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Korea: U.S.-South Korean Relations — Issues for Congress

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CONTENTS

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SUMMARY

The United States maintains a strong, multifaceted alliance relationship with South Korea that has for decades served vital interests of both sides. Against the background of continuing difficulties in dealing with North Korea and the dramatic consequences of the Asian economic crisis, the two governments face a range of security, economic, and political issues that involve the Congress in its oversight and appropriations capacities, and in frequent exchanges between congressional offices and the South Korean government.

Heading the list of issues is how to deal with the North Korean regime. The Bush Administration seeks policy changes from North Korea regarding weapons of mass destruction, conventional forces, and international inspections of its nuclear facilities. The Bush Administration also faces policy decisions on food aid to North Korea, North Korea's inclusion on the U.S. terrorism list, and U.S. responses to South Korea's "sunshine policy" toward North Korea. President Kim Dae-jung seeks reconciliation with North Korea following the historical North-South summit meeting of June 2000. He has urged the United States to engage North Korea and make concessions to Pyongyang as a support for his policy. The Bush Administration's position on the sunshine policy is mixed, supporting some elements but having reservations about others.

The sunshine policy also has resulted in mounting controversy in South Korea over the presence of 37,000 U.S. troops. Growing numbers of South Koreans seek a reduction of U.S. military forces. Incidents between U.S. military personnel and South Korean civilians has necessitated U.S.-South Korean negotiations on several such issues.

South Korea is an important economic partner of the United States. The United States has sought to influence South Korean economic reforms arising from the 1997 Asian financial crisis. Bilateral trade disputes have resurfaced in 2000 and 2001 regarding automobiles, pharmaceuticals, beef, and steel. Intellectual property rights remain a point of contention.

South Korea has become more democratic politically, a success for U.S. policy since 1987. President Kim Dae-jung approaches the end of his term with declining popularity and growing criticism over his economic policies and the sunshine policy.

MOST RECENT DEVELOPMENTS

In his State of the Union speech of January 29, 2002, President Bush described North Korea as part of an "axis of evil" with Iran and Iraq that produced and proliferated weapons of mass destruction that could be a source of such weapons to terrorist groups. He asserted that the United States would not allow North Korea, Iran, and Iraq to increase the danger to the United States by such activities. Administration officials subsequently stressed that North Korea was a major proliferator of such weapons. North Korea indicated in May 2002 that it might be willing to resume negotiations with the United States.

BACKGROUND AND ANALYSIS

U.S. Interests in South Korea

U.S. interests in the Republic of Korea (R.O.K. — South Korea) involve a wide range of security, economic, and political concerns. The United States has remained committed to maintaining peace on the Korean Peninsula since the 1950-1953 Korean War. This commitment is widely seen as vital to the peace and stability of Northeast Asia where the territories of China, Japan, and Russia converge.

The United States agreed to defend South Korea from external aggression in the 1954 Mutual Defense Treaty. The United States maintains about 37,000 troops there to supplement the 650,000-strong South Korean armed forces. This force is intended to deter North Korea's (the Democratic People's Republic of Korea — D.P.R.K.) 1.2 million-man army, which is deployed in forward positions near the Demilitarized Zone (DMZ) dividing North and South Korea.

Since 1991, attention has focused on the implications of North Korea's drive to develop nuclear weapons (see CRS Issue Brief IB91141, *North Korea's Nuclear Weapons Program*, for background on this set of important issues) and long range missiles. A bilateral Agreed Framework designed to ease concerns between North Korea and the United States over North Korea's nuclear program was signed on October 21, 1994, and is being implemented. The United States attempted to negotiate restrictions on North Korea's development of long range missiles. Also of concern is the widespread food shortage inside North Korea.

The United States played a major role in fostering South Korea's remarkable economic growth, and has carefully monitored and supported international efforts to help South Korea deal with its current economic and financial crisis, the most serious since the Korean war. U.S. economic assistance to South Korea, from 1945 to 1971, totaled $3.8 billion. The acute financial crisis in late 1997 saw Seoul receive a $57 billion bailout from the International Monetary Fund (IMF) amid strenuous U.S. government and financial sector efforts to fend off a credit collapse in South Korea.

The United States is South Korea's largest trading partner and largest export market. South Korea is the seventh largest U.S. trading partner. The United States has long viewed

South Korean political stability as crucial to the nation's economic development, to maintaining the security balance on the peninsula, and to preserving peace in northeast Asia. However, U.S. officials over the years have pressed the South Korean administration with varying degrees of intensity to gradually liberalize its political process, broaden the popular base of its government, and release political prisoners. In recent years, South Korea has become more democratic.

