercises should be suspended.

The North and the South are fellow countrymen with the same blood. Cooperating with outside forces to isolate and smash fellow countrymen is the greatest nation-selling act of sacrificing the whole nation to outside forces. Holding joint military exercises with them is the gravest form of challenge to cooperation. This cannot coexist with dialogue for national reconciliation and reunification.

Next, the National Security Law [NSL] must be abolished. It is anarchical to maintain the NSL, which the South Korean people have abandoned and international human rights organizations and the United States have denounced. Now that reunification-oriented dialogue is on the agenda, now is the time to abolish the NSL, which has been a cancer-like element against national reconciliation and unity for over 50 years, and to open the doors to a broad range of dialogue and contacts between the North and South.

In addition, South Korea should guarantee patriotic and reunification organizations and figures freedom in reunification movements and activities. South Korea is binding hand and food South Korea's patriotic and reunification figures and organizations, such as the National Alliance for the Country's Reunification and the National Federation of General Student Councils. It regards their patriotic activities for the fatherland's reunification as criminal acts. This is an extension of the anti-North confrontation policy and fascist tyranny, seen during previous dictatorial regimes. South Korea must guarantee them, these dignified members of the nation, their due rights as masters of the fatherland's reunification.

If the South Korean authorities truly wanted to hold new, reunification-oriented dialogue with us, there would be no reason for them to refuse to accept the above-mentioned precedents of practice. The sooner the practical measures we put forward are implemented, the better. The measures should be implemented no later than the end of the first half of this year, thus showing clear results.

We propose that the South Korean authorities hold North-South high-level political talks in the latter half of this year on the grounds that the precedents of practice have been made. When the high-level political talks are held, as we proposed, the sides may discuss as a primary

agenda item measures to implement the North-South agreement, which reconfirmed the three principles of the fatherland's reunification. They may also discuss other pending issues between the North and South, including North-South cooperation and exchanges and the issue of easing the pain that separated family members and relatives are now experiencing.

South Korean political parties, organizations, and figures from all walks of life should actively contribute to developing a broad range of independent, civilian-level dialogue and reunification movements and creating a favorable environment for the fatherland's reunification.

We express our expectations that the South Korean authorities, as well as political parties, organizations, and figures from all walks of life at home and abroad, will actively accede with our country- and nation-loving appeal in order to prevent the danger of war and open a new breakthrough for the fatherland's reunification this year. We hope they do so under the banner of national independence and great national unity, so as to decorate the upcoming millennium as the hopeful annals of the fatherland's reunification.

[Signed] The Joint Meeting of the DPRK Government, Political Parties, and Organizations.

[Dated] 3 February 1999, Juche 88, Pyongyang.

Appendix L

Number 159, March 1999

A Comprehensive Approach to North Korea by Richard L. Armitage*

Since the Agreed Framework (AF) was signed by the United States and North Korea on October 21, 1994, the security situation on the Korean peninsula and in Northeast Asia has changed qualitatively for the worse. The discovery last year of a suspect North Korean nuclear site and the August 31 launch of a Taepo Dong missile have combined to raise fundamental questions about Pyongyang's intentions, its commitment to the agreement, and the possibility of North-South reconciliation. These developments also raise profound questions about the sustainability of current U.S. policy toward the Korean peninsula.

The Agreed Framework successfully addressed a specific security problem--North Korea's plutonium production at the Yongbyon and Taechon facilities. Under the agreement, operations were frozen at the two facilities and Pyongyang was prevented from obtaining fissile material from the fuel rods of the reactor core for five to six nuclear weapons. Had the program continued unabated, North Korea might have been able to produce enough fissile material for a substantial nuclear arsenal. Arguably, the Agreed Framework was a necessary but not sufficient response to the multiple security challenges posed by North Korea. Indeed, the development of the Taepo Dong missile poses an expanding security threat to Northeast Asia and, increasingly, to the Middle East, Europe, and even the United States itself.

Changing Assumptions

Experience in dealing with Pyongyang since the Agreed Framework was signed challenges several critical assumptions on which public and Congressional support for U.S. policy has been based.

