

U.S.-Korea Relations:
After the "Breakthrough," Now What?

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This quarter in U.S.-Korea relations opened with a bang and ended with a long pause. At the outset, South Korea's Special Presidential Envoy Lim Dong-won undertook a critical mission to North Korea to put the process of inter-Korean reconciliation back on track. North Korea's willingness to meet with Lim signaled a desire to improve the atmosphere on the peninsula after more than a year of verbal sparring with the Bush administration.

Lim's mission was broader than that of previous South Korean envoys. In addition to improving the atmosphere for North-South talks, Lim aimed to persuade Pyongyang to resume bilateral negotiations with Washington. This was not an easy task in the aftermath of President George W. Bush's "axis of evil" speech in late January, which raised the level of animosity between the U.S. and North Korea significantly.

After months of hearing the U.S. say "the ball is in North Korea's court," Pyongyang finally agreed with Lim in early April to resume bilateral negotiations with Washington. North Korea also decided to continue reunions of divided Korean families, organize a new round of South-North economic talks, and continue discussions with South Korea on military confidence building.

Analysts speculated that Lim's mission was mainly intended to head off a new confrontation with Washington on nuclear-related issues. President Bush's earlier refusal to certify North Korea's compliance with the 1994 U.S.-DPRK Agreed Framework signaled Washington's official unhappiness with North Korean actions to date. Although Bush indicated that the U.S. would continue supplying North Korea with heavy fuel oil, his action raised the specter of a renewed conflict on nuclear-related issues.

Once North Korea decided to resume negotiations with the U.S., a predictable political debate occurred in Washington between moderates and hard-liners over the reason for Lim's breakthrough. Conservatives argued that Bush's new hard-line policy, expressed in his "axis of evil" remarks, had brought Pyongyang back to the negotiating table. Moderates took the view that Lim's new effort at reconciliation with the North, a component of President Kim Dae-jung's Sunshine Policy, was the motivating factor.

What most influenced North Korea's decision will probably never be known precisely. Most likely, fear of Washington's new aggressiveness in confronting potential enemies in the aftermath of the Sept. 11 attacks, was a significant factor. The fact that North Korea faced yet another period of economic and humanitarian crisis also presumably focused Pyongyang's attention on repairing its domestic problems during the immediate future.

Secretary Powell's Restatement of U.S. Policy

In advance of the expected bilateral talks with North Korea, U.S. Secretary of State Colin Powell laid out key elements of U.S. policy in a speech to the Asia Society in New York City on June 10. From a U.S. policy perspective, Powell's speech attempted to integrate the views of administration hard-liners, who sought to toughen the U.S. approach toward North Korea, and the views of moderates who were interested in pursuing a pragmatic diplomatic agreement. In so doing, it established an opening U.S. position from which the Bush administration can move, according to its own logic, toward a comprehensive diplomatic settlement with Pyongyang. Of course, such a settlement depends heavily on North Korea's willingness to meet U.S. concerns, which is by no means assured.

At the outset of his speech, Powell blasted North Korea for its "dangerously deluded policies [that] drag its people further and further into a hell of deprivation and oppression." This "plain-speaking" rhetoric demonstrated the new Bush administration emphasis on publicly expressing its frank views of North Korea while pursuing pragmatic diplomatic negotiations.

Powell enthusiastically endorsed President Kim's Sunshine Policy of engagement and called for North Korea to continue the process of inter-Korean reconciliation by establishing industrial zones, implementing military confidence building measures, reuniting more separated families, and completing the North-South railway line. In so doing, the secretary strived to remove the doubt about U.S. support for progress in the North-South talks that has lingered since President Bush's "axis of evil" remarks.

The secretary forthrightly asserted that the U.S. "is prepared to take important steps" to normalize relations with North Korea, based on Pyongyang's agreement to: 1) end its proliferation of missiles to rogue states and eliminate its long-range missile program; 2) come into full compliance with International Atomic Energy Agency (IAEA) safeguards pursuant to the Nuclear Non-Proliferation Treaty (NPT); 3) move toward a less threatening conventional military posture by first implementing basic confidence building measures with the South; and 4) improve monitoring and access so inspectors can ensure that humanitarian food aid is not diverted from its intended recipients.

Powell's restatement of U.S. policy contained several important new nuances. By referring to compliance with "IAEA safeguards pursuant to the NPT," he seemed to press North Korea to accelerate inspections of its nuclear-related facilities beyond what is called for in the 1994 Agreed Framework. North Korea has argued that it only need allow intrusive IAEA monitoring and inspection when it receives key components of the first light-water reactor, as provided in the Agreed Framework.

