

U.S.-Korea Relations:

## **Strains in the Alliance, and the U.S. Offers a Nuclear Deal**

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North Korea conducted an impressive diplomatic campaign during this quarter to improve its relations with China, South Korea, and Japan, and thus strengthen its position in the six-party talks. In late June, under pressure from South Korea and Japan, the Bush administration made its first detailed negotiating proposal on the nuclear issue since taking office. The proposal called for a three-month freeze of North Korea's nuclear program, accompanied by energy aid from South Korea, China, and Japan, as well as a "provisional security guarantee." If North Korea readmits inspectors to verify compliance and meets specific deadlines for nuclear dismantlement, the U.S. would agree to continue energy assistance, provide permanent security guarantees, and take a variety of other steps to normalize relations.

The pressure on the U.S. from Japan and South Korea to negotiate seriously with Pyongyang enabled the State Department's moderates to overcome the internal paralysis that has long marked U.S. policymaking on North Korea. Whether the neo-conservative hardliners, located mainly in the White House and Defense Department, will now abandon their efforts to torpedo the six-party talks and to seek regime change in North Korea remains to be seen.

North Korea reacted to the U.S. proposal by characteristically demanding more energy assistance, more time for implementation, greater security assurances, and more incentives of other kinds. But it expressed a willingness to "compromise" and "show flexibility" on the U.S. proposal if the Bush administration increases the incentives and specifically gives energy aid of its own.

The U.S.-South Korea alliance suffered serious strains during this quarter, as the U.S. announced, with little forewarning, that it would send a brigade of 3,600 troops from the Demilitarized Zone to Iraq and withdraw a total of 12,500 troops from South Korea by the end of 2005. The proposed withdrawal represents about one-third of the approximately 37,000 troops that the U.S. now keeps on the Korean Peninsula. South Korean officials felt blind-sided by the announcement, although they stuck to their plan to send 3,000 South Korean troops to Iraq, at U.S. request, to bolster U.S.-led coalition forces.

Friction continued in U.S.-South Korea trade relations during this quarter over Washington's efforts to improve Seoul's enforcement of intellectual property rights (IPR). South Korea expressed "regret" at the U.S. decision to keep it on the "priority watch list" for countries that do not adequately protect IPR. Despite this ongoing dispute, the U.S. and South Korea were able to resolve a contentious internet issue and appeared to make progress on the problem of "screen quotas" that has held up completion of a Bilateral Investment Treaty for several years. After months of resistance, South Korea's minister of culture said his ministry would re-examine the screen quota system, drawing a harsh response from the South Korean film industry.

### **Developments on the Nuclear Issue**

On the critical nuclear issue with North Korea, Vice President Richard Cheney pressed South Korea, Japan, and China early in the quarter to achieve the U.S. goal of complete, verifiable, and irreversible dismantlement (CVID) of North Korea's nuclear program.

In his week-long tour of Asian nations, Cheney stressed that the six-party talks should resolve the nuclear crisis as quickly as possible, since the U.S. feared that North Korea already possesses nuclear weapons. He reportedly gave China additional evidence that Pyongyang had been working to develop nuclear weapons through a secret uranium-enrichment program.

Cheney's visit seemed to pay off a few days later, when North Korean leader Kim Jong-il visited Beijing for meetings with President Hu Jintao and other senior Chinese officials. The Chinese told Kim that North Korea had to be more forthcoming in the six-party talks in order to settle the nuclear question. According to press accounts, Kim responded that North Korea would participate actively and "with patience" in the nuclear negotiations.

Shortly after Kim crossed back into North Korea on his return trip, a massive explosion killed more than 150 people and injured more than 1,300 in the town of Ryongchon on April 22. The U.S. responded with \$100,000 in aid for victims and said it was also prepared to provide medical supplies and equipment as well as a team of specialists in emergency medicine. A conciliatory White House statement noted that the U.S. provides "all humanitarian aid in disasters based on need without regard to political concerns. As one of the largest providers of emergency food aid to North Korea, we have consistently demonstrated our concern for the people of that county."

