

U.S.-Korea Relations:
Slow Start in U.S. Policy toward the DPRK

by Donald G. Gross,
Kim & Chang

Until the Bush-Kim summit in early March, it appeared that both U.S.-South Korea relations and inter-Korean reconciliation were on track. The inconclusive outcome of the summit--lukewarm endorsement of President Kim's engagement policy and no resumption of U.S. missile negotiations with North Korea--put the future of inter-Korean reconciliation in doubt. In the absence of U.S. initiative, the European Union rushed in at the end of the quarter and declared it would strive to foster inter-Korean reconciliation over the coming months.

One result of this confusing state of affairs is that the U.S. administration will now have to pay as much attention to managing the U.S.-South Korea relationship as it does to formulating policy toward North Korea. Any emerging differences between the U.S. and South Korea over North Korea policy are likely to exacerbate anti-U.S. sentiment in mainstream South Korean public opinion--and make it generally harder for the two allies to achieve their mutual policy goals.

Pre-Summit Events

Prior to the Kim-Bush summit, overall U.S.-South Korean relations remained basically in a holding pattern. The Clinton administration finalized three important agreements with South Korea before leaving office. Secretary of State Colin Powell seemed to signal the new administration's support for Kim's engagement policy with North Korea in several early statements.

In the first part of January, the U.S. and South Korea signed a new Status of Forces Agreement, giving South Korea greater power to prosecute U.S. soldiers under Korean law while ensuring that the individual rights of those soldiers receive more protection. The effect of this agreement was to mollify South Korean public opinion, which had been increasingly critical in recent months of the presence of U.S. forces.

The U.S. and South Korea also formally approved an agreement extending the range and payload of South Korean missiles to the limits allowed by the Missile Technology Control Regime (MTCR), 300 km and 500 kg. The agreement allowed South Korea to join the MTCR and beneficially obtain civilian missile technology in the future from

member states. From the U.S. standpoint, it prevented South Korea from embarking on programs to build and deploy medium-and long-range missiles, and in so doing, potentially destabilize the Northeast Asian region.

Lastly, after a year-long investigation, the two governments agreed that U.S. soldiers were responsible for the deaths of an “unconfirmed number” of civilians at Nogun-ri, during the early days of the Korean War. President Clinton expressed “deep regret” over the killings but South Korean civic groups criticized the report as a “whitewash.” The joint U.S.-South Korean report did not resolve the question of whether U.S. troops acted under orders, noting that they were making “a withdrawal under pressure” at the time of the incident.

Shortly after President Bush took office, Secretary of State-designate Powell made the administration’s first definitive statement on relations with North Korea in testimony at his nomination hearing. Powell said: “We will review thoroughly our relationship with the North Koreans, measuring our response by the only criteria that is meaningful—continued peace and prosperity in the South and in the region. We are open to a continued process of engagement with the North so long as it addresses political, economic, and security concerns, is reciprocal, and does not come at the expense of our alliances and relationships.”

Most commentators took Powell’s statement to mean that President Bush would continue Clinton’s policy of engagement with North Korea, while placing more stringent standards on any negotiated agreements. This interpretation was later reinforced when South Korean Foreign Minister Lee Joungh-binn visited the U.S. to prepare for the Kim-Bush summit, and when Powell stated, on the eve of the summit, that the U.S. has “a lot to offer” North Korea if it curbs its missile development and export programs.

Soon after the Bush administration took office, South Korea pressed hard for an early summit meeting with President Bush, seeking to maintain the momentum in inter-Korean reconciliation. While the Bush administration reportedly would have preferred to delay the summit, at least until its foreign policy team was fully in place, it responded positively to South Korea’s request.

