



**US-Korea Relations:
Nuclear South of the Border**

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The first quarter of 2010 set the stage for what should be a busy year in US-Korea relations. The Six-Party Talks remain stalled, although dire conditions in the North may force Kim Jong-il back to negotiations soon. While North Korea continues to demand concessions before a return to talks, the US shows no sign of caving in. In South Korea, there was a flurry of mixed signals on whether the transfer of wartime operational control (OPCON) to Seoul scheduled to be completed in 2012 would go ahead as planned. Prospects for the US-ROK free trade agreement got a boost from President Obama and his administration, however, it remains uncertain when the deal will move to Congress for ratification. Finally, the issue of spent nuclear fuel reprocessing in South Korea has made its way to the forefront of US-Korea relations, where it will likely remain for some years.

Six-Party Talks update

Despite hopes that the Six-Party Talks would restart during the early part of 2010, there is still no agreement on when negotiations will resume. The US maintains that all the parties except North Korea are ready to return to the negotiating table. Meanwhile, Pyongyang has demanded discussions on a peace treaty with the US as a precondition to any nuclear talks and it is also calling on the UN to lift all international sanctions, although it is clear that North Korea has very little leverage for making demands. The Obama administration has held firm to its position that sanctions and a peace treaty will not be used as bargaining chips to entice the North into talks. Pyongyang's habitual renegeing has finally caught up with it. The North Korean regime is under unprecedented fire for bungling the economy, leading to reports that Kim Jong-il is gearing up for a trip to Beijing this spring to secure Chinese aid. Given the North's heavily weakened position, some have argued that this visit could also serve as a segue into a new round of Six-Party Talks.

The recent economic disasters in North Korea have shaken the core of the Kim Jong-il regime. Kim may have no choice but to return to negotiations in order to receive the aid necessary to stabilize his economy – and the government's grip on power. The devastating currency revaluation of November, 2009 sent prices in North Korea skyrocketing. This combined with an exceptionally poor harvest has left the already impoverished North Korean citizens in a newfound state of destitution. Such gross mismanagement is not necessarily unprecedented in the North, however the mounting backlash from the citizens is something new. This time there seems to be a sense among the population that the ruling regime bears some responsibility in the debacle. The government acted swiftly to place blame on Pak Nam-gi, the ranking party official in charge of finance. Pak was first relieved of duty, and then reportedly executed by firing squad

in early March. Subsequently, there were reports that one of Pak's deputies was also executed. Nevertheless, reports of small, yet continuous, pockets of domestic unrest signal that the currency reform has caused lasting damage to the relationship between North Korean citizens and the regime.

The debate over OPCON

The US and South Korea spent the quarter sending mixed signals about the OPCON transfer, which is currently scheduled for April, 2012. The agreement, which was conceived in 2007 during the tenure of President Roh Moo-hyun, stipulates that the US will transfer wartime command of South Korean troops to the ROK military for the first time since the early days of the Korean War. Several South Korean lawmakers have urged a delay in the transfer, arguing that the ROK military may not be ready to respond to North Korea's unconventional weapons threat. USFK Commander Gen. Walter Sharp went on the record in late March stressing that the transfer is going ahead on time. Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell struck a more flexible tone, saying that he took South Korean concerns seriously and that the transfer issue is "a matter for further high-level dialogue between the two countries."

Those opposed to the OPCON transfer argue that it would significantly weaken the defense posture of the two allies against North Korea. Specifically, there are concerns over whether South Korea is ready to respond to a potential increased nuclear capability in the North. Further, opponents point to the proposed deactivation of the Combined Forces Command, which would establish two separate commands for the South Korean and US militaries. Some question whether this divided command structure would be wise given provocations from Pyongyang.

Others argue that changing the transfer timetable at this time would send the wrong message to the North. These proponents contend that regardless of the OPCON transfer, the militaries of both South Korea and the US are capable of dealing with North Korea's nuclear threat. Any talk of delaying the transfer, they argue, would convey weakness and a lack of confidence in the abilities of the ROK.

South Korean crisis management went on worldwide display after the March 26 patrol boat tragedy that left 46 ROK sailors dead. The ship reportedly exploded and broke in half in the Yellow Sea, just south of the border with North Korea. South Korean officials are still investigating the cause of the incident, although several major newspaper have been quick to report the possibility that a North Korean torpedo or mine could have been responsible. The US Navy aided in the search and rescue mission, sending four US vessels to look for any survivors. The mission was eventually shifted from rescue to salvage. Seoul will take the operational lead, with Washington providing high-tech equipment and maritime salvage experts.