Recent Issues

Relations with North Korea

As part of a policy review toward North Korea, President Bush issued a statement on June 6, 2001, outlining policy objectives related to implementation of the U.S.-North Korean 1994 Agreed Framework on North Korea's nuclear program, North Korea's missile program, and its conventional forces. He stated that if North Korea took positive actions in response to the U.S. approach, the United States "will expand our efforts to help the North Korean people, ease sanctions, and take other political steps." President Bush's designation of North Korea as part of an "axis of evil" in his January 29, 2002 State of the Union address clarified the Administration's policy that had emerged after the June 6 statement. The policy is aimed at reducing and/or eliminating basic elements of North Korean military power, including weapons of mass destruction (WMDs), nuclear weapons and/or nuclear weapons-grade materials, missiles, and conventional artillery and rocket launchers positioned on the demilitarized zone (DMZ) within range of the South Korean capital, Seoul. The Administration's emphasis on WMDs mounted after the Central Intelligence Agency gained documentary evidence in Afghanistan that al Qaeda seeks WMDs and plans new attacks on the United States. This reportedly influenced the Bush Administration to broaden the definition of the war against terrorism to include states like North Korea that potentially could supply WMDs to al Qaeda.

The Administration's strategy is to employ public accusations and warnings to pressure North Korea to make policy changes regarding its military assets in line with U.S. objectives. Since July 2001, the Bush Administration has warned that it will suspend construction of the two light water nuclear reactors in North Korea (a provision of the 1994 U.S.-North Korean nuclear Agreed Framework) unless North Korea soon comes into compliance with its obligations to the International Atomic Energy Agency to allow full-scope inspections of nuclear facilities. The Bush Administration made a number of statements calling on North Korea to pull back artillery and rocket launchers from the DMZ. Beginning with statements in November 2001 and dramatically in the State of the Union address and in subsequent pronouncements, the Bush Administration set a demand that North Korea stop the export of missiles and weapons of mass destruction to the Middle East and South Asia, eliminate these weapons from its arsenal, and allow verification of such steps. President Bush's repeated declarations since the State of the Union that he would not stand by while this threat mounts constitute a broader warning to North Korea alongside the explicit warning of shutting down the light water reactors.

Administration officials say that they want a comprehensive negotiation with North Korea on all these issues. The Administration has given no indication that it would offer

North Korea reciprocal measures, including reciprocal military measures, for North Korean agreement and steps to reduce its military power in these areas. It is reported that the Administration is working on a "road map" of agreements to be negotiated with North Korea and accompanying steps to improve North Korean-U.S. relations. Public statements by the Administration continually call for North Korea to take actions unilaterally. During his visit to South Korea in February 2002, President Bush issued a general offer to "welcome North Korea into the family of nations, and all the benefits, which would be trade, commerce and exchanges." Bush Administration officials reportedly have indicated in private remarks that the Administration believes that it does not have to offer strict reciprocal measures or compensation for North Korean concessions.

The following is a discussion of the issues listed by President Bush and other issues between the United States and North Korea.

Nuclear Weapons. U.S. policy since 1994 has been based largely on the U.S.-North Korean Agreed Framework of October 1994. The Agreed Framework was negotiated in response to U.S. concerns over nuclear facilities that North Korea was developing at a site called Yongbyon. Existing facilities included a five megawatt nuclear reactor and a plutonium reprocessing plant. Two larger reactors were under construction. U.S. intelligence estimates concluded that these facilities could give North Korea the capability to produce over 30 atomic weapons annually. North Korea had concluded a safeguards agreement with the International Atomic Energy Agency (IAEA) in 1992, which gave the IAEA the right to conduct a range of inspections of North Korea's nuclear installations. However, North Korea obstructed or refused IAEA inspections, including refusal to allow an IAEA special inspection of a underground facility, which the IAEA believed was a nuclear waste site. The IAEA hoped that a special inspection would provide evidence of past North Korean productions of nuclear-weapons grade plutonium. Secretary of Defense Rumsfeld estimated that North Korea has from two to five warheads in a statement of August 2001 in Moscow. The U.S. National Intelligence Council published an estimate in December 2001 "that North Korea has produced one, possibly two, nuclear weapons."

The Agreed Framework provided for the suspension of operations and construction at North Korea's known nuclear facilities, the safe storage of nuclear reactor fuel that North Korea had removed from the five megawatt reactor in May 1994, and the provision to North Korea of 500,000 tons of heavy oil annually until two light water nuclear reactors are constructed in North Korea. The United States is obligated to facilitate the heavy oil shipments and organize the construction of the light water reactors. Before North Korea receives nuclear materials for the light water reactors, it is obligated to come into full compliance with its obligations as a signatory to the Nuclear Non-Proliferation Treaty, especially its obligations to allow the full range of IAEA inspections specified in the North Korean-IAEA safeguards agreement of 1992.

The Korean Peninsula Energy Development Organization (KEDO) was created to implement provisions of the Agreed Framework related to heavy oil shipments and construction of the light water reactors. Lead members are the United States, Japan, South Korea, and the European Union. Japan and South Korea are to provide most of the financing, estimated at $5-6 billion, for the construction of the light water reactors. The Agreed Framework set a target date of 2003 for completion of the first of the light water reactors. There have been delays in the project, some caused by North Korea and others by

legal and bureaucratic obstacles. KEDO officials now project the completion of the first light water reactor in 2008. Bush Administration officials estimate that by 2005, construction will reach the point when nuclear components will be delivered to North Korea. KEDO also has faced rising costs of providing the annual heavy oil allotments to North Korea. Since October 1995, North Korea has received the annual shipments of 500,000 tons of heavy oil. The cost has risen from about $30 million in 1996 to $95 million in 2000 and $80 million in 2001. Congressional appropriations for the financing of the heavy oil shipments and financing of KEDO has risen from $30 million in FY1996 to $55 million in FY2001. Congress granted the Bush Administration request for $95 million for FY2002.

