

U.S.-Korea Relations:

## South Korea Confronts U.S. HardLiners on North Korea

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With the reelection of President George W. Bush, South Korea embarked on an unusually aggressive diplomatic campaign this quarter to prevent neo-conservative hardliners in the Bush administration from obtaining a dominant role in U.S. policymaking toward North Korea. During speeches in Los Angeles and several European capitals, President Roh Moo-hyun ruled out using military options or taking other “forceful action” against Pyongyang in resolving the nuclear issue. Roh asserted the “leading role” of South Korea in the Six-Party Talks and rejected “regime change” as a policy approach for dealing with Pyongyang.

During talks with Roh on the sidelines of the APEC summit meeting in late November, Bush reiterated the U.S. policy of promoting a peaceful, diplomatic solution to the nuclear issue. The most notable U.S. reaction to Roh’s diplomatic initiative came from incoming National Security Adviser Stephen Hadley, who stressed the U.S. favored the “transformation” of North Korea by economic means, and not harsh measures that would bring about the collapse of the Kim Jong-il regime.

The Six-Party Talks on North Korea’s nuclear program remained in an impasse this quarter, as North Korea protested a naval exercise of the U.S.-sponsored Proliferation Security Initiative (PSI) and resisted a new negotiating round until seeing the shape of U.S. policy after the presidential election. U.S., South Korean, and Chinese efforts to convene a six-party meeting in late December sputtered, and officials increasingly focused on the possibility of continuing the negotiations in early 2005.

After an extensive investigation, the International Atomic Energy Agency (IAEA) criticized South Korea, this quarter, for not reporting nuclear experiments in 1982 and 2000, but did not refer the matter to the United Nations Security Council. Following the IAEA announcement, Seoul offered to explain its nuclear experiments to North Korea at the next round of Six-Party Talks. Pyongyang had previously cited the secret experiments as one reason for resisting a new round of multilateral negotiations.

The U.S. and South Korea reached agreement on a plan to delay withdrawing one-third of U.S. troops from the Korean Peninsula, as part of the global realignment of U.S. forces. Under the agreement, the U.S. will withdraw only 5,000 troops by the end of 2005,

including the 3,500 already redeployed to Iraq, and gradually pull out an additional 7,500 by 2008.

Responding to South Korea's desire for a Free Trade Agreement (FTA) with the United States, a senior U.S. trade official expressed interest in beginning negotiations as soon as Seoul "shows it is willing to take some tough decisions to resolve outstanding trade disputes." Among the current issues in contention between Washington and Seoul are South Korea's "screen quota" (which limits the showing of Hollywood films), pharmaceuticals, automobiles, intellectual property rights, telecommunications, and agriculture.

In mid-December, South Korea inaugurated the opening of its Kaesong Industrial Zone, which is under construction in North Korea, 40 miles north of the demilitarized zone. Still under discussion with the United States, however, is a modification to existing U.S. export control law and policy, that would permit South Korean companies to use desk-top computers in the new industrial zone.

### **A New Push for Convening the Six-Party Talks**

At the outset of the quarter, participants in the Six-Party Talks tread water while awaiting the outcome of the U.S. presidential election. Perhaps hoping that Democratic candidate John Kerry would prevail and adopt a policy emphasizing direct bilateral negotiations, North Korea continued to put obstacles in the way of a new multilateral round. In mid-October, Pyongyang asserted that several conditions had to be met before it would again join the Six-Party Talks: the U.S. had to drop its "hostile policy" toward North Korea and agree to compensate it for shutting down its nuclear activities, and South Korea had to fully disclose the nature of its own recently reported nuclear experiments.

North Korea's policy hardened further, later in the month, when it delivered a protest to UN Secretary General Kofi Annan over naval exercises designed to stop proliferation-related transfers. Pyongyang's ambassador to the UN, Park Gil-yon, argued that the training exercise of the Proliferation Security Initiative, held off the shores of Japan, "constitutes a breach of the Charter of the United Nations and a dangerous act that could entail global instability." He said that the exercise could "create an obstacle" to the resolution of the nuclear dispute.