The first is the assumption made by some senior administration officials that the Agreed Framework had ended North Korea's nuclear program.

The second is that North Korea is a failed state on the verge of collapse and that a "hard landing"--collapse perhaps accompanied by aggression--should be avoided.

The third is that the Agreed Framework would induce North Korea to open up to the outside world, initiate a gradual process of North-South reconciliation, and lead to real reform and a "soft landing."

These assumptions suggested that, even if little progress was made on other political/security issues, the Agreed Framework was an effective, time-buying strategy. At a minimum, North Korea's conventional capabilities would continue to degrade (as they have). Optimally, the North would solve our problems by ultimately reconciling or uniting with the South. These assumptions are now open to question.

Reality Check

The disclosure of at least one suspect site--on which construction began prior to the agreement--reinforces the possibility that Pyongyang has frozen only a portion of its nuclear program or is seeking to develop a covert nuclear weapons program. The Agreed Framework was structured to become stronger over time in constraining the North's nuclear weapons capability. This meant deferring the requirement for the North Korean nuclear program to come into full compliance with the International Atomic Energy Agency (IAEA) full-scope safeguards until roughly 2002-03. In effect, the agreement accepted the possibility that North Korea might have one or two nuclear devices. Since 1994, it is also possible that Pyongyang could have acquired additional nuclear weapons technology and/or fissile material from external sources.

Moreover, the core assumption of imminent collapse is seriously flawed. Despite severe hardships, there are no signs of regime-threatening social or political unrest, or military disaffection. As underscored in its 50th anniversary celebration last year, the North Korean regime appears to have consolidated itself under Kim Jong Il.

There are also no signs that the regime is contemplating any radical market-oriented reforms. Instead, forced by necessity, it is experimenting at the margins with modest reform to alleviate food shortages at the local level and gain hard currency. With Chinese aid and a variety of hard currency schemes--missile exports, counterfeiting, narcotics trafficking, selling overflight rights--the regime has been able to keep urban areas minimally functioning. By all appearances, the regime may be able to stagger on indefinitely.

Starvation has not politically weakened the regime. As demonstrated in the cases of Ukraine under Stalin and China under Mao, there is not necessarily a connection between human misery and the stability of the regime in a totalitarian system. The regime has been willing to destroy an entire generation to preserve its power.

At the same time, Pyongyang has spurned the political overtures of the most conciliatory president in the history of the Republic of Korea, Kim Dae Jung. President Kim has written volumes on Korean unification, including plans for reunification that are similar to those offered by the late Kim Il Sung. The unwillingness to deal seriously with Kim Dae Jung suggests a fundamental fear that North-South reconciliation would undermine the legitimacy of the regime in Pyongyang.

President Kim's Sunshine Policy (now known as the Engagement Policy) has established a formula for reconciliation on the peninsula, while deferring the ultimate goal of reunification as a practical matter. To date, Pyongyang has responded to Seoul's economic, social, and cultural nongovernmental overtures, but has rejected any political reconciliation with South Korea. Moreover, as evidenced by recent incidents of military infiltration, it continues its aggressive behavior.

Who Is Buying Time?

The notion that buying time works in our favor is increasingly dubious. A growing body of evidence suggests that it is North Korea that is buying time--to consolidate the regime, continue its nuclear weapons program, and build and sell two new generations of missiles, while disregarding the well-being of its 22 million people. Kim Jong Il's assumption of the post of Chairman of North Korea's Military Commission has raised the influence of the armed forces. These developments have created an increasingly dangerous security environment in Northeast Asia.

Indeed, North Korea's nuclear weapons program and the development of missile delivery systems have combined to pose an enhanced threat to the security of Japan. This threat has grown even as Japan has continued to support the Agreed Framework and its light-water reactor project. Yet we cannot expect Tokyo's continued support for approaches to Pyongyang that fail to address Japan's security concerns.

North Korea's provocative actions and belligerent posture have challenged--and taken advantage of--our interest in stability. For Pyongyang, the lesson of the past four years is that brinkmanship works.

