



# Korea-U.S. Relations: Issues for Congress

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## Summary

The United States has had a military alliance with South Korea (R.O.K.) and important interests in the Korean peninsula since the Korean War of 1950-1953. Many U.S. interests relate to communist North Korea. Since the early 1990s, the issue of North Korea's development of nuclear weapons has been the dominant U.S. policy concern. Experts in and out of the U.S. government believe that North Korea has produced plutonium for at least six atomic bombs. North Korea tested nuclear devices in October 2006 and May 2009. In 2007, a six party negotiation (among the United States, North Korea, China, South Korea, Japan, and Russia) produced agreements that resulted in a disablement of North Korea's main nuclear reactor and U.S. removal of North Korea from the U.S. list of state sponsors of terrorism. In April 2009, North Korea rejected six party talks. The Obama Administration began bilateral talks with North Korea in December 2009 aimed at returning North Korea to the six party talks; North Korea demanded first a lifting of U.N. sanctions and negotiation of a U.S.-North Korean peace treaty.

Other North Korean policies affect U.S. interests. North Korean exports of counterfeit U.S. currency and U.S. products produce upwards of \$1 billion annually for the North Korean regime. North Korea earns considerable income from sales of missiles and missile and nuclear technology cooperation with Iran and Syria. It has developed short-range and intermediate-range missiles, but it has so far failed to develop an intercontinental ballistic missile. It is estimated to have sizeable stockpiles of chemical and biological weapons. Pyongyang's main goal of its nuclear program appears to be the development of nuclear warheads that can be mounted on its missiles. North Korean involvement in international terrorism has included the kidnapping of Japanese citizens, reportedly arms and training to the Hezbollah and Tamil Tigers terrorist groups, and cooperation with the Iranian Revolutionary Guards in development of missiles and nuclear weapons.

U.S. human rights groups are involved in responding to the outflow of tens of thousands of North Korean refugees into China, due to severe food shortages inside North Korea and the repressive policies of the North Korean regime. U.S. and international food aid to North Korea has been provided since 1995, but North Korea rejected South Korean food aid in 2008 and expelled U.S. food aid workers in March 2009. North Korea faces severe food shortages in 2010.

South Korea followed a conciliation policy toward North Korea under the administrations of Kim Dae-jung and Roh Moo-hyun; but President Lee Myung-bak, elected in December 2007, linked South Korean aid to North Korea, including food aid, to the nuclear and other policy issues. North Korea responded by cutting off most contacts with the Lee government until August 2009. North Korea then made overtures to South Korea, probably because of its worsening food situation.

The United States signed a Free Trade Agreement (FTA) with South Korea (the seventh-largest U.S. trading partner) in 2007. There is substantial opposition to the FTA in Congress. The Obama Administration has called for renegotiation on the automobile provisions and additional South Korean measures to open the R.O.K. market to imports of U.S. beef. The U.S.-R.O.K. military alliance appears to function well. It is dealing with several issues of change: relocations of 28,500 U.S. forces within South Korea; construction of new bases; the creation of separate U.S. and South Korean military commands in 2012; possible future withdrawals of U.S. ground forces to U.S. conflict areas; an R.O.K. military contribution to Afghanistan; and South Korean financial support for U.S. forces.

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## U.S. Interests in South and North Korea

U.S. interests in the Republic of Korea (R.O.K.—South Korea) involve security, economic, and political concerns. The United States suffered over 33,000 killed and over 101,000 wounded in the Korean War (1950-53). The United States agreed to defend South Korea from external aggression in the 1954 Mutual Defense Treaty. The Treaty obligates the United States and South Korea to (1) seek to settle international disputes “by peaceful means”; (2) refrain from “the threat or use of force” that is inconsistent with the purposes of the United Nations; (3) consult together when either party “is threatened by external armed attack” and resort to “mutual aid” and “appropriate means” to deter an armed attack; (4) “act to meet the common danger in accordance with its constitutional processes” if the territories of either party “in the Pacific area” are subject to “an armed attack.” Under the Mutual Defense Treaty, South Korea grants the United States the rights to station U.S. military forces in South Korea “as determined by mutual agreement.”

The United States maintains about 28,000 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. Since 1991, U.S. attention has focused primarily on North Korea’s drive to develop nuclear weapons. However, other North Korean policies and actions have affected U.S. interests including proliferation of missiles and other weapons of mass destruction to Middle Eastern countries, support for terrorist groups in the Middle East and South Asia, counterfeiting of U.S. currency and U.S. products, human rights abuses, and policies that have forced thousands of North Koreans to flee to China as refugees. North Korean policies are important issues in U.S. relations with China and Japan.

The United States is South Korea’s third-largest trading partner (replaced as number one by China in 2002) and second-largest export market. South Korea is the seventh-largest U.S. trading partner. Total trade is close to \$80 billion annually. In 2007, the United States and South Korea signed a Free Trade Agreement (FTA). Neither President Bush nor President Obama has submitted the FTA to Congress for approval. If approved, it would be the second-largest U.S. FTA; only the North American Free Trade Agreement would be larger.

## Relations with North Korea

The Clinton and Bush Administrations concentrated on North Korea’s nuclear weapons program in their policies toward North Korea. The Obama Administration is continuing to prioritize the nuclear issue. Other issues, from North Korean missiles to human rights, have been subordinated.

## Nuclear Weapons and the Six Party Talks

(For additional information on this subject, see CRS Report RL33590, *North Korea’s Nuclear Weapons Development and Diplomacy*, and CRS Report RL34256, *North Korea’s Nuclear Weapons: Technical Issues*.) On October 9, 2006, North Korea conducted its first nuclear test, a small plutonium explosion of less than one kiloton (3% to 4% of the explosion power of the Nagasaki plutonium atomic bomb).<sup>1</sup> On May 25, 2009, North Korea announced that it had

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<sup>1</sup> Michael Evans, “Now for stage two: putting a warhead on the end of a ballistic missile,” *The Times (London)*, October 10, 2006, p. 7. “U.S. nuclear scientist assesses N. Korea program,” *Reuters News*, November 15, 2006.

conducted a second nuclear test. Most estimates placed the strength of the explosion at between two and four kilotons. U.S. intelligence agencies and non-government experts estimate that North Korea has between 30 and 50 kilograms of nuclear weapons grade plutonium that it extracted from its operating five megawatt nuclear reactor at Yongbyon. Using six kilograms per weapon, this would be enough for five to eight atomic bombs.<sup>2</sup> North Korea admitted in June 2009 that it has a program to enrich uranium, and it later claimed that the program was advancing. The United States had cited evidence of such a program since 2002.

North Korea reportedly has proliferated nuclear technology in the Middle East. According to U.S. officials, North Korea collaborated with Syria in the construction of a nuclear reactor, which Israel bombed in September 2007. Numerous reports going back to 1993 describe extensive North Korean collaboration with Iran. This collaboration reportedly involves development of highly enriched uranium, development of a nuclear warhead that could be mounted on a jointly developed intermediate-range ballistic missile (the North Korean Nodong missile, named the Shahab by Iran); collaboration in developing missiles, and North Korean assistance in constructing deep underground installations to house part of Iran's nuclear installations.

Since August 2003, negotiations over North Korea's nuclear weapons programs have involved six governments: the United States, North Korea, China, South Korea, Japan, and Russia. On April 14, 2009, North Korea terminated its participation in the six party talks and said it would not be bound by agreements between it and the Bush Administration, ratified by the six parties, which partially disabled the Yongbyon facilities. North Korea also announced that it would reverse the disablement process under these agreements and restart the Yongbyon nuclear facilities.

Three developments since August 2008 appear to have influenced the situation leading to North Korea's announcement: the failure to complete implementation of the Bush Administration-North Korean agreement, including completing the Yongbyon disablement, because of a dispute over whether inspectors could take samples of nuclear materials at Yongbyon; the stroke suffered by North Korean leader Kim Jong-il in August 2008; and the issuance by North Korea after January 1, 2009, of a tough set of negotiating positions, including an assertion that the United States must extend diplomatic relations prior to any final denuclearization agreement rather than in such an agreement, that a denuclearization deal must include the construction of light water nuclear reactors in North Korea, and that U.S. reciprocity for North Korean denuclearization must be an end of the "U.S. nuclear threat," meaning major reductions of and restrictions on U.S. military forces in South Korea and around the Korean peninsula.

