



U.S.-Korea Relations:

## The Six-Party Talks: What Goes Up Can Also Come Down

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The Six-Party Talks on North Korea's nuclear program suffered a major reversal this quarter as Washington and Pyongyang unleashed verbal attacks on each other over activities outside the scope of the negotiations – counterfeiting U.S. dollars, drug trafficking, and Pyongyang's dismal human rights record. North Korea said it would boycott the talks until it obtained a high-level meeting with U.S. officials to discuss financial sanctions related to North Korea's alleged counterfeiting.

Factions in the Bush administration that oppose the Six-Party Talks or seek to rein in Ambassador Christopher Hill (who achieved the September agreement to eliminate North Korea's nuclear program) escalated U.S. rhetoric to a high pitch in early December. After U.S. Ambassador to South Korea Alexander Vershbow termed North Korea a "criminal regime," Pyongyang fired back that his remarks constituted "a provocative declaration of war on our people."

By the end of the quarter, it appeared that the apparent disarray within the U.S. government over policy toward North Korea had seriously undercut the ability of U.S. negotiators to reach a diplomatic resolution of the nuclear issue. It was not clear whether or when a new round of the Six-Party Talks could be scheduled.

South Korea's Defense Ministry sought National Assembly approval in December for its plan to cut the number of South Korean forces in Iraq by 1,000 – approximately one-third of the contingent of 3,250 troops South Korea has sent to Iraq to support the U.S.-led coalition. Although the U.S. protested this decision, South Korea's defense minister justified it by citing the success of the Oct. 15 referendum in Iraq, which laid the basis for adopting a new national constitution.

On economic and trade matters, Presidents Roh Moo-hyun and George W. Bush, at their meeting in mid-November in Gyeongju before the APEC summit in Busan, agreed to put a U.S.-South Korea free trade agreement (FTA) on a fast track, with negotiations beginning this spring. Their decision reflected the desire of both governments to strengthen U.S.-South Korea relations at a time when differences over strategy toward North Korea have caused major strains in the alliance.

## **A short round of Six-Party Talks**

Following their surprise agreement on a Joint Statement Sept. 19, the U.S. and North Korea this quarter mounted strong rhetorical attacks on each other that threatened to set back indefinitely the Six-Party Talks.

The U.S. first shifted attention to North Korea's criminal activities and away from the nuclear issue in early October when State Department spokesman Adam Ereli said U.S. relations with Pyongyang would be affected by its illicit activities. Ereli specifically referred to sanctions that the U.S. Treasury imposed in September against a Macau bank, Banco Delta Asia, for helping North Korea allegedly launder millions of counterfeit U.S. dollars produced in North Korea. Later in October, the U.S. Treasury froze the assets of eight North Korean companies for allegedly engaging in weapons proliferation.

Newly appointed U.S. Ambassador to South Korea Alexander Vershbow further lowered expectations for the Six-Party Talks in October when he told Korean Minister for Unification Chung Dong-young there was a long way to go before the nuclear issue could be resolved. Revealing visceral antipathy toward North Korea, Vershbow later said, "to normalize relations with North Korea is not a simple or easy step for an American political leader given how awful that regime really is. So I hope North Koreans will do their part in building confidence. We're ready to do our part."

Not surprisingly, when the Six-Party Talks reconvened in early November for a short round, North Korea vigorously protested the U.S. sanctions on its alleged counterfeiting, saying they manifested Washington's "hostile" attitude and undercut U.S. promises of improved diplomatic relations in the Joint Statement.

On the other main issue of contention – North Korea's demand that the U.S. provide a light-water reactor in exchange for dismantling its nuclear program – the parties stuck to their previous positions. The U.S. said it would consider supporting peaceful nuclear energy production in North Korea once Pyongyang rejoins the Nuclear Nonproliferation Treaty. North Korea countered it could not dismantle its nuclear program without first obtaining a U.S. assurance that it was entitled to peaceful use of nuclear energy.