Foundation for a New Approach

A Congressionally mandated review has made it clear that current policy toward North Korea is politically unsustainable. Similar political pressures are today evident in Japan and may soon surface in the Republic of Korea. The appointment of former Secretary of Defense William Perry to conduct a review of policy toward North Korea is an important step in fashioning a policy that is politically viable and protects the vital interests of the United States and its allies.

A new approach must treat the Agreed Framework as the beginning of a policy toward North Korea, not as the end of the problem. It should clearly formulate answers to two key questions: first, what precisely do we want from North Korea, and what price are we prepared to pay for it? Second, are we prepared to take a different course if, after exhausting all reasonable diplomatic efforts, we conclude that no worthwhile accord is possible?

Current policy is fragmented. Each component of policy--implementing the Agreed Framework, four-party peace talks, missile

talks, food aid, POW-MIA talks--operates largely on its own track without any larger strategy or focus on how the separate pieces fit together. In the absence of a comprehensive policy, North Korea has held the initiative, with Washington responding as Pyongyang acts as demandeur.

A successful approach to North Korea must be comprehensive and integrated, and must address the totality of the security threat. The stakes involved should make Korea a matter of the highest priority for the President. This will require sustained attention to manage the issue with Congress, our Korean and Japanese allies, and China. The diplomacy leading to the Agreed Framework had such focus when Robert Galucci was named special coordinator, reporting directly to the Secretary of State and the President. Unfortunately, after Ambassador Galucci left his Korea post in 1995, no successor was named.

The logic of the policies pursued by the United States, its allies, and China has been one of muddling through. This has allowed North Korea to obtain economic benefits while maintaining its military threat. Given the opacity of North Korea's totalitarian regime, its decision-making process is unknowable. Only by fairly testing Pyongyang's intentions through diplomacy can we validate policy assumptions. If a diplomatic solution is not possible, it is to our advantage to discover this sooner rather than later in order to best protect our security interests. If North Korea leaves no choice but confrontation, it should be on our terms, not its own.

One cannot expect North Korea to take U.S. diplomacy seriously unless we demonstrate unambiguously that the United States is prepared to bolster its deterrent military posture. This can be done without appearing to threaten Pyongyang. At the same time, policy should provide an adequate incentive structure to any forces inside the North Korean elite who may be inclined to believe that the least bad choice for survival is one of civil international behavior and opening. To convince the North to modify its posture, we need a larger conceptual framework, with greater incentives and corresponding disincentives.

The first step toward a new approach is to regain the diplomatic initiative. U.S. policy toward North Korea has become largely reactive and predictable, with U.S. diplomacy characterized by a cycle of North Korean provocation (or demand) and American response. The intention is to be proactive and to define the agenda.

This begins with setting new terms of reference. Diplomacy must fashion an initiative that integrates the entire spectrum of security challenges, while enhanced deterrence must address what we are prepared to do, should diplomacy prove inadequate.

Our strategy must be closely coordinated with our allies. It must integrate Tokyo's interests and assets, as well as Seoul's Engagement Policy and defense capabilities. Such integration, at a minimum, would strengthen the U.S. alliance structure, while positioning Washington to deal more effectively with Pyongyang.

A new approach to North Korea will necessarily test China's intentions. Beijing was helpful in the process leading to the Agreed Framework, and the United States publicly cites that cooperation as a major payoff of its China policy.

But China is also pursuing its own agenda. Beijing is sustaining North Korea with aid, despite Pyongyang's apparent unwillingness to heed its advice. China has resisted active cooperation--with the Korean Peninsula Energy Development Organi-zation, with the World Food Program, and on missiles. Its independent actions pose a challenge to any successful U.S. policy. No approach to North Korea is likely to succeed absent some modicum of active cooperation from--and clear understanding with--China. Beijing must understand that it will either bear a burden for failure or benefit from cooperation.

Operational Elements of A New Comprehensive Approach

We would propose a new comprehensive approach for management of the problems posed by North Korea. The package should combine the elements of deterrence and diplomacy cited below. This package is not offered with any unwarranted optimism regarding what is possible vis-à-vis North Korea. Thus, the strengthening of deterrence is central to this package.