The Obama Administration reacted to the missile and nuclear tests by seeking United Nations sanctions against North Korea. It secured U.N. Security Council approval of Resolution 1874 in June 2009. The resolution calls on U.N. members to restrict financial transactions in their territories related to North Korean sales of weapons of mass destruction (WMD) to other countries. The Security Council imposed sanctions on over a dozen North Korean trading companies and banks that operated in other countries to facilitate Pyongyang's WMD transactions. The resolution also calls on U.N. members to prevent the use of their territories by North Korea for the shipment of WMD to other countries. U.S. officials subsequently visited China and other countries in an effort to secure their cooperation in enforcing Resolution 1874, particularly the sanctions against financial transactions. China's role in enforcing sanctions is especially important because of the reported access of North Korean trading companies and North

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<sup>2</sup> Ibid.

Korean banks to Chinese banks and the use of Chinese air space and airports by aircraft traveling between North Korea and Iran. In the initial months after passage of Resolution 1974, there is no evidence that China had adopted measures to end these North Korean proliferation activities.

North Korea seemed to moderate its provocative policies beginning in August 2009. It invited former President Bill Clinton to North Korea, where he secured the release of two female American reporters who were taken prisoner by the North Koreans along the China-North Korea border. North Korea also took several apparent conciliatory actions toward South Korea, including lifting restrictions on the operations of South Korean companies at the Kaesong industrial complex inside North Korea, releasing a South Korean worker who had been arrested at Kaesong, and allowing a meeting of members of divided Korean families at the end of September 2009. North Korea's motives for this change of strategy and tactics were not totally clear, but one apparent motive was North Korea's worsening food situation and Pyongyang's decision to try to restore U.S. and South Korean food aid donations. North Korea had rejected South Korean food and fertilizer aid in 2008, and it expelled the U.S. food aid program in March 2009. South Korea welcomed several of the North Korean actions, but President Lee Myung-bak proposed a "grand bargain" on the nuclear issue which would lay out the steps toward total denuclearization of North Korea and provide North Korea with diplomatic, aid, and energy benefits in return.<sup>3</sup> Lee said that South Korea would not extend significant amounts of aid to North Korea until Pyongyang made major concessions on the nuclear issue.

North Korea's leader, Kim Jong-il (in apparently improved health after his August 2008 stroke), called in October 2009 for bilateral U.S.-North Korean negotiations aimed at ending U.S. "hostile policies."<sup>4</sup> North Korean officials demanded that the Obama Administration end its promotion of U.N. sanctions.<sup>5</sup> Kim Jong-il referred to a possibility of "multilateral talks" that could include six-party talks if the U.S.-North Korean bilateral talks produced the results sought by North Korea.

The Obama Administration sent Ambassador Stephen Bosworth, the Administration's chief envoy on North Korea, to Pyongyang. Bosworth sought two commitments from North Korea: a commitment to resume participation in the six party talks and a renewed commitment to the September 2005 six party statement calling for denuclearization of the Korean peninsula.<sup>6</sup> According to Bosworth, North Korea made general commitments to both of these. However, it made no commitment to a time when it would resume participation in the six party meetings. North Korean officials reportedly told Bosworth that the Obama Administration should lift U.N. and U.S. sanctions against North Korea and agree to negotiate a U.S.-North Korean peace treaty. Reports of the Bosworth mission and a North Korean Foreign Ministry statement of January 11, 2010, indicated that North Korea seeks to draw the United States into negotiation of a bilateral peace treaty, move the nuclear issue into a bilateral peace treaty negotiation (thus scuttling the six party talks), negotiate with the United States over elimination of the "U.S. nuclear threat" (which North Korea says must be eliminated as part of "denuclearization of the Korean peninsula") and demand an early elimination of U.N. and U.S. sanctions against North Korea.<sup>7</sup>

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<sup>3</sup> Park Sang-seek, "Grand bargain: Lee's paradigm shift," *Korea Herald Online*, October 6, 2009.

<sup>4</sup> "N. Korea's Kim says U.S. key to nuclear talks return," *Reuters News*, October 5, 2009.

<sup>5</sup> "N. Korea says denuclearization depends on U.S. policy," *Kyodo News*, September 28, 2009.

<sup>6</sup> "US to have bilateral talks with N Korea to resume 6-way process," *Asia Pulse*, September 14, 2009.

<sup>7</sup> "DPRK Foreign Ministry proposes to parties to AA early start of talks for replacing AA [armistice agreement] by peace treaty," (North) Korea Central News Agency, January 11, 2020.

## **U.S. Policy Toward North Korean Illegal Activities**

U.S. administrations have cited North Korea since the mid-1990s for instigating a number of activities abroad that are illegal under U.S. law. These include production and trafficking in heroin, methamphetamines, counterfeit U.S. brand cigarettes, counterfeit pharmaceuticals, and counterfeit U.S. currency. (For a detailed discussion, see CRS Report RL33324, *North Korean Counterfeiting of U.S. Currency*, by Dick K. Nanto, and CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.) Earnings from counterfeiting and drug trafficking reportedly go directly to North Korean leader, Kim Jong-il, through Bureau 39 of the Communist Party.<sup>8</sup> He reportedly uses the funds to reward his political elite with imported consumer goods and to procure foreign components for weapons of mass destruction.

In September 2005, the Bush Administration made the first overt U.S. move against North Korean illegal activities; the Treasury Department named Banco Delta Asia in the Chinese territory of Macau as a money laundering concern under the U.S. Patriot Act. The Department accused Banco Delta Asia of distributing North Korean counterfeit U.S. currency and laundering money for the criminal enterprises of North Korean front companies. The Macau government closed Banco Delta Asia and froze more than 40 North Korean accounts with the bank totaling \$24 million. Banks in a number of other countries also froze North Korean accounts and ended financial transactions with North Korea, often after the Treasury Department warned them against doing further business with North Korea. North Korea reportedly has maintained accounts in banks in mainland China, Singapore, Switzerland, Austria, Luxembourg, and Russia.

As part of the implementation of phase one of the February 2007 nuclear agreement (freezing the Yongbyon nuclear facilities), North Korea demanded the release of all of the \$24 million in its accounts in Banco Delta Asia before it would carry out its obligations under phase one. The Bush Administration decided on April 10, 2007, to allow the release of the \$24 million.<sup>9</sup> In June 2007, the Bush administration and the Russian government arranged for the money to be transferred through the New York Federal Reserve Bank to Russia's central bank, which then forwarded the money to a private Russian bank that maintained a North Korean account.<sup>10</sup> The Treasury Department also ceased its campaign to warn and pressure foreign governments and banks to stop doing business with North Korea.

In December 2007, the Japanese government revealed estimates of North Korean exports of counterfeit drugs and cigarettes. It estimated North Korea's earnings from counterfeit cigarettes at 60-80 billion yen annually (\$600 million to \$800 million) and up to 50 billion yen (\$500 million) from counterfeit stimulant drugs and heroin. The government said that North Korea was increasing production of counterfeit cigarettes because of increased Chinese and Japanese measures against the smuggling of North Korean drugs. North Korea, it estimated, was producing about 41 billion counterfeit cigarettes annually at 10 factories.<sup>11</sup> In its 2009 report on International Narcotics Control Strategy, the State Department stated that North Korean drug trafficking had

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<sup>8</sup> David Rose, "Office 39, North Korea's billion dollar crime syndicate," *Vanity Fair* (Internet), August 5, 2009.

<sup>9</sup> Lee Dong-min, Interview with former White House official Victor Cha, Vantage Point, June 2007, p. 22-24.

<sup>10</sup> Jay Solomon, "Money transfer advanced North Korea pact," *Wall Street Journal Asia*, June 15, 2007, p. 22-24.

