chapter seven

U.S. Policies Toward the Two Koreas

Larry Niksch

The South Korean government has announced that it would affect a delay in the inauguration of construction of light-water reactors in North Korea (DPRK). Seoul acted in response to North Korea's submarine-borne infiltration of military personnel into South Korea (ROK) and what appears to be North Korea's complicity in the assassination of an ROK diplomat in Vladivostok, Russia. The delay probably will be temporary. By the spring of 1997, a formula likely will be found that will allow construction to begin; and implementation of this important part of the October 1994 U.S.-DPRK Agreed Framework will proceed.

Even if this is only a pause in the implementation of the light-water reactor project, it is the strongest demonstration since the signing of the Agreed Framework that implementation of some clauses of the agreement are going well while others are going nowhere. The nuclear facets of the Agreed Framework related to broad U.S. non-proliferation objectives remain in place; the freeze of North Korea's existing nuclear reactors and plutonium reprocessing plant and the encasing of some 8,000 reactor fuel rods have proceeded satisfactorily. The pace of implementation of the light-water reactor project had been quickening in 1996 before the submarine infiltration. Since the spring of 1996, North Korea and the Korean Peninsula Energy Development Organization (KEDO) had concluded most of the protocol agreements required before construction could begin.

As a number of observers pointed out before the submarine infiltration, there has been little progress in implementing the non-nuclear sections of the Agreed Framework. These clauses and the goals set forth or implied in them relate primarily to the security situation on the Korean peninsula as contrasted to nuclear clauses and objectives. Moreover, the lack of progress towards the non-nuclear objectives after two years makes questionable the credibility of key elements of the Clinton administration's rationale and operating assumptions behind its negotiation of the non-nuclear clauses in 1994.

Non-Nuclear Goals: Security

First, a look at the non-nuclear goals of the Agreed Framework. The clauses on security guarantees and North-South Korea negotiations at least implied that the Agreed Framework would lead to a reduction in tensions on the Korean peninsula. In its own way, even North Korea asserts that the Agreed Framework will improve the security situation. Unfortunately, the trend since October 1994 has been in the opposite direction. The Agreed Framework appears to have emboldened North Korea to escalate step-by-step its campaign against the mechanism of the Korean armistice and its pressure on the United States to replace the armistice agreement with a

peace agreement. The latest stage of Pyongyang's campaign was the limited military incursions into the demilitarized zone in April and May 1996. The submarine infiltration and the suspicious assassination in Vladivostock follow earlier infiltrations and kidnappings of South Koreans.

North Korea's military buildup continues. The latest report is that North Korea recently purchased several MiG-29 fighter aircraft, probably from Russia. Most disturbing are the indicators of North Korea's continued attempt to develop longer-range ballistic missiles that could reach Japan and possibly U.S. territories in the Pacific. Pressure from the Clinton administration in recent days appears to have dissuaded North Korea from conducting a new missile test. Nevertheless, the planned test is evidence that the missile program goes on. It also raises doubts about claims by the administration that it virtually has ended North Korea's nuclear threat. North Korea certainly is not developing these missiles for use with conventional warheads. Pyongyang's desired choice seems to be between nuclear and/or chemical/biological warheads.

North Korea's conventional military threat to South Korea does appear to be weakening, but that is due to Pyongyang's economic difficulties rather than the Agreed Framework. North Korea remains militarily dangerous, however; and Pyongyang continues to use this threat to support the intimidation tactics of its diplomacy.

Non-Nuclear Goals: North-South Talks

North Korea after two years refuses to institute the Agreed Framework's clause promising negotiations between the two Koreas. Instead, it substitutes vile propaganda attacks and threat against the ROK government and the South Korean president. South Korea, however, bears some responsibility for the poor climate for North-South talks even before the submarine infiltration. The failure of the North-South rice talks in 1995 pointed up South Korea's inconsistent approach to negotiations. The talks began in Beijing in June 1995 with Seoul making a series of unilateral concessions to North Korea and obtaining nothing in return for agreeing to ship rice to North Korea. At the end of September, South Korea responded to Pyongyang's harassment of its rice boats with tough demands that future negotiations be designated as official, government-to-government talks and be held on the Korean peninsula.