Shot in the arm for KORUS

The KORUS free trade agreement (FTA) got a boost from President Obama this quarter when he called for stronger trade relations with South Korea in his State of the Union Address in January. He touted free trade agreements as a key component of the National Export Initiative, which aims to double US exports over the next five years. The president estimates that this would help

support 2 million jobs across the country. These statements are significant in that they framed free trade as a means for increasing jobs and stimulating the US economy. Other administration officials have also begun to echo that sentiment. This is a shift from much of the usually negative free trade rhetoric which focuses on potential losses. According to recent statistics from the East-West Center, the states of Washington, Oregon, Vermont, Idaho, and New Mexico all have over 1,000 jobs per 100,000 residents linked to Asia exports. The US public is starting to hear a new discourse about how free trade can be part of the answer to the recession.

In March, a group of lawmakers from the US and Korea announced plans to form a task force to build bipartisan support for the FTA in both countries. Their goal is to expedite the ratification process, which has progressed at a frustratingly slow pace. Meanwhile, the Korea-European Union FTA is on schedule to be inked this spring. If that deal were to be ratified before KORUS, the US would be faced with the possibility of losing real market share in Korea. This message was not lost on President Obama, who in his State of the Union Address urged that, “We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores.”

While US Trade Representative Ron Kirk notes that there are still outstanding issues in the FTA regarding autos and beef, there is a growing sense that they can be taken care of through side agreements that would not require an amendment of the FTA. The administration has clearly come out positively on the FTA, although we have yet to see a decisive push for ratification. The likelihood of ratification continues to rise, but the timetable is still uncertain. Although the end of the health care debate could allow Congress to shift its focus, the political climate surrounding trade remains difficult, especially heading into the midterm elections in November. Both sides realize that it will still take some time for ratification to be considered, but there is a renewed hope that movement should be possible shortly after the elections.

Nuclear, south of the border

While a conclusion may soon be in sight for the FTA, another major issue in US-ROK relations is beginning to emerge. In early March, Seoul hosted an international conference on atomic energy where South Korean Prime Minister Chung Un-chan reaffirmed his country's commitment to move forward with recycling its nuclear waste. This is a controversial move that encompasses a range of issues from energy security to nuclear nonproliferation.

Lacking an indigenous abundance of the natural resources necessary for electricity production, South Korea has turned to nuclear power as an efficient and cost effective alternative. The ROK currently gets about 30 percent of its electricity from nuclear energy and the plan is to increase that share to 59 percent by 2030. While nuclear power is good for air quality, it also produces potentially dangerous nuclear waste. South Korea already houses over 10,000 tons of nuclear waste and the government is encountering difficulties in finding permanent storage facilities to house this radioactive material. This is where the idea for recycling originates. If there was an option to reuse parts of the waste as fuel, the waste problem could be significantly reduced. This is also an attractive option to Seoul from an energy security perspective because it would reduce South Korea's reliance on imports.

Recycling also presents a number of challenges. Recycling spent fuel can be undesirable from a nonproliferation standpoint as it brings the nuclear material one step closer to being usable for nuclear weapons. South Koreans counter that they are working on perfecting an advanced recycling technique known as pyroprocessing, which may be more proliferation resistant than the current industry standard used by Japan and France known as the Plutonium Uranium Extraction (PUREX) method. PUREX separates plutonium – which can be used to make nuclear weapons – from the nuclear waste slurry, creating a dual-use concern. Pyroprocessing uses a high-temperature method of recycling that does not extract pure plutonium. However, there is a dispute among scientists regarding how proliferation resistant pyroprocessing will be once it is ready for commercial use.

Another challenge facing South Korea in its quest toward pyroprocessing is the fact that it is party to several agreements that ban spent nuclear fuel “reprocessing” in the country. Through the 1992 Joint Declaration on Denuclearization of the Korean Peninsula, both the North and the South pledged to refrain from any type of fuel enrichment or reprocessing. The 1974 nuclear accord between Washington and Seoul also forbids spent nuclear fuel reprocessing in South Korea. Seoul contends that because pyroprocessing is inherently more proliferation resistant than traditional reprocessing, it should be considered separately. Additionally, the South Korean government points to what it calls a double standard in the fact that the US does not seriously object to reprocessing in Japan, but prevents Seoul from dealing with its serious waste problem. The 1974 accord expires in 2014, and the US and South Korea are now working swiftly to develop a successor agreement. All eyes are on the US government’s decision on how to deal with Seoul’s plan to pyroprocess. If the US objects, it would likely strike a blow to bilateral relations. However, any move toward developing an operational pyroprocessing capability in the South could complicate denuclearization talks with the North.