<sup>11</sup> "Shift from stimulant drugs to counterfeit cigarettes at 10 factories in North Korea, earning more than 60 billion yen annually," *Sankei Shimbun* (Internet version), December 12, 2007.

declined “sharply,” but North Korea continued to engage in “large-scale traffic in counterfeit cigarettes” and that counterfeit U.S. \$100 bills “continue to turn up in various countries.”<sup>12</sup>

U.N. Security Resolution 1874, passed in June 2009, advised U.N. member states to restrict access of North Korean trading companies and banks to the banking systems of these countries in cases in which the North Korean trading companies and banks use foreign banks to finance North Korean sales of weapons of mass destruction to other countries. The Security Council and the Obama Administration designated several North Korean trading companies and banks for sanctions. The Obama Administration has emphasized these sanctions in its discussions with several countries. However, there is little evidence that China has cut off access to Chinese banks of North Korean trading companies and banks that have operated in China.<sup>13</sup>

### **North Korea’s Missile Program**

North Korea’s missile program since the early 1990s has developed on four levels. The first three are types of missiles developed for North Korea’s arsenal. North Korea is estimated to have more than 600 Scud short-range missiles with a range of up to 300 miles. Newer versions tested since July 2006 are solid-fuel Scuds, which can be fired quickly in contrast to liquid-fuel missiles. The range could cover all of South Korea. The second level is the development of intermediate-range missiles, where North Korea also has made progress. North Korea is estimated to have deployed 200 and possibly over 300 intermediate-range Nodong missiles.<sup>14</sup> The Nodongs have an estimated range of 900 miles, which could reach most of Japan. North Korea reportedly has developed since 2003 a more accurate, longer-range intermediate ballistic missile, dubbed the Musudan. It appears to be based on the design of the Soviet SS-N-6 missile. It is believed to have a range of 1,500 to 2,400 miles, sufficient to reach Okinawa and Guam, the sites of major U.S. military bases.<sup>15</sup>

In contrast, North Korea has failed to develop a workable long-range missile that could reach Alaska, Hawaii, or the U.S. west coast. On April 5, 2009, North Korea attempted to test launch a three stage Taepodong II, claiming that the third stage was a satellite. The first and second stages of the missile, dubbed the Unha-2, separated successfully, and the second stage landed more than 3,000 kilometers (1,980 miles) from the launch site in the Pacific Ocean. The third stage allegedly carrying the satellite either did not separate from the second stage, or if it did separate, it landed nearby in the Pacific Ocean.<sup>16</sup> U.S. officials and a number of independent experts initially judged the test a failure, concluding that the 2009 test was a better performance than the previous 2006 test but that North Korea had not mastered key elements of long-range missile technology.<sup>17</sup> If the Unha-2 had been targeted at Anchorage, AK, the closest major U.S. target in the 50 U.S. states, the second and third stages would have fallen short by over 1,500 miles. However, in one lengthy assessment, MIT Professor Theodore Postol and David Wright, a physicist at the Union of Concerned Scientists, wrote that the test represented a “significant advance” toward the

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<sup>12</sup> “N Korea seems to have stopped state-sponsored drug trafficking,” *Asia Pulse*, March 2, 2009.

<sup>13</sup> Korean Economic Institute, “Premier Wen’s Pyongyang visit: what are the implications for U.S. North Korea policy?” Presentation by John Park, U.S. Institute of Peace, October 14, 2009. U.S. Department of State, Background Briefing on North Korea, July 15, 2009.

<sup>14</sup> “North Korea’s missile arsenal,” *Reuters News*, July 3, 2009.

<sup>15</sup> “Factbox—a look at North Korea’s missile arsenal,” *Reuters News*, March 28, 2008. Jae-soon Chang, “SKorea: NKorea has deployed new ballistic missile,” *Associated Press*, February 23, 2009.

<sup>16</sup> Pamela Hess, “Pentagon official calls missile test a failure,” *Washington Times*, April 7, 2009, p. A11.

<sup>17</sup> William J. Broad, “Korean missile was a failure, trackers say,” *New York Times*, April 6, 2009, p. 1.



development of a ballistic missile that could carry a warhead of 1,000 kilograms or more at least 7,000-7,500 and possibly as far as 10,000-10,500 kilometers. Such a range would reach as far as Alaska and Hawaii and possibly the U.S. west coast. Postol and Wright assessed that the main technological advances were the employment of the SS-N-6 as the second stage in the Unha and a duplicate of the Iranian Safir-2 launch vehicle as the third stage.<sup>18</sup>

The fourth level of North Korea's missile program has been the export of missiles to other countries in the Middle East and South Asia and joint collaboration in the development of missiles with Iran and Pakistan. In the 1990s, North Korea exported Scud and Nodong missiles to Pakistan, Iran, Yemen, Syria, and reportedly Egypt. It entered into joint development programs with both Iran and Pakistan. The collaboration with Iran reportedly has continued in the development of more sophisticated versions of the Nodong (called the Shahab by Iran), the Musudan, and the Iranian Safir-2.<sup>19</sup> Iranian delegations of missile experts and Iranian Revolutionary Guard officials reportedly attended the July 2006 and April 2009 test launches of the Taepodong II missile.<sup>20</sup> (For further information, see CRS Report RS21473, *North Korean Ballistic Missile Threat to the United States*, by Steven A. Hildreth.)

## **Weapons of Mass Destruction**

Official U.S. and South Korean estimates of North Korea's stockpile of chemical weapons range between 2,500 and 5,000 tons, including nerve gas, blister agents, mustard gas, and vomiting agents. These estimates also cite North Korea's ability to produce biological agents of anthrax, dysentery, typhus, smallpox, and cholera.<sup>21</sup> A report in the February 2007 edition of the magazine, *Popular Mechanics*, cited the estimate of 5,000 tons of chemical weapons and also asserted that North Korea was producing biological weapons at over 20 facilities throughout the country.<sup>22</sup>

## **North Korea's Inclusion on the U.S. List of State Sponsors of Terrorism**

The removal of North Korea from the U.S. list of state sponsors of terrorism ended the absolute requirement under U.S. law (P.L. 95-118, the International Financial Institutions Act) that the United States oppose any proposals in the International Monetary Fund (IMF) and World Bank to extend loans or other financial assistance to countries on the list of state sponsors of terrorism. North Korea may have four motives for its pressure on the Bush Administration—dating back to 2000—to remove it from the list of state sponsors of terrorism. One may be to get access to the

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<sup>18</sup> David Wright and Theodore A. Postol, A post-launch examination of the Unha-2, *Bulletin of the Atomic Scientists* (Internet), June 29, 2009.

<sup>19</sup> *ROK, US express concerns over DPRK's development of long-range missiles*, *Agence France Presse*, November 7, 2007, Charles P. Vick, "Has the NodongB/Shahab-4 finally been flight tested in Iran for North Korea?," *Global Security* (Internet), May 2, 2006.

<sup>20</sup> Takashi Arimoto, Iranian delegation of 15 members visiting North Korea for observation of missile launch, *Sankei Shimbun Online*, March 29, 2009. Ivan Antonov and Viktor Zozulya, Kim Jong-il-shakes the world once again, *Izvestiya Online*, May 27, 2009.

<sup>21</sup> U.S. Department of Defense, *2000 Report to Congress: Military Situation on the Korean Peninsula*, September 12, 2000, p. 6. Ministry of National Defense, Republic of Korea, *Defense White Paper 2004*, p. 45. Yi Sang-hon, "North Korea possesses 5,000 tonnes of chemicals and 13 types of biological weapons," *Yonhap Online*, October 6, 2009.

<sup>22</sup> International Crisis Group, *North Korea's Chemical and Biological Weapons Programs*, June 18, 2009, p. 7. "N.Korea producing biological and chemical weapons at 32 facilities: U.S. report," *Yonhap News Agency*, February 4, 2007. Karl Eiselesberg, *Korea Report*, August 26, 2007, p. 10-11.

financial resources of the World Bank and the International Monetary Fund through negotiating with the United States for U.S. support for such aid as part of future nuclear agreements. A second likely objective is to reduce U.S. support for Japan on the issue of Japanese citizens kidnapped by North Korea and thus weaken Japanese pressure on North Korea to disclose truthful information on Japanese reportedly kidnapped. Japan had urged the United States to keep North Korea on the terrorism list until North Korea resolves Japan's concerns over North Korea's kidnapping of Japanese citizens. The Japanese government asserts that it has knowledge that North Korea has kidnapped at least 17 Japanese citizens. In 2002, North Korea admitted to kidnapping 13, and it claimed that of the 13, 8 were dead. (See CRS Report RS22845, *North Korea's Abduction of Japanese Citizens and the Six-Party Talks*, by Emma Chanlett-Avery.)