North Korea's diplomatic initiative was striking not so much for its opposition to the multilateral naval exercise, but rather in attempting to use the UN Charter and UN process as an instrument for challenging the United States. In the past, the U.S. threatened to seek Security Council sanctions against North Korea, which Pyongyang said would amount to an "act of war."

Following the reelection of President Bush, the U.S. joined with South Korea, Japan, China, and Russia in seeking to schedule a new round of Six-Party Talks for mid to late December. South Korea's Foreign Minister Ban Ki-moon announced that these countries "believe the fourth round of...talks should be held this year and will have bilateral and multilateral discussions to that end."

China and Russia's foreign ministries called for restarting the stalled talks in the near future and urged Pyongyang to return to the negotiating table. U.S. Secretary of State Colin Powell said the United States hoped North Korea would respond to the "good proposal" that the U.S. had presented at the previous round of talks in June.

Less publicly, the U.S. set a new "red line" on North Korean nuclear activities, deciding that any effort Pyongyang made in the future to transfer nuclear materials to third parties would call forth strict countermeasures. The new red line represented a hardline administration consensus that the U.S. would not allow North Korea to take advantage of the impasse in the Six-Party Talks to sell nuclear materials to other countries or terrorist organizations. The U.S. administration did not announce its new decision publicly, instead leaking news of the action to a leading Japanese newspaper, *Yomiuri Shimbun*.

### **President Roh Attacks U.S. Neo-Conservatives**

The combination of President Bush's election victory and news of the new U.S. red line gave rise to serious fears in South Korea that the administration's neo-conservatives would become dominant in U.S. policymaking on North Korea. This would effectively put in peril President Roh's "peace and prosperity" policy seeking reconciliation with North Korea. During November, President Roh conducted a remarkable diplomatic campaign to blunt and preempt the neo-conservatives' influence. In a seminal speech in Los Angeles, Roh warned that taking a new hard line on the North Korean nuclear issue could have "grave consequences." He emphasized that "Koreans, who haven't gotten over the trauma of the Korean War half a century ago, do not want another war on the Peninsula... [A peaceful resolution to the nuclear crisis] is our strong wish for the people of the U.S., the only ally of South Korea, and will be the most important factor in strengthening our friendship."

Roh ruled out taking any "forceful action," including military measures or economic sanctions, against Pyongyang and said Seoul, which had a "leading role" in the Six-Party Talks, could not cooperate with anyone seeking "regime change" in North Korea. He stressed that North Korea understandably justifies its nuclear program as a means of "safeguarding" the country from the United States. Roh implied that in the absence of a U.S. threat Pyongyang would agree to negotiate away its nuclear weapons capability.

Within South Korea, the opposition Grand National Party attacked Roh's remarks as "pro-Pyongyang" while other observers saw them as a risky but necessary means for asserting Seoul's important role in the Six-Party Talks. Heading into the Nov. 20 summit meeting with President Bush on the sidelines of the APEC meeting in Santiago, Chile, South Korea's professional diplomats reportedly were deeply anxious about the U.S. reaction to Roh's Los Angeles speech.

In fact, neither President Bush nor his advisers took any noticeably confrontational position during the Santiago summit talks. The two presidents confirmed their mutual commitment to solving the nuclear crisis with North Korea through peaceful and

diplomatic means. South Korean National Security Adviser Kwon Jin-ho described the meeting as bringing the “most outstanding outcome ever” in terms of establishing personal trust between the two leaders. Other diplomats expressed relief that the U.S. did not take issue with Roh’s “hardline” LA speech and Foreign Minister Ban predicted that “the bilateral alliance is now on a smooth path.”