Outlook

President Lee Myung-bak and the South Korean government have already signaled that they are ready to move ahead with the development and implementation of pyroprocessing. Over the next several quarters, look for the US to develop a firm stance on pyroprocessing in the South. On the Six-Party Talks, all parties are looking toward North Korea to join the group and agree to a new round of negotiations. If Kim Jong-il does indeed make his much speculated trip to China, there will be heightened anticipation of an imminent return to talks.

Chronology of U.S.-Korea Relations January - March*

Jan. 7, 2010: A senior US State Department official says that the US would welcome a visit to China by DPRK leader Kim Jong-il.

Jan. 10, 2010: DPRK Foreign Ministry says that the resumption of the Six-Party Talks depends on building confidence between Pyongyang and Washington and calls for a peace treaty.

* Prepared with assistance from David Shin W. Park

Jan. 11, 2010: Robert King, the US special envoy for DPRK rights issues, says the DPRK must improve its “appalling” human rights record if it wants better relations with the US.

Jan. 11, 2010: White House spokesman Robert Gibb dismisses the DPRK’s call for talks on a peace treaty to formally end the Korean War before addressing the issue of dismantling Pyongyang’s nuclear programs.

Jan. 12, 2010: DPRK Ambassador to China Choe Jin-su says that the DPRK will not return to nuclear disarmament negotiations unless the US agrees to peace treaty talks and lifts sanctions.

Jan. 13, 2010: US Special Envoy for the DPRK Stephen Bosworth says, “When North Korea comes back to Six-Party Talks and resumes making progress for the goal of denuclearization, the Security Council will examine the appropriateness of a revision of the sanctions resolution.”

Jan. 13, 2010: DPRK says it will allow in more US tourists after years of heavy restrictions on visits, according to the Koryo Group, a tour operator that specializes in DPRK tourism.

Jan. 14, 2010: *Rodong Sinmun*, the newspaper of DPRK Workers’ Party, calls for the withdrawal of US troops from ROK.

Jan. 14, 2010: In a conversation with ROK Internet users, Special Envoy King says the DPRK should follow in the footsteps of Russia and China and open its economic and political systems to improve conditions for its people. He also says the US will not normalize ties with a country that systematically abuses the rights of its people.

Jan. 15, 2010: ROK Trade Minister Kim Jong-hoon says that the ROK government will not respond if the US repeats its demand to amend a bilateral free trade accord.

Jan. 18, 2010: *Chosun Ilbo* reports that senior officials in the U.S. administration, congressmen, and staff see nearly no prospect for the ratification of the ROK-US free trade agreement by the US Congress, according to a group of ROK lawmakers following a visit to Washington.

Jan. 20, 2010: *Yonhap* reports that the ROK defense minister said the proposed transfer of wartime operational control (OPCON) to ROK is scheduled for the “worst” possible time.

Jan. 22, 2010: US Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell says the Obama administration will work closely with ROK toward congressional approval of the KORUS FTA at a hearing before a Senate Foreign Relations Subcommittee.

Jan. 21, 2010: *Korea Times* reports that United States Forces Korea (USFK) will not pay for the cleanup of Camp Hialeah in Busan. Civic groups blame the ROK government for failing to get the USFK to share cleanup costs.

Jan. 24, 2010: *Korea Times* reports that the ROK is moving to hold behind-the-scenes discussions with the US in a bid to amend an agreement on cooperation in nuclear energy.

Jan. 24, 2010: US Navy announces it assisted of a DPRK-flagged ship in the Gulf of Aden.

Jan. 26, 2010: DPRK announces a shipping exclusion zone off part of its west coast.

Jan. 27, 2010: US President Barack Obama in the State of the Union Address calls on DPRK and Iran to abandon their nuclear ambitions, warning of stronger sanctions if they continue to pursue atomic weapons in violation of international accords.

Jan. 27, 2010: *Korean Central News Agency* reports that DPRK detained a US citizen for illegally entering the country from China on Jan. 24.

Jan. 27, 2010: Adm. Robert Willard, commander of US Pacific Command, says the DPRK appears willing to resume the search for the remains of missing US service members on its soil.