A third North Korea motive may be to improve the prospects for normalization of diplomatic relations with the United States, which North Korea said in early 2009 that it wants before a final denuclearization agreement.<sup>23</sup> A possible fourth motive may be to remove any U.S. incentive to raise the issue of North Korea's activities in the Middle East and deny to the United States the terrorism list as a potential negotiating lever over North Korea's activities. Numerous reports indicate that North Korea's activities include providing training and weapons to Hezbollah and cooperation with the Iranian Revolutionary Guards in the development of both missiles and nuclear weapons.<sup>24</sup> North Korean weapons shipments to Iran intercepted in July and December 2009 in Dubai and Thailand contained large quantities of multiple rocket launchers, rockets, and short range missiles—the kinds of weapons that Iran supplies to Hezbollah and Hamas.<sup>25</sup> (For more information, see CRS Report RL30613, *North Korea: Terrorism List Removal*, by Larry A. Niksch.)

## **Food Aid**

Since 1995, the international community has donated over 12 million metric tons of food aid to North Korea to help alleviate chronic, massive food shortages that began in the early 1990s. A severe famine in the mid-1990s killed an estimated 600,000 to 3 million North Koreans. Since 1996, the United States has sent over 2.2 million metric tons of food assistance worth nearly \$800 million. Over 90% of U.S. food assistance has been channeled through the United Nations World Food Program (WFP).

North Korea's conciliatory gestures toward the United States and South Korea in late 2009 may be motivated in large part by an objective of securing large amounts of food aid from Washington and Seoul. North Korea asked South Korea for food aid beginning in September 2009. Reports suggest that North Korea's harvest of grains in 2008, principally rice and corn, will be considerably below 2008 levels and that North Korea faces another round of severe food shortages in 2010.

North Korea took a rejectionist line in 2008 and early 2009 toward outside food aid. Pyongyang completely rejected South Korean food and fertilizer aid in 2008 after South Korea's new

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<sup>23</sup> "N Korea want normalized relations with the US," *Dong-A Ilbo* (Seoul, Internet), June 6, 2008.

<sup>24</sup> Reports of North Korea's activities in the Middle East are detailed in CRS Report RL30613, *North Korea: Terrorism List Removal*, by Larry A. Niksch.

<sup>25</sup> Joby Warrick, "Arms smuggling heightens Iran fears," *Washington Post*, December 3, 2009, p. A14. "After arresting suspected arms dealers, Thailand is just going with the flow," Krungthep Thurakit, (Internet), July 16, 2009. Aoife White and Deborah Seward, "Seized plane carried arms for Iran," *Associated Press*, December 23, 2009.

President, Lee Myong-bak, indicated that future South Korean economic cooperation with North Korea would be linked to the nuclear issue. Since 2000, South Korea had supplied North Korea with 300,000 metric tons of fertilizer annually and 400,000-500,000 metric tons of food. In March 2009, North Korea suspended the U.S. food aid program and ordered U.S. officials connected with the program to leave North Korea. The Bush Administration and North Korea had signed an agreement in June 2008 for the United States to provide North Korea with 500,000 metric tons of food. The Bush Administration stated that the agreement allowed for “substantial improvements in monitoring and access in order to allow for confirmation of receipt by the intended recipients.” However, North Korea soon objected to the activities of U.S. monitors, especially to the presence of Korean-speaking U.S. monitors.<sup>26</sup> This, coupled with North Korea’s harder line on the nuclear issue in early 2009, may have been the factors behind Pyongyang’s expulsion of the U.S. food aid program. Of the 500,000 tons promised, the United States had delivered 169,000 metric tons by the time of expulsion. North Korea also placed new restrictions on the U.N. WFP in 2009. The Kim Jong-il regime also moved to restrict and shut down quasi-private markets that had emerged since the late 1990s and had become a major outlet for the sale of food to the populace. Confiscations of food from collective farms by the North Korean military also reportedly increased.<sup>27</sup>

North Korea’s sharp policy change in late 2009 is against the background of big reductions in food production. It fits a past pattern in which North Korea appeals for food aid and adopts more conciliatory policies when its food shortages become dire but then imposes new restrictions on foreign food aid when its food situation becomes less severe (as in 2008). The 2009 corn crop has been estimated by a South Korean expert to be only 60% of the 2008 crop. Rice production also reportedly fell sharply in 2009.<sup>28</sup> The WFP estimated that North Korea will face a food deficit of 1.8 million metric tons in the 2009-2010 crop year. Sources in North Korea in contact with North Korean exile groups in South Korea stated that the shortages may be so severe that supplies of food for the North Korean military may be depleted.<sup>29</sup>

President Lee Myung-bak of South Korea has taken the position that future food and fertilizer aid to North Korea will be dependent on North Korea meeting policy conditions. Lee and his officials have mentioned positive North Korean moves toward denuclearization, and they have alluded to North Korea’s willingness to agree to a larger program to reunite divided Korean families.<sup>30</sup> In October 2009, South Korea offered North Korea 10,000 tons of corn in response to Pyongyang’s request for food aid. This is a small amount compared to the 400,000-500,000 tons of grain that South Korea provided annually from 2000 through 2007.

Obama Administration officials have not spoken of policy conditions as required of any renewed U.S. food aid program. They have stated that the Administration will expect North Korea to

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<sup>26</sup> Blaine Harden and Glenn Kessler, “Dispute stalls U.S. food aid to N. Korea,” *Washington Post*, December 9, 2008, p. A8.

<sup>27</sup> Blaine Harden, “In North Korea, the military now issues economic orders,” *Washington Post*, November 2, 2009, p. A1. Good Friends, The goal of abolishing general markets steadily comes closer to becoming a reality, *North Korea Today*, July 2009, p. 2.

<sup>28</sup> “N. Korean corn crop to fall by 40 percent: agronomist,” *Yonhap News*, September 22, 2009. Lee Sung Jin, “Grain yields amount to 65 percent of the norm,” *The Daily NK*, September 2, 2009.

<sup>29</sup> “Good Friends, Direness of food shortage is unprecedented, says official in Pyongyang,” *North Korea Today*, August 2009, p. 9-10.

<sup>30</sup> “Lee says nuclear dispute limits inter-Korean cooperation,” *Yonhap News*, November 4, 2009. “Seoul not considering immediate aid to N. Korea: Cheong Wa Dae,” *Asia Pulse*, September 28, 2009.

comply with the monitoring mechanisms set forth in the 2008 U.S.-North Korean agreement.<sup>31</sup> It is well known that the North Korean government gives priority to the military and the communist elite in the allocation of scarce food resources. The North Korean government has spent little of several billion dollars in foreign exchange earnings since 1998 to import food. Kim Jong-il has refused to adopt agricultural reforms similar to those of fellow communist countries, China and Vietnam; the regime maintains Soviet-modeled collective farms, quotas of allocation of farm produce to the state, military confiscation of food from the collective farms, and a state rationing system of food distribution.

## **North Korean Refugees in China and Human Rights**

The U.S. State Department estimates that 30,000-50,000 North Korean refugees live in China. The Korean Institute of National Unification, a research organization under South Korea's Ministry of Unification, estimates 20,000-40,000. Other estimates of refugees by non-governmental organizations range between 100,000 and 300,000. The refugee exodus from North Korea into China's Manchuria region began in the mid-1990s as the result of the dire food situation in North Korea.

Generally, China tacitly accepted the refugees so long as their presence was not highly visible. China also allowed foreign private NGOs, including South Korean NGOs, to provide aid to the refugees, again so long as their activities were not highly visible. China barred any official international aid presence in refugee areas, including any role for the United Nations High Commission for Refugees. It instituted periodic crackdowns that included police sweeps of refugee populated areas, rounding up of refugees, and repatriation to North Korea. Since early 2002, China allowed refugees who had gained asylum in foreign diplomatic missions to emigrate to South Korea.