To make a comprehensive approach sustainable politically, it is critical to start with and maintain close coordination with Congress. To be successful, policy toward the Korean peninsula requires a foundation of strong bipartisan support. A regular mechanism for executive-legislative interaction should be developed. The former Senate Arms Control Observer Groups on U.S.-Soviet relations can serve as a model.

To protect U.S. and allied interests, a strengthening of deterrence must support diplomacy. Deter-rence depends essentially on the proper blend of diplomacy, declaratory policy, and demonstrable military capability. As a result, if diplomacy fails, North Korea should be faced with the consequences of its choice: isolation or containment in an environment in which U.S. leadership and alliance structures have been reinvigorated and strengthened, allowing the United States, the Republic of Korea, and Japan to act together.

The following steps are critical to bolstering credible deterrence:

The United States should encourage Japanese leaders to accelerate the timetable for Guidelines Legislation, and to underscore the importance of the U.S.-Japan alliance to Tokyo's security interests in the region and beyond.

The United States should call for a trilateral (the United States, Republic of Korea, and Japan) defense ministers consultative meeting to address a range of peninsula contingencies. In particular, this meeting should consider actions to implement force enhancement options, which might include agreements to increase counter-battery radar

around Seoul and deploy more Patriot batteries to Japan from Europe and the continental United States. Public statements should also focus on deepening missile defense cooperation, as well as a spectrum of military exercises to deal with a variety of North Korean actions.

"Red Lines" should be drawn. The United States, together with the Republic of Korea and Japan, should clarify what is unacceptable behavior and underscore that provocative military action by North Korea will not be tolerated and will provoke a response.

The Pentagon should undertake a review of the American presence in South Korea, not with a view to reduction, but to ensure that U.S. forces can optimally deal with the evolving nature of the North Korean threat.

As a separate but related action, the Pentagon and the commander in chief of Combined Forces Command in the Republic of Korea should conduct a review to determine what mix of surveillance, radar, and other weapons is required to improve the defense of Seoul against bombardment or surprise attack. To underscore alliance commitments, the United States should also announce that it is prepared to augment forces in theater.

To enhance the prospects for the comprehensive package and to advance U.S. and allied interests, diplomacy must be closely coordinated with Seoul, Tokyo, and Beijing.

The U.S. point person should be designated by the President in consultation with Congressional leaders and should report directly to the President. This step also aims to move the issue to the highest possible level of decisionmaking in North Korea.

Diplomacy should seek to align South Korean and Japanese policies to influence positively North Korean behavior as well as to reinforce military deterrence.

The United States should propose a trilateral (United States, the Republic of Korea, and Japan) foreign minister-level consultative meeting. The goals should be to name high-level point persons, establish coordinating mechanisms, and raise the issue to the level of a presidential national security priority. Trilateral coordination should reach understandings on a division of responsibilities for the comprehensive proposal.

China's active cooperation is vital. Because the United States and China share common interests with respect to the Korean peninsula, we expect China to act in a positive manner. Active cooperation will enhance Sino-American relations. However, if conflict occurs as a result of inadequate cooperation, Beijing will bear a heavy responsibility.

Moreover, the burden of keeping North Korea on "life support" will fall squarely on China if our diplomatic initiative fails.

The Comprehensive Package

United States objectives should be maintaining and as necessary strengthening deterrence, and eliminating through peaceful means the military threat posed by North Korean nuclear, chemical, biological, and conventional weapons and missiles. Our goal is to reduce the risks to the United States, the Republic of Korea, and Japan. To the extent the threat cannot be eliminated, the goal is to contain the residual threat. In addition, the United States seeks to facilitate South-North reconciliation.

Washington should table an offer that meets Pyongyang's legitimate economic, security, and political concerns. This would allow the United States to seize the diplomatic initiative as well as the moral and political high ground. It would also strengthen the ability to build and sustain a coalition if North Korea does not cooperate. Most importantly, the failure of enhanced diplomacy should be demonstrably attributable to Pyongyang.

