



# U.S.- ROK Relations Never Better! . . .But Can It Last?

By David Brown

Washington and Seoul share a sense that their bilateral relations have never been better. Similar approaches toward North Korea have overcome their different priorities, and the Kim and Clinton administrations have found ways to manage many potentially contentious bilateral issues. While Seoul is looking for progress on North-South issues and Washington is focused on missile and nuclear issues, the two capitals are pursuing mutually compatible policies vis-à-vis Pyongyang that are sustained by effective coordination through high level visits and through the Trilateral Coordination and Oversight Group (TCOG), which also includes Japan. These compatible policies toward Pyongyang are a key component in the current excellent bilateral relations. But, if relations cannot get better, when will they come under strain again?

## **The North Korean Factor**

In early October, the Clinton administration looked for rapid progress toward formalizing Secretary Perry's proposed trade-off of improved relations with North Korea in exchange for formal constraints on North Korea's missile and nuclear programs. The White House hoped that further negotiations would take place in October and pave the way for a senior North Korean official to reciprocate Perry's visit by making a trip to Washington in November. That visit would be the occasion for converting unilateral U.S. and North Korean statements into a formal bilateral agreement.

Events took a different course. The follow-on U.S.-DPRK negotiations did not take place until November and then did not produce an agreement on the senior level visit. While U.S.-DPRK relations slowed, Pyongyang engaged in a diplomatic offensive with many countries, most importantly Japan. Some observers in Washington suspect that the choices North Korea faces in its negotiations with the U.S. -- formal abandonment of its long range missile programs and opening its economy to take advantage of eased U.S. economic sanctions -- are too difficult and that therefore Pyongyang is seeking to explore possible alternatives. Another theory is that Pyongyang is focusing on Japan in the hope of creating cracks in the trilateral cooperation among Seoul, Washington, and Tokyo.

The Clinton administration is pressing Pyongyang to move ahead, arguing that the window of opportunity to address outstanding issues will close when the 2000 presidential campaign swings into high gear, making it impossible for the administration to tackle sensitive issues. A December 10 commentary in the North Korean News Agency (KCNA) indicates

that Pyongyang may take a different view of the implications of the presidential election. That commentary asks rhetorically whether a future Republican administration would adhere to agreements made by the outgoing Clinton administration. Progress in U.S.-DPRK relations will come slowly at best.

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### **Managing Bilateral Issues Successfully**

The past few months have witnessed more than their share of bilateral challenges. Some are old -- such as the renegotiation of the Status of Forces Agreement (SOFA) and the U.S. military's occupation of prime real estate. These have remained remarkably quiet. Others are new and the two governments have handled these in ways that respond to domestic concerns. The fact that none of these potentially contentious issues has flared up publicly to poison the atmosphere is remarkable and welcome.

**Nogun-ri.** Charges that U.S. troops killed Korean civilians at Nogun-ri during the initial phase of the Korean War surfaced in late September and have been a major focus of attention since. The charges have been managed successfully thus far because the U.S. government quickly acknowledged the issue, promised an open inquiry, and established a high level team to conduct the investigation. Though Seoul would have preferred a joint investigation with joint conclusions, Washington worked out through consultations an agreement under which the two governments would share and jointly evaluate information on the incident, but each would be responsible for reaching its own conclusions and recommendations. The U.S. team led by Gen. Ackerman has visited Korea twice this quarter and met with survivors at Nogun-ri. In addition, the Defense Department has created a group of senior experts on Korea to advise the Secretary of Defense on the issue. Openness and cooperation have defused a potentially acrimonious issue and laid the groundwork for its resolution. An expeditious investigation and satisfactory resolution are still needed to put the issue to rest. In addition, other charges of injustices may emerge, given the extreme violence of the Korean War.