China tries to prevent any scenario that would lead to a collapse of the Pyongyang regime, its long-standing ally. Chinese officials fear that too much visibility of the refugees and especially any U.N. presence could spark an escalation of the refugee outflow and lead to a North Korean regime crisis and possible collapse. China's crackdowns are sometimes a reaction to increased visibility of the refugee issue. China's interests in buttressing North Korea has made China susceptible to North Korean pressure to crack down on the refugees and return them. Reports since 2002 described stepped-up security on both sides of the China-North Korea border to stop the movement of refugees and Chinese roundups of refugees and repatriation to North Korea.

South Korea accepts refugees seeking entrance into its missions and allows them entrance into South Korea, and it has negotiated with China over how to deal with these refugees.<sup>32</sup> About 15,000 refugees were resettled in South Korea by 2009, including 4,000 during 2007-2009.<sup>33</sup>

Groups that aid North Korean refugees apparently operate an "underground railroad" that transports refugees through China into Southeast Asian countries, including Thailand, Vietnam, Laos, and Cambodia. Several hundred refugees at a time reportedly are in these countries awaiting repatriation to South Korea or other countries.

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<sup>31</sup> "Food aid for North at a 'critical' level," JoongAng Daily Online, July 3, 2009.

<sup>32</sup> Jeremy Kirk, "N. Korean Defections Strain Ties," *Washington Times*, February 11, 2005. p. A17.

<sup>33</sup> Blaine Harden, "N. Korean defectors bewildered by the South," *Washington Post*, April 12, 2009, p. A1.

Most observers, including refugee and human rights groups, believe that the Bush Administration gave the refugee issue low priority. The Administration requested that China allow U.N. assistance to the refugees but asserted that South Korea should lead diplomatically with China. It has not raised the issue in the six party talks. The issue has been aired in congressional hearings. The North Korean Human Rights Act (P.L. 108-333), passed by Congress in October 2004, provided for the admittance of North Korean refugees into the United States. At the end of 2008, 64 refugees had been admitted into the United States.<sup>34</sup>

The North Korean Human Rights Act created the position of Special Envoy on North Korean Human Rights. It calls for human rights to be a principal element in U.S. policy toward North Korea, including negotiations with North Korea and other Northeast Asian states. It requires the U.S. executive branch to adopt a number of measures aimed at furthering human rights in North Korea, including financial support of nongovernmental human rights groups, increased radio broadcasts into North Korea, sending of radios into North Korea, and a demand for more effective monitoring of food aid. It has been reported that the growing volume of radios smuggled into North Korea from China has enlarged the number of North Koreans who listen to Radio Free Asia and the Voice of America and South Korean radio stations.<sup>35</sup>

Congress passed the North Korean Human Rights Act in response to the State Department's annual human rights reports and reports from private organizations, which have portrayed a pattern of extreme human rights abuses by the North Korean government over many years. These reports and other accounts indicate no prospect for appreciable change, at least in the near future. The reports stress three categories of human rights abuses:

1. A total denial of political, civil, and religious liberties: a long list of proscribed offenses and severe punishments; no toleration of dissent or criticism of North Korean leader, Kim Jong-il; prohibition of independent political parties, only the ruling Workers (Communist) Party allowed; prohibition of independent labor unions and civic organizations; no toleration of independent churches. A State Department report of September 2008 described North Korea as one of eight countries that was the most repressive of religion.<sup>36</sup>
2. Severe physical abuses meted out to citizens who violate laws and restrictions: numerous reports of a system of concentration camps, organized like the "gulag" system of the former Soviet Union, that houses 150,000 to 200,000 inmates, including many political prisoners (the North Korean regime refers to the camps as "re-education centers");<sup>37</sup> reports of extremely harsh conditions for political prisoners in the concentration camps with a low rate of survival; a regime policy of imprisoning the family of political prisoners; reports of frequent executions and torture of prisoners.
3. Extensive ideological indoctrination of North Korean citizens: regime control of all domestic media organs; frequent "mass campaigns" by the Workers Party to

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<sup>34</sup> "US Govt advised to partner with South Korea on North Korea," *Asia Pulse*, November 24, 2008.

<sup>35</sup> "Blaine Harden, In N. Korea, resistance is the new currency," *Washington Post*, December 27, 2009, p. A16.

<sup>36</sup> "N. Korea among 8 worst countries in religious freedom: State Dept.," *Yonhap News Agency*, September 20, 2008.

<sup>37</sup> See especially, U.S. Committee for Human Rights in North Korea, *The Hidden Gulag: Exposing North Korea's Prison Camps*, 2003; and Blaine Harden, "N. Korea's hard-labor camps: on the diplomatic back burner," *Washington Post*, July 20, 2009, p. A1. DPRK in brutal crackdown on defectors, *Chosun Ilbo Online*, September 1, 2009.

mobilize thousands of people for tasks, which serve as an instrument of control and propaganda dissemination; frequent crackdowns and arrests by the state security organizations of people attempting to access independent sources of news, information, and even entertainment.<sup>38</sup>

U.S. policy toward North Korean human rights practices and role of the Special Envoy has been controversial since passage of the North Korean Human Rights Act. The Bush Administration sometimes criticized North Korea's human rights abuses in public statements, but the Administration did not raise these issues substantively with North Korea in negotiations, either bilateral negotiations or the six party forum. The Bush Administration's Special Envoy, Jay Lefkowitz, did not participate in negotiations with North Korea; and he appears to have had little or no role in the Administration's policy formulation process. The Bush Administration's strategy was to concentrate on a single issue, the nuclear issue. The Administration contended that it would take up human rights after North Korea had terminated its nuclear program as part of an agenda for normalization of relations.<sup>39</sup> The lone human rights-related diplomatic initiative of the Bush Administration was to work with the European Union to secure resolutions from the United Nations Human Rights Commission, expressing concern over human rights violations in North Korea.

The Bush Administration's low priority approach to the human rights issue drew criticism from several Members of Congress and U.S. human rights groups. On January 17, 2008, Lefkowitz openly criticized the Administration in a speech at the American Enterprise Institute. Lefkowitz described the Bush Administration's strategy as ineffective. He criticized the Administration's policy of not raising human rights at the six party talks. He called for a "new approach to North Korea" that would involve bringing other issues into a U.S.-North Korean dialogue, including "a candid and ongoing human rights dialogue with Pyongyang."<sup>40</sup> Lefkowitz repeated his proposal for placing a greater priority on human rights, including incorporating it into the six party talks, in his final report to Congress in January 2009.<sup>41</sup> Under congressional pressure, the chief Bush Administration negotiator with North Korea, Christopher Hill, said that "I would be happy to invite" Lefkowitz to attend future negotiations.<sup>42</sup> However, Hill did not raise human rights issues in his subsequent October 2009 visit to Pyongyang and during a six party meeting in December 2009.

Under the Obama Administration, State Department officials have said that the human rights envoy will work closely with the State Department's Human Rights Bureau and Bureau of East Asian and Pacific Affairs and will act as a liaison with international human rights groups. The Department has said he will not participate in six party talks and that there were no plans to propose to North Korea that it meet with King.<sup>43</sup> (For a complete analysis of the refugee and human rights issues, see CRS Report RL34189, *North Korean Refugees in China and Human*

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<sup>38</sup> Jon Herskovitz, "N.Korea stability rests on abuses and propaganda, say critics," *Reuters News*, July 2, 2009.

<sup>39</sup> Statement by Assistant Secretary of State Christopher Hill to the Senate Foreign Relations Committee, February 6, 2008.

<sup>40</sup> Address by Jay Lefkowitz, U.S. Special Envoy for Human Rights in North Korea, before the American Enterprise Institute, January 17, 2008.

<sup>41</sup> Bill Gertz, Korea rights report, *Washington Times*, January 29, 2009, p. B1.

<sup>42</sup> Lee Chi-dong, "N. Korea rejects U.S. envoy's planned visit," Yonhap News Agency, August 7, 2008.