Developments in inter-Korean relations during January and February generally reflected the South Korean view that North-South reconciliation was proceeding apace. After North Korean leader Kim Jong-il made a surprise visit to Shanghai in early January to visit high-tech companies, President Kim Dae-jung declared that North Korea was embarking on a major change in economic policy for which South Korea should be prepared. Observers held conflicting views on whether North Korea would adopt Chinese-style economic reform measures. But all agreed that the visit sent a strong signal to subordinate North Korean officials on the need to depart from established state-directed economic practices.

The most significant breakthrough in inter-Korean relations occurred in early February, when the two sides reached agreement on cooperative military measures to facilitate

land-mine clearance in the DMZ. The agreement, with 41 separate new regulations to smooth military operations and avoid accidental clashes, allows the construction of a new road and rail link through the DMZ to go forward. Political rhetoric nevertheless clouded this achievement, as Pyongyang declared it would not implement the agreement until Seoul stopped referring to North Korea as its “main enemy” in its annual defense posture report.

In the period immediately preceding the Bush-Kim meeting, several events heightened summit expectations. President Kim declared that South Korea would help the United States improve relations with North Korea because this made possible further progress in inter-Korean relations. The U.S. reaffirmed its support for the general outlines of the 1994 Agreed Framework, although administration officials raised questions about its effectiveness. In response to these publicly stated doubts, North Korea ratcheted-up its anti-U.S. rhetoric, threatening to suspend its missile-testing moratorium and abandon the Agreed Framework, in view of the administration’s perceived “hardline.” National Security Advisor Condoleezza Rice dismissed the North Korean threats as “counterproductive.”

The last significant international event before the U.S.-ROK summit was the meeting between Russian President Vladimir Putin and President Kim in Seoul. Russia reaffirmed its support for South Korea’s engagement policy and for connecting the Trans-Siberian Railway to a restored Korean Peninsula rail system (which would potentially offer significant economic benefits to the Northeast Asia region). Most important, the two countries agreed in a joint communiqué to “preserve and strengthen” the 1972 Anti-Ballistic Missile Treaty (ABM). The communiqué drew from Clinton administration-supported statements on the ABM Treaty, but angered some Bush administration officials. *The New York Times* reported that the communiqué signaled South Korea’s support for Russian opposition to the Bush national missile defense (NMD) program, but South Korean officials denied that interpretation.

The Bush-Kim Summit

By all accounts, President Bush treated President Kim with personal respect at the March 7 summit meeting. As expected, the two leaders reaffirmed support for President Kim’s engagement policy with North Korea and agreed on the need to strengthen the U.S.-South Korea security alliance. The sense of disarray in U.S.-ROK relations that emerged from the summit was mainly due to several U.S. statements and the interpretation later given them by the media. While President Bush expressed support for President Kim’s “vision” of a peaceful Korean Peninsula, he noted his deep suspicion of Kim Jong-il and opined that the North Korean leader could not be trusted to keep his treaty promises. Bush indicated that the U.S. would not resume missile talks with North Korea in the immediate future and was conducting a full-scale review of U.S. policy. In noting the need for greater North Korean “reciprocity,” he questioned whether any missile agreement could be adequately verified.

The summit outcome--superficial endorsement of President Kim’s engagement policy

along with a thorough airing of the administration's negative views toward North Korea--had the effect of undermining South Korean policy, at least in the short term. Newspaper editorialists in Seoul blamed President Kim for rushing to Washington for an early summit and one observer said the meeting moved Kim "six months closer to lame-duck status."

In fact, the mixed reception for President Kim in Washington reflected an underlying factional dispute in the administration over how to deal with North Korea. The State Department, led by Secretary Powell, was bent on continuing the missile negotiations with North Korea and pursuing diplomatic engagement to reduce the North Korean threat. Some policy advisers in the White House, supported by Hill conservatives, considered "engagement" a form of appeasement, and were not eager to continue the Clinton policies they had so vociferously criticized for several years.