Just before this round of the Six-Party Talks ended, the head of the U.S. delegation, Ambassador Christopher Hill, promised North Korea a briefing by U.S. law enforcement officials to explain the nature of U.S. sanctions on its alleged counterfeiting. This "offer" became a subject of controversy itself as the DPRK insisted Hill had promised a "high-level" meeting that would include "negotiations." The U.S. denied the North Korean assertion, saying Hill had only offered to provide North Korea with an explanatory briefing on the legal basis for these sanctions.

## **Presidents Roh and Bush meet at the APEC summit**

Public attention then moved to South Korea-U.S. relations. Meeting on the sidelines of the Nov. 18-19 APEC summit, Presidents Roh Moo-hyun and George W. Bush issued what came to be called the “Gyeongju Declaration.”

Two sections of this joint statement stood out. The two presidents launched “a strategic dialogue called Strategic Consultation for Allied Partnership at the ministerial-level to consult on bilateral, regional and global issues of mutual interest” that will begin in early 2006. The new strategic consultation strengthens the role of the State Department and South Korea’s Foreign Ministry in shaping U.S.-Korea diplomatic relations. For years, the well-established annual “Security Consultation Meeting” (SCM) between the U.S. secretary of defense and the Korean defense minister has been the only institutionalized dialogue of this kind.

Presidents Roh and Bush also agreed that “moving from the current armistice mechanism to a peace mechanism would contribute to full reconciliation and peaceful reunification on the Korean Peninsula.” Importantly, they conditioned the start of “discussions on a peace regime” (that would take place in a forum separate from the Six-Party Talks) only on “progress” in the nuclear negotiations, rather than a final nuclear agreement. Moving ahead with the planned discussions on a new peace mechanism would have major historical significance since diplomatic and military relations on the Korean Peninsula have been legally based on the 1953 Armistice – a simple ceasefire agreement – for more than half a century.

Following the Gyeongju summit, the State Department undertook an urgent effort to research the legal basis for a new peace mechanism and to consider the modalities of a new negotiation that could take place alongside the Six-Party Talks. Despite President Bush’s agreement to proceed with a comprehensive peace treaty, the U.S. National Security Council reportedly downplayed its significance and regarded the plan as “tentative.”

In late November, North Korea issued a scathing denunciation of the U.S. for the reported decision of the Korean Peninsula Energy Development Organization (KEDO) to terminate its long-standing project to build two light-water reactors in North Korea. The Bush administration had long objected to the U.S. commitment to construct the reactors, which was given as part of the 1994 Geneva Agreed Framework for ending Pyongyang’s nuclear program. According to a statement of the DPRK’s *Korean Central News Agency*, “The U.S. has completely overturned the basic agreements and caused us massive economic losses.” North Korea demanded compensation for the termination of the project, which had already been suspended for two years.

North Korea continued its criticism of the U.S. in early December, turning once again to the issue of sanctions the U.S. imposed in September on a Macau bank. North Korean diplomats in New York reportedly informed the State Department that Pyongyang would boycott the Six-Party talks until a “high level” meeting on the issue occurred.

## **U.S. escalates verbal attacks on North Korea**

Over the past year, when North Korea made rhetorical threats or issued inflammatory statements of various kinds, both the White House and State Department have either dismissed or downplayed their significance. This approach reflected the U.S. determination, first, to end a 13-month impasse in the Six-Party Talks and, second, to strengthen the diplomatic process for seeking a peaceful resolution of the nuclear dispute.

The U.S. approach abruptly changed on Dec. 6 when Ambassador Vershbow accused North Korea of being a “criminal regime” that engages in counterfeiting, drug trafficking and illicit weapons sales. He likened North Korea to Nazi Germany for running a state program of foreign currency counterfeiting. Over the next several days, Vershbow continued his denunciations of North Korea as a major “military threat” whose “people remain oppressed by a regime whose policies have failed to address even the most basic needs of its citizens.” After strenuously defending the U.S. financial sanctions to South Korean media, Vershbow criticized Pyongyang for using the issue to create an “artificial obstacle” to the nuclear talks.

The U.S. Special Envoy for North Korean Human rights, Jay Lefkowitz, reinforced Vershbow’s comments when Lefkowitz visited Seoul in early December to attend a major human rights conference organized by Freedom House. Calling North Korea a “deeply oppressive nation,” Lefkowitz said “we do not threaten the peace by challenging the status quo. ... Indeed, failing to follow this path and take steps towards liberalization is a far greater risk to the long-term security and economic prosperity in the region.”

North Korea reacted predictably to Vershbow’s rhetorical attacks, saying “we regard the reckless remarks from the U.S. envoy as kind of a provocative declaration of war on our people.” Pyongyang further criticized the ambassador’s comments as “harming the spirit of the Sept. 19 Joint Statement” which had looked forward to normalizing U.S.-North Korean relations after Pyongyang dismantles its nuclear weapons program.

Once it became clear that Vershbow intentionally opened a new line of diplomatic attack on North Korea, the principal question among U.S. experts was why the U.S. administration had escalated a dispute, which is likely to lead to another long impasse in the Six-Party Talks. The best answer was found in a confluence of two negative reactions within the Bush administration to the Sept. 19 statement.

Not surprisingly, the hardline conservative faction centered in Vice President Dick Cheney’s office viewed the Sept. 19 statement as a major setback for their longstanding efforts to undermine the diplomatic process on the nuclear issue. Contrary to expectations, Ambassador Hill had obtained Pyongyang’s agreement to dismantle its nuclear program and breathed new life into the Six-Party Talks.

A second more moderate faction, centered in the National Security Council, also objected to the State Department’s handling of the negotiation of the joint statement. To obtain administration approval for the language Hill negotiated, Secretary of State Condoleezza

Rice, over one frenetic weekend in mid-September, directly sought the support of President Bush, largely bypassing the NSC staff. Though Rice received the approval from Bush, her actions gave rise to NSC and Defense Department concerns that the State Department was exercising too much control over the negotiations. On bureaucratic grounds – as way to restore their own influence and more “balance” to the interagency process – the NSC staff aligned with conservative hardliners on this issue.

South Korean officials were deeply dismayed by the escalation of U.S. rhetorical attacks on North Korea and the impact they would likely have on the nuclear negotiations. In a highly unusual rebuke, Foreign Minister Ban said “related countries need wisdom to refrain from using expressions [unfavorable to] dialogue partners.” While ROK officials agreed with the substance of Vershbow’s remarks, they argued that his verbal attacks on North Korea would prove counterproductive by disrupting the nuclear negotiations and making it harder to eliminate the DPRK’s illicit activities in other areas.

Hoping to finesse the current disputes and avoid a new period of tensions between the U.S. and South Korea over strategy toward North Korea, an unnamed senior South Korean diplomat proposed a compromise formula in mid-December. He suggested that Ambassador Hill could hold a “high-level” meeting with North Korea concerning financial sanctions on the margins of the next round of the Six-Party Talks. Ambassador Vershbow concurred with this concept though he underscored that any such meeting would be a briefing and not a negotiation.

### **South Korean troops in Iraq**

ROK Defense Minister Yoon Kwang-ung told a parliamentary committee in mid-November that South Korea plans to cut approximately 1,000 soldiers from the contingent of 3,250 troops sent to Iraq to support the U.S.-led coalition. South Korea currently has the third largest deployment of forces in Iraq, next to the U.S. and Great Britain. Its troops are stationed near the northern city of Irbil where their mission is mainly to assist in reconstruction and humanitarian work. In the Gyeongju Statement, President Bush expressed his appreciation for this support.

In Defense Minister Yoon’s view, a cut in South Korean troops would be possible following the success of the Oct. 15 referendum in Iraq, which laid the basis for the adoption of a new constitution. The reduction in forces would be mandated through a National Assembly resolution, which is necessary for extending the general deployment of South Korean troops for another year. Their current mission expires Dec. 31.