The objective of negotiations should be to offer Pyongyang clear choices in regard to its future: on the one hand, economic benefits, security assurances, political legitimization, on the other, the certainty of enhanced military deterrence. For the United States and its allies, the package as a whole means that we are prepared--if Pyongyang meets our concerns--to accept North Korea as a legitimate actor, up to and including full normalization of relations.

Negotiations would address the following:

1. The Agreed Framework: We should make clear our intention to honor existing commitments, but also underscore that the political and security environments have deteriorated significantly since October 1994 because of North Korea's actions. To sustain support for the agreement, it is imperative that the issues regarding the suspect site(s) and missiles be addressed.

Sites: We should note that suspect sites are covered in the "confidential minute" to the Agreed Framework. Our objective is to have a credible mechanism to increase on-going transparency of the present site--but not be limited to that site. The United States should make it clear in a unilateral statement that the comprehensive package encompasses any suspect site in North Korea.

Plutonium: To bring North Korea promptly into compliance with IAEA safeguards, we need to prepare for IAEA inspections under the agreement. North Korean cooperation in preserving the historical record of its past nuclear activities is critical. In addition, a new bargain should include early removal from North Korea of the nuclear spent fuel currently in storage at Yongbyon.

Quid pro quo: Accelerating the process of resolving site questions, and the issue of IAEA compliance, could likely require a U.S. commitment to expedite the construction of the two

light-water reactors, and negotiation of a United States-North Korean nuclear cooperation agreement.

2. Missiles: North Korean missiles have become a far more prominent problem than was the case when the Agreed Framework was signed. It implicitly puts the missile problem on the agenda. Our near-term objectives are to end testing and exports, and, over the long term, to obtain North Korean adherence to the Missile Technology Control Regime limits. However, if missile exports continue and the United States can identify them, we should do what we can to intercept those shipments. We will make it clear that we will act under the UN Charter's right of self-defense.

3. Conventional threat: The United States should table a proposal for confidence building measures to begin a process aimed at reciprocal conventional force reductions. Any new peace mechanism should be linked to the reduction of the conventional threat.

4. Food/economic assistance/sanctions: The United States should continue to provide some humanitarian food and medical aid with the caveat of increased transparency on distribution. But, our emphasis would be on assisting North Korean economic restructuring. We would support actions that open its economy to market forces. We are prepared to further ease sanctions and support its membership in the international financial institutions, recognizing that this requires change on the part of Pyongyang. If the North takes the necessary steps, the United States, with its allies, should consider establishing a Korean reconstruction fund within the World Bank or Asian Development Bank.

U.S. diplomacy must integrate Seoul's Engagement Policy (e.g., government approval of investment projects, particularly large industrial investment by major firms known as Chaebol) with the broad policy objectives of the comprehensive package.

As a step-by-step roadmap to a more cooperative relationship, economic benefits beyond humanitarian aid should be phased in as North Korea implements threat reduction measures. In the context of an economic assistance package, the United States could consult with North Korea to review the energy component of the Agreed Framework to develop alternate energy sources.

5. Security assurances: The United States, along with the Republic of Korea and Japan, should propose a six-party (the United States, Russia, China, Japan, South Korea, and North Korea) meeting to deal with the security of North Korea. A multilateral commitment should be based on the pledges made in Kim Dae Jung's inaugural address--that we have no intent to implode North Korea, to absorb North Korea, or to force North Korea to change its political system. Assurances could run the gamut from a pledge of nonaggression to a commitment to respect the sovereignty and territorial integrity of North Korea. Our goal should be to foster an environment making it as easy as possible for Pyongyang to choose reform. The United States and its allies should make it clear that we are prepared to coexist with a less threatening regime in the North.

6. Normalization: If North Korea satisfies our security concerns, the United States should be prepared to move toward full normalization of relations.

Should Diplomacy Fail

The one enduring element of this initiative--irrespective of North Korea's response--is the reinforcing of U.S. leadership in maintaining stability and enhancing security in this critical region. The U.S. effort to strengthen security cooperation with our key allies--the Republic of Korea and Japan--is an integral part of this leadership and becomes even more central to regional security.