Powell once again stressed the importance of reducing North Korea's conventional military threat, but did so with greater regard to South Korean sensibilities than in the past. South Korea has emphasized the need for North Korea to first implement military confidence building measures, as agreed in previous North-South talks, and Powell underlined U.S. support for that approach.

Finally, Powell underscored more strongly than in the past that North Korea should allow greater monitoring of humanitarian food distribution. Critics have charged that humanitarian food aid is sometimes diverted to the North Korean military or to regime supporters rather than hungry and needy people. While promising to continue "generously to support" humanitarian food assistance, Powell put North Korea on notice that greater monitoring would be required in the future.

Shortly after the Powell speech, U.S. North Korea coordinator Jack Pritchard met with North Korea's UN Ambassador Pak Gil-yon on June 14 in New York to discuss the modalities of a U.S. envoy's planned visit to Pyongyang. In spite of North Korea's decision in early April to resume talks with the U.S. and Washington's willingness to meet Pyongyang officials "anytime, anyplace," it took more than two months for this first follow-on meeting to occur.

At the end of the quarter, no one could confidently predict that Pyongyang and Washington would resolve outstanding issues any time soon. While both parties might find it useful to resume talks, each had strong reason to demonstrate to domestic constituencies the virtues of their "tough stance" toward the other before agreeing to any concessions.

South Korean Elections and U.S.-Korea Relations

In mid-June, President Kim's Millennium Democratic Party (MDP) suffered a major defeat in regional and parliamentary elections. Observers attributed the landslide victory of opposition Grand National Party (GNP) candidates to widespread public displeasure over the bribery scandal involving President Kim's two sons as well as the low voter turnout. The election result pushed GNP presidential candidate Lee Hoi-chang well ahead of MDP candidate Roh Moo-hyun in the polls and indicated a greater probability that conservatives would prevail in the December 2002 presidential election.

Since the advent of democracy in Korea in the late 1980s, the U.S. has strived to maintain its distance from Korean domestic politics. Any perceived "interference" by the U.S. in the campaign could open the U.S. to political attacks by anti-American activists and thus weaken the U.S.-Korea alliance.

That is why some controversy arose in Korea over the statement of Assistant Secretary of State for East Asian and Pacific Affairs James Kelley to a congressional committee that the 2002 South Korean elections could adversely affect U.S.-South Korean relations. The

statement was interpreted as expressing U.S. concern over the possible election of MDP candidate Roh Moo-hyun, who was leading opinion polls at the time.

U.S. Ambassador to South Korea Thomas C. Hubbard dampened this speculation in mid-April by saying the U.S., in fact, had no concern over the emergence of Roh Moo-hyun as a presidential candidate – and thus seemed to put to rest the controversy. Shortly thereafter, Roh fired a foreign policy adviser who had warned the Bush administration not to interfere in the presidential campaign.

World Cup and Anti-Americanism

Early in the World Cup competition, the scheduled game between the U.S. and South Korean teams stirred tangible fears of anti-American demonstrations throughout the country. Security police cordoned off the U.S. Embassy in downtown Seoul, the general police presence near American bases was unusually large and the government kept a force of 10,000 troops in reserve to deal with all possible contingencies. President Kim decided not to attend the U.S.-Korea game in the city of Taegu because of security concerns.

At the time, anti-Americanism in Korean public opinion was high for several reasons. Bush's "axis of evil" comments initially stirred wide resentment among the Korean public. Moreover, the perceived unfairness of a judge's decision disqualifying a South Korean speed skater at the Salt Lake City Winter Olympics spurred unexpected and widespread anti-American sentiments. Lastly, on June 13, a U.S. Forces Korea armored vehicle, on a training mission, hit and killed two teenage girls who were walking along a road. The incident inspired large protests at U.S. military installations from civic groups calling for a negligent homicide investigation.

On the day of the U.S.-Korea match in Taegu, no large-scale demonstrations materialized, however. This was largely due to what some observers called a "politically correct" result of the game: a 1-1 draw.

Trade and Economic Issues

Trade friction between the U.S. and South Korea on steel exports to the U.S. worsened considerably during the quarter. Despite Korean protests, the U.S. on March 20 imposed between 8 and 30 percent tariffs on 14 Korean steel import products. In early May, the South Korean government responded by demanding compensation in the amount of approximately \$171 million for the estimated damage from the first year of tariffs. The Koreans demanded that this compensation (due to the alleged "unfair punishment" of Korean steel exporters) come in the form of tariff exemptions on various non-steel products.