The meaning of the new U.S. insistence on "reciprocity" and more stringent "verification" was also open to interpretation. On the one hand, these demands may have been intended as a good faith effort to get a better deal for the U.S. in negotiations with North Korea. On the other hand, they could have been proposed as means of slowing down and ultimately undermining any chance for success of those negotiations.

Behind these conflicting policy interpretations lay an even more complex issue--the direction of the administration's policy advocating a U.S. national missile defense. Critics accused administration conservatives of avoiding missile negotiations with North Korea in order to maintain its status as a "rogue state" and thus justify NMD. Administration officials argued that if a non-proliferation agreement with North Korea on missiles could not be verified or enforced, it did not offer the kind of security benefits that would in fact flow from an effective NMD program.

Post-Summit Developments

In any case, the general post-summit view, in both Seoul and Washington, was that the U.S. administration had adopted a more "hardline" approach to North Korea. North Korea reacted by indefinitely delaying an important round of inter-Korean ministerial talks--for which Seoul expressed "deep regret." In media broadcasts, North Korea accused the U.S. of "cannibalism" for attempting to thwart inter-Korean reconciliation and alleged that the U.S. had committed numerous atrocities against innocent civilians during the Korean War. Over a period of days, North Korea softened this negative reaction by implementing a planned mail-exchange between divided Korean families, and indicating it hoped for fruitful negotiations with the U.S. in the future

South Korea took a number of steps to reposition itself after the summit. It called for "comprehensive reciprocity" in a future "package deal" with North Korea on economic, political, and military issues. Apparently, South Korea has dropped the plan to conclude a new peace agreement with North Korea during Kim Jong-il's expected return visit to Seoul, and instead urged reactivation of the 1992 North-South Basic Agreement with its numerous military confidence-building measures. New emphasis was placed on the

importance of verifying any agreements with North Korea. Seoul declared it would explain to North Korea the nature of U.S. demands regarding weapons of mass destruction and missiles. Finally, the ROK government called for the U.S. to reflect Seoul's established diplomatic strategy toward North Korea in its review of its Korea policy.

The U.S. administration also reacted to adverse publicity surrounding the summit. The U.S. put in place a near-term working-level "trilateral meeting" with South Korea and Japan to maintain policy coordination on North Korea, also called the Trilateral Coordination Oversight Group. The State Department spokesman downplayed any possible relationship between the summit and the North Korean decision to postpone inter-Korean ministerial talks. Secretary Powell broadened the grounds for U.S. engagement with North Korea by calling for reunions of Korean Americans with their relatives in the North as well as discussions of conventional threat reduction on the Peninsula. And the U.S. announced, far earlier than usual, that President Bush would visit Japan and South Korea while in Asia for his planned October trip to Shanghai for the APEC summit.

Despite these South Korean and U.S. follow-up measures, the summit continued to be interpreted in Seoul, two weeks after the event, as a U.S. attempt to "rein-in" South Korea, resulting in a significant weakening of President Kim's engagement policy. At the time, U.S. officials reportedly expressed "surprise" at this political impact, arguing that Kim had obtained his major summit objective of obtaining formal support for his policy. Some pointed out that the importance of the U.S.-ROK alliance and policy coordination was reinforced by the fact that President Kim was the first Asian leader to visit the U.S.

Against the background of the U.S. decision to delay the resumption of missile talks with North Korea, the European Union made an unprecedented decision on March 24 to send three top officials to Seoul and Pyongyang, led by the Swedish prime minister, before the end of May. The EU rationale, according to the Swedish foreign minister, was that "Europe must step in to help reduce tension between the two Koreas" if the United States was not immediately interested in pursuing engagement with North Korea. The EU announcement had the effect of restoring some momentum to the inter-Korean talks, although it was not clear whether the EU mission would goad Washington into adopting a more active diplomatic role in the future.