The virtue of this initiative is that it will test North Korea's intentions, discover whether diplomacy holds any real possibility of yielding positive results, and, in the process, restore U.S. leadership. This would enable us to bolster a coalition to deter and contain North Korea. It is aimed at leaving Pyongyang significantly worse off than if it had chosen a future of cooperation on mutually beneficial terms.

Should diplomacy fail, the United States would have to consider two alternative courses, neither of which is attractive. One is to live with and deter a nuclear North Korea armed with delivery systems, with all its implications for the region. The other is preemption, with the attendant uncertainties.

Strengthened deterrence and containment. This would involve a more ready and robust posture, including a willingness to interdict North Korean missile exports on the high seas. Our posture in the wake of a failure of diplomacy would position the United States and its allies to enforce "red lines."

Preemption. We recognize the dangers and difficulties associated with this option. To be considered, any such initiative must be based on precise knowledge of facilities, assessment of probable success, and clear understanding with our allies of the risks.

We are under no illusions about the prospects for success of the comprehensive package outlined above. The issues are serious and the implications of a failure of diplomacy are profound.

*Ambassador Richard L. Armitage is President of Armitage Associates and a former Assistant Secretary of Defense for International Security Affairs. He chaired a working group on U.S. Policy Toward North Korea whose members included: Johannes A. Binnendijk, Institute for National Strategic Studies; Peter T.R. Brookes, House Committee on International Relations; Carl W. Ford, Ford and Associates; Kent M. Harrington, Harrington Group L.L.C.; Frank S. Jannuzi, Minority Staff of the Senate Foreign Relations Committee; Robert A. Manning, Council on Foreign Relations; RADM Michael A. McDevitt, USN (Ret.), Center for Naval Analyses;

James J. Przystup, Institute for National Strategic Studies; GEN Robert W. Riskassi, USA (Ret.), L-3 Communications Corporation; and Ambassador Paul D. Wolfowitz, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University.

Opinions, conclusions, and recommendations expressed or implied in this paper are solely those of the working group and do not represent the views of the National Defense University, the Department of Defense, or any other government agency or nongovernment organization.

The Strategic Forum provides summaries of work by members and guests of the Institute for National Strategic Studies and the National Defense University faculty. These include reports of original research, synopses of seminars and conferences, the results of unclassified war games, and digests of remarks by distinguished speakers.

Appendix M

Congressman Gilman's Letter to Dr. Perry

March 5, 1999

The Honorable William J. Perry
Former Secretary of Defense
Encino Hall, Room 431
Stanford University
Stanford, CA 94305-6165

Dear Secretary Perry:

North Korea is undoubtedly one of this country's most pressing foreign policy challenges. With the discovery of a secret underground nuclear weapons-related facility and the launch of a three-stage Taepo Dong long range ballistic missile over our troops and allies in Asia, our policy towards North Korea has been called into question more than ever. And rightfully so.

Clearly, the Clinton Administration's 1994 Geneva Agreed Framework and related discussions with the North Koreans failed to accomplish the important American national security goals of terminating North Korea's nuclear weapons program and the development, testing, deployment, and proliferation of long range ballistic missiles. North Korea's nuclear ambitions, chemical/biological capability, and its burgeoning missile capability present a clear and present danger to the security of the United States.

Your appointment as Special Policy Coordinator offers a real opportunity to rebuild our policy from the ground up to ensure the support of our allies abroad and Congress at home. For your policy report to the President to be successful, we believe that it should address the following key points:

-- The requirement for the development of a regular, short-notice, on-demand inspection regime addressing multiple sites suspected of violating the goal of the 1994 Geneva Agreed Framework to freeze all aspects of North Korea's nuclear program. Following last summer's revelation of the underground facility, it is clear that the North Koreans have had the time to clear that facility of any suspect activities. As you know, North Korea has hundreds of such facilities, some of which are very large and could be used to support a nuclear weapons program. We must establish modalities of verification that were not included when the agreement was originally signed in 1994. Otherwise, we will revisit the crisis that currently exists on the Korean peninsula.