<sup>43</sup> Hwang Doo-hyong, "U.S. envoy on N. Korean rights not to attend 6-way talks: State Department," Yonhap News Agency, January 8, 2010.

*Rights Issues: International Response and U.S. Policy Options*, coordinated by Rhoda Margesson.)

## **North Korea-South Korea Relations**

Former South Korean President Kim Dae-jung took office in 1998, proclaiming a “sunshine policy” of reconciliation with North Korea. He met with North Korean leader Kim Jong-il in Pyongyang, June 13-14, 2000. His successor, Roh Moo-hyun, continued these policies under a “Peace and Prosperity Policy,” which his government described as seeking “reconciliation, cooperation, and the establishment of peace” with North Korea. South Korean officials also held that these policies would encourage positive internal change within North Korea. Key principles of this conciliation policy were the extension of South Korean economic and humanitarian aid to North Korea; the promotion of North-South economic relations; separating economic initiatives from political and military issues; no expectation of strict North Korean reciprocity for South Korean conciliation measures; avoidance of South Korean government public criticisms of North Korea over military and human rights issues; and settlement of security issues with North Korea (including the nuclear issue) through dialogue only without pressure and coercion.

South Korea’s conciliation policy included significant amounts of food and fertilizer, including 400,000 to 500,000 tons of rice annually through 2007. North-South trade surpassed \$1 billion in 2005, a 10-fold increase since the early 1990s. Seoul and Pyongyang also instituted a series of reunion meetings of members of separated families. As of 2005, nearly 10,000 South Koreans had participated in reunions.<sup>44</sup>

The conciliation policy also produced three major economic projects. One was a tourist project at Mount Kumgang, in North Korea just north of the demilitarized zone (DMZ). Operated by the Hyundai Asan Corporation, the Mount Kumgang tourist project hosted over 1 million visitors from South Korea by early 2008. Another agreement was for the connecting of roads and railways across the DMZ. The roads opened in 2003, and the first train crossed the DMZ in November 2007. The third project was the establishment by Hyundai Asan of an “industrial complex” at Kaesong just north of the DMZ. South Korean companies invested in manufacturing, using North Korean labor. As of November 2009, over 100 companies had set up facilities, employing 38,000 North Korean workers.<sup>45</sup> The plan envisaged 2,000 companies investing by 2012, employing at least 500,000 North Koreans. The wages of North Korean workers are paid in hard currency to a North Korean state agency.<sup>46</sup>

President Roh and Kim Jong-il held a summit meeting in October 2007. Roh promised South Korean financing of several large infrastructure projects in North Korea, including a second industrial zone, refurbishing Haeju port, extension of North Korea’s railway line north of Kaesong, a highway between Kaesong and Pyongyang, and a shipbuilding complex in the port of Nampo.<sup>47</sup>

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<sup>44</sup> Republic of Korea. Ministry of Unification. *Peace and Prosperity: White Paper on Korean Unification 2005*. 169 pages.

<sup>45</sup> “South’s Kaesong firms promised aid,” Joonai (Internet), November 17, 2009.

<sup>46</sup> “Factbox—South Korea’s industrial park in the North.” *Reuters News*, June 12, 2006. Faiola, Anthony. “Two Koreas learn to work as one,” *Washington Post*, February 28, 2006, p. A10.

<sup>47</sup> Norimitsu Onishi, “Korea summit meeting paves way for joint projects,” *New York Times*, October 5, 2007, p. A3.

Between 1998 and 2008, South Korea provided North Korea with nearly \$7 billion in economic aid, including \$2.9 billion in cash; the cash came largely from the Mount Kumgang and Kaesong projects.<sup>48</sup> It is known that the North Korean regime directed much of the South Korean cash payments through Bureau 39 of the North Korean Workers (Communist) Party, which reportedly is directed by Kim Jong-il.<sup>49</sup> Bureau 39 directs North Korea's foreign exchange expenditures with two priorities: (1) procurement of luxury products from abroad for Kim Jong-il and members of the North Korean elite; and (2) procurement overseas of components for weapons of mass destruction. The South Korean government estimated that North Korea spent up to \$1.5 billion in its nuclear and missile programs during the 1998-2008 period, much of this money received from South Korea.<sup>50</sup> Nearly \$500 million in South Korean cash payments was in the form of secret payments that affiliates of the Hyundai Corporation made in 2000, apparently to secure from Kim Jong-il a summit meeting with President Kim Dae-jung in June 2000. (After being told of the secret payments by informed sources, the Congressional Research Service reported the payments in 2001.) A South Korean special prosecutor found in 2003 that South Korean government agencies and high ranking South Korean officials were involved in the transfer of the money to bank accounts controlled by Bureau 39 in Macau, Singapore, and Austria.<sup>51</sup>

From 1999, U.S. military officials were suspicious that North Korea was using South Korean cash payments for military purposes. The *Korea Herald* of 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." At the time Hyundai made cash payments to North Korea in 1999-2000 of over \$1 billion, both public and secret payments, North Korea reportedly was accelerating its foreign exchange expenditures overseas to procure components and materials for its secret highly enriched uranium program. According to CIA estimates and statements of former Clinton Administration officials, North Korea began to procure uranium enrichment technology in 1999 and accelerated procurements in 2000 and 2001.<sup>52</sup>

South Korea's President Lee Myung-bak, who took office in February 2008, stated that he would continue the main features of Roh Moo-hyun's policies, including the provision of humanitarian aid (food and fertilizer) to North Korea and a continuation of the Mount Kumgang and Kaesong projects. He enunciated a "3000 Policy" to help North Korea raise per capita income to \$3,000 over the next 10 years. Lee, however, said he would review the infrastructure promised by Roh Moo-hyun at the October 2007 North-South summit, looking at options of canceling or postponing them. He said that he would base his decisions on these projects on the extent of progress on the North Korean nuclear issue, the economic feasibility of the projects, the financial costs, and the degree of South Korean public support.<sup>53</sup>

Lee asserted that he would link South Korean policy toward North Korea, including economic cooperation, more closely to the status of the nuclear negotiations. He called for the complete

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<sup>48</sup> "Seoul gave NKorea \$7 billion since '98," Chosun Ilbo (Internet), June 3, 2009.

<sup>49</sup> "Jay Solomon and Choi Hae-won, Money trail: in North Korea, secret cash hoard props up regime—defectors, intelligence sources say Division 39 supplies billions to Kim Jong-il," *Wall Street Journal*, July 14, 2003, p. 1.

<sup>50</sup> "Seoul gave N.Korea \$7 billion since '98," Chosun Ilbo (Internet), June 3, 2009.

<sup>51</sup> Kang Chu-an, "North cash called 'payoff' by Counsel," Chungang Ilbo (Internet), June 26, 2003.

<sup>52</sup> Walter Pincus, "N. Korea's nuclear plans were no secret," *Washington Post*, February 1, 2003, p. A1.

<sup>53</sup> Sin Sok-ho, Joint interview with President-elect Lee Myung-bak by Dong-A Ilbo, Asahi Shimbun, and the *Wall Street Journal*, *Dong-A Ilbo* (Internet version), February 4, 2008.



dismantlement of North Korea's nuclear programs and weapons. Lee also stated that he would reverse Roh's policy of not raising human rights issues with North Korea. He said the South Korean government would raise the issues of South Korean fishermen kidnapped by North Korea and South Korean soldiers from the Korean War still held as prisoners by North Korea.<sup>54</sup>

North Korea reacted to Lee's policy by essentially shutting down North-South relations from April 2008 to July 2009. Pyongyang rejected South Korean food and fertilizer aid, rejected South Korea's call for a joint investigation of the killing of a South Korean tourist by a North Korean guard at Mount Kumgang, and began to restrict the size of the South Korean staff at Kaesong and their travel to Kaesong. North Korea also demanded higher wages and land rents from South Korean firms at Kaesong. North Korea demanded that Lee Myung-bak fulfill the promise of Roh Moo-hyun for infrastructure projects. The North Korean military threatened armed confrontation with South Korea.