In the last week of the quarter, the U.S., South Korea, and Japan conducted their first round of trilateral coordination talks with the new U.S. administration. Led on the U.S. side by Ambassador Thomas Hubbard and on the Korean side by Ambassador Yim Sung-joon, the talks reaffirmed the value of close collaboration on North Korea issues. Although the talks apparently broke no new ground on policy, they kept open all-important lines of communication, while the Bush administration's policy review was underway.

Economic Issues

Early in the quarter, foreign observers lowered growth projections for the South Korean economy in 2001 from approximately 6.5 percent to 4 percent. They attributed this expected lower economic growth to weak overseas demand as well as lower domestic consumption and capital spending. The growth rate for the first quarter of 2001 was expected to be particularly bleak, as little as 0 percent. Nevertheless, independent observers predicted a rebound for the rest of the year based on a lower cost of borrowing money, brisk export sales, and the government's economic stimulus package.

Throughout the quarter, government officials stressed their commitment to corporate restructuring, while some foreign observers remained skeptical. Deputy Prime Minister Nyum Jin pushed for policies to "firmly establish a basic framework to induce free market mechanisms" and move away from "ad hoc intervention." One goal was to ensure that the government would no longer have to oversee the process of rehabilitating viable companies and liquidating non-viable ones. Government policy also aimed to promote "self-innovation" among market participants, strengthen corporate accountability and financial disclosure standards, and improve the quality of corporate governance.

Despite this apparently strong commitment to corporate restructuring, U.S. Trade Representative (USTR) Robert Zoellick and others criticized Seoul's plan to roll-over approximately \$15 billion of corporate bonds, which were provided three years earlier during the financial crisis of 1998. Zoellick argued the measure amounted to an unfair corporate subsidy and possibly violated World Trade Organization rules. Seoul nevertheless drew support from the IMF, whose executive board conceded that some intervention might be justified given the bunching of the bonds' maturities, and the generally weak market demand for the bonds. In the South Korean government's view, the roll-over prevented a surge in unemployment, which would have resulted if numerous companies became insolvent in the short-term.

The Bush administration held its first round of high-level trade talks with South Korea in late March. Among the items on the agenda were opening up Korea's auto market and enforcing intellectual property rights in Korea. U.S. concern about Korean trade barriers on automobiles was in large part due to the large asymmetry in international trade. While Korean companies, led by Hyundai, sold approximately 500,000 units in the U.S. during 2000, sales of American cars in Korea were negligible. Korean trade officials stressed that the Korea's 8 percent import tax was less than the EU rate of 10 percent, but that argument missed the mark as far as U.S. trade officials were concerned. They pointed to the need to educate Korean consumers, who resisted buying foreign cars due to a variety of social pressures. The U.S. is likely to emphasize this issue in the coming months, under pressure from U.S. auto-makers.

With respect to intellectual property, U.S. trade officials had reason to be pleased with progress made in enforcement during the quarter. In December 2000, then-USTR Charlene Barshefsky indicated the U.S. would monitor Korea's enforcement procedures closely, implying sanctions might be imposed if changes were not forthcoming. At the time, South Korea was already on the Priority Watch List because enforcement of

intellectual property rights in the country had lagged. In February, Seoul initiated strong enforcement measures to protect intellectual property rights--which was especially important to companies like Microsoft whose software was widely copied. As a result, the current USTR may decide to remove Korea from the Priority Watch List this spring, an action requested by the Korean Ministry of Foreign Affairs and Trade.

Future Prospects

The factional dispute within the Bush administration over the direction of its North Korea policy has already proven destabilizing in the region. President Bush's *pro forma* endorsement of South Korea's engagement with North Korea, coupled with his publicly-stated skepticism of Kim Jong-il, has threatened to bring inter-Korean reconciliation to a standstill. This result may have been unintended by the new U.S. administration, but it cannot easily disavow responsibility. The surprise EU announcement that it will seek to mediate inter-Korean issues gives the U.S. time to complete its policy review and put new personnel in place, without presiding over a demise of the inter-Korean reconciliation process.