**Agent Orange.** In November, a story broke about the use of Agent Orange as a defoliant in the DMZ during 1968-69. After some initial fumbling, both governments released consistent statements noting that the defoliant had been used by South Korean troops upon the recommendation of the U.S. Command. The Korean government set up a procedure for those who were involved to register, and both governments are considering how to deal with the issue. Victims are considering joining lawsuits against Agent Orange manufacturers Dow Chemical and Monsanto. Again, openness and consultations have been the keys to managing the issue.

**ROK missile programs.** The continuing negotiations concerning ROK missile programs have been a much more difficult challenge for the two governments since President Kim made public Seoul's desire to develop a 500 km range missile. U.S. policy is shaped by

its goal of cutting back North Korea's missile programs to the Missile Technology Control Regime (MTCR) limits of a 300 km range with a 500 kg payload. The ROK has offered to join the MTCR but sought Washington's understanding that it could design and test, but not produce or deploy, a 500 km range missile, which would be capable of reaching all of North Korea. Seoul argues that if the ROK does not have this new capability, it will not be possible to bargain Pyongyang into accepting reductions of its already existing missile programs. The need for a 500 km range missile is subject to some debate in Seoul. However, while Kim Dae-jung may have endorsed the proposal to appeal to conservative elements in his coalition, the idea now has wide political support in Seoul. Any U.S. effort to limit South Korea's development of a counter to North Korean missiles arouses nationalistic responses in Seoul.

On the eve of the latest round of U.S.-ROK missile talks, the *New York Times* ran a story stating that Seoul was already developing this longer range missile and had conducted a decreased range test in April of a missile capable of 450 to 500 kms. That the U.S. government did not refute this story but took cover behind its standard refusal to comment on intelligence matters lent some credence to it. The most recent round of missile talks took place in Seoul in mid-November. Afterwards, spokesmen for both sides said that differences had been narrowed. Despite the widely divergent views on this potentially explosive issue, the two governments have nevertheless shown respect for each other's positions and preserved a cooperative public posture.

**KEDO.** The signing of the prime contract on December 15 between the Korean Peninsula Energy Development Organization (KEDO) and the Korean Electric Power Corporation (KEPCO) represented a significant step in KEDO's project of building two light water reactors (LWR) in North Korea. On the same day, KEDO and the Korea government signed a loan agreement covering Korea's \$3.2 billion contribution to the construction costs. These welcome steps had long been delayed in part by the complexity of the issues involved and in part because high level attention to KEDO has waned as the leaders in both Seoul and Washington have focused on other aspects of their relations with North Korea. These agreements and the absence of crises on nuclear issues with North Korea since the spring created the impression that all is well with KEDO. In fact, there have been disagreements within KEDO councils between Seoul and Washington. In addition, the dramatic increase in the price of oil will recreate in 2000 the heavy fuel oil financing problems that have strained relations between Seoul and Washington in the past.

**Trade and Foreign Direct Investment (FDI).** With the Korean economy experiencing an extraordinary recovery this year and Washington enjoying an unprecedented period of sustained growth, it is not surprising that trade problems have been relatively minor. In this period, attention focused on the negotiations leading to the failed World Trade Organization (WTO) ministerial meeting in Seattle. Although Seoul and Washington had sharp differences over two key issues that contributed to the breakdown of the negotiations -- agricultural trade and U.S. anti-dumping procedures -- these issues were submerged in a broader multilateral negotiation. Bilaterally, Washington has expressed satisfaction with the implementation of agreements on vehicles and pharmaceutical testing. The major bilateral problem is related to foreign steel imports into the U.S. A U.S. ruling in December determined anti-dumping duty levels for imports from Korea and five other countries. However, the duties on Korea exporters were the lowest of the six. As the U.S. steel industry is beginning to recover, this issue should fade in the months ahead.