After July 2009, North Korea began to back off from this hardline policy. It eased the restrictions on Kaesong and allowed a reunion of 400 divided Korean family members. In October 2009, North Korea appealed to South Korea for a sizeable amount of food aid, reportedly 100,000 tons of grain. Pyongyang's deteriorating food situation appeared to be a primary motive for its conciliatory gestures.

President Lee welcomed some of these gestures but stressed that North Korea needed to make firm commitments toward denuclearization. He proposed that a settlement of the nuclear issue be based on a "grand bargain" under which North Korean nuclear facilities, nuclear materials, and nuclear weapons would be dismantled and removed from the country and North Korea would receive from other members of the six party forum security guarantees, economic and energy aid, a lifting of sanctions, and normalization of diplomatic relations with the United States.<sup>55</sup> In contrast to the policies of his predecessors, Lee asserted that a renewal of economic cooperation with North Korea, including large-scale food aid, would depend on North Korea meeting policy conditions, especially commitments toward denuclearization and an expansion of divided family reunions.<sup>56</sup> Lee supported a continuation of sanctions on North Korea specified in U.N. Security Resolution 1874. Lee reportedly stressed policy conditions in response to North Korean overtures for another North-South summit.<sup>57</sup>

### **U.S.-R.O.K. Free Trade Agreement (FTA) and the Beef Dispute**

On June 30, 2007, the United States and South Korea signed a Free Trade Agreement (KORUS FTA). If approved the agreement would be the largest FTA that South Korea has signed to date and would be the second-largest (next to the North American Free Trade Agreement—NAFTA) in which the United States participates. South Korea is the seventh-largest trading partner of the

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<sup>54</sup> Ibid.

<sup>55</sup> Park Sang-seek, "Grand bargain: Lee's paradigm shift," Korea Herald Online, October 6, 2009.

<sup>56</sup> "Lee says nuclear dispute limits inter-korean cooperation," Yonhap News Agency, November 4, 2009. "Seoul to resume food aid to North Korea," Chosun Ilbo Online, October 13, 2009. The headline referred to the South Korean government's decision to offer North Korea 10,000 tons of corn. The article quoted a senior government official that a South Korean decision to resume large-scale food and fertilizer aid would be "a strategic decision taking progress in the North Korean nuclear issue into consideration."

<sup>57</sup> "Speculation swirls about a South-North summit," JoongAng Daily Online, October 29, 2009.

United States; total trade in 2008 was about \$80 billion. Various studies conclude that the agreement would increase bilateral trade and investment flows.

The proposed KORUS FTA covers a wide range of trade and investment issues, and, therefore, could have wide economic implications for the United States and South Korea. It includes provisions for the elimination of tariffs on trade in most manufactured goods and partial liberalization of the services trade. The agreement also includes provisions on a number of sensitive issues, such as autos, agriculture, and trade remedies, on which agreement was reached only during the final hours of negotiations.

To enter into force, the FTA would need congressional approval in the form of implementation legislation. The negotiations were conducted under the trade promotion authority, also called fast-track authority, that Congress granted the President under the Bipartisan Trade Promotion Act of 2002 (P.L. 107-210). The authority allowed the President to enter into trade agreements that receive expedited congressional consideration with no amendments and limited debate. The trade promotion authority expired in 2007, but the KORUS FTA was concluded while it still was in force. The Obama Administration has not indicated when it will send the draft implementing legislation to Congress. (The trade promotion authority sets no deadline for the President to do this.)

There is support for the KORUS FTA in both the United States and South Korea. U.S. supporters view passage as important to secure new opportunities for U.S. business in the South Korean market. Other supporters argue that the FTA will strengthen the U.S.-South Korean alliance as a whole, although other observers caution that the FTA should be supported on the basis of economic benefits and not linked to the military alliance.

However, auto and steel manufacturers and their labor unions oppose the agreement on the grounds that it would reduce barriers to the import of South Korean steel and automobiles and would not open the South Korean market sufficiently for U.S. autos. The U.S. agricultural community and some Members of Congress have withheld support for the FTA because of South Korea's restrictions on imports of U.S. beef. (For more details, see CRS Report RL34330, *The Proposed U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*, coordinated by William H. Cooper.)

Shortly before the Bush-Lee Myung-bak summit meeting in April 2008, U.S. and South Korean negotiators reached agreement that would end South Korea's ban on imports of U.S. beef since 2003 because of fears over mad cow disease. The agreement allowed for imports of all cuts of U.S. boneless and bone-in beef and other beef products from cattle, irrespective of age, as long as specified risk materials known to transmit mad cow disease are removed and other conditions are met. However, Korean television coverage of the issue, Internet-spread rumors of poor safety of U.S. beef, and mobilization activities of South Korean leftist groups resulted in the outbreak of massive public demonstrations of tens of thousands of people against the agreement and the Lee government. In response, the Bush and Lee administrations revised the agreement in late June 2008 to limit sales of U.S. beef from cattle less than 30 months old. U.S. beef began to be sold at retail outlets in Seoul in July 2008, and the public demonstrations began to wane. (See CRS Report RL34528, *U.S.-South Korea Beef Dispute: Agreement and Status*, by Remy Jurenas and Mark E. Manyin.)

During and after the 2008 presidential campaign, Barack Obama criticized the FTA. The Obama Administration has demanded that new provisions be negotiated that give U.S. automobile

companies greater access to the South Korean market. During President Obama's visit to Seoul in November 2009, he and President Lee indicated that there may be new talks over automobiles. In 2008, less than 7,000 U.S. cars were sold in South Korea, while more than 53,000 South Korean cars were sold in the United States. The Obama Administration also has called for a further relaxation of South Korean restrictions on imports of U.S. beef.<sup>58</sup> Administration officials have said that they favor the negotiation of "side agreements" over autos and beef. Opposition in the U.S. Congress to the FTA appears to be strong. Moreover, President Lee may not have the political support in South Korea to make concessions to the Obama Administration on both automobiles and beef.<sup>59</sup>

South Korea and the European Union signed a Free Trade Agreement in October 2009. Many of its provisions are modeled after the draft U.S.-R.O.K. Free Trade Agreement.

### **U.S.-South Korea Military Alliance<sup>60</sup>**

The U.S. alliance with South Korea is dealing with five major issues that are changing the alliance structure and the U.S. military presence in South Korea. They are (1) the relocations of U.S. troops in South Korea and reductions in U.S. force levels; (2) the separation of the combined U.S.-South Korean (R.O.K.) military commands into two commands; (3) possible further reductions of U.S. forces in South Korea, particularly U.S. ground forces; (4) a South Korean military contribution to Afghanistan; and (5) South Korea's share of the cost of maintaining U.S. forces in South Korea (i.e., host nation support). These issues and changes were brought about by several factors that emerged since 2000: the substantial deterioration of North Korean conventional military forces, thus lowering the threat of a North Korean invasion of South Korea; anti-U.S. military protests of hundreds of thousands of South Koreans in 2002; the Pentagon's plans to restructure U.S. military forces around the globe; and U.S. military commitments to Iraq and Afghanistan.

In 2004, Secretary of Defense Rumsfeld authorized a program to reduce and relocate U.S. forces in South Korea. The plan envisaged the withdrawal of about 10,000 troops of the Second Infantry Division from the demilitarized zone and relocating them in "hub bases" about 75 miles south at Pyongtaek. A large percentage of the 9,000 U.S. military personnel at the U.S. Yongsan base in South Korea's capital, Seoul, also were to be relocated to Pyongtaek. The relocations originally were scheduled for completion in 2008, but there have been several postponements because of the slowness in constructing of new facilities at Pyongtaek and South Korean protests of financial difficulties in paying the R.O.K. share of the relocation costs. The original cost estimate was over \$10 billion; South Korea was to contribute \$4 billion of this. New cost estimates are over \$13 billion.<sup>61</sup> The main U.S. Air Force base at Osan will remain, housing nearly 6,000 personnel.

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<sup>58</sup> Andrew Salmon, "Trumped on trade," *Washington Times*, November 18, 2009, p. A1. U.S. seeks wider access to Korean auto mkt before FTA ratification: White House.