Although the U.S. steel tariffs generated anger among South Korean trade officials, the tariffs did not seem to pose any lasting harm to the overall economic or political relationship. Indeed, the strategy of negotiation to obtain "compensation" that Korea

pursued indicated it was seeking a fair way of resolving the dispute before it could cause any long-term damage.

On the more positive side, U.S. Trade Representative (USTR) Robert Zoellick in April downgraded South Korea from a “Priority Watch List” country on intellectual property rights to a simple “Watch List” country. The U.S. thus indicated satisfaction with Korea’s efforts over the past year to enact new laws and undertake systematic enforcement measures to protect intellectual property rights. In the past, companies such as Microsoft had pressed the USTR to keep South Korea on the Priority Watch List because many Korean software companies illegally copied programs and otherwise violated intellectual property rights with apparent impunity.

U.S.-South Korea trade issues during the quarter occurred against a background of a rapidly improving ROK economy. The latest data showed 5.7 percent economic growth at the end of March compared to a year earlier. This better than expected expansion was driven by 8.9 percent growth in the construction sector and 7.7 percent growth in the service sector, with private consumption climbing 8.4 percent compared with a year earlier. Business and consumer confidence ran high, reflecting optimism that Korea has returned to the growth pattern it followed before the 1997 Asian financial crisis.

One benefit of the expanding ROK economy was to encourage purchases of foreign automobiles that have generally been considered luxury items. With the USTR pushing South Korea hard to take measures to expand U.S. auto sales, foreign auto sales in May reached a 1 percent market share, equaling their pre-1997 financial crisis high-water mark. General Motors’ agreement to acquire failing Daewoo Motors this quarter as well as Hyundai’s opening of a new automobile manufacturing plant in Alabama also relieve some tension on the auto trade issue.

F-15 Fighter Deal

In mid-May, the Korean government made its final selection of Boeing Corporation to supply 40 F-15K advanced fighter jets to the Korean Air Force by 2008. The total negotiated value of the contract was \$4.2 billion.

Controversy surrounded the lengthy selection process for the fighter aircraft. Civic groups in Korea charged the government with undue favoritism for Boeing after Dassault Aviation, a French company, initially submitted a lower bid for supplying the fighters. The civic groups also accused Boeing of offering aircraft technology that was less than state-of-the-art. Although Dassault was accused in the media of making illicit payments to support its bid, the French company mounted – and later dropped – a public relations and legal challenge to the government’s decision to award the contract to Boeing.

U.S. Embassy Housing Controversy

Civic groups also made an issue during the quarter of the U.S. Embassy’s plan to build new housing on a site it purchased in central Seoul. The civic groups argued that the

Korean government should not issue a license for construction since the housing would be built on the site of a former Korean palace, showing “disregard” for Korea’s cultural heritage. At the end of the quarter, it appeared that the Korean government would delay licensing the construction, in part because the mayor-elect of Seoul opposed it and supported finding an alternative site.

U.S. Upgrades South Korea on Combating Human Trafficking

Last year, in its first report on “human trafficking,” the U.S. State Department designated South Korea a “tier three” country that was not making sufficient efforts to meet minimum standards in combating the illicit trade of women and children. This designation caused considerable anger in South Korean government circles but was applauded by civic groups that long condemned government inaction to protect women against sexual and other forms of exploitation, particularly by organized criminal gangs. In early June, the U.S. recognized the government’s “extraordinary strides” in the past year to crack down on human trafficking and moved it to a “tier one” country that meets minimal standards.

North Korean Refugees

During the quarter, the question of giving U.S. asylum to North Korean refugees became an issue in U.S.-Korea relations. After several highly publicized incidents of refugees entering foreign embassies and consulates in China, the State Department took the position that the refugees could not use a U.S. embassy to request political asylum in the United States. The Department argued that requests for asylum could be made legally only by a person who is physically present in the United States or at the U.S. border.

In response, South Korean Foreign Ministry officials anonymously criticized the U.S. for showing no concern over the fate of the refugees, despite repeated Bush administration statements condemning the oppressive nature of the North Korean regime. Perhaps stung by this criticism, the administration offered strong support to the ROK in a new dispute with China over refugees in mid-June. The U.S. also indicated it would raise the issue of refugees with North Korea when its bilateral talks resume.

Future Prospects

At the outset of this quarter, Special Presidential Envoy Lim Dong-won secured the agreement of North Korea to resume bilateral negotiations with the United States for the first time since President Bush took office. Yet even as of late June, the two sides had not settled on the schedule for the expected trip of a U.S. envoy to Pyongyang – the first step in resuming negotiations. This delay and the apparent difficulty in carrying out a smooth diplomatic process – even after the official agreement to meet – reflect the deep suspicions harbored on both sides as they pursue a negotiated settlement.

