



**US-Korea Relations:
Challenges and Opportunities for the Next Administrations**

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In May, US-Korea relations were marked by nervousness about a potential crisis with North Korea as telltale signs of activity at Punggye suggested preparations for a third nuclear test. Though a test did not occur, no one is confident that a crisis has been averted. In US-South Korea relations, differences over imports of Iran oil and US beef calmed down without causing a major hiccup. Meanwhile, a number of difficult bilateral negotiations remain unresolved. While there are signs of progress on the New Missile Guidelines (NMG), the civil nuclear talks remain deadlocked. Territorial and historical disputes between Japan and Korea have complicated and frustrated US desires to strengthen trilateral cooperation with South Korea and Japan.

No nuclear test but what's next?

If the key events in US-DPRK relations in the beginning of 2012 were the *Unha* rocket launch and the collapse of the Leap Day agreement, the key *non*-event over the summer was the absence of a nuclear test. Activity around the Punggye nuclear test site led many to believe that Pyongyang might carry out the test, possibly using highly enrichment uranium (HEU). Gearing up for another crisis, South Korea, the US, and neighboring countries all fell into reflexive provocation-prevention mode, strongly urging Pyongyang to abandon the test.

North Korea surprised all by not going forward with the test. Instead, it announced that it would continue with its programs, and enshrined its nuclear weapons status in its revised constitution. The latter act suggests that Pyongyang considers itself a permanent nuclear weapon state with no intention to negotiate these capabilities away in the Six-Party Talks or in any other fora. Rarely do countries give up that which they put into their constitutions.

Then why no nuclear test? There is no clear answer, but we can offer four possibilities. The first relates to science. There may have been technical reasons – either related to the prosecution of a test or data-collection – that made it impossible to carry it out at this time. Political analyses often underestimate the importance of this variable. A second possibility is that Pyongyang succumbed to pressure, especially coming from Beijing. When North Korea conducted a nuclear test in 2006 and 2009, Beijing supported UN Security Council Resolutions 1718 and 1874 authorizing sanctions. Pyongyang might have averted from a test to avoid antagonizing its only ally. A third possible explanation is that Kim Jong Un and the regime could not afford another embarrassment after the failure of its April missile test. A third nuclear test would have brought more sanctions amid a fragile domestic situation. Flubbing it would have brought the same sanctions and a damaging aura of incompetence to the young leadership. Finally, the regime may have chosen to hold off until new political leadership takes office in the South Korea, China, and

possibly the US before it makes its next move. Whatever the reason, the important development this quarter is North Korea's constitutional validation of its nuclear weapon status. This, it is fair to say, constituted a strategic decision to retain its weapons capability, not trade them away. Any talk by North Korea to the contrary is tactical.

All official dialogue has been shut down. While the Obama administration maintains informal lines of communication through the "New York channel" (this is a State Department dialogue with the DPRK mission to the UN) any prospect for full-scale reengagement with North Korea this year is very slim. With Obama facing a tough reelection campaign in November, there is no political appetite for wasting political capital on a soon-to-be-broken deal with North Korea.

So what's next? We are probably in a wait-and-see mode. A handful of track-two meetings with North Korean Foreign Ministry officials suggest that Pyongyang is ready to get back into talks, but these messages must be taken with a grain of salt. They know there is little chance of a deal with an election around the corner. In the interim, they will continue to deepen their ties with China. Pyongyang has even reached out to Japan, but is probably content to wait out elections in Seoul and in Washington before making its next move.

Several shoes have yet to drop, including the likely visit by Kim Jong Un to China to cement his relationship with the political leadership in Beijing. We are also likely to see announcements of new economic deals between the two countries following a recent visit to China by Kim Jong Un's uncle, Jang Song Taek. Notice that all of these developments revolve around China while the US and South Korea sit on the sidelines. As noted in a Dec. 19, 2011 *New York Times* piece, we are witnessing China's de facto adoption of North Korea as its newest province.

A North Korean Deng Xiaoping?