<sup>59</sup> Don Lee, Trade; "Politics stymies S. Korea accord," *Los Angeles Times*, November 28, 2009, p. B1.

<sup>60</sup> Perry, Charles. *Alliance Diversification and the Future of the U.S.-Korean Security Relationship*. Herndon, Virginia: Brassey's, Inc., 2004. Mitchell, Derek (ed.). *Strategy and Sentiment: South Korean Views of the United States and the U.S.-ROK Alliance*. Washington, Center for Strategic and International Studies, 2004.

<sup>61</sup> Richard Halloran, "Building project signals force consolidation, broader reach," *Washington Times*, March 5, 2009, p. B1.

U.S.-R.O.K. discussions in 2009 reportedly indicate that the relocations to Pyongtaek will not take place until 2015 or 2016.<sup>62</sup> Another complicating factor is the announcement by the Pentagon in 2008 that U.S. military families, for the first time, will be allowed to join U.S. military personnel in South Korea. This is estimated to increase the size of the U.S. military community at Pyongtaek to over 53,000, including 35,000 new military dependents; the total size of the U.S. military community likely will be over 70,000 when the new policy is implemented.

In 2007, Secretary Rumsfeld accepted a proposal by South Korean President Roh Moo-hyun to set up separate South Korean and U.S. military commands. A U.S.-R.O.K. operational control (Opcon) agreement will dismantle the U.S.-R.O.K. Combined Forces Command (CFC), which has been headed by the U.S. commander in Korea. Separate U.S. and R.O.K. military commands will be established. The date for completion is April 17, 2012. In accord with the plan a new U.S. Korea Command (KORCOM) will be established. Under the Opcon agreement, a Military Cooperation Center will be responsible for planning military operations, joint military exercises, logistics support, intelligence exchanges, and assisting in the operation of the C4I (communication, command, control, computer) system.

U.S. officials have expressed confidence that the agreement will be carried out and that the new separate command system will function well. However, there is sentiment within President Lee Myung-bak's Grand National Party, the South Korean press, and academic experts that the agreement should be canceled or postponed because of North Korea's nuclear capabilities. A Pentagon official was quoted in October 2009 that "political conditions" would be evaluated before the final Opcon transfer decision is made in 2012.<sup>63</sup>

Under the Rumsfeld program, the Pentagon withdrew a 3,600-man combat brigade from the Second Division and sent it to Iraq. The Rumsfeld plan called for the U.S. troop level in South Korea to fall from 37,000 to 25,000 by September 2008. However, in 2008, Secretary of Defense Gates halted the withdrawals at the level of 28,500. In 2007 and 2008, U.S. commanders in South Korea stated that the future U.S. role in the defense of South Korea would be mainly an air force and naval role. Since 2004, the U.S. Air Force has increased its strength in South Korea through the regular rotation into South Korea of advanced strike aircraft. These rotations are not a permanent presence, but the aircraft often remain in South Korea for weeks and sometimes months for training. In 2009, U.S. military officials spoke of U.S. forces in South Korea being deployed outside of South Korea to U.S. conflicts under a doctrine of "strategic flexibility." Admiral Mike Mullen, Chairman of the Joint Chiefs of Staff, stated on October 22, 2009, that the Pentagon was "in discussion" with South Korean officials over the possible move of U.S. forces in South Korea to Afghanistan. President Obama said during his November 2009 visit to South Korea that some U.S. troops could be deployed to Afghanistan.<sup>64</sup> U.S. officials said that they anticipated no immediate changes, but they hinted that changes in the status of U.S. ground forces could come in conjunction with the implementation of the Opcon agreement in 2012.<sup>65</sup>

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<sup>62</sup> Sam Kim, S Korean, "US officials meet over US base relocation," Yonhap News Agency, April 23, 2009.

<sup>63</sup> Hwang Doo-hyong, "US hints as possible delay in OPCON transfer: Official," Yonhap News Agency, October 18, 2009.

<sup>64</sup> OCS Report: Strong ROK media reaction to visiting US commander's remarks, October 30, 2009. Jung Sung-ki, "Obama hints at rotating troops in South Korea to Afghanistan," *Korea Times Online*, November 20, 2009.

<sup>65</sup> Jung Sung-ki, "USFK commander hints at troop redeployment," *Korea Times Online*, December 15, 2009.

With the election of President Lee Myung-bak, there has been talk in South Korea and the United States about broadening the alliance beyond the Korean peninsula. The alliance operates on a very limited basis outside the Korean peninsula. President Roh Moo-hyun sent 3,600 R.O.K. troops to Iraq in 2004, the third-largest contribution of U.S. allies. They were based in the relatively secure Kurdish area in northern Iraq and did not engage in anti-insurgency combat. South Korea withdrew its troops in late 2008.

In 2007, South Korea withdrew 200 non-combat military personnel it had sent to Afghanistan, and the government did not respond to appeals of U.S. commanders since mid-2006 for U.S. allies to send ground combat troops to Afghanistan to help deal with the resurgent Taliban. In contrast to the absence of a South Korean commitment of troops to Afghanistan, eight other U.S. allies have each contributed over 1,000 troops, and another five allies have each contributed over 500 troops.<sup>66</sup> In 2007, it appears that the South Korean government paid a sizeable ransom to the Taliban to secure the release of kidnapped South Korean Christian missionaries, reported by one Taliban official to be \$20 million.<sup>67</sup> Since then, there reportedly were heightened U.S.-R.O.K. discussions over a South Korean military contribution to the allied effort in Afghanistan.<sup>68</sup>

The South Korean government announced on October 30, 2009, that it would send an “appropriate number” of troops to Afghanistan to support a 130-man Provincial Reconstruction Team. The mission of the troops would be to protect the reconstruction team. South Korean officials indicated that the number of troops would be 300 or more. The government is considering a site for the troops just north of Kabul. The government must submit the proposal to the Korean National Assembly for approval and funding.

South Korea purchased over \$3.7 billion worth of American military weapons and equipment in 2007. The South Korean government has requested that the U.S. government upgrade South Korea’s status as an arms purchaser to the NATO Plus Three category. South Korea currently is treated as a Major Non-NATO Ally. This upgrade would establish a higher dollar threshold for the requirement that the U.S. Executive Branch notify Congress of pending arms sales to a country, from \$14 million to \$25 million. Congress would have 15 days to consider the sale vs. 50 days for Major Non-NATO Allies. Legislation (H.R. 5443) has been introduced in the House of Representatives to grant South Korea NATO Plus Three status.

Under an agreement reached in 2009, the South Korea’s direct financial contribution for U.S. troops in South Korea in 2010 will be 760 billion won (about \$571 million). This is about 42% of the total cost of maintaining U.S. forces in South Korea. In recent U.S.-R.O.K. military negotiations, Pentagon officials called for South Korea to increase its share to at least 50%. Under the 2009 agreement, South Korea’s share of the cost will increase until 2013 in accord with the rate of inflation but no more than 4% annually.

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<sup>66</sup> Department of Defense table published in the *Washington Times*, January 17, 2008, p. A10.

<sup>67</sup> Saeed Ali Achakzai, “Seoul said to have ransomed hostages,” *Washington Times*, September 2, 2007, p. A1. Andrew Salmon, “Top spy skirts ransom question on hostages,” *Washington Times*, September 7, 2007, p. A15.

<sup>68</sup> Kim Due-young, “US intelligence chief discusses Seoul’s troop dispatch to Afghanistan,” *Korea Times Online*, November 27, 2009. “Envoy-nominee to Seoul highlights Afghan, N.K. Issues,” Yonhap News Agency, April 10, 2008.

## South Korea's Political System

From the end of the Korean War in 1953 until 1988, South Korea was governed by authoritarian leaders Rhee Syngman, Park Chung-hee, and Chun Doo-hwan. Park and Chun were military leaders who took power through coup d'états. Except for several years in the 1960s, the governments under these leaders followed policies that highly restricted political and civil liberties. However, the Park Chung-hee government (1963-1979) orchestrated the Korean "economic miracle," which turned South Korea from a poor, agricultural-based country into a modern industrial and high technology country. In 1987, massive pro-democracy demonstrations (and behind-the-scