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**KEY ISSUE PAPERS
FOR
Secretary of State-designate
MADELEINE ALBRIGHT**

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DECL: After Korean Reunification

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KOREAN PENINSULA ISSUES

I. SUMMARY

Our security alliance with the ROK is the foundation of our policy toward the Korean Peninsula, and we coordinate very closely with the ROK on North Korea policy. Since the 1993 North Korean nuclear crisis, our fundamental goals have been: to enhance the security of the ROK and the stability of the region; to address proliferation concerns raised by DPRK actions; and to induce the DPRK to enter into direct negotiations with the ROK. As the North Korean economy has deteriorated, we and the ROK have also cooperated to prevent the precipitate collapse of the DPRK, since it would present unacceptable military risks and economic costs.

The primary diplomatic initiatives we have taken in pursuit of these goals are the October 1994 U.S.-DPRK Agreed Framework and the April 1996 U.S.-ROK Four Party talks proposal. We have told the ROK that U.S.-DPRK bilateral relations will develop generally apace with inter-Korean ties, but that we will seek progress in some limited specific areas in our bilateral relations with Pyongyang independent of the state of North-South ties.

The ROK has reconfirmed repeatedly its commitment to these goals and policies, but domestic political considerations -- including a general resentment of any U.S. interaction with Pyongyang but more specifically the September 18 submarine incident -- have tended to harden South Korean attitudes toward the North and move Seoul away from our common policy. It is essential that we and the ROK keep our focus on our longer-term interests and maintain momentum behind the implementation of the Agreed Framework. We are now engaged in intensive efforts to bring the submarine incident to closure, assure that the Agreed Framework stays on track, press forward with the Four Party proposal, and facilitate further engagement with the North by both the ROK and U.S.

The ongoing deterioration of the North Korean economy potentially threatens the stability of northeast Asia. Despite concerns about the sudden collapse of the DPRK, our ability to influence events there is limited, even acting jointly with the ROK and Japan. We will continue to seek to enlist active PRC cooperation. We have begun considering our response to both another likely food crisis in the North in late spring and to a possible loss of control by the North Korean regime.

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II. Key Near-Term Issues

Agreed Framework: The signing of the Agreed Framework two years ago marked an important departure from the state of unremitting hostility that existed between the U.S. and DPRK for over forty years. If fully implemented, the Framework will lead to the complete dismantlement of North Korea's present nuclear capability and to more normal U.S.-DPRK relations.

The Framework required the DPRK to freeze its nuclear activities, place them under IAEA monitoring, and prepare spent fuel for removal from the country. All are on track. For our part, we took the lead in establishing, with the ROK and Japan, the Korean Peninsula Energy Development Organization (KEDO), an international organization which oversees the light-water reactor project and delivers heavy fuel oil to the DPRK. The EU is expected to become KEDO's eleventh member, which will help reduce the organization's recurring financial difficulties.

The Four Party Proposal: North Korea has neither accepted nor rejected the proposal announced by Presidents Clinton and Kim in April 1996 for Four Party talks by the U.S., ROK, DPRK, and China for a peace treaty to replace the 1953 Armistice. The DPRK has said it wants a clearer picture of what to expect before it accepts. In our bilateral contacts with the DPRK, we have urged it to accept this proposal, either directly or via an intermediate "joint briefing" provided by the U.S. and ROK.

DPRK Food Shortages: This year's North Korean grain shortfall is estimated at 1.5-2 million tons, a result of severe flooding in 1995 and, more fundamentally, structural agricultural problems. NGOs have already reported seeing the classic signs of malnutrition in parts of North Korea, and we have credible reports of starvation. The DPRK faces reduced access to commercial grain imports because of its poor credit record and decreased access to international assistance due to political concerns, including the submarine incursion. While the U.S. Government has provided \$8.2 million in humanitarian relief to the DPRK over the past year, North Korea continues to press for more. As food shortfalls become more serious later this winter, we can expect appeals for further assistance. A decision to give more assistance will require careful coordination with the South Korean government and the Congress.

Bilateral U.S.-DPRK Issues: North Korea has been anxious to develop a relationship with us that would be free from ROK manipulation. Thus, it has put great emphasis on higher-level

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bilateral contacts, which has met with corresponding resistance from Seoul. The need for improved communications has apparently convinced the DPRK now to move forward with preparations for opening liaison offices in Pyongyang and Washington. We have told both the DPRK and ROK that we would open these offices as soon as we resolve technical issues. We can consider an early "soft opening" with TDY personnel if a formal opening is further delayed.

We have told the ROK that we consider the recovery of the remains of U.S. personnel who died north of the DMZ during the Korean War to be a strictly humanitarian matter, and that we will pursue it without regard to progress in other areas. We have already conducted one U.S.-DPRK joint recovery operation, and the DPRK has indicated it is willing to host the visit of a second U.S. team as soon as we are ready.

U.S. and DPRK negotiators met in April 1996 for the first round of bilateral talks on DPRK missile development and exports. The DPRK agreed to consider a freeze on exports of missiles and related technology in exchange for unspecified compensation, but refused to discuss a freeze on missile development or indigenous deployment. We will pursue both of these freeze proposals, but are prepared to accept different rates of progress in achieving them. The DPRK has linked scheduling a second round of missile talks to progress in other areas of our bilateral relations.

When we signed the Agreed Framework, the U.S. Government undertook a small but symbolically significant easing of some sanctions against North Korea, and agreed to further relaxation as the North addressed issues of concern to us. Since 1994, we have also eased procedures for private and NGO humanitarian donations to North Korea. The DPRK has been dissatisfied with the pace of sanctions relief, citing its compliance with the nuclear freeze and cooperation on other bilateral issues. As the DPRK makes progress in areas such as spent fuel canning, missile talks, and dialogue with the South, we are committed to further sanctions relief.

Congressional Issues: Critics of the Agreed Framework, such as Sens. Murkowski, McConnell, and McCain, will continue to resist efforts to fund KEDO adequately. Others, such as Reps. Bereuter, Kim, and Gilman, will seek to condition KEDO funding on reductions in tensions on the Peninsula. Although Rep. Tony Hall and a small number of others may push for renewed humanitarian food relief to the DPRK, such efforts would meet considerable resistance. Rep. Bill Richardson, who has served as a valuable channel to Pyongyang, may press for expanded dialogue with North Korea. Otherwise, hearings on the Hill are likely to reflect the skepticism of many members of Congress about any positive engagement with the DPRK.

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