The past months have not been without change in the North. The question is how significant are these signals: high heels and miniskirts for women; amusement parks and (pirated) Walt Disney productions for children. These are some of the changes that we have seen in North Korea under the leadership of Kim Jong Un. This not-yet-30 year-old took over for his father Kim Jong Il in December of 2011 in the only communist dynastic succession system left in the world. Since then, in addition to riding rollercoasters and frolicking with school kids, the most eligible prince of Pyongyang took on a wife, Ri Sol Ju, whom the *New York Times* dared to equate with Kate Middleton (!). In a sign of changing times, the new first lady is seen publicly with her husband, sporting a Christian Dior clutch worth more than the annual wage of a North Korean worker.

Such inane details, combined with the young Kim's years of Swiss schooling where he took courses on "Parties and Elections" while eating pizza and idolizing NBA stars, have caused optimists to declare – once again – that North Korea is ready to reform. Rumors of a new economic policy being hatched in Pyongyang fuel speculation that junior Kim is serious about change. Korea-watchers will remember that similar predictions were made in 1994 when then-52-year-old Kim Jong Il took over after his 82-year-old father died. We know how that turned out. Nevertheless, believers in the irresistibility of Disney, Dior, and Coke have short memories and tall hopes of a China-type economic modernization coming to North Korea. The predictions of reform in North Korea have long outnumbered the predictions of collapse. We can't side with

the majority. The current system under a young and unproven leader faces severe challenges. Mickey Mouse is unlikely to be an agent of reform.

Thus far, we have not had the crisis-precipitating provocation from Pyongyang. Perhaps, the new leader is amusing himself with Disney and his new wife. Meanwhile, the countryside has been ravaged by flooding from the annual rains. NGOs report that the food shortage situation is worsening. And the rogue nuclear and missile programs continue to grow unimpeded. There is presumably a degree of infighting in the system, manifested in the surprise sacking in July of the top military general in the country. Some interpret the departure of Gen. Ri Yong Ho as evidence of the young reform-minded Kim trying to usurp power from the hardline military. Maybe. It appears, however, that Kim Jong Un may not want reform but to reclaim for his own patronage network some of the money the military was making through lucrative business activities. If so, there are some very unhappy military generals in North Korea today. This could be a gutsy move by Kim. Or, it could be a stupid one, if it lays the groundwork for disgruntled factions inside the military – never a good scenario in Korean history.

US beef and Iran oil imports

The US-ROK alliance had fairly smooth sailing over the past few months partly because the US beef and Iran oil imports issues calmed down without causing any major hiccup in relations. A massive candlelight rally was held again in Seoul to press the Lee government to halt US beef imports and this made government officials in Seoul and Washington nervous. Yet, the rally did not gain any political momentum in South Korea, precipitating an anti-government movement as occurred in 2008. Although there were lingering concerns about the safety of US beef, the South Korean public remained vigilant about the politicization of the US beef issue again and largely stayed away from the rally.

With the Obama administration's announcement in June exempting South Korea from US sanctions, Seoul and Washington temporarily resolved the conflict over South Korea's oil imports from Iran. South Korea decreased its oil imports from Iran by 30 percent in the first quarter as compared with the same period of last year. In July, imports of Iranian oil were completely suspended in South Korea as a result of the European Union's ban on providing insurance to oil tankers carrying Iranian oil. There was a new development in August as the Iran government offered to transport oil using its own tankers and South Korea decided to resume oil imports. Although the resumption will not drastically increase South Korea's oil imports from Iran enough to prevent South Korea from getting an extended sanction waiver from the US after the current one expires at the end of this year, this issue is likely to re-emerge and continue to stand between South Korea and the US for a while.

Missile Guidelines

There are two important and unfinished negotiations in progress between Seoul and Washington. The first relates to the revision of the US-Korea missile guidelines and the other is the civil nuclear cooperation, also known as the 1-2-3 Agreement. Both are difficult negotiations and have the potential to become heavily politicized, particularly in Korea as politicians may react to perceived deadlocks as license to play the "sovereignty card," claiming US heavy-handedness.

Although these negotiations have not drawn much public scrutiny in either country, they began to surface and to make major news headlines in South Korea this summer.

In early 2011, the Obama and Lee administrations entered into negotiations on New Missile Guidelines (NMG). At the center of the issue are the range and payload size of South Korea's ballistic missiles. The current agreement, which was reached in 1979 and revised in 2001, limits missile ranges to less than 300 km and payload size to less than 500 kg. The Lee administration has pushed hard for an extension of missile ranges to between 800-1,000 km and an increase of payload size to one ton. South Korea has consistently argued that the increased missile ranges would enhance conventional deterrence because it would allow the ROK to strike any part of North Korea from the south of the peninsula. Washington understands Seoul's concerns, but does not believe that the mere acquisition of longer-range missiles will enhance deterrence. Moreover, it is concerned about regional reactions and possible escalation if the ROK starts to produce longer-range ballistic missiles. The Obama administration has preferred to discuss NMG guidelines within the context of the US-ROK alliance framework and has approached the negotiation as a way to boost alliance defense capabilities. Among other requirements, this has led the US to nudge South Korea in the direction of a regional missile defense network.

South Korean officials pushed for an agreement throughout the summer, and hoped to use the US-ROK "2+2" meeting as an action-forcing event, but with little success. Meanwhile, politicians and experts in the South have started to call on their government to scrap the missile guidelines or set an expiration date, pointing to the fact that the guidelines are not a legally binding treaty between the US and the ROK. Several framed NMG as a sovereignty issue and insisted on South Korea's right of self-defense. While this has not reached a "crisis" in the alliance, it is on track to becoming one. Rumors have it that the core of the talks is taking place between the two National Security Councils rather than through normal diplomatic channels. The departure of Blue House Senior Secretary Kim Tae-hyo over the botched intelligence agreement with Japan has not made the NMG talks any easier. Both governments are approaching the end of their presidencies, and are holding firm to hopes that the post-election administrations will take a more accommodating tone. Stay tuned.

1-2-3 agreement

South Korea and the US remain deadlocked over the civil nuclear cooperation agreement. Since the start of the negotiations in 2010 to revise the old agreement that was signed in 1974 and is set to expire in 2014, the countries have held five rounds of talks. While this is a complex negotiation, the core difference comes down to Seoul's desire to be a full nuclear fuel cycle country. On the back end of the fuel cycle, this means Seoul is demanding long-term consent to reprocess spent nuclear fuel. On the front end, it means the demand to enrich uranium fuel. Seoul's arguments for the former generally relate to the absence of storage space for spent fuel. In the latter, Seoul believes that enrichment will allow it to be a more competitive global player in civilian nuclear energy. Seoul and Washington have tried to "punt" the reprocessing question with agreement on a 10-year joint study on "pyroprocessing." But, in general, the US is reluctant to accede to Korean demands because of proliferation concerns and because it does not find the ROK rationales for reprocessing and enrichment credible. There is also considerable "India hangover" – that is, nonproliferation types in the

Obama administration who were opposed to the civil nuclear deal given to India under George W. Bush, and who do not want to see this arrangement become the international norm. We will say more about this negotiation in the next *Comparative Connections*. Suffice it to say for now that this is a slow-motion train wreck. Both sides are dug in, and the clock is ticking. Negotiators say that a new agreement must be completed by May 2013, which leaves the next administrations in Seoul and Washington only a couple of months to finish the negotiation. That is not a lot of time. Stay tuned on this one, too.

Dokdo and US-ROK-JAPAN trilateral cooperation

In August, Seoul-Tokyo ties came under severe strain over their longstanding history and territorial disputes. Although these politically explosive and emotionally charged issues have sporadically flared in the past, they were taken to the highest political levels in both governments sparking a full-on diplomatic row.

There is a sort of yearly cycle in Korea-Japan relations. But the recent events seem to have disrupted the equilibrium in a more permanent way. On the Korean side, President Lee's visit to Dokdo constitutes an attempt to change the historical status quo. On the Japanese side, the Diet resolution harshly criticizing Lee's trip also sets a new precedent. Similarly, recent efforts by Japanese government officials to lobby local US politicians to block the construction of comfort women monuments in US localities sets an entirely new precedent that is bad for Seoul-Tokyo as well as Tokyo-Washington relations.

These actions on both sides are different from previous mis-steps because they are exacerbating historical animosity and escalating the issues in a more permanent way. The damage to relations is clear because these historical disputes now stand in danger of impeding practical cooperation between the two governments. From a US perspective, when historical animosity impedes pragmatic cooperation between its two most important allies in Asia, Washington becomes concerned.

Unfortunately, there is no solution in sight. The primary casualty in this spiral is US-Japan-ROK trilateral coordination, and yet the US is understandably hesitant to intervene. Although there are very limited options for the US when its two most important Asian allies are growling at each other, managing good Korea-Japan relations is the burden that Washington will have to carry. (See [PacNet #58](#), Sept. 11, 2012 for the full argument)

Chronology of US-South Korea Relations*

May – August 2012

May 1, 2012: President Barack Obama states that the US will no longer accept North Korea's strategy of provocations for concessions.

* Compiled by Fotini Gan, Alvina Hong, and Yoon-je Chung

May 1, 2012: The Food, Agriculture, Forestry, and Fisheries Committee of South Korea's National Assembly passes a bipartisan, nonbinding resolution to suspend US beef imports following a case of mad cow disease in California.

May 2, 2012: President Obama and Japanese Prime Minister Noda Yoshihiko agree not to tolerate North Korea's nuclear threat during Noda's visit to the White House.

May 3, 2012: The UN expands North Korean sanctions after the failed rocket launch in April.

May 3, 2012: A massive candle light rally takes place in Seoul to halt US beef imports and renegotiate the KORUS Free Trade Agreement (FTA) after a reported case of mad cow disease.

May 6, 2012: North Korea announces that it will continue to develop nuclear and missile capabilities, against the urging of the permanent members of the UN Security Council.

May 7, 2012: Assistant US Trade Representative for Japan, Korea, and APEC Affairs Wendy Cutler states that the KORUS FTA will not be renegotiated.

May 10, 2012: US House Armed Services Committee passes an amendment to reintroduce tactical nuclear weapons on the Korean Peninsula.

May 11, 2012: US exempts South Korea from Iranian oil sanctions after Seoul decreases dependence on Iranian oil by 30 percent.

May 15, 2012: White House National Security Council deputy spokesman Robert Jenson states that tactical nuclear weapons will not be redeployed to Korea.

May 17, 2012: US House of Representatives passes a bill to extend the North Korean Human Rights Act until 2017.

May 21, 2012: Nuclear envoys from Seoul, Washington, and Tokyo warn that North Korea will face tighter sanctions and greater isolation if it conducts a third nuclear test.

May 22, 2012: North Korea announces that it will not conduct a nuclear test but will continue to bolster its nuclear development and satellite capabilities.

May 24, 2012: US Special Representative for North Korean Policy Glyn Davies and Japanese Vice Foreign Minister Yamaguchi Tsuyoshi state that US and Japan would engage in dialogue with North Korea if Pyongyang refrains from provocations. Ben Rhodes, deputy national security adviser for strategic communications, comments that the US will consider food aid if Pyongyang is "serious about moving in a different direction." South Korea warns Pyongyang that it would face greater sanctions and grave consequences if it conducts a third nuclear test.

May 28, 2012: *The Diplomat* quotes Brig. Gen. Neil Tolley, commander of US Special Forces in South Korea, saying that "we send [Republic of Korea] soldiers and U.S. soldiers to the North to do special reconnaissance" on North Korea's tunnel infrastructure.

May 30, 2012: George Little, spokesperson for the US Department of Defense, tells reporters that "[i]t was misreported that there are U.S. boots on the ground in North Korea."

May 30, 2012: DPRK's Constitution is revised to state that North Korea is a "nuclear-armed state." Spokesperson for the US Department of State comments that the US "will never accept North Korea as a nuclear power."

May 31, 2012: South Korean Foreign Ministry spokesperson Cho Byung-jae states that North Korea cannot have a status as a nuclear-weapon state.

June 1, 2012: South Korean Foreign Minister Kim Sung-hwan warns North Korea of a "firm response" if it engages in further provocations.

June 5, 2012: Pentagon replaces Brig. Gen. Tolley, commander of US Special Forces in Korea.

June 6, 2012: Rep. Donald Manzullo (R-IL) says in a House hearing that deepening ties with South Korea by extending the current civilian nuclear pact will help US manufacturers.

June 6, 2012: US Defense Security Cooperation Agency announces that it will sell \$325 million worth of advanced weapons to South Korea.

June 11, 2012: US Secretary of State Hillary Clinton announces that South Korea and India will be exempt from Washington's sanctions on Iranian oil.

June 12, 2012: Chairman of the Senate Armed Services Committee Sen. Carl Levin says he has no problem with allowing South Korea to develop longer-range missiles if they are deployed in a "non-threatening way."

June 13, 2012: State Department spokesperson Victoria Nuland says the US is concerned about allegations that China assisted North Korea's missile program.

June 14, 2012: US Secretary of State Hillary Clinton and Defense Secretary Leon Panetta host a "2+2 meeting" with South Korean Foreign Minister Kim Sung-hwan and Defense Minister Kim Kwan-Jin at the State Department in Washington.

June 14, 2012: Assistant Secretary of State for East Asian and Pacific Affairs Kurt Campbell expresses US hope for a stable relationship between South Korea and Japan.

June 16, 2012: US deploys Army Tactical Missile System (ATACMS) missiles and Multiple Launch Rocket System (MLRS) artillery to USFK to increase firepower in South Korea.

June 16, 2012: South Korean Defense Acquisition Program Administration (DAPA) announces three bidders – Boeing's *F-15 Silent Eagle*, Lockheed Martin's *F-35 Lightning II*, and the Eurofighter *Typhoon* – for a \$6.9 billion contract in acquiring 60 fighter jets.

June 19, 2012: White House announces that it will extend North Korean sanctions another year as it poses an “unusual and extraordinary threat.”

June 21, 2012: US Senate passes a bill to ban food aid to North Korea unless a presidential waiver is used.

June 21-22, 2012: South Korea, Japan, and the US conduct their first official trilateral joint naval exercise joined by US aircraft carrier *USS George Washington* in the Yellow Sea.

June 22, 2012: South Korea and the US military conduct the largest, single-day joint military drill to commemorate the 62nd anniversary of the Korean War in Pocheon, South Korea.

June 25, 2012: South Korea’s Ministry of Strategy and Finance says its reliance on Iranian oil imports decreased in the first quarter of 2012.

June 26, 2012: South Korea announces that it will halt oil imports from Iran starting in July due to a European Union ban on insuring shipments of Iranian crude oil.

June 26, 2012: Russia Deputy Chief nuclear envoy Ambassador Grigory Logvinov arrives in Seoul for a three-day visit to meet South Korea nuclear envoy Lim Sung-nam and Director General of DPRK Nuclear Affairs Cho Hyun-dong to discuss the resumption of Six-Party Talks.

June 27, 2012: Nominee for US ambassador to Myanmar Derek Mitchell says that Myanmar should end all ties with North Korea if it wants to to normalize relations with the US.

June 29, 2012: South Korea postpones the signing of the ROK-Japan military pact which would incorporate extensive intelligence sharing with Tokyo.

June 30, 2012: South Korea’s Ministry of Foreign Affairs and Trade says that Tehran made an offer to deliver crude oil to South Korea using its own ships.

July 1, 2012: Oil imports to South Korea from Tehran halt due to the European Union’s ban on insuring Iranian oil shipments.

July 2, 2012: Foreign Minister Kim Sung-hwan apologizes to the nation for pursuing a military pact with Japan without making enough efforts to win public support for the agreement.

July 3, 2012: Kim Jong Un loosens government restrictions on outlawed food and strict standards on women attire.

July 6, 2012: Kim Jong Un attends a concert in Pyongyang, a debut performance for the newly formed Moranbong troupe featuring classic Disney characters.

July 8, 2012: Lt. Gen. Jan-Marc Jouas, deputy commander of United States Forces Korea (USFK), apologizes for the recent handcuffing of three South Korean civilians by US troops during a dispute over parking outside a US Air Base.

July 9, 2012: USFK Commander Gen. James Thurman apologizes for an illegal arrest of three civilians by US military personnel.

July 9, 2012: In its response to a North Korean performance featuring Disney characters without authorization, the US stresses the importance of protecting intellectual property rights.

July 11, 2012: ROK deputy envoy to the Six-Party Talks Cho Hyun-dong and US counterpart Clifford Hart hold talks ahead of the ASEAN Regional Forum where they reaffirm that the two countries will not ease pressure on North Korea until it gives up a policy of confrontation.

July 12, 2012: Foreign Minister Kim Sung-hwan, Secretary of State Hillary Clinton, and Japanese Foreign Minister Gamba Koichiro meet on the sidelines of the ASEAN Regional Forum in Phnom Penh and agree to form a trilateral consultative body.

July 16, 2012: *North Korean Central News Agency* announces that the country's military chief Gen. Ri Yong Ho has been relieved of all his posts due to illness.

July 17, 2012: *North Korean Central News Agency* announces that Gen. Hyon Yong Chol has been awarded the title of vice marshal of the Korean People's Army.

July 17, 2012: ROK DAPA announces that it has approved bid proposals by three foreign defense companies for a multi-million dollar fighter jet project.

July 18, 2012: Kim Jong Un is awarded the title of marshal and supreme commander of the Korean People's Army.

July 19, 2012: North Korea accuses South Korea and the US of inciting a defector to damage statues of the country's founding leader Kim Il Sung.

July 20, 2012: North Korea says that the country has no choice but to "totally reexamine the nuclear issue" after strongly condemning South Korea and the US for attempting to destroy statues of its founding leader Kim Il Sung.

July 21, 2012: State Department spokesperson states that US has no hostile intentions toward North Korea.

July 22, 2012: Foreign Minister Kim Sung-hwan states that he will urge the US to lift restrictions on the reprocessing of nuclear fuel.

July 24, 2012: North Korea deploys 20 attack helicopters near South Korea's Baeknyeong Island in the West Sea.

July 25, 2012: Gary Samore, special assistant to the president and White House coordinator for arms control and weapons of mass destruction, proliferation, and terrorism, says South Korea can import enriched uranium from US or France, expressing an unyielding stance to the ROK's demands in renegotiating 1-2-3 Agreement.

July 25, 2012: US Ambassador to South Korea Sung Kim states that North Korea should follow Myanmar's recent steps in making political and economic reforms and that nuclear ambitions will only further isolate North Korea.

July 31, 2012: DPRK Foreign Ministry says DPRK will build its nuclear arsenal against the US.

Aug. 1, 2012: Ministry of Unification rejects North Korea's allegations of South Korea's plot of terrorism to sabotage statues in North Korea.

Aug. 6, 2012: *Joongang Ilbo* reports that US and ROK are in talks to create a new joint military organization to replace Combined Forces Command (CFC) after the transfer of wartime operational control to South Korea in 2015.

Aug. 10, 2012: President Lee visits Dokdo, heightening tensions between Japan and Korea.

Aug. 13, 2012: State Department spokesperson urges South Korea and Japan to repair ties emphasizing that the US would not take sides in the matter.

Aug. 15, 2012: Richard Armitage and Joseph Nye release the *U.S.-Japan Alliance Anchoring Stability* report, which states "it is essential for Japan to confront the historical issues" with South Korea, and declares the US has no place to judge on the situation.

Aug. 17, 2012: Jang Song Taek meets President Hu Jintao and Premier Wen Jiabao in Beijing.

Aug. 20, 2012: US and South Korea launch *Ulchi Freedom Guardian (UFG)* joint military exercise. In response, Kim Jong Un travels to the disputed ROK-DPRK sea border and calls the drill a threat to peace and stability in the region.

Aug. 23, 2012: South Korea admits to importing Iranian crude oil during July despite claims that it would not do so.

Aug. 24, 2012: State Department spokesperson says that disputes between Korea and Japan make the US uncomfortable.

Aug. 31, 2012: US and ROK complete *Ulchi Freedom Guardian*.