The Agreed Framework came under increasing debate in 2000 and 2001. Critics charged that the two light water reactors could give North Korea the ability to produce large amounts of nuclear weapons grade plutonium. They cited potential safety problems with the reactors and asserted that North Korea's substandard electric power grid could not transmit electricity produced by the reactors. Supporters of the Agreed Framework argued that it continues to fulfill its original aim of shutting down North Korea's Yongbyon nuclear reactors and plutonium reprocessing plant, which could have produced many nuclear weapons after 1994 if operations had continued. They acknowledged the safety and grid problems but predicted that these will be resolved in the future. (KEDO officials, however, stated that KEDO will reject North Korean demands that KEDO finance reconstruction of the electric grid.) Supporters of the Agreed Framework rejected the critics' claim that North Korea would be able to use the light water reactors to produce nuclear weapons, arguing that this type of reactor is "proliferation resistant."

The Bush Administration considered the Agreed Framework in its North Korea policy review in the spring of 2001. Among the options it considered was a proposal floated by the Clinton Administration in 2000 to eliminate one of the light water reactors and substitute conventional power facilities of equal capacity. President Bush's policy statement of June 6, 2001, declared an objective of "improved implementation of the Agreed Framework relating to North Korea's nuclear activities." According to Administration officials, the policy insists that North Korea soon begin the process of coming into full compliance with its obligations to the IAEA. The Administration asserts that North Korea must begin this process well prior to the point when the Agreed Framework specifies that North Korea must be in full compliance, since the IAEA states that, once North Korea allows a full range of IAEA inspections, the IAEA will need three to four years to determine whether North Korea is in full compliance with the Nuclear Non-Proliferation Treaty. U.S. officials reportedly have said that point will come by 2005 when construction of the first light water reactor will reach the stage of delivery of nuclear components. Beginning in July 2001, Administration officials warned that if North Korea does not begin the process of compliance with obligations to the IAEA, the Administration would suspend the light water reactor project. State Department spokesman Richard Boucher declared on November 30, 2001, that North Korea must start compliance "now" and that: "You have to start early. It's not a matter of showing up the day before the containment vessel [carrying the nuclear components] arrives; it's a matter of working over a period of something like three years."

North Korea has rejected the Bush Administration's call for earlier compliance with the IAEA. In March 2002, the Bush Administration used the right of waiver and refused to issue a certification to Congress that North Korea was complying with the Agreed Framework.

Administration officials described this an added warning to North Korea to begin compliance with the IAEA.

Suspicions that North Korea was operating a secret nuclear weapons program came into the open in August 1998 with the disclosure that the U.S. Defense Intelligence Agency (DIA) had concluded that a North Korean underground facility located at Kumchangri was possibly a nuclear-related installation. The Clinton Administration responded to the disclosure by pressuring North Korea to allow the United States access to the Kumchangri facility. An agreement was reached on March 16, 1999, providing for multiple inspections of the site in return for at least 500,000 tons of new U.S. food aid to North Korea. The first visit took place in May 1999, a second in May 2000. Administration officials declared that no evidence of nuclear activity was found. However, reports indicated that North Korea had removed equipment from the facility prior to the first U.S. visit.

North Korea's Missile Program. On August 31, 1998, North Korea test fired a three stage missile, dubbed the Taepo Dong-1 by the U.S. Government. The missile flew over Japanese territory out into the Northwest Pacific. Parts of the missile landed in waters close to Alaska. North Korea claimed that the third stage of the missile was an attempt to launch a satellite. U.S. intelligence agencies responded with a conclusion that North Korea was close to developing a Taepo Dong-1 missile that would have the range to reach Alaska, the U.S. territory of Guam, the U.S. Commonwealth of the Northern Marianas, and the Japanese island of Okinawa, home to thousands of U.S. military personnel and their dependents. Reports since 2000 cite U.S. intelligence findings that North Korea is developing a Taepo Dong-2 intercontinental missile that would be capable of striking Alaska, Hawaii, and the U.S. west coast with nuclear weapons. U.S. and Japanese intelligence agencies reportedly estimated in 2001 that North Korea had deployed up to 100 medium-range Nodong missiles. First tested in 1993, the Nodong missile has an estimated range of 600-900 miles. The upper range would cover all of Japan including Okinawa.

Throughout the 1990s, North Korea exported short-range Scud missiles and Scud missile technology to a number of countries in the Middle East. After 1995, it exported Nodong missiles and Nodong technology to Iran, Pakistan, and Libya. In 1998, Iran and Pakistan successfully tested medium range missiles modeled on the Nodong. North Korea reportedly shipped 50 complete Nodong missiles to Libya in 1999.