The failure to realize productive negotiations is not a case of moral equivalency between Seoul and Pyongyang. North Korea bears most of the blame. Kidnappings, infiltrations, and an apparent assassination would

tax the patience of any responsible government. Imagine the American reaction to evidence that the Colombian government was relaxing efforts to block shipments of cocaine to the United States.

Non-Nuclear Goals: Liaison Offices and Economic Exchanges

The non-nuclear provisions of the Agreed Framework related to U.S.-DPRK relations have also progressed unevenly. Diplomatic exchanges have intensified, but provisions related to the establishment of liaison offices in each other's capitals and a relaxation of U.S. economic sanctions have not met expectations. Talks over the operation of liaison offices have bogged down. North Korean leader Kim Jong Il appears to have vacillated on the issue of liaison offices, but recent reports suggest that he has decided he does not want American diplomats in Pyongyang. North Korea appears satisfied with the diplomatic line of communication established between North Korea's United Nations mission and the State Department in Washington. North Korea may change its mind again; but the longer this continues, the more questions arise over North Korea's real objectives toward the United States. It suggests that the peace agreement and U.S. troop withdrawal from South Korea remain a higher priority than the mere establishment of diplomatic relations.

The United States has not moved on lessening economic sanctions after announcing small measures in January 1995. The Clinton administration did not go further despite North Korea and KEDO signing a supply contract in December 1995 for the delivery of the light-water reactors to North Korea.

U.S. Assumptions of North Korean Collapse or Reform

A major reason for the lack of progress on the non-nuclear goals of the Agreed Framework has been that key U.S. assumptions of 1994 concerning North Korea's future have not emerged into reality on the eve of 1997. Their future validity appears doubtful. These key assumptions, voiced repeatedly by administration officials at the time of the Agreed Framework, were that the North Korean regime would collapse or that it would reform. In laying out the Administration's rationale for seeking the Agreed Framework, Administration officials related to Jim Mann of the *Los Angeles Times* in September 1994 "the underlying belief . . . that North Korea's communist regime probably will fall apart in the next few years, so the promised economic benefits may not have to be paid."[1] Immediately after the signing of the Agreed Framework, Jeffrey Smith of the *Washington Post*

cited similar sentiments from "two senior U.S. officials" involved in the negotiations. U.S. officials crafted the Agreed Framework, they said, "with the eventual dissolution of the present North Korean regime in mind." The officials dismissed concerns that North Korea could restart its nuclear weapons program and rebuff IAEA inspections after it received the promised light-water reactors; the long implementation period of the Agreed Framework "is almost certainly a sufficient period of time for their regime to have collapsed."[2]

In answering questions from the U.S. Congress and the press, Ambassador Robert Gallucci and other administration officials stressed the specificity of North Korea's long-term obligations under the Agreed Framework to allow special inspections by the International Atomic Energy Agency, allow removal from North Korea of the 8,000 nuclear reactor fuel rods that the North Koreans had removed from their operation reactor in May 1994, and dismantle their existing installations. Nevertheless, the administration in 1995 continued to base policy on the assumption that North Korea would collapse. Nearly a year after negotiation of the Agreed Framework, Jim Hoagland, columnist for the *Washington Post* heard the collapse rationale. Describing "the undisclosed bet at the heart of the deal Washington struck with Pyongyang last October," Hoagland asserted: "Although they do not say it publicly, Clinton foreign policy aides assume that the isolated, destitute regime of North Korea will collapse before the promised reactors are built, taking the United States off the hook."[3]

However, during this period, administration officials never laid out a detailed scenario of how a collapse would come about. They did indicate a vague scenario based on the assumption that the North Korean government, with American encouragement, would open itself to normal dealings with the rest of the world and reform. Ambassador Gallucci asserted that the Administration sought through the nuclear negotiation to offer benefits to North Korea that would constitute "confidence-building" measures intended to bring North Korea "into the family of nations." Some State Department officials asserted that the North Korean government had begun or soon would begin "Chinese-style" economic reforms. Gallucci later told a congressional committee that the economic provisions of the Agreed Framework "will open the North Korean system and make it a lot less likely that a totalitarian regime would be able to sustain itself than would be the case if it remained isolated."[4]

The reality in 1997 is that North Korea neither has reformed nor collapsed. Despite North Korea's economic strains, the regime shows no inclination to make a fundamental decision for economic reform of the kind China made in 1978 and Vietnam made in 1986 (albeit in a more limited way).

U.S. demonstrations of good will have had no impact on the regime's economic policy, except perhaps to influence decisions to move ahead with hoped for money-making schemes like the isolated Najin-Sobong economic zone. The collapse theory continues to have many adherents in Washington; but in this writer's view, it is of doubtful credibility over the next five years and perhaps longer.[5]

The U.S. Administration's Response

Clinton administration officials have described their policy in 1996 as stepped-up "engagement." There have been more U.S.-DPRK meetings and diplomatic exchanges. Negotiations have ensued on issues in which the United States has distinct interests: North Korean missile exports and U.S. missing-in-action personnel from the Korean War. Two other initiatives are especially important. First, the Clinton administration endorsed what in reality was South Korea's proposal of a four-party negotiation of a Korean peace agreement. The second initiative encompasses an attempt to secure unconditional, large scale food aid and economic aid to North Korea—amounts of food aid well beyond the modest amounts of food currently donated through the United Nations World Food Programme. In a speech to an Asia Society audience in Seoul on 11 May 1996, James Laney, then U.S. Ambassador to South Korea, listed "economic assistance to the North" first among proposals for a new strategy towards North Korea "beyond deterrence." In an earlier August 1995 interview, Ambassador Laney stressed the unconditionality of the initiative—"no one should forcibly demand North Korea's opening up" and that "we should create conditions comfortable for North Korea."[6]

In launching this initiative, the administration has revised the operational assumptions of 1994. They now are three-fold: (1) a North Korean collapse now is bad. It is dangerous and a threat to peace because (2) the North Korean leadership is "irrational" and "desperate," showing "signs of incoherence in their decision-making." Such a regime, facing collapse might ignite the Korean peninsula into war as a final "desperate" act. (3) Such a regime (ironically) still is capable of embarking on economic reform if the United States embarks on a new round of "confidence building" measures.[7]

So far, the Administration's responses and initiatives have produced only limited results. North Korea has stalled in replying definitively to the four-party talks proposal. Pyongyang appears to oppose four-party talks, but its reluctance to reply indicates that the proposal has put it on the diplomatic defensive on the armistice-peace agreement issue. This may be temporary,

however. The North Korean leadership is portrayed by one close, sympathetic observer as believing that consideration by the U.S. Military Command of North Korea's proposal of bilateral military contacts at Panmunjom is evidence that North Korean intimidation tactics will give the Clinton Administration "no alternative other than to seek direct talks with the North Korean forces and consent to an interim agreement on forming a North Korean-U.S. general-level military commission."[8]

The North Korean leadership undoubtedly is aware of the tendency among some U.S. officials to give up on North-South talks, despite the Administration's official line. ROK officials are aware of it, which ignites some of the positive effects of U.S.-ROK joint sponsorship of the four-party talks proposal; and explains the sharp South Korean reaction to initial U.S. statements after the submarine infiltration, which suggested a U.S. even-handed approach rather than a condemnation of North Korea. Administration sentiments towards North-South talks comes in the form of criticism of the admittedly contradictory and inflexible diplomatic tactics employed by Seoul toward Pyongyang. Even more visible have been periodic statements by U.S. officials that portray North Korea as motivated by fears of domination by South Korea. Ambassador Laney in April 1995 reportedly portrayed the United States "in a difficult position because South Korea has consistently assumed a patronizing attitude toward North Korea." North Korea, he added, "is dissatisfied with South Korea's attitude of seemingly providing North Korea favors."[9] In reporting on President Clinton's visit to South Korea in April 1996, the *New York Times* (April 17) quoted one U.S. official in the presidential delegation as expediting "the wish" that South Korea "would be more forward-looking" in dealing with North Korea.