Jan. 27, 2010: US State Department spokesman Philip Crowley denounces the DPRK for escalating tensions by firing artillery shells along the disputed western sea border.

Jan. 29, 2010: ROK and the US agree to conduct a feasibility study on pyroprocessing.

Jan. 29, 2010: President Obama says he will move for congressional approval of pending free trade deals with the ROK, Colombia, and Panama.

Jan. 29, 2010: State Department spokesman Crowley dismisses a DPRK offer to reopen talks on finding US soldiers missing since the Korean War, saying Pyongyang must first resume discussions on ending its nuclear ambitions.

Jan. 30, 2010: Deputy Secretary of State James Steinberg expresses US support for President Lee Myung-bak's proposal to meet DPRK leader Kim Jong-il.

Feb. 1, 2010: *Rodong Simun* urges the US to give up the Cold War mindset and conclude a peace treaty.

Feb. 2, 2010: Lt. Gen. Benjamin Mixon, commander of US Army, Pacific, says the US wants to organize trilateral military exercises with the ROK and Japan to better deal with disaster relief and humanitarian assistance.

Feb. 3, 2010: President Obama certifies that the DPRK would remain off the US list of terrorist states, despite some calls from Congress for the state to be put back on.

Feb. 3, 2010: Director of National Intelligence Dennis Blair says in testimony before Congress that the DPRK relies on its nuclear weapons program because of a crumbling military that cannot compete with the ROK.

Feb. 3, 2010: US Forces Korea Commander Gen. Walter Sharp says US troop levels in the ROK will remain unchanged after Seoul takes back the wartime operational control of its troops.

Feb. 3, 2010: US Secretary of Defense Robert Gates says at a hearing of the House Armed Services Committee that additional US ground forces may not be able to arrive in ROK in time in case of an emergency situation in DPRK due to US commitments in Iraq and Afghanistan.

Feb. 4, 2010: Officials at a House Armed Services Committee hearing say the US will mobilize additional forces to send to the ROK in case of a DPRK regime collapse or other contingency.

Feb. 4, 2010: State Department spokesman Crowley says the DPRK's proliferation of weapons of mass destruction could result in relisting as a state sponsor of terrorism.

Feb. 4, 2010: US Defense Department report claims the ROK is interested in participating in a US-led ballistic missile defense system, but Seoul denies any concrete commitment.

Feb. 5, 2010: DPRK announces US missionary Robert Park would be released after admitting that he entered the country illegally and showed "sincere repentance" for the transgression.

Feb. 8, 2010: In an interview with *CNN*, US Secretary of State Hillary Clinton says the Obama administration will continue engaging the DPRK to convince it to return to the Six-Party Talks.

Feb. 9, 2010: State Department spokesman Crowley says Kim Jong-il's declaration that he is committed to shelving the country's nuclear weapons program must be followed by action to rejoin international negotiations.

Feb. 10, 2010: *Chosun Ilbo* reports that a Gallup poll shows ROK citizens believe that the US-ROK alliance has become stronger since the inauguration of the Lee Myung-bak administration.

Feb. 12, 2010: After his four-day trip to North Korea, UN Undersecretary for Political Affairs Lynn Pascoe says the DPRK is not eager to return to the Six-Party Talks.

Feb. 15, 2010: *Korea Central News Agency* reports the DPRK will seek to end hostile relations with the US through "dialogue and negotiation" and also push to mend ties and unite with the ROK by promoting reconciliation and cooperation.

Feb. 19, 2010: *Korean Central News Agency* says the DPRK's "nuclear deterrent for self-defense will remain as ever and grow more powerful ... as long as the US nuclear threat and hostile policy persist."

Feb. 24, 2010: US Special Envoy Bosworth says he is "confident" that Six-Party Talks will resume after meeting Wu Dawei, his Chinese counterpart, in Beijing.

Feb. 24, 2010: ROK Defense Minister Kim Tae-young says he hopes the US security umbrella would remain intact for a long time.

Feb. 25, 2010: ROK National Assembly approves a government proposal to send 350 troops to protect ROK civilian aid workers in Afghanistan. The troops will be deployed in central Parwan province from July 2010 to the end of 2012.

Feb. 25, 2010: Center for International Security and Cooperation (CISAC) reports that Stanford specialists are working with doctors from Pyongyang's Ministry of Public Health to develop that country's first diagnostic laboratory for drug-resistant tuberculosis.