There has been a dramatic increase in foreign direct investment (FDI) in Korea during the Kim Dae-jung presidency. The \$15.5 billion in FDI approved in 1999 was roughly equal to 50 percent more than the total direct investment in the sixties, seventies, and eighties. Despite the continuing differences that have blocked conclusion of a U.S.-ROK bilateral investment treaty, the U.S. was the second largest source of new FDI in 1999 (behind the EU). Major deals have included Goldman Sachs' \$300 million investment in Kookmin Bank, New York Life's purchase of a 51 percent interest in Kookmin Life, Apple Computer's investment of \$100 million in Samsung Electronics, and Chase Manhattan Bank's purchase of a majority interest in Good Money Securities. In late December, Newbridge Capital finalized the most important U.S. investment to date with its \$441 million purchase of a controlling interest in Korea First Bank.

In December, General Motors (GM) announced an offer to purchase troubled Daewoo Motors, a deal that if completed, would represent the largest American investment. Despite containing many attractive features for strengthening Daewoo Motors international competitiveness, GM's offer has provoked opposition on both economic and nationalistic grounds from industrial groups including the Korean Federation of Industries (KFI) and Hyundai Motors, which now controls 70 percent of the Korean automotive market. Consequently, Daewoo's creditor banks, which are largely government owned, have decided to pursue a closed bidding procedure rather than negotiate exclusively with GM.

### **Future Prospects**

The current good relations between Seoul and Washington are based on several factors. One is the commitment of the Kim and Clinton administrations to cooperation. Another grows out of shared values of free markets and democratic politics, which have become stronger as a result of Korea's democratic development and economic reforms. A third is the growing availability of institutional mechanisms for defusing issues, such as WTO trade dispute procedures, the TCOG, and the recently implemented U.S.-ROK Extradition Treaty. Finally, good relations are helped by the current absence of hard issues, which would force underlying differences into the open. The most pertinent example of this is North Korea's current hiatus in pursuing its missile development programs.

With relations so good, it is easiest to say that they have nowhere to go but down. However, that begs the question of when and why they might worsen. The outcome of the National Assembly elections next April is a matter of concern to some. An electoral defeat or a political realignment in the election period could undercut support for President Kim, whose political support at home has been weakened by a series of scandals. If Kim is forced to abandon economic reforms at home or his engagement policy toward North Korea, those policy shifts could provoke new tensions with Washington. Looking further into the future, there is a parallel fear that if a new administration in Washington were to pursue the confrontational policies toward North Korea advocated by the most vocal Congressional Republicans, this would create serious bilateral tensions. While both of these are valid concerns, neither will necessarily occur. In the short term, the more likely spark for new U.S.-ROK tensions would be new provocative actions by North Korea, which pledged in its New Year's editorials to pursue a future based on "ideology, arms, science and technology."

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## **Chronology of U.S.-Korea Relations** **October - December 1999**

**Oct 1:** Hyundai Chairman Chung meets Kim Jung-il; reports progress on industrial zone project.

**Oct 13:** Assistant Secretary Roth in Seoul for Consultations.

**Oct 29:** Gen. Ackerman leads fact finding team to Nogun-ri.

**Nov 2:** Defense Secretary Cohen appoints Nogun-ri advisory group.

**Nov 8:** U.S.-ROK-Japan TCOG consultations in Washington.

**Nov 17:** U.S. and ROK acknowledge Agent Orange use in DMZ in 1968-9.

**Nov 19:** U.S.-DPRK talks in Berlin end without agreement on a senior level visit.

**Nov 20:** U.S.-ROK missile talks conclude on cooperative note.

**Nov 23:** U.S.-ROK Security Consultative Meeting (SCM) in Washington.

**Dec 8:** General Harry Shelton, Chairman of the Joint Chiefs of Staff, visits Seoul.

**Dec 14:** General Motors announces bid to buy Daewoo Motors.

**Dec 15:** Korean Peninsula Energy Development Organization (KEDO) and the Korean Electric Power Corporation (KEPCO) sign prime contract.

**Dec 20:** U.S.-ROK Extradition Treaty comes into effect.

**Dec 23:** Newbridge Capital finalizes purchase of Korea First Bank.