U.S.-North Korean bilateral talks have produced little: some progress on the MIA issue (the least important issue affecting Korean security) but no progress on North Korean missile exports and liaison offices.

The administration also faces stalemate on its initiative to secure large scale, unconditional food aid and economic aid to North Korea. The administration does not have the money to finance the initiative and faces skepticism towards its policy assumptions of collapse and reform from those who have the money: the U.S. Congress and the South Korean government. The administration so far has decided not to appeal to the Republican-run U.S. Congress for funds, and the Republicans won the congressional elections in November 1996. The Administration has tried to make the case to South Korean audiences in the form of a series of speeches and interviews given by Ambassador Laney since May 1996. South Korea was skeptical before the

submarine infiltration. The Administration's prospects of securing South Korean money now appear bleak in the wake of the infiltration. Without an ROK commitment, Japan is unlikely to respond. Modest food assistance through the UN World Food Programme probably will continue, but the larger initiative appears dead.

Three Future Dangers

The combination of non-fulfillment of the non-nuclear provisions of the Agreed Framework and the shortcomings of U.S. policy assumptions present the United States with three future, interrelated dangers. First, tensions may rise on the Korean peninsula if North Korea further escalates the confrontational elements of its strategy. This would be especially true if North Korea further escalates its campaign of "controlled violence" specifically against South Korean forces. Pyongyang's incursions into the DMZ of April and May 1996 likely will not be the last of the campaign against the armistice. There is no clear deterrent to a future North Korean decision to escalate. North Korea's attempt to secure food unconditionally appears to have affected the timing of its decisions related to the armistice, but this hardly constitutes an adequate deterrence.

North Korean provocations could bring forth a second danger of divisions between the United States and South Korea. South Korea's body politic would come under heavy pressure if U.S. responses to confrontational North Korean actions stressed "business as usual": advancing the Agreed Framework and further "engagement." A Washington-based view that President Kim Young Sam has a free hand regarding North Korean policy may have been largely true, but the situation is changing as the next presidential election draws closer. Moreover, South Korea's next president will face more diverse centers of political power and will likely have to deal with a more independent National Assembly. Today's strains could be tomorrow's division if South Korea should draw a "line in the sand" against specific American policies. South Korea's decision to delay the light-water reactor project in response to the submarine infiltration is a warning.

U.S.-ROK divisions would be only one element of a longer term danger to the light-water reactor project and the other nuclear provisions of the Agreed Framework. The growing financial cost of the Agreed Framework already is controversial. If there is no improvement in fulfilling the non-nuclear provisions or if there is a worsening, the willingness of Seoul, Tokyo, and the U.S. Congress to provide money will likely erode. Congressional approval of a U.S.-North Korean bilateral nuclear agreement could be in danger. (A bilateral nuclear agreement will be required under

the U.S. Atomic Energy Act if U.S. nuclear technology is used in the light-water reactors.)

An even greater danger will arise if a continuation of North Korea's negative action towards non-nuclear provisions should lead to a new North Korean rejection of special inspections by the International Atomic Energy Agency (IAEA) when implementation of the light-water reactor project reaches the point at which time, North Korea (according to the Clinton administration) is supposed to accept special inspections. The administration hopes that North Korea will "do a South Africa": allow special inspections and disclose to the world its past nuclear weapons program. There is no evidence, however, that North Korea has altered its earlier rejection of special inspections. The available evidence suggests a rigid DPRK position. If North Korea continues to thwart implementation of the Agreed Framework's non-nuclear provisions, there will be a high percentage likelihood that Pyongyang would extend this into a new campaign, using intimidation tactics to pressure the United States into another bypassing of special inspections.

The re-emergence of the special inspections issue probably lies three or four years in the future, perhaps in the last year of the Clinton administration. Special inspections remain important as a way of learning about North Korea's apparent nuclear weapons program prior to 1994. Special inspections, however, will present a crucial test for another reason. It will be an indicator of North Korea's intention in that final stage of the light-water reactor project. In that final stage, construction of the two reactors will be completed and they will be fueled. North Korea at that juncture is supposed to dismantle its current nuclear installations and permit the removal from North Korea of the 8,000 encased fuel rods. North Korea's willingness to carry out this crucial obligation will be highly doubtful if it previously rejected IAEA special inspections and the U.S. administration again concocts a plan to bypass the IAEA.

In congressional hearings after the signing of the Agreed Framework, several witnesses warned of a worst case outcome: North Korea would receive the two light water reactors, refuse to dismantle its existing facilities and, instead, restart them, and then use its old and new reactors to produce plutonium for over one hundred atomic weapons per year. Pyongyang also would remove the casings enclosing the 8,000 fuel rods and utilize them for plutonium production. The prospect of this worst case outcome seemed remote at the time of these testimonies. Nevertheless, if North Korea's negative policies toward the non-nuclear clauses of the Agreed Framework feed into a rejection of special inspections four years hence,

coinciding with continued development of longer range ballistic missiles, the outlook for a worst case outcome will become less remote.

One could argue legitimately in 1994 that the United States and its allies would be in a stronger position in a confrontation with North Korea over special inspections if it occurred several years into the future rather than in 1994. North Korea's weakened economy strengthens that argument. This rationale depends, however, on the will of the Clinton administration or its successor to insist on special inspections when the time comes. Whether the necessary firmness will exist will not be known until the test arises, not only for the United States but also for South Korea and Japan, the chief financiers of the light-water reactors.

Four Suggestions for U.S. Policy

The impasse over the non-nuclear clauses of the Agreed Framework and the resultant future dangers present several challenges to U.S. policy: (1) prevent the strains in U.S.-ROK relations from widening; (2) deter North Korea from launching new provocations; and (3) find a strategy with a greater prospect of encouraging positive change in North Korea. None of this will be easy. The following suggestions are directed at these challenges:

(1) Discuss with South Korea the initiating of a new proposal for North-South talks that contains greater flexibility, especially on venue issues. South Korea's insistence on a rigid venue for talks—designation of talks as official government-to-government negotiations and the holding of talks on the Korean peninsula—does appear to be an obstacle to attaining talks and an obstacle to real achievement in negotiations. The effect in past negotiations has been to encourage North Korea to use talks for propaganda due to the heavy media exposure of meetings in Seoul and Pyongyang. North Korea currently does not appear willing to agree to designated government-to-government negotiations while it has bilateral diplomatic exchanges with the United States. The re-elected Clinton administration will not give up these exchanges to support South Korea's venue preconditions. This is a formula for South Korea's continued diplomatic isolation. A more flexible, sophisticated formula is needed that will put pressure on North Korea to accept negotiations with Seoul and regain U.S. support for North-South talks.

A new proposal should be flexible on how negotiations are designated. It should offer to hold talks far away from the Korean peninsula. It should set a limited, beginning agenda such as President Kim Young Sam's offer of 15 August 1996, of technical assistance for North Korean agriculture. Once

South Korea issues such a proposal, the Clinton administration should endorse it and tailor the frequency and level of U.S. diplomatic contacts with North Korea in accord with North Korea's response to the proposal. This kind of proposal does not guarantee a North Korean acceptance, but it would enhance the odds of achieving North-South talks. Presently, those odds appear to be zero. At a minimum, it would draw the United States and South Korea closer together.

(2) The United States and South Korea should advance the four-party talks proposal to a higher stage by developing a comprehensive agenda of issues to be settled before they would sign a Korean peace treaty. The agenda should be comprehensive: reductions in military forces and weaponry, including missiles and chemical-biological weapons; tough on-site verification force and weapons reduction; normalization of North-South relations; and settlement of the nuclear issue, including special inspections and dismantlement. Development of a comprehensive peace agreement agenda would promote U.S.-ROK unity and would signal North Korea that its campaign to draw the United States into a bilateral peace agreement is futile. It also would signal other concerned governments that Seoul and Washington have made a serious proposal.

(3) Offer North Korea large-scale food aid and technical assistance for agriculture but only as part of a negotiation in which North Korea would be required to commit itself to a detailed plan and timetable for reform of its agricultural system along the lines of the Chinese and Vietnamese reforms of the 1980s, which ended collectivization. A negotiation could be held through a KEDO-like organization. Food and agriculture could be included in the proposed four-party talks. Alternatively, the United States could advise North Korea to request a dialogue on its economic policies with the International Monetary Fund and the World Bank.

The administration is correct in trying to utilize North Korea's food shortages to encourage reform. However, its strategy of providing large-scale, unconditional food aid has little prospect of persuading North Korea's leaders to reform. North Korea under Kim Jong Il continually seeks money and other economic benefits without offering any reciprocity on its policies. It is unlikely to change if it receives several hundred thousand tons of free food grain. A negotiation of food aid based on a reciprocal North Korean commitment to agricultural reform has a better prospect to produce real change north of the DMZ. A negotiation would be difficult, but it could re-ignite the internal North Korean debate over agricultural reform that occurred in the late 1980s. (That debate was suppressed, and proponents of reform reportedly were penalized.) A negotiation strategy, rather

than an "engagement" strategy, has a better prospect of bringing forth any seeds of internal policy debate within the North Korean elite.

(4) The United States and South Korea should realize restrictions on their private sector firms' exploring of business opportunities in North Korea. This would open another forum of negotiation that North Korea would have to undertake if it wanted outside economic benefits. That, too, might stimulate a policy debate in Pyongyang. The U.S. and ROK governments should advise private companies that they should negotiate profitable, market-based deals and that they should expect no government subsidies or bailouts if they fail to realize profitable arrangements. The South Korean government especially should adopt a "no bailout" policy, since ROK firms likely would expect such a bailout and thus negotiate less than realistically with the North Koreans.

The fundamental element of these four proposals is that a hard-headed negotiating strategy, based on firm requirement of North Korean reciprocity, is crucial to success, regardless of the issue and regardless of who negotiates with Pyongyang.

notes for chapter seven

1. Jim Mann, "U.S. Ceding Upper Hand to North Korea, Critics Say," *Los Angeles Times*, 19 September 1994: p. 1.

2. R. Jeffrey Smith, "U.S. Accord with North Korea May Open Country to Change," *Washington Post*, 23 October 1994: p. A36.

3. Jim Hoagland, "The Trojan Horse at North Korea's Gate," *Washington Post*, 2 August 1995: p. A25.

4. R. Jeffrey Smith, "Officials Foresee Step-by-Step U.S. Strategy at Talks with North Korea," *Washington Post*, 30 June 1994; Testimony by Ambassador Robert Gallucci before the House Subcommittee on Asian and Pacific Affairs, 23 February 1995.

5. For a detailed examination of the collapse theory, see the author's paper, "U.S. Policy Towards North Korea: The Collapse Theory and Its Influence," delivered at South Korea's National Defense University on 22 August 1996.

6. Exclusive interview with U.S. Ambassador to the ROK, James Laney, *Chungang Ilbo* [Seoul], 24 August 1995: p. 4.

7. Niksch, "U.S. Policy Toward North Korea: The Collapse Theory and Its Influence," pp. 3-10.

8. *Asia Times* [Bangkok], 22 May 1996. Kim Myong-chol, a leading official of the pro-North Korean *Chosen Soren* organization of ethnic Koreans in Japan, wrote this interesting description of the DPRK leadership's attitude toward U.S.-North Korean relations.

9. "Odd Remarks by the U.S. Ambassador," *Hanguk Ilbo*, 4 April 1995: p. 3.