Although the planned cut in ROK forces was revealed in South Korean media in late October, Yoon’s comments to the parliamentary committee were reported by journalists accompanying President Bush to the APEC meeting as major breaking news. National Security Adviser Stephen Hadley tried to downplay the issue by noting President Roh’s supportive statements to President Bush at their summit in Gyeongju: “And what President Roh said to the president is we remain committed to Iraq, it’s important to bring

democracy to Iraq, and we will continue to provide troops to that mission. [President Roh] was pretty confident that the mandate would be extended.”

In late November, Ambassador Vershbow reportedly expressed to Yoon Washington’s unhappiness over the planned troop cut. Nevertheless, in late December, the National Assembly approved the reduction, while extending the overall deployment through the end of 2006.

### **A Candidate Prepares**

Preparing for his anticipated campaign to run for president of South Korea in 2007, Unification Minister Chung Dong-Young made a high visibility trip to the U.S. from Dec. 18-20. During his six-day visit, he met with Secretary Rice, National Security Advisor Stephen Hadley, and Deputy Secretary of Commerce David Sampson. He briefed them on the early December inter-Korean talks, as well as the progress in building the Kaesong industrial complex. In turn, U.S. officials briefed Chung on North Korea’s alleged counterfeiting.

At the National Press Club, Chung first laid out his vision of inter-Korean relations and then turned to South Korea’s relationship with the U.S. He said: “the ROK-U.S. alliance has been a linchpin for the peace and security of the Korean Peninsula. Given the unique geopolitical status of the Korean Peninsula, I believe our staunch alliance will ever be strengthened to play a pivotal role in realizing the solid order of peace in Northeast Asia as well.... The U.S.-ROK alliance is no longer just a military alliance: it is evolving into a comprehensive, dynamic, and mutually beneficial alliance based on the common values of democracy, market economy, freedom and human rights. Korea’s vision for peace and economic prosperity confirms to America’s values and interests in maintaining peace and stability in Northeast Asia.” Upon his return to Seoul, Chung resigned Dec. 30 as unification minister, allowing him to focus on the upcoming presidential campaign.

### **U.S.-South Korea negotiation on a free trade agreement**

At their November summit on the margins of the APEC meeting in mid-November, Presidents Bush and Roh agreed to put negotiation of a U.S.-South Korea free trade agreement (FTA) on a fast track, with substantive discussions beginning in the early spring of 2006. The launch of these negotiations, long sought by South Korea, appeared contingent on South Korea lifting its ban on imports of U.S. beef due to the threat of mad cow disease.

A “quarantine panel” of the South Korean Ministry of Agriculture subsequently concluded in mid-December that U.S. and Canadian beef are safe and can be imported from cows aged up to 30 months. The government decision followed a report from the World Organization for Animal Health that Canadian and U.S. beef in this age range carry a low risk of mad cow disease.

It suits both the U.S. and South Korea to move ahead with their long-delayed FTA negotiation. Both governments would like to broaden their alliance, making it more “comprehensive” by establishing closer relations in economics and international trade. An FTA would allay some of the tensions in the alliance that have emerged in the past two years over different strategies toward North Korea.

### **Prospects**

This quarter saw a remarkable reversal in outlook for the Six-Party Talks on North Korea’s nuclear program. In mid-September, the talks successfully produced agreement on joint principles that include complete dismantlement of Pyongyang’s nuclear facilities and the future normalization of U.S.-North Korean diplomatic relations. Yet by early December, the U.S. and North Korea were trading volatile rhetoric and North Korea had announced it would boycott the talks until its concerns were satisfied.

North Korea’s reaction to the imposition of U.S. financial sanctions for alleged counterfeiting and to the reported cancellation of KEDO’s construction of light-water reactors was not unexpected. What caught most U.S. observers by surprise, however, was the sudden escalation of the Bush administration’s verbal attacks on North Korea’s illicit counterfeiting, drug-trafficking, and dismal human rights record. Pyongyang’s violations of human rights and its criminal activities have been known for years and yet the U.S. dealt with these issues apart from the Six-Party Talks, because it always considered ending Pyongyang’s nuclear program to be the highest policy priority.