The test launch of the Taepo Dong-1 missile spurred the Clinton Administration to intensify diplomacy on North Korea's missile program; negotiations had begun in 1996. The Administration's 1999 Perry initiative set the goal of "verifiable cessation of testing, production and deployment of missiles exceeding the parameters of the Missile Technology Control Regime, and the complete cessation of export sales of such missiles and the equipment and technology associated with them." Dr. Perry and other officials seemed to envisage the negotiation of a series of agreements on the individual components of the North Korean missile program; each agreement would build progressively toward termination of the entire program. The Perry initiative offered North Korea steps to normalize U.S.-North Korean relations, an end to U.S. economic sanctions, and other economic benefits in return for positive North Korean actions on the missile and nuclear issues. This produced in September 1999 a qualified North Korean promise not to conduct further long-range missile tests, which North Korea repeated in June 2000. The Clinton Administration responded by announcing in September 1999 a lifting of a significant number of U.S. economic sanctions

against North Korea. It published the implementing regulation for the lifting of these sanctions on June 19, 2000.

No further agreements on missiles were concluded by the end of the Clinton Administration. After a year of negotiations, North Korea sent a high level official to Washington in October 2000. Secretary of State Albright visited Pyongyang shortly thereafter, and missile talks intensified. Unlike Perry's view of a series of agreements, the Clinton Administration proposed a comprehensive deal covering all aspects of the issue. North Korea offered to prohibit exports of medium and long-range missiles and related technologies in exchange for "in-kind assistance." (North Korea previously had demanded $1 billion annually.) It also offered to ban permanently missile tests and production above a certain range in exchange for "in kind assistance" and assistance in launching commercial satellites. Pyongyang also offered to cease the deployment of Nodong and Taepo Dong missiles. It proposed that President Clinton visit North Korea to conclude an agreement. The negotiations reportedly stalled over four issues: North Korea's refusal to include short-range Scud missiles in the commitment to cease the development and deployment of missiles; North Korea's non-response to the U.S. position that it would have to agree to dismantle the already deployed Nodong missiles; the details of U.S. verification of a missile agreement; and the nature and size of a U.S. compensation package. North Korean leader Kim Jong-il told European Union officials in May 2001 that he would continue a moratorium on missile test launches until 2003, although a subsequent statement of North Korea's Foreign Ministry warned that a continuation of the moratorium "depends entirely on the policy of the new [Bush] administration."

President Bush's June 6, 2001 statement set a goal of "verifiable constraints on North Korea's missile programs and a ban on its missile exports." Administration officials have emphasized the necessity of a strong verification mechanism in any missile accord. After the January 2002 State of the Union speech, the Administration repeatedly described North Korea as a dangerous proliferator of missiles, and they demanded that North Korea cease exporting missiles and missile technology. However, the Administration has offered no specific negotiating proposal on missiles. As stated earlier, Administration officials reportedly oppose offering North Korea specific compensation in exchange for North Korean concessions on the missile issue.

Weapons of Mass Destruction. The Bush Administration's emphasis on North Korea's weapons of mass destruction (WMDs) constitutes a new element in U.S. policy. The Clinton Administration stressed nuclear issues but did not include North Korea's chemical and biological weapons as priority elements in the Perry initiative. A Pentagon report on the North Korean military, released in September 2000, stated that North Korea had developed up to 5,000 metric tons of chemical munitions and had the capability to produce biological weapons, including anthrax, smallpox, the bubonic plague, and cholera. The Bush Administration's concern is based on a fear that a country like North Korea might sell nuclear, chemical, or biological weapons to a terrorist group like al Qaeda or that al Qaeda might acquire these weapons from a Middle East country that had purchased them from North Korea. In November 2001, President Bush included North Korea's WMDs as part of the "war against terrorism" when he stated: "We want to know. Are they developing weapons of mass destruction? And they ought to stop proliferating. So part of the war on terror is to deny terrorist weapons." In the State of the Union on January 29, 2002, he described North Korea as "a regime arming with missiles and weapons of mass destruction."

He warned that "The United States of America will not permit the world's most dangerous regimes to threaten us with the world's most destructive weapons." Upon departing for his trip to East Asia, President Bush stated on February 16, 2002, that "America will not allow North Korea and other dangerous regimes to threaten freedom with weapons of mass destruction."

The Bush Administration has not accused North Korea of providing terrorist groups with WMDs. When asked about this in a joint press conference with South Korea's Defense Minister on November 15, 2001, Secretary of Defense Donald Rumsfeld answered "we do not have anything specific." There are reports from the early 1990s that North Korea exported nuclear technology to Iran and that North Korea assisted Syria and Iran to develop chemical and biological weapons capabilities.

Conventional Force Reductions and Pullbacks. Before and after taking office, Bush officials stated that the Administration would give conventional force issues priority in diplomacy toward North Korea. These officials stressed the objective of securing a withdrawal of North Korean artillery and multiple rocket launchers from the positions just north of the demilitarized zone (DMZ), where they threaten Seoul, located just 25 miles south of the DMZ. The Bush June 6, 2001 statement set the goal of "a less threatening [North Korean] conventional military posture." Advocates of such an initiative argue that North Korea might be more interested in a negotiation because of the progressive weakening of its conventional forces in the 1990s. They point out that monitoring of a pullback of North Korean artillery and multiple rocket launchers from the DMZ would be easier to monitor than any agreements on nuclear or missile issues. They believe that easing the central military confrontation on the DMZ is the key to resolving other military issues, including weapons of mass destruction.