-- An end to the development, testing, deployment, and proliferation of the No Dong and Taepo Dong type missiles. Last year's test clearly shows that North Korea has a program to develop long- range missiles designed to strike the continental United States, Alaska and Hawaii with chemical, biological and ultimately nuclear weapons. This is unacceptable. As the top recipient of U.S. foreign assistance in East Asia, we cannot support a government dedicated to developing missiles that threaten the United States and our allies.

-- Admission of Korean-speaking, and especially Korean-American, assistance monitors to ensure U.S. humanitarian aid is not diverted to the Communist Party or military. Several well-respected humanitarian groups such as Doctors of the World and Doctors Without Borders report that aid is routinely diverted to sustain the party elite. To date, the U.N. assistance monitors do not have a single Korean-speaking staff member. U.S. aid groups have been allowed Korean-speaking monitors but these people are permitted only one tour of duty and are not allowed to return to North Korea. Monitors should also be admitted to inspect and feed children in the "9.27" prisons for the hungry.

-- An end to state-sponsored illegal narcotics production and trafficking. Your report needs to clearly highlight the reality that North Korea has entered the illicit narcotic production and trafficking business, especially the production of opium and methamphetamine. Alarming, these illicit drugs may be reaching our shores. As a recent report from the Congressional Research Service detailed, North Korea has reached a level of drug production that would warrant its inclusion in the anti-narcotic certification process.

-- Full implementation of the 1991 Joint Declaration on the Denuclearization of the Korean Peninsula. This inter-Korean agreement forbids both sides from testing, manufacturing, producing, possessing, storing, deploying, or using nuclear weapons as well as prohibits the possession of nuclear processing and uranium enrichment facilities. In addition, the agreement provides for inter-Korean bilateral inspections and a North-South Joint Nuclear Commission (JNCC) for verification of the agreement. The implementation of this agreement would support the aspirations of the Agreed Framework on a bilateral North-South basis.

-- Ballistic Missile Defense. Given the lack of access to, and knowledge of , the North Korean leadership, we cannot depend on diplomacy alone to handle the North Korean missile threat. Your report should call for expanded cooperation and funding of a Northeast Asia Defense Organization (NADO) permitting the U.S. to combine its financial and technical strengths with allies and friends including Japan and South Korea in the development of a regional theater ballistic missile defense.

Your policy review offers our nation a chance to rebuild a Korea policy which can be sustained practically and politically by the Congress and the American people. We wish you success and stand ready to help you in any way on this important work.

Sincerely,

BENJAMIN A. GILMAN
Chairman, Committee on International Relations

RICHARD K. ARMEY
Majority Leader

HENRY J. HYDE
Chairman, Committee on the Judiciary
Committee

CHRISTOPHER COX
Chairman, House Policy

JOE KNOLLENBERG
Member, Committee on Appropriations

cc: The President
The Honorable Madeleine K. Albright
The Honorable William S. Cohen

Appendix N

U.S.-DPRK Joint Press Statement March 16, 1999

Delegations from the United States and the Democratic People's Republic of Korea met in New York from February 27 through March 15, 1999. The delegations, led respectively by U.S. Special Envoy Charles Kartman and DPRK Vice Foreign Minister Kim Gye Gwan, continued discussions the two sides had held in Pyongyang, Washington, New York, and Geneva since November 1999.

The two sides reaffirmed their commitment to the Agreed Framework of October 21, 1994, in its entirety, as well as to the principles of their bilateral relations expressed in the U.S.-DPRK Joint Statement of June 11, 1993.

The U.S. and the DPRK, believing that successful cooperation to remove U.S. concerns about an underground site at Kumchang-ri will contribute to improve relations between the two countries, agreed as follows:

- The DPRK has decided to provide the United States satisfactory access to the site at Kumchang-ri by inviting a U.S. delegation for an initial visit in May, 1999, and allowing additional visits to remove U.S. concerns about the site's future use.

- The U.S. has decided to take a step to improve political and economic relations between the two countries.