Following the Santiago summit, through the end of November, President Roh continued his diplomatic campaign for a peaceful and flexible approach to the North Korean nuclear issue. In his meeting with Chinese Premier Wen Jiabao and Japanese Prime Minister Koizumi Junichiro at the ASEAN Plus Three summit in Laos and during his follow-on meetings in Europe with leaders of Britain, France, and Poland, Roh argued for continued diplomatic dialogue with North Korea, without employing any threats against Pyongyang.

In Warsaw, Roh made the notable comment that “I know that, different from the official position of the U.S. administration, there are a number of people in the United States favoring hardline approaches. Whoever takes charge of the problem will first have to take the Korean people’s safety and prosperity as a major concern. They cannot pursue only nuclear dismantlement at the cost of leaving the Korean Peninsula torn into pieces.”

In retrospect, Roh’s diplomatic campaign, from Los Angeles to Santiago to several European capitals, successfully laid down a South Korean marker that it would resist any post-election shift in U.S. policy toward a purely hardline approach favored by administration neo-conservatives. Having said that, it is by no means clear that President Bush acquiesced to Seoul’s new position or is prepared to abandon the threat of military action or economic sanctions against North Korea. At the Santiago summit meeting with Roh, Bush did no more than reiterate what Roh later called in Warsaw the “official position” of the U.S. government, favoring a peaceful and diplomatic resolution of the nuclear issue. Bush made much the same statement during his summit meeting with Roh in Washington during the spring of 2003.

The most significant U.S. administration response to Roh’s remarks came in early December when the incoming national security adviser, Stephen Hadley, told visiting South Korean legislators that U.S. policy sought the “transformation” of North Korea, rather than “regime change.” NSC Senior Director for Asian Affairs Michael Green elaborated that Washington would like to see North Korea “transformed” by major shifts in its economic policies.

For the moment, Roh’s attack on the neo-conservative proponents of “regime change” strengthened the hand of U.S. officials who favor a more moderate, long-term transformation in North Korea, brought about largely by economic means. It will allow administration moderates to argue more vigorously in the future that taking a harder line against North Korea, by threatening economic sanctions or military action, risks seriously alienating the Roh government and weakening the U.S.-South Korea alliance.

More broadly, by shifting the focus from “regime change” to “transformation” in North Korea by economic means, President Roh may have struck a sympathetic chord among administration conservatives. U.S. hardliners regularly assert that development of a free market economy, brought about by greater international trade and investment, creates the foundations for democracy and individual freedom in totalitarian countries. Rather than seeing economic incentives for Pyongyang as a form of “appeasement,” these conservatives may instead come to view them, under Hadley’s formulation, as a means for furthering the changes they seek in North Korea.

### **Seoul Avoids Sanctions for Nuclear Experiments**

In late November, the International Atomic Energy Agency strongly criticized South Korea’s failure to report scientific experiments, in 1982 and 2000, with weapons-grade plutonium and uranium that could potentially be used in nuclear bombs. But the Agency decided not to send the matter to the UN Security Council, sparing Seoul the possible imposition of sanctions.

Throughout the IAEA’s investigation, which began in September, Seoul stressed that the experiments were the independent actions of curious scientists and not part of any nuclear weapons program. IAEA Director General Mohamed ElBaradei called the laboratory experiments “legal,” in early October, but said they should have been reported to the nuclear agency. While South Korean officials expressed relief at the outcome of the IAEA investigation, they recognized that the controversy bolstered suspicions in neighboring countries that Seoul had embarked on a secret nuclear weapons development program. In the aftermath of the IAEA announcement, Seoul offered to explain its nuclear experiments to North Korea at the next round of Six-Party Talks.

### **Six-Party Talks Delayed Until the New Year**

Despite strong efforts by the United States, South Korea, and China, North Korea refused to commit to a new round of talks through December. Even a plan pushed by South Korea to hold an “informal” meeting of heads of delegations in Beijing to discuss “scheduling” of future rounds was not successful.