By the end of the quarter, it appeared that factional differences within the U.S. administration had seriously undercut the efforts of Ambassador Hill and the State Department to reach a diplomatic resolution of the nuclear issue. For the immediate future, the apparent disarray within the U.S. government over policy toward North Korea threatens once again to aggravate U.S. relations with South Korea and cause further delay in negotiating implementation of the September 2005 agreement to eliminate Pyongyang’s nuclear program.

## **Chronology of U.S.-Korea Relations October-December 2005**

**Oct. 5, 2005:** Alexander “Sandy” Vershbow confirmed as U.S. ambassador to ROK.

**Oct. 13, 2005:** New ROK Ambassador to U.S. Lee Tae-shik arrives in Washington.

**Oct. 17, 2005:** New Mexico Gov. Bill Richardson arrives in Pyongyang for meetings with North Korean officials on nuclear issues.

**Oct. 21, 2005:** Defense Secretary Donald Rumsfeld visits Seoul for security consultative meeting.

**Oct. 21, 2005:** U.S. Treasury Department freezes assets in U.S. of eight North Korean entities for supporting WMD proliferation.

**Nov. 9-11, 2005:** Fifth round of Six-Party Talks held in Beijing.

**Nov. 12, 2005:** State Department says the recent round of Six-Party Talks was “useful.”

**Nov. 15-16, 2005:** The 17<sup>th</sup> APEC ministerial meetings is held in Busan, Korea.

**Nov. 17, 2005:** Meeting in Kyong-ju, Korea, Presidents Roh and Bush pledge to launch a U.S.-Korea strategic dialogue and agree on the need for a new peace regime for the Korean Peninsula.

**Nov. 18-19, 2005:** APEC Leaders Meeting in Busan.

**Nov. 22, 2005:** Foreign Minister Ban Ki-moon says Korea will notify U.S. of plans to withdraw 1,000 Korean troops from Iraq.

**Nov. 22, 2005:** KEDO board agrees to terminate light-water reactor project.

**Nov. 28, 2005:** North Korea says it will demand compensation for reported canceling of the KEDO project to build light-water reactors.

**Nov. 30, 2005:** North Korea rejects a U.S. proposal for a working-level meeting to provide an explanatory briefing on the legal basis for sanctions.

**Dec. 6, 2005:** Pyongyang threatens to boycott Six-Party Talks unless the U.S. lifts sanctions issued Oct. 21 on eight North Korean companies for alleged counterfeiting, money laundering, and arms sales.

**Dec. 7, 2005:** Ambassador Vershbow calls North Korea a “criminal regime” for engaging in counterfeiting, drug-trafficking, and selling weapons.

**Dec. 9, 2005:** U.S. Special Envoy for Human Rights Jay Lefkowitz in Seoul attacks North Korea as a “deeply oppressive nation” for human rights violations.

**Dec. 10, 2005:** North Korea terms Vershbow’s remarks “a provocative declaration of war on our people.”

**Dec. 14, 2005:** South Korean livestock panel determines it is safe to import American beef and lifts the beef import ban due to mad cow disease.

**Dec. 15, 2005:** South Korean National Assembly Speaker Kim Won-ki condemns Vershbow’s remarks.



**Dec. 18, 2005:** Pyongyang suspends indefinitely Six-Party Talks until U.S. sanctions against the North Korean companies are lifted.

**Dec. 18-20, 2005:** ROK Unification Minister Chung Dong-young travels to Washington, gives a “presidential” speech (Dec. 19) at the National Press Club on “Korea Peace Economics,” and briefs Secretary Rice (Dec. 20) on the recently held inter-Korea talks (Dec.13-16).

**Dec. 20, 2005:** DPRK official news agency reports North Korea will start to develop and build light-water reactors based on indigenous technology.

**Dec. 30, 2005:** National Assembly approves deployment of South Korean troops to Iraq for one more year by a small margin, but reduces number of forces.

**Dec. 30, 2005:** Unification Minister Chung resigns and his resignation is accepted Jan. 1, 2006.