For the moment, and perhaps through the South Korean presidential election in December, it suits the interests of both the U.S. and North Korea to conduct bilateral

negotiations. For the U.S., resuming negotiations closes the gap with its Korean ally on policy toward North Korea. For North Korea's regime, negotiations are a way to buy time and relieve pressure while it struggles with its deep economic problems and tries to remain in power. It now seems that North Korea may have decided to wait until a new South Korean president is elected in December before taking any concrete measures to resolve diplomatic issues with either the U.S. or South Korea.

According to a saying popular among diplomats, "North Korea never misses an opportunity to miss an opportunity." North Korea's apparent decision to forego reaching any major agreements during President Kim Dae-jung's remaining months in office may well fit this established pattern.

Chronology of U.S.-Korea Relations April – June 2002

April 3, 2002: Special Presidential Envoy Lim Dong-won calls on North Korea to reduce tension during meeting in Pyongyang.

April 5, 2002: Lim and North Korea leader Kim Jong-il agree on new family reunions, economic meetings, and for North Korea to resume dialogue with U.S.

April 9, 2002: Trilateral Coordination and Oversight Group (TCOG) meeting in Tokyo.

April 9-12, 2002: Former U.S. Ambassador to South Korea Donald Gregg visits Pyongyang in a private capacity.

April 11, 2002: South Korea decides to send 200,000 tons of fertilizer to North Korea.

April 17, 2002: ROK Foreign Minister Choi Sung-hong meets President George Bush and Secretary of State Colin Powell to discuss relations with North Korea.

April 18, 2002: U.S. Ambassador to South Korea Thomas C. Hubbard says the U.S. has no concerns about the emergence of Roh Moo-hyun as a presidential candidate.

April 19, 2002: South Korea announces it will buy 40 F-15K fighter jets from Boeing.

April 25, 2002: Secretary Powell says U.S. is ready to resume dialogue with North Korea.

April 28, 2002: Divided Korean families reunite at Mt. Kumgang.

April 30, 2002: U.S. indicates that it accepts North Korea's invitation to send an envoy to Pyongyang to resume dialogue.

May 1, 2002: Presidential candidate Roh fires adviser who warned against U.S. interference in campaign.

May 6, 2002: North Korea cancels participation in inter-Korean economic talks.

May 7, 2002: U.S. urges North Korea to resume economic talks with the South.

May 8, 2002: Korean Peninsula Energy Development Organization (KEDO) officials begin discussions of a protocol for nuclear liability with North Korean officials in Pyongyang.

May 9, 2002: South Korea demands compensation from the U.S. for damage to the South Korean steel industry from U.S. import safeguards.

May 14, 2002: South Korean legislator Park Geun-hye reports North Korea will conduct joint investigation of leaking dam after meeting with Kim Jong-il.

May 17, 2002: Protests against U.S. Embassy plan to construct apartments in Seoul.

May 18, 2002: North Korean experts visit South Korea to examine airports for re-establishing direct inter-Korean air link.

May 20, 2002: Boeing agrees to cut price for F-15K fighters to approximately \$4.23 billion, sealing deal with Korean government.

May 22, 2002: China releases five North Korean defectors who entered a Japanese consulate in Shenyang, China on May 8 to travel to Seoul via Manila.

May 24, 2002: South Korea delays publishing a defense report identifying North Korea as the “main enemy.”

June 6, 2002: U.S. raises South Korea’s rating in report on human trafficking to a country that complies with minimum standards.

June 10, 2002: U.S. and South Korea draw 1-1 in World Cup match, averting possibility of anti-American protests.

June 10, 2002: Secretary Powell speech to Asia Society further defines U.S. Korea policy.

June 13, 2002: A U.S. Forces Korea armored vehicle, on a training mission, accidentally kills two Korean teenage girls in Uijongbu, north of the capital Seoul.

June 13, 2002: The conservative Grand National Party sweeps local elections in a major blow to President Kim’s Millennium Democratic Party.

June 13, 2002: U.S. expresses “extreme concern” that Chinese police dragged North Korean defectors from South Korea Consulate in Beijing.

June 14, 2002: Ambassador Hubbard says U.S. will discuss with North Korea missile and nuclear concerns as well as humanitarian and refugee issues in resumed bilateral talks. U.S. coordinator on North Korea Jack Pritchard meets with North Korean Ambassador to the UN Pak Gil-yon in New York.

June 17, 2002: TCOG is held in San Francisco.

June 23, 2002: China releases 23 North Korean defectors after reaching agreement with Korea.