The tone of Bush Administration statements is that North Korea should withdraw unilaterally its artillery and rocket launchers from the DMZ in order to facilitate negotiations with the United States. According to the *Washington Post*, February 2, 2002, Secretary of State Colin Powell said that North Korea should remove its artillery from the DMZ as a good will gesture. President Bush stated on February 16, 2002, that North Korea would "be told directly by us during conversations. . .Move your arms back" from the DMZ. This stated, near-term goal of North Korean force pullbacks contrasts sharply with the U.S.-South Korean announcement of February 27, 2002, of a joint study since September 2001 on conventional force reductions. According to the announcement, the study so far concentrated only on confidence-building measures with North Korea (military exchanges of personnel and information) as a short- to medium-range goal. The study postulates actual force reductions as a more distant objective. The study plans in the future to examine strategy and the details of actual force reductions.

North Korea's response to Bush Administration statements have denounced the Administration for proposing unilateral North Korean withdrawals from the DMZ. North Korea also has used this to reject the general U.S. proposal to open talks. However, North Korean statements also have pointed out that Pyongyang in the past has proposed conventional force negotiations and pullbacks (these past proposals have included the total withdrawal of U.S. forces from South Korea). Some experts believe that the Bush Administration will have to include mutuality and military reciprocity in any proposal for conventional force negotiations. They argue that the United States and South Korea will

have to offer North Korea a pullback of some U.S. and R.O.K. forces from the DMZ in order to obtain North Korean agreement to pull back artillery, rocket launchers, and other forces. Bush Administration pronouncements on the necessity of North Korean pullbacks have not included any reference to mutuality or military reciprocity. As indicated previously, the President's June 6 list of possible incentives to North Korea were political and economic in nature rather than military. Thus, a key issue for the Administration is whether it can achieve conventional force negotiations without a reference to mutuality and military reciprocity in a proposal for negotiations.

North Korea's Inclusion on the U.S. Terrorism List. Beginning in February 2000, North Korea began to demand that the United States remove it from the U.S. list of terrorist countries. It made this a pre-condition for the visit of the high level North Korean official to Washington. Although it later dropped this pre-condition, it continued to demand removal from the terrorist list. In response to the terrorist attack of September 11, 2001, North Korea issued statements opposing terrorism and signed two United Nations conventions against terrorism.

The South Korean government also urged the United States to remove North Korea from the terrorism list in order to open the way for North Korea to receive financial aid from the World Bank and the International Monetary Fund (IMF). U.S. law P.L. 95-118, the International Financial Institutions Act, requires the United States to oppose any proposals in the IMF and World Bank to extend loans or other financial assistance to countries on the terrorism list. The Kim Dae-jung Administration advised the Clinton Administration in July 2000 to drop from consideration past North Korean terrorist acts against South Korea. The Kim Dae-jung Administration advocated North Korean admission to the World Bank and the IMF; it probably calculates that admission, which P.L. 95-118 does not cover, would be a step toward convincing the United States to remove North Korea from the terrorism list and thus allow Pyongyang to receive financial aid from these institutions.

Japan, however, urged the Clinton and Bush administrations to keep North Korea on the terrorism list until North Korea resolved Japan's concerns over North Korean terrorism. Japan's concerns are North Korea's sanctuary to members of the terrorist Japanese Red Army organization and evidence that North Korea kidnapped and is holding at least ten Japanese citizens. The Clinton Administration gave Japan's concern increased priority in U.S. diplomacy in 2000. Secretary Albright raised the issue of kidnapped Japanese when she met with Kim Jong-il in Pyongyang in October 2000. A high ranking State Department official met with family members of kidnapped Japanese in February 2001 and reportedly assured them that the Bush Administration would not remove North Korea from the terrorism list. Administration officials made references to the issue in 2002 after new evidence of North Korean kidnappings emerged. (See CRS Report RL30613, *North Korea: Terrorism List Removal?)* The State Department's annual report on terrorism for 2001 also cited evidence that the Moro Islamic Liberation Front in the Philippines, a combination guerrilla and terrorist group, had received North Korean arms.

Food Aid. Agriculture production in North Korea began to decline in the mid-1980s. Severe food shortages appeared in 1990-1991. In September 1995, North Korea appealed for international food assistance. From 1996 through 2001, the United States contributed about 1.8 million tons of food aid to North Korea through the United Nations World Food Program. The Bush Administration announced 100,000 tons of new food aid in May 2001

and 105,000 tons in December 2001. The Bush June 6 statement indicated that it would use food aid as a negotiating incentive to North Korea in diplomacy over nuclear, missile, and conventional force issues. The Bush offer to "expand our efforts to help the North Korean people" suggested continued U.S. food aid but linked in part to progress on issues like missiles, conventional forces, and North Korea's nuclear program. The Clinton Administration used food aid to secure North Korean agreement to certain types of negotiations and North Korean agreement to allow a U.S. inspection of the suspected nuclear site at Kumchangri. Critics have asserted that the use of food aid in this way negates consideration of two other issues: the weaknesses in monitoring food aid distribution in North Korea and the absence of North Korean economic reforms, especially agricultural reforms.

The U.N. World Food Program requested donations of 611,000 tons of food for North Korea in 2002, but it cites a decline in donations. It acknowledges that the North Korean government places restrictions on its monitors' access to the food distribution system, but it believes that most of its food aid reaches needy people. Several private aid groups, however, withdrew from North Korea because of such restrictions and suspicions that the North Korean regime was diverting food aid to the military or the communist elite living mainly in the capital of Pyongyang. It is generally agreed that the regime gives priority to these two groups in its overall food distribution policy. The regime, too, refuses to adopt agricultural reforms similar to those of fellow communist countries, China and Vietnam, including dismantling of Stalinist collective farms. While such reforms resulted in big increases in food production in China and Vietnam, North Korea continues to experience sizeable food shortages year after year with no end in sight. Food shortages and resultant suffering reportedly increased in 2001. It is estimated that one to three million North Koreans died of malnutrition between 1995 and 2001.

Responding to South Korea's Sunshine Policy. U.S. responses to President Kim Dae-jung's "sunshine policy" has been an issue since South Korea achieved a breakthrough in relations with North Korea with the meeting of Kim Dae-jung and North Korean leader Kim Jong-il in Pyongyang, June 13-14, 2000. Their joint declaration said North Korea and South Korea would work for economic cooperation, cultural and sports exchanges, and meetings of divided Korean families. The summit apparently was in part the result of Kim Dae-jung's speech in Berlin in March 2000. He offered to provide large scale economic aid to rebuild North Korea's infrastructure. Following the summit, Seoul and Pyongyang negotiated agreements on the restoration of a railway and road across the DMZ, investment guarantees and tax measures to stimulate South Korean private investments in North Korea, provision of 600,000 tons of South Korean food aid to North Korea, and flood control projects for the Imjim River. A meeting of defense ministers occurred but with little result. President Kim called on the United States to support his sunshine policy by normalizing diplomatic relations with North Korea, negotiating a missile agreement with Pyongyang, and removing North Korea from the U.S. terrorist list.

The issue of whether the Bush Administration supports President Kim Dae-jung's sunshine policy has been discussed since the Bush-Kim summit in March 2001. The Bush Administration periodically issues a general statement that it supports the sunshine policy. However, the U.S. response to the component parts of the sunshine policy indicates a mixed U.S. reaction. The Clinton and Bush administrations supported South Korea's proposals to build a railroad and road across the demilitarized zone and assist North Korea in flood

control of the Imjim River. They also supported North-South agreements to reunite divided Korean families and for investment guarantees for R.O.K. firms investing in North Korea.

However, the Bush Administration appears to have reservations over other components of the sunshine policy. As stated previously, the Bush and Kim administrations appear to disagree over North Korea's inclusion on the U.S. terrorism list. The U.S. military command in Korea and the Central Intelligence Agency reportedly believe that North Korea has gained greater financial flexibility to make military purchases because of the nearly $400 million it has received from the Hyundai Corporation during 1999-2001 for the right to operate a tourist project at Mount Kumgang in North Korea. (According to informed sources, Hyundai made additional secret payments to North Korea. Hyundai denies making secret payments.) According to the South Korean newspaper, *Choson Ilbo*, February 25, 2001, U.S. officials voiced this concern to South Korean intelligence chief, Lim Dong-won, during his visit to Washington in February 2001 and that the CIA delivered a memorandum to the R.O.K. government containing a list of weapons that North Korea recently purchased from overseas. The *Korea Herald*, February 5, 2001, quoted a spokesman for the U.S. Military Command in Korea that "I know that military experts at home and abroad are concerned about Pyongyang's possible diversion of the [Hyundai] cash for military purposes." South Korea's Unification Minister stated before a Korean National Assembly committee on April 2002 that the government was aware of a possibility that North Korea would use the Hyundai payments for military purposes. The Kim Dae-jung Administration has touted the Mt. Kumgang project as a highlight of its sunshine policy. It has decided to financially subsidize the project, which has been a big money loser for the financially troubled Hyundai Corporation.

The Bush Administration also has reservations over Kim Dae-jung's proposal that the 1997-1999 Four Party Talks (North and South Korea, the United States, and China) be reconvened and used for North-South negotiation of a Korean peace agreement to replace the 1953 Korean armistice agreement. Past U.S. administrations endorsed North-South negotiation of a peace agreement, and President Reagan originally proposed Four Party Talks as a vehicle for peace negotiations. President Kim did not raise his four party talks proposal directly during the March 2001 summit, but Bush Administration officials appeared to be skeptical toward President Kim's peace initiative. The Bush Administration appears concerned that a peace agreement without provisions for conventional forces reductions and pullbacks would create a false sense of security and could undermine South Korean public/political support for the U.S. troop presence in South Korea. The February 27, 2002 announcement of the U.S.-R.O.K. study of conventional force reductions placed negotiation of a peace agreement as a distant goal following negotiation of confidence building measures, "risk reduction," and "verifiable arms reduction."

The Bush Administration is known to have concerns over North Korea's proposal that South Korea provide North Korea with 2 million kilowatts of electric power in the near future. South Korea did not accept the proposal but offered to send a survey team to North Korea to study North Korea's electric system. The Bush Administration reportedly is concerned that 2 million kilowatts of electricity is the exact amount that the two light water nuclear reactors, which North Korea is to receive under the Agreed Framework, would provide North Korea. The Administration reportedly believes that if South Korea agreed to the North Korean proposal, this would remove incentives for North Korea to meet its obligations to the International Atomic Energy Agency to allow a full range of inspections.