March 3, 2010: In a speech to the Conference on Disarmament, DPRK diplomat Jon Yong Ryong says, "The nuclear issue on the Korean peninsula should be settled between the DPRK and the US from every aspect as it is a product of the hostile policy of the US toward the DPRK."

March 4, 2010: US Special Envoy Bosworth says that the US and China agreed to boost diplomatic drives to resume the stalled Six-Party Talks "as soon as we can."

March 7, 2010: *Korean Central Broadcasting Station* denounces the annual *Key Resolve-Foal Eagle* US-ROK military exercise saying it would indefinitely suspend denuclearization talks and all military dialogue as long as the "hostile war games" continue.

March 8, 2010: The US and the ROK begin their annual joint military exercise.

March 11, 2010: Gen. Sharp says that US troops who would be tasked with eliminating the DPRK's weapons of mass destruction in the event of armed conflict are participating in the current *Key Resolve-Foal Eagle* US-ROK military exercise.

March 11, 2010: South Korean Prime Minister Chung Un-chan speaks at the Summit of Honor on Atoms for Peace and Environment (SHAPE), and reiterates Seoul's intention to pyroprocess spent nuclear fuel.

March 15, 2010: ROK government official says that the US has hired a US think tank to gauge public opinion in the ROK on the proposed delay of handing wartime OPCON to Seoul.

March 16, 2010: *Korea Herald* reports that revision of a 1974 nuclear energy agreement between the ROK and the US is expected to be critical to the development of the alliance as Seoul explores ways to reuse its mounting nuclear waste.

March 17, 2010: *Chosun Ilbo* reports that Assistant Secretary of State Kurt Campbell told US Ambassador Kathleen Stephens, an ROK lawmaker, and activists in a closed-door session that he doubted Kim Jong-il would live beyond 2013.

March 17, 2010: ROK Defense Minister Kim Tae-young says that the DPRK has increased its missile arsenal by 25 percent in the past two years to about 1,000.

March 17, 2010: *Asahi Shimbun* reports the US has asked the ROK to put a regional defense system against ballistic missiles on the agenda for security talks between the two countries.

March 18, 2010: *Yonhap* news agency reports that Pak Nam Gi, the ruling Workers' Party finance and planning department chief who spearheaded the currency reform in the DPRK, was executed by a firing squad in Pyongyang.

March 18, 2010: *Korea Times* reports that a US Joint Forces Command report says that the ROK, like Japan, has the technology to build a nuclear arsenal quickly if it decides to do so.

March 22, 2010: *Korean Central News Agency* announces that the DPRK will put on trial a US citizen identified as Aijalon Mahli Gomes, who entered the country illegally.

March 26, 2010: In comment on *KCNA*, the DPRK military threatens “unprecedented nuclear strikes” over a report that the US and ROK are preparing for possible instability in the DPRK.

March 26, 2010: Gen. Sharp suggests discussions at the “highest levels” of the ROK and US governments over delaying the handover of full control of ROK troops to Seoul in 2012 at a hearing of the Senate Committee on Armed Services. Adm. Robert Willard, commander of the US Pacific Command, says that the US is ready to transfer the wartime command control of the ROK troops to Seoul as scheduled in 2012.

March 26, 2010: ROK warship *Cheonan* splits apart near the maritime border with the DPRK and sinks after an explosion in the rear hull. The cause of the explosion remains unclear, and officials say it could take weeks to determine.

March 27, 2010: US State Department spokesman Crowley says that the US has no evidence that DPRK is involved in the sinking of *Cheonan*.

March 29, 2010: ROK officials rule out that an accident or collision with a reef caused the *Cheonan* to sink. Defense Minister Kim Tae-young suggests that one of the many DPRK sea mines placed during the Korean War could have sparked the explosion that sunk the *Cheonan*.

March 29, 2010: DPRK accuses the US and the ROK of creating provocations by allowing tourists and journalists into the Demilitarized Zone. The DPRK demands an end to the tours, calling them part of a pattern of “psychological warfare” and warning of “unpredictable incidents including the loss of human lives in this area for which the US side will be wholly to blame.”

March 30, 2010: ROK Defense Minister Kim Tae-young says, “North Korea may have intentionally floated underwater mines to inflict damage on us.”

March 31, 2010: ROK’s *Yonhap* reports that Secretary of State Clinton has acknowledged that the DPRK possesses nuclear weapons.