Pyongyang told the U.S. and China that it wanted to wait to see the shape of the Bush administration’s new policies before reengaging in the multilateral negotiations. China reportedly resisted U.S. requests to put more pressure on North Korea, arguing that it would be ineffective. For its part, the U.S. insisted that the “ball is in North Korea’s court,” and called for North Korea to make a “positive gesture” in response to the proposal that the U.S. presented at the June round of talks.

By mid-December, the postures of the leading parties to the talks – the U.S. and North Korea – underscored the current impasse in the negotiations. Each side was waiting for the other to make a move and neither was willing to offer the slightest concession to get the Six-Party Talks back on track.

South Korea sought to put the best face on this difficult situation by shifting the focus to future developments in 2005. Visiting Beijing as a presidential envoy, South Korea's Unification Minister Chung Dong-young said "the North's nuclear issue will be at a crossroads next year. We expect North Korea, the United States and other participants in the six-way talks to make a historic choice and decision."

U.S. officials emphasized that their patience would not last indefinitely. In Washington, U.S. ambassador to South Korea Christopher Hill urged North Korea to return to the Six-Party Talks soon and warned "without putting a deadline on it, I think it's fair to say that time is not limitless." Another unnamed senior official told *Reuters* that the U.S. may consider calling a future round of negotiations *without* North Korea. A continuing impasse in the Six-Party Talks, he said, would also lead to the administration's "fundamental reappraisal of where we are in the process." By direct implication, some U.S. officials will argue for putting more pressure on Pyongyang if the Six-Party Talks do not move forward.

### **U.S. and South Korea Agree to Delay Troop Withdrawal**

In early October, Washington and Seoul reached agreement on a plan to delay the previously announced cut of U.S. troops from the Korean Peninsula. Last May, Washington shocked Seoul with its decision to cut 12,500 troops, one-third of the approximately 37,500 U.S. troops in South Korea, by the end of 2005. With the new agreement, the U.S. will pull back only 5,000 troops by the end of 2004, including the 3,500 already redeployed to Iraq, and gradually withdraw the remainder by 2008.

The Defense Department originally justified the withdrawal as part of its global realignment of U.S. forces, but agreed to the delay based on Seoul's argument that additional U.S. troops were still needed to deter an attack by North Korea. Seoul also stressed that while it is ramping up the nation's self-defense capability to become less dependent on the U.S., it needs more time to complete the transition.

As part of the redeployment of U.S. forces *within* Korea, South Korea's Defense Minister Yoon Kwang-ung signed an agreement in late October with the commander of U.S. Forces Korea, Gen. Leon LaPorte, to relocate the headquarters of the UN Command and the Combined Forces Command from Yongsan Army Base in Seoul to Pyongtaek, south of the capital. The agreement also included a return to South Korea of U.S. bases located near city centers in other areas of the country. The agreement needs to be ratified by South Korea's National Assembly to take legal effect.

On another defense-related issue, Seoul asked Washington, during the annual Security Consultative Meeting in late October, to reduce the amount South Korea currently pays to maintain U.S. forces on the Korean Peninsula. In 2004, Seoul paid approximately \$623 million to the U.S. for so-called "burden-sharing" and the U.S. previously requested about a 9 percent increase for 2005. At the end of the quarter, the two sides had not yet reached a resolution of this issue.

## **Movement on a U.S.-South Korea Free Trade Agreement**

Since arriving in Seoul this past summer, U.S. Ambassador Christopher Hill has regularly voiced support for a U.S.-South Korea Free Trade Agreement. U.S. government officials previously viewed a FTA as unobtainable given current disputes between the two countries on South Korea's screen quota (which limits the days Hollywood films may be shown in domestic cinemas) and other tariff barriers. Hill's strategy has been to link rhetorically South Korean concessions on its screen quota and other trade issues to making progress on the FTA that Seoul seeks. The ambassador's efforts seemed to begin paying off in mid-October, when South Korea's Fair Trade Commission called for scrapping the screen quota altogether. For this decision to take effect, South Korea's National Assembly must give its approval.