The Kim Dae-jung Administration has supported the general Bush Administration goals toward North Korea, but it has urged the Bush Administration to make greater efforts to negotiate with North Korea. After President Bush's declaration of North Korea as part of an "axis of evil," R.O.K. officials expressed misgivings about the Bush Administration's policy of public pressure and warnings toward North Korea. Top R.O.K. presidential adviser, Lim Dong-won, stated in late March 2002 that the Bush Administration's "hardline stance against the North. . .could develop into a security crisis on the Korean peninsula."

North Korea's suspension of talks ended in September 2001 when Pyongyang offered to meet with South Korea. The meeting in mid-September reaffirmed agreements of 2000 regarding family reunions, rail and highway connections, and flood control. North Korea reportedly pressed South Korea to supply electricity, but there was no agreement. A ministerial meeting at North Korea's Mount Kumgang in November 2001 ended in failure when North Korea demanded that South Korea end a post-September 11 anti-terrorism alert and agree that all future meetings would be held in North Korea. Official talks were suspended until April 2002 when North Korea invited Lim Dong-won to Pyongyang. The two sides reaffirmed the prior agreements and agreed to renew economic and ministerial talks. However, North Korea canceled economic talks scheduled for Seoul in May after demanding that Kim Dae-jung fire his foreign minister for making statements favorable to the Bush Administration's policy.

U.S.-South Korean Military Issues

South Korea's fear of military threat from North Korea has declined since the mid-1990s. In June 1999, South Korean naval forces inflicted severe damage on the North Korean navy in a serious naval clash in the Yellow Sea, which experts attributed to superior South Korean technology and antiquated North Korean weaponry. According to recent polls, South Koreans increasingly do not register the same level of concern as many Americans over a North Korean invasion threat, suspected nuclear weapons development, ballistic missile testings, and missile sales abroad. In congressional testimony in March 2001, General Thomas Schwartz, U.S. Commander-in-Chief in Korea, asserted that the North Korean military threat was growing due to the size of its forces (over one million) and armaments, the holding of large North Korean field exercises in 2000, and especially the concentration of artillery and multiple rocket launchers within range of the South Korean capital, Seoul. Schwartz's testimony received criticism within South Korea and from a number of U.S. experts. The critics argue that North Korean conventional military capabilities have eroded since the early 1990s due to the obsolescence of offensive weaponry like tanks and strike aircraft, logistics/supplies deficiencies, the absence of major field exercises from 1994 to 2000, food shortages among even North Korean front-line troops on the DMZ, and the decline in the physical and mental capabilities of North Korean draftees after a decade of malnutrition.

Declining South Korean fears of a North Korean invasion and the inter-Korean dialogue have produced a growing debate in South Korea over the U.S. military presence. Small radical groups, which demand a total U.S. military withdrawal, have become more active and have been joined by a network of non-government civic groups. A new element are proposals by several prominent South Koreans for changes in the size and functions of U.S. troops, including a proposal to convert U.S. troops to a peacekeeping force. Some polls, including a poll commissioned by the State Department's Office of International Information

Programs in September 2000, show a majority of South Koreans in favor of a reduction in the number of U.S. troops in South Korea. The official U.S. position is that the United States has no plans to reduce the number of U.S. troops in South Korea; the Clinton Administration took a strong public stance against withdrawals in 2000. In March 2002, the U.S. and R.O.K. governments announced a ten-year program to reduce by nearly 50% the bases and land used by U.S. forces in South Korea but that the total number of 37,000 U.S. troops would remain.

The North-South summit of June 2000 intensified this debate. The debate centers on two issues: (1) the impact of the U.S. military presence on prospects for advancement of President Kim's sunshine policy and (2) disputes between the U.S. military and South Korean civilians. Attitudes toward one affect attitudes toward the other. Kim Dae-jung states that he discussed U.S. troops with Kim Jong-il at the summit and that the North Korean leader agreed that U.S. troops should remain in South Korea. Reportedly, however, the two Korean leaders also discussed changing the role of U.S. troops from a military combat force to that of peacekeepers.

This debate has been intensified by new controversies over the conduct of the U.S. military and U.S. policy. A number of incidents and issues in 2000 resulted in mounting South Korean public criticism of U.S. troops. The Clinton Administration in its final days concluded two agreements with South Korea that settled contentious issues. One was a new Status of Forces Agreement, completed in December 2000 after six years of negotiations. It provides that U.S. military personnel accused of particular, specified crimes would be turned over to South Korean authorities prior to their trial and that such individuals would receive certain legal guarantees from the R.O.K. government. The second agreement was a settlement of the No Gun-ri issue, which involved the report that U.S. troops had massacred Korean civilians at No Gun-ri in July 1950 during the early stage of the Korean War. The agreement found that U.S. troops had killed a large number of South Korean civilians at No Gun-ri but that there was no evidence that they were acting under orders from higher U.S. commanders. President Clinton issued a statement of regret for the incident, but the Clinton Administration rejected demands from South Korean groups that the United States issue a formal apology and pay compensation to surviving family members. The Clinton Administration also settled with South Korea the issue of R.O.K. development of missiles. South Korea sought agreement to extend the range of its missiles, which had been the subject of a 1979 U.S.-R.O.K. accord. An agreement announced in January 2001 will allow South Korea to develop missiles with a range of up to 187 miles, up from the 1979 limit of 112 miles. South Korea joined the global Missile Technology Control Regime (MCTR).

Contentious issues remain. A South Korean court in April 2001 ordered compensation for 14 Korean civilians, who claimed injury from a U.S. bombing exercise; the court ruled that the U.S. military had violated Korean law. The Bush Administration reportedly decided to seek a 30% increase in South Korea's host nation support for U.S. troops. The total cost of stationing U.S. troops in South Korea is over $2 billion annually. The South Korean direct financial contribution for 2002 is $490 million, up from $399 million in 2000. In early 2000, large-scale criticism arose in the South Korean media and among civic groups over the R.O.K. government's apparent selection of the Boeing's F-15K fighter over European competitors as South Korea's next generation fighter. The controversy arose over reports and statements that the selection was made under pressure from the Bush Administration.

U.S.-South Korean Economic Relations

In 2000, U.S.-South Korean trade totaled over $66 billion, making South Korea the United States' seventh largest trading partner. U.S. exports in 2000 totaled $26.3 billion. Major U.S. exports include semiconductors, electrical machinery, general machinery, aircraft, agricultural products, and beef. After a period of U.S. trade surpluses with South Korea during 1994-1997, the United States has run deficits with South Korea. This is partly due to the economic crisis which hit South Korea in 1997. In December 1997, South Korea and the International Monetary Fund (IMF) agreed to the terms of a $58 billion financial support package. The economic recession led to a sharp decline in most countries' exports to South Korea, including U.S. exports. Renewed South Korean economic growth in 1999 and 2000 resulted in a recovery in U.S. exports, but growth in U.S. imports from South Korea was larger, causing the trade deficit to widen.

As part of its commitment to the IMF in 1997, South Korea pledged to eliminate most restrictions on foreign direct investment. The Kim Dae-jung Administration aggressively liberalized R.O.K. regulations on foreign investment. As a result American companies have invested nearly $10 billion in South Korea in the 1998-2000 period.

In early May 2000, the U.S. Trade Representative cited South Korea as a "priority watch country" under "Special 301" (Section 182 of the Trade Act of 1974) because it deems Seoul's enforcement of intellectual property rights to be unsatisfactory. The United States criticized South Korea for barriers to the sale of U.S. automobiles, pharmaceuticals, and beef. In December 2000, the United States and Australia won a decision of the World Trade Organization that South Korea discriminated against foreign suppliers of beef. The United States continues to criticize South Korea for other policies, which Washington claims discriminate against U.S. beef. In August 2001, the U.S. Federal Aviation Administration refused a bid by Korean Air to expand airline service to the United States, citing lax safety procedures by Korean Air. The two governments have been unable to conclude a bilateral investment treaty because of a dispute over South Korean restrictions on foreign movies.

A surge in U.S. imports of Korean steel in 1997 and 1998 has caused the United States to include South Korea in a group of steel-exporting countries being investigated for alleged dumping of steel products into the U.S. market. The U.S. International Trade Commission, an independent U.S. agency, ruled in October 2001 that several categories of imported Korean steel had caused serious damage to the U.S. steel industry. On March 5, 2002, the Bush Administration imposed tariffs up to 30% on imported steel, including South Korean steel. The South Korean government responded that it was considering filing a suit against the United States in the World Trade Organization. (See CRS Report RL30566, *South Korea-U.S. Economic Relations: Cooperation, Friction, and Future Prospects*.)

Political Issues

From one perspective, U.S. support for democratization in South Korea has been a great success for U.S. policy. As South Korea moved from the authoritarian regimes of the past to more democratically-based governments of the last decade, U.S. officials have been prominent in encouraging greater pluralism and democratic process. Unlike the authoritarian leaders of the past, former general Roh Tae Woo was the first popularly elected president in late 1987. Former oppositionist Kim Young Sam won the December 1992 presidential

election. Kim Dae-jung won the December 1997 presidential election with 40% of the vote. Kim Dae-jung took office on February 25, 1998. However, the National Assembly remains controlled by the opposition party. President Kim's economic reform program, strong economic growth in 1999 and 2000, and the North-South summit of June 2000 gained him considerable popular support. Since late 2000, however, his popularity has slipped due to a slackening of economic growth, the uneven progress of his sunshine policy toward North Korea, and reports of corruption in his government. President Kim has been criticized for attempting to impose restrictions on newspapers which criticize his policies. The next presidential election is scheduled for December 2002. President Kim is limited to one term under the R.O.K. constitution. His 1997 election opponent, Loi-chang, will represent the opposition Grand National Party. President Kim's Millennium Democratic Party has nominated Roh Moo-hyun, a former labor union lawyer. Roh in the past has advocated a withdrawal of U.S. troops from South Korea. He now says U.S. troops should remain but that South Korea should gain equality in the security relationship.