In retrospect, Kim Jong-il's visit to China appears to be the beginning of a two-month diplomatic offensive to improve North Korea's negotiating position at the next round of six-party talks. At the China meetings, the North Korean leader reportedly told Chinese officials that his country was intent on pursuing Chinese-style economic reforms, something that China had been seeking for years. China promised new material incentives to North Korea to keep it involved in the six-party talks, whose breakdown would show a failure of Chinese diplomacy.

At the six-party working-level talks in mid-May, North Korea aggressively explored with the U.S. and other delegations the dimensions of a new deal on its nuclear program. North Korea's representative at the working-level talks also probed for any U.S. flexibility in supplying the light-water reactors promised under the now suspended 1994 Geneva Agreed Framework.

Soon after the working-level talks ended, Seoul began an effort to convince Japan and the U.S. to support the main principles that Pyongyang had proposed – an initial *freeze* of its nuclear program, accompanied by energy assistance and security assurances that would lead to further steps toward nuclear dismantlement. About the same time, U.S. government spokesmen dismissed the possibility that the U.S. might supply North Korea with any light-water reactors to facilitate either a freeze or ultimate dismantlement.

North Korea continued its diplomatic offensive in late May when Japanese Prime Minister Koizumi Junichiro visited Pyongyang for a summit meeting with Kim Jong-il. The public focus of the meeting was an agreement to return five family members of Japanese nationals abducted decades ago to North Korea. More broadly, the summit improved Japan-North Korea relations, resulting in Japan's pledge not to impose future economic sanctions and to provide food and medical aid, in exchange for North Korea's promise to resolve the nuclear issue at the six-party talks and to continue its missile test moratorium.

Shortly after the Japan-North Korea summit, which drew praise from South Korea for "improving security" on the Korean Peninsula, North Korea met long-standing South Korean requests for enacting "confidence building measures" to lower military tensions. In the first ever military-to-military talks at the general officer level, the two Koreas agreed to implement a hotline to reduce the chance of naval confrontations and to dismantle propaganda facilities along the Demilitarized Zone. Approximately two weeks later, President Roh announced that South Korea would provide North Korea with massive economic assistance once it resolved the nuclear issue at the six-party talks.

The full diplomatic impact of North Korea's two month-long efforts to improve relations with China, Japan, and South Korea first became publicly evident on June 19 when Japanese media revealed that Tokyo would offer energy assistance to Pyongyang if North Korea froze its nuclear program. Japan's positive decision signified that all the participants in the six-party talks, with the exception of the U.S., were on record favoring a nuclear freeze in return for energy aid as an intermediate step toward ultimate dismantlement. For the first time, the U.S. became isolated diplomatically in its official view that nothing less than complete, verifiable, and irreversible nuclear dismantlement was required *before* Pyongyang became eligible for promised aid or security assurances.

Facing this ironic turn of events in talks meant to isolate North Korea, the Bush administration reacted remarkably quickly with a new and cohesive diplomatic position. Modifying an earlier South Korean plan, the U.S. laid out a few days later, at the opening of the six-party talks, its first detailed step-by-step proposal for resolving the nuclear issue. The very fact that the U.S. made a concrete offer to North Korea showed that the

State Department had prevailed bureaucratically in its view that the U.S. should negotiate a diplomatic resolution of this dispute. By relying predominantly on support from South Korea and Japan, State Department moderates overcame (at least temporarily) the long-time opposition of U.S. hardliners who believed the diplomatic track would fail.

According to press reporting, the U.S. proposal calls for Kim Jong-il to commit to dismantle North Korea's nuclear weapons program in exchange for receiving immediate energy assistance from China, South Korea, and Japan. At the time of this commitment, Washington would also give Pyongyang a "provisional security guarantee" not to attack North Korea and not to seek a change in its regime. The U.S. would also begin direct bilateral talks with North Korea aimed at lifting the remaining economic sanctions and removing North Korea from the list of countries that support terrorism.

Following this first step, North Korea would have three months for a "preparatory period of dismantlement" to freeze its nuclear program by shutting down and sealing its facilities.

After the three-month period has run, continuation of energy assistance and provision of a more enduring security assurance would depend on North Korea meeting specific deadlines for declaring completely its nuclear programs, shipping nuclear materials out of the country, and admitting international inspectors. Additional incentives that could be negotiated at this point would include assistance to North Korea to develop "safe energy" sources and an agreement to normalize diplomatic relations with the United States.

In an initial bilateral meeting with the U.S. on the second day of the six-party talks, North Korea argued that the Bush administration plan requires Pyongyang to move too quickly to complete dismantlement of its facilities and does not provide sufficient up-front incentives. North Korea also continued to deny the existence of any uranium enrichment program. A day later, the North Korean delegation read a statement expressing a willingness to "compromise" and "show flexibility" if the U.S. increased the overall amount of energy aid to North Korea and gave some energy assistance of its own.

Because the U.S. offer to North Korea was both complex and unexpected, it was not surprising that the talks ended with a simple "Chairman's Statement," which did little more than underline the importance of a "step by step" diplomatic process and call for a new round of talks by the end of September 2004. One senior U.S. official described the two sides as "far from agreement" and said "there are no breakthroughs."

In fact, this round of talks showcased a major "breakthrough" in U.S. policy toward North Korea. With the State Department's moderates in control, the U.S. laid the groundwork for a diplomatic resolution of the nuclear issue. It was only to be expected that North Korea would ask for more aid and more time leading up to nuclear dismantlement as a *quid pro quo* for joining a compromise.

## **U.S.-South Korea Relations**

U.S.-South Korea relations suffered a series of jolts during this quarter. In mid-May, Washington informed Seoul that it would withdraw the 2<sup>nd</sup> Brigade of the 2<sup>nd</sup> Infantry Division – a total of 3,600 troops – from the Demilitarized Zone and send them to Iraq. In public comments at the time, the U.S. reaffirmed its commitment to the U.S.-South Korea alliance and denied that the troop shift would undermine deterrence or otherwise harm South Korea's security.

Approximately two weeks later, U.S. officials indicated that the transfer of troops to Iraq was part of an overall withdrawal of 12,500 troops from South Korea consistent with the Global Defense Posture Review (GPR) that would be completed by the end of 2005. The U.S. decision came as a surprise to the South Korean government, although Washington claimed it gave a briefing to Seoul about the GPR in February 2004 at the seventh meeting of the Future of the Alliance (FOTA) talks.

After newspapers reported the U.S. decision, South Korean conservatives condemned the Roh administration for not adequately protecting the country's interests and merely accepting a "unilateral" action by the United States. They further accused the government of allowing the U.S. to "downgrade" South Korea's status as a U.S. ally in comparison to Japan. In their view, U.S. military bases in South Korea would be classified somewhere between a "Power Projection Hub" (PPH) and a "Main Operation Base" (MOB) under the GPR. By contrast, Japan would be classified as a PPH.

Some newspaper editorials took issue with statements by Lt. Gen. Charles C. Campbell, commander of the U.S. Eighth Army, in which he suggested that the new GPR would permit South Korean and U.S. combined forces to act as a "mobile force" to perform future peacekeeping and humanitarian missions in Northeast Asia. South Korean critics argued that Campbell's view would "unilaterally expand" the combined forces command beyond the Korean Peninsula, and thereby "not only infringe on Seoul's military sovereignty" but also "trigger [a negative reaction] from neighboring countries, including China and North Korea."

In response to the criticisms of Campbell and the GPR as a whole, the Pentagon expressed "strong regret" to South Korea's Foreign Ministry about the portrayal of the GPR in the media, saying that the classifications in the GPR were "evolving terms" and reaffirming the U.S. commitment to a robust U.S.-South Korea alliance. U.S. officials also went to some pains to stress that the U.S. would not remove any military equipment from South Korea.

Despite the Defense Department's effort to downplay the significance of both the withdrawal and the shift in the U.S. strategic concept for the region, the damage was done. The manner in which the information was released and the lack of in-depth, advance consultations played to South Korean fears of being abandoned by the U.S. on the one hand, and being treated as a lackey of the U.S. on the other. As Tae-hyo Kim, an expert at South Korea's Institute of Foreign Affairs and National Security, put it, "it is a

pity that South Korea and the U.S. lacked an apparatus or system to consult on such an important bilateral issue.”

Discussions of U.S. plans for redeployment of forces took place in a markedly new political environment following South Korea’s April 15 parliamentary elections. For the first time, President Roh and his Uri Party gained control of the National Assembly in what was widely interpreted as a “generational shift” toward younger and more liberal voters. Following weeks of political limbo, President Roh returned to office May 15 after this strong vote of confidence facilitated a high court decision dismissing the impeachment charges against him.

Despite its left of center composition, the Uri Party’s moderate platform generally allayed concerns among U.S. observers that the election could weaken the U.S.-South Korea alliance. Shortly after resuming his official duties, President Roh reaffirmed the centrality of the alliance and said South Korea would go ahead with the deployment of 3,000 troops to Iraq to support coalition forces.

The number of South Korea’s forces will put it in third place, after the U.S. and Britain, in the size of its deployment to Iraq within the U.S.-led coalition. The South Korean troops will be located at two sites in the Kurdish-controlled town of Irbil in northern Iraq and assist in a variety of rehabilitation projects.

Although the dispatch of troops was originally scheduled for late April, it was delayed during the quarter by the worsening security situation in Iraq and the growing number of opponents within the South Korean public. The dispatch hit a further snag in late June after terrorists kidnapped and then brutally beheaded Sun-il Kim, a 33-year-old South Korean national who was serving as an interpreter for a South Korea company. Some segments of South Korean public opinion blamed the Iraqi resistance movement; other factions used the incident to amplify their calls for suspending the dispatch plan.

The one divisive alliance issue that seemed to be resolved during the quarter was of where to locate a new U.S. embassy complex. South Korean activists had condemned the original plan to build a new 15-story building and residential compound near a historic site in downtown Seoul. When Vice President Cheney visited South Korea in April, he told Acting President Goh Kun that the U.S. would be satisfied to build a new complex in a corner of the large Yongsan base in central Seoul. Goh accepted the proposal in early May.

On the larger question of relocating troops of the Yongsan Garrison outside of Seoul, U.S. and South Korean negotiators still were unable to reach agreement at the ninth round of FOTA talks in early June. The major sticking point in the negotiations was the amount of land that would be allotted on the Yongsan base for a reduced number of headquarters troops that remain after the bulk of forces are redeployed southward. The U.S. is requesting 1,190 hectares while South Korea says it can only provide 1,090 hectares. Given the closeness in their positions, it is likely that negotiators will resolve the issue at the next round of FOTA talks in late July.

## **U.S.-South Korea Trade Issues**

South Korea's Ministry of Foreign Affairs and Trade expressed "regret" at the beginning of the quarter over the U.S. Trade Representative's (USTR) continuing criticism of South Korea's enforcement of intellectual property rights. The ministry claimed that "Korea has made significant progress in the IPR protections over the past year."

In its "Special 301" annual report, issued at the end of last quarter, USTR said that "despite several positive steps over IPR protection last year, the U.S. government remains seriously concerned that modern copyright protection continues to be lacking in important areas." The USTR criticism underscored its decision in January 2004 to once again elevate South Korea to the "Priority Watch List" for countries that fail to provide adequate protection for IPR.

Although USTR's primary concern continues to be online music piracy and piracy of U.S. motion pictures, it also highlighted weaknesses in South Korea's legal regime in the areas of temporary copies protection, Internet Service Provider liability, reciprocity provisions for database protection, and copyright term extension.

Finally, USTR raised several new IPR-related trade issues in commenting that "concerns have arisen over continuing book piracy in universities, street vendor sales of illegally copied DVDs, counterfeiting of consumer products, protection of pharmaceutical patents, and lack of coordination between Korean health and IPR authorities on drug product approvals for marketing."

Despite continuing friction between the U.S. and South Korea over a variety of trade issues, the two governments reached agreement in late April over a contentious internet issue, and seemed to be moving closer on the difficult problem of "screen quotas." At working-level talks on April 21-22, the two governments compromised on Seoul's earlier effort to authorize a single standard for wireless internet platforms. South Korea argued that it could require mobile carriers to use a locally developed "wireless Internet platform for interoperability" (WIPI), although this measure would effectively exclude U.S. platform makers, such as Qualcomm, from the market. The compromise allows South Korea to promote the use of WIPI so long as U.S. companies can compete in the market with their own wireless internet platforms.

The long-simmering question of South Korea's "screen quotas" has held up conclusion of a Bilateral Investment Treaty (BIT) between the two countries for several years. To protect its domestic film industry, South Korea requires its movie theaters to show domestically made movies at least 146 days a year. Responding to pressure from the U.S. Motion Picture Association, USTR has objected strenuously to the South Korean requirement.

In early June, South Korea's minister of culture, Chang-dong Lee, himself a prominent filmmaker, said for the first time that the ministry would "examine a reduction, alteration and change" in the screen quota system. His remarks appeared to be influenced by the

view of President Roh that the screen quotas for the country's now thriving movie industry ought to be reduced so the BIT could move forward.

Perhaps not surprisingly, South Korean movie industry supporters harshly criticized the minister of culture's new position. One organization, "Film People for Alternative Measures," threatened that "if the government bows under the pressure of the U.S. and doesn't maintain the current screen quota, then we will fight the decision by any means possible."

## **Prospects**

Driven by strategic needs to realign global military forces and to bolster U.S. troops in Iraq, the U.S. decision to reduce forces in South Korea took a serious toll on alliance relations this quarter. Washington's ham-handedness in implementing its policy change was highlighted by the negative reactions of South Korean officials, among whom were many strong supporters of the U.S.-South Korea alliance. At the very least, the U.S. did not sufficiently consult with South Korea in advance on this major redeployment, as it has often promised to do.

The disruptive impact of the troop reduction may not be long-lasting, however, if Washington moves forward with its proposal for a diplomatic settlement with North Korea on the nuclear issue. Although the U.S. has adopted a more conciliatory policy largely out of diplomatic necessity in the six-party talks, the U.S. will find that it reaps significant rewards in South Korean public opinion if it is seen as a peacemaker, rather than simply as an antagonist of North Korea. In so doing, Washington will strengthen U.S.-South Korea relations for the long term.

Moving toward a diplomatic resolution of the nuclear issue will require Washington to keep faith with its close allies in Asia in following up on its offer to North Korea. By bargaining seriously – providing the necessary incentives and security assurances while showing some flexibility on the timetable for compliance – the U.S. should be able to achieve its goal of eliminating North Korea's nuclear weapons program.

As always, the biggest wild card in the nuclear talks is North Korea. Now that Pyongyang's diplomatic campaign has resulted in greater easing of inter-Korean tensions, stronger support from China, and an improvement in relations with Japan, North Korea could demonstrate the flexibility it professes to have and reach a compromise on the U.S. proposal. But Pyongyang will have to come clean on its secret program to produce highly-enriched uranium for nuclear weapons if it expects to reach an agreement with the United States.

There is always the danger that North Korean hardliners will gain the upper hand and argue that Pyongyang should wait until after the U.S. elections to settle the nuclear issue. The flaw with this approach, of course, is that the six-party talks are a fragile diplomatic instrument and a failure to reach a breakthrough at the upcoming September round could lead to their collapse altogether.