Reflecting Hill's views, a senior official with the office of the U.S. Trade Representative (USTR) reportedly told U.S. business representatives in mid-December that USTR is poised to begin negotiations on a FTA with South Korea "provided that South Korea shows it is willing to take some tough decisions to resolve outstanding trade disputes" in the areas of pharmaceuticals, automobiles, intellectual property rights, telecommunications, and agriculture. The official voiced appreciation and support for South Korea's new minister of trade, Kim Hyun-chong, saying the U.S.-educated Kim is "someone we feel we can work closely with."

Finally, in mid-December, South Korea's Unification Minister Chung Dong-young presided over the opening ceremony for the Kaesong Industrial Zone, which is under construction in North Korea, 40 miles north of the demilitarized zone. Former South Korean President Kim Dae-jung agreed with North Korean leader Kim Jong-il during their historic June 2000 summit meeting to build this complex, which is envisioned to host 300 South Korean companies by 2006.

Currently, South Korea is seeking an exception to the U.S. export control laws and regulations that forbid South Korean companies from shipping desktop computers to North Korea for use in the Kaesong complex. The 13 companies now approved by South Korea for setting up operations at Kaesong will produce low-tech items such as kitchenware, garments, shoes, and plastic goods, but at least some of them will need computers to control production and business operations. As of late December, the two governments had not yet resolved this outstanding issue.

## **Prospects**

At the end of this quarter, the prospects for a new and successful round of Six-Party Talks do not look very good. At the heart of the negotiating impasse is a deep and abiding mutual mistrust between North Korea and the United States, which prevents them from engaging in a process of accommodation. To Washington and Pyongyang, the Six-Party Talks increasingly appear to be a zero-sum game, where an advance for one is perceived as a defeat for the other. This is much the same psychology that prevailed between South

and North Korea until South Korean President Kim Dae-jung changed the dynamics in June 2000 at his summit meeting with Kim Jong-il.

One idea gaining currency in Washington among the proponents of a diplomatic solution to the nuclear crisis is that external events, not directly related to the substance of the nuclear discussions, will be required to change the perceptions on both sides. Some observers argue that mutual gestures of goodwill by the U.S. and North Korea could have the effect of changing the zero-sum game mindset in which both governments are caught. This, in turn, could have a positive effect on the atmosphere of the Six-Party Talks, without either side having to offer premature concessions on security issues.

Taking its justification from the North Korean Human Rights Act of 2004 – which encourages the Bush administration to focus on the well-being of ordinary North Koreans – the U.S. could announce a program of substantial medical assistance to North Korea. This program would provide desperately needed medical equipment, supplies and medicine to many people suffering from horrendously poor medical care, while improving the delivery of health services.

For its part, North Korea could announce a considerable increase in manpower and resources to assist in repatriating the remains of U.S. servicemen who were unaccounted for at the end of the Korean War. North Korea regularly guides U.S. military officials to remote sites where U.S. soldiers died and helps recover their remains and personal effects.

In the face of a significant expression of American goodwill, Pyongyang would be hard put to accuse the U.S. yet again of maintaining a “hostile policy.” And by ramping up its program to repatriate the remains of U.S. soldiers, North Korea would reap the goodwill of a majority of Americans, who would perceive it as a friendly and forward-looking gesture. The U.S. administration would undoubtedly react with an expression of sincere appreciation and gratitude.

At the end of the day, the United States and North Korea, as well as the other participants in the Six-Party Talks – South Korea, China, Russia, and Japan – have much to lose if this multilateral negotiating forum proves unable to advance a solution to the North Korea nuclear issue. The chance of a military confrontation in Northeast Asia will grow and the Six-Party Talks, which could form the nucleus of a future regional security system in the volatile Northeast Asia region, will self-destruct. That outcome is not in any of the participating countries’ best interest.

## **Chronology of U.S.-Korea Relations October-December 2004**

**Oct. 4, 2004:** U.S. Ambassador Chris Hill says if South Korea scraps its film quota, it could lead to a free trade agreement.

**Oct. 6, 2004:** U.S. agrees to delay withdrawal of 12,500 troops until 2008.

**Oct. 11, 2004:** South Korean Ministry of Culture proposes to end the screen quota.

**Oct. 18, 2004:** President Bush signs the North Korean Human Rights Act of 2004 into law.

**Oct. 22, 2004:** North says it will attend a new round of Six-Party Talks if the U.S. drops its “hostile policy,” agrees to compensate Pyongyang for shutting down nuclear activities and if South Korea agrees to fully disclose the nature of its nuclear experiments; the U.S. and South Korea begin annual defense consultation in Washington.

**Oct. 26, 2004:** Secretary of State Colin Powell visits Seoul for consultations; U.S. and South Korean military officials sign agreement for relocation of Yongsan Army Base.

**Oct. 27, 2004:** At trilateral talks in Seoul, South Korea, Japan, and the U.S. agree on the need to hold a new round of Six-Party Talks by the end of the year.

**Oct. 28, 2004:** North Korean ambassador to the UN protests Proliferation Security Initiative naval exercise as a violation of the UN Charter.

**Nov. 1, 2004:** U.S. and South Korean negotiators meet to discuss South Korea’s financial contribution to stationing U.S. troops in the country.

**Nov. 3, 2004:** Meeting North Korean officials in New York, U.S. representative Joseph DeTrani says the U.S. seeks a new round of Six-Party Talks “without preconditions.”

**Nov. 9, 2004:** Japanese newspaper reports U.S. sets a “red line” against North Korean export of nuclear materials whose violation could result in military action; the U.S. and South Korea begin quarterly trade talks in Seoul.

**Nov. 12, 2004:** In a Los Angeles speech, President Roh rules out a military option for dealing with North Korea.

**Nov. 20, 2004:** At the APEC summit in Santiago, President Bush and President Roh agree to cooperate to hold the next round of Six-Party Talks at an early date.

**Nov. 26, 2004:** IAEA criticizes South Korean government for keeping nuclear experiments secret but does not refer the matter to the UN Security Council; KEDO announces its nuclear reactor construction project will be extended until Dec. 1, 2005.

**Nov. 29, 2004:** At ASEAN Plus Three summit, Japan, China, and ROK call for greater trilateral cooperation to obtain a peaceful solution to the North Korea nuclear issue.

**Dec. 2, 2004:** Unification Minister Chung says South Korea is willing to explain its reported nuclear experiments to North Korea at the next round of Six-Party Talks.

**Dec. 3, 2004:** U.S. representative DeTrani meets again with North Korean officials in New York.

**Dec. 4, 2004:** In Warsaw, President Roh says North Korea will not collapse suddenly.

**Dec. 5, 2004:** In Paris, President Roh rejects calls for “regime change” or the collapse of North Korea’s government.

**Dec. 7, 2004:** State Department spokesman says the U.S. is ready to join a new round of Six-Party Talks with North Korea, without preconditions; the U.S. and South Korea open two days of talks on burden-sharing in financing U.S. military presence; the U.S. and South Korea conduct visa talks in Seoul.

**Dec. 8, 2004:** Deputy U.S. Representative to the Six-Party Talks, DeTrani and ROK officials, meeting in Seoul, agree to push North Korea to accept a new round of negotiations.

**Dec. 9, 2004:** Deputy National Security Adviser Stephen Hadley says a goal of U.S. policy is the “transformation” of North Korea. Ministry of Foreign Affairs says working level talks with the U.S. on a proposed free trade agreement will begin in early February.

**Dec. 15, 2004:** Kaesong industrial complex opens and one company begins production.

**Dec. 24, 2004:** North Korea says it will not return to Six-Party Talks unless Japan is excluded, based on Japan’s threat of economic sanctions.