In coming months, it will be important for the U.S. administration to bear in mind the strength of Korean nationalism. If the U.S. appears to be intentionally or even inadvertently thwarting inter-Korean reconciliation, it will likely generate strong anti-U.S. sentiment in mainstream South Korean public opinion. Managing U.S.-South Korea relations in this period is likely to be as much of a challenge as pursuing a sensible policy toward North Korea.

Chronology of U.S.-Korea Relations January-March 2001

Jan. 2, 2001: North Korea says rebuilding economy is its top priority for 2001.

Jan. 8, 2001: Minority conservative party leader Kim Jong-pil and President Kim restore their political alliance.

Jan. 11, 2001: President Kim calls for more domestic economic restructuring.

Jan. 12, 2001: President Clinton expresses "deep regret" over Nogun-ri killings during Korean War.

Jan. 15, 2001: DPRK leader Kim Jong-il begins six-day visit to Shanghai to observe economic changes.

Jan. 17, 2001: U.S.-Korea final agreement on South Korean missiles is announced.

Jan. 18, 2001: Secretary of State-designate Colin Powell provides testimony on U.S.

Korea policy.

Jan. 26, 2001: North Korea criticizes Secretary Powell for committing an “anachronistic act” by calling Kim Jong-il a “dictator.”

Jan. 28, 2001: Secretary Powell stresses importance of trilateral coordination on North Korea.

Feb. 7, 2001: Secretary Powell expresses support for South Korea’s engagement policy during FM Lee Joung-binn’s visit to Washington.

Feb. 11, 2001: North Korea says it will not join second round of defense minister talks unless South Korea drops “main enemy” label.

Feb. 16, 2001: President Kim says South Korea should help U.S. improve relations with North Korea in 2001.

Feb. 20, 2001: South Korea and U.S. reaffirm building of two light-water reactors in North Korea.

Feb. 20, 2001: ROK Army Chief Kil Hyong-bo in U.S. for seven-day visit.

Feb. 22, 2001: North Korea threatens to suspend moratorium on missile testing or abandon Agreed Framework because of U.S. administration’s “hardline” attitude.

Feb. 26, 2001: Reunions of 200 divided families begin in Seoul and Pyongyang.

Feb. 27, 2001: President Kim and Russian President Putin issue joint communiqué stressing Russia’s support for inter-Korean reconciliation and Seoul’s support for the ABM Treaty.

Mar. 2, 2001: South Korean prime minister announces government’s 37-point economic reform package has been completed “on schedule.”

Mar. 7, 2001: At summit meeting, President Bush expresses support for President Kim’s engagement policy, while delaying resumption of missile talks with North Korea.

Mar. 8, 2001: President Kim calls for reactivating the 1992 Basic Agreement with North Korea and reaching an agreement based on “comprehensive reciprocity.”

Mar. 13, 2001: North Korea indefinitely postpones inter-Korean ministerial talks.

Mar. 18, 2001: U.S. announces that President Bush will visit South Korea, Japan, and China near the time of the October APEC summit.

Mar. 21, 2001: U.S. Pacific Commander Dennis Blair declares North Korea is the

“Number one enemy” of the United States in the Pacific, but says chances for conflict are “very low.”

Mar. 24, 2001: EU announces it will send a delegation to Seoul and Pyongyang to further inter-Korean talks. North Korean officials arrive in Seoul to attend funeral of Hyundai founder Chung Ju-Yung.

Mar. 26, 2001: President Kim reshuffles his cabinet and replaces 12 officials.

Mar. 26, 2001: Trilateral Coordination Oversight Group meets in Seoul.

Mar. 27, 2001: ROK joins MTCR.

Mar. 27, 2001: U.S.-ROK joint three-day military exercise named “Rapid Thunder” begins.

Mar. 28, 2001: Thomas Hubbard is tapped to be U.S. Ambassador to ROK.