## **Chronology of U.S.-Korea Relations April-June 2004**

**April 7-8, 2004:** TCOG meeting in San Francisco to discuss working-level talks on DPRK nuclear crisis.

**April 12, 2004:** Chung Dong-young, head of South Korea's Uri Party, resigns following criticism for his statements that older voters should "stay at home" on election day.

**April 15, 2004:** South Korea's parliamentary elections result in a resounding victory for the progressive Uri Party.

**April 16, 2004:** In Seoul, Vice President Cheney meets with Acting President Goh Kun and voices concern about North Korea's nuclear program.

**April 19, 2004:** DPRK leader Kim Jong-il begins visit to China to meet top officials.

**April 28, 2004:** South Korean FM Ban Ki-moon reaffirms that South Korea will send troops to Iraq to support coalition forces.

**May 8, 2004:** ROK military officer, Shin Il-soon, deputy commander of the South Korea-U.S. Combined Forces Command, is arrested on embezzlement charges.

**May 12, 2004:** Six-party working group talks open in Beijing.

**May 14, 2004:** ROK Constitutional Court dismisses charges against President Roh, overturning his impeachment.

**May 15, 2004:** President Roh returns to office, offers apologies, and accepts responsibility for the illegal campaign funds scandal.

**May 17, 2004:** President Bush telephones President Roh to explain U.S. decision to redeploy 3,600 U.S. troops to Iraq.

**May 18, 2004:** USFK officials say U.S. decision to deploy U.S. troops to Iraq will not harm South Korea's security.

**May 19, 2004:** President Roh calls for accelerating South Korea's "self-defense system" in response to U.S. decision to dispatch U.S. troops from South Korea to Iraq.

**May 22, 2004:** U.S. State Department welcomes results of Japanese PM Koizumi's one-day summit with North Korean leader Kim Jong-il.

**May 24, 2004:** Approximately 19 sets of remains believed to have been U.S. soldiers killed in the Korean War are uncovered in North Korea and repatriated to the U.S.

**May 25, 2004:** ROK PM Goh Kun resigns.

**May 26, 2004:** President Roh says U.S.-South Korea alliance is “solid.”

**May 30, 2004:** U.S. expresses “strong regret” over South Korean media reports saying U.S. is attempting to “downgrade” U.S.-South Korea alliance.

**May 31-June 1, 2004:** Assistant Secretary of Defense Richard Lawless and Kim Sook, head of the South Korean Foreign Ministry meet in Seoul for talks on reducing the number of U.S. troops based the ROK.

**June 1, 2004:** Former President Kim Dae-jung says South Korea should take advantage of U.S. troop reductions to lower hostility on the Peninsula.

**June 6, 2004:** At Future of the Alliance talks in Seoul, U.S. representatives inform South Korea that the U.S. will withdraw 12,500 troops by end of 2005.

**June 7, 2004:** North Korea calls for the U.S. to completely pull its troops from South Korea.

**June 10, 2004:** South Korea’s NSC announces 3,500 troops will be dispatched to Irbil as part of Iraq deployment.

**June 13-14, 2004:** TCOG meeting in Washington to prepare for six-party talks.

**June 14, 2004:** President Roh offers new program of comprehensive aid to North Korea if it resolves nuclear issue.

**June 17, 2004:** ROK Defense Ministry confirms that South Korea will send 900 troops to Irbil, Iraq in August, as first installment of its deployment.

**June 20, 2004:** President Roh confirms that South Korea will send 3,000 troops to Iraq despite the abduction of South Korean Kim Sun-il by terrorists.

**June 22, 2004:** Iraqi terrorists behead hostage Kim Sun-il, causing national shock.

**June 23, 2004:** U.S. presents detailed proposal for resolving nuclear issue at opening of six-party talks in Beijing.

**June 26, 2004:** Six-party talks end with chairman’s statement calling for a new round of talks by September.

**June 28, 2004:** President Roh rejects shake-up of foreign policy team until inquiry into terrorist killing of Korean hostage is completed.

**June 29, 2004:** Incoming Prime Minister Lee Hai-chan calls for “stable ties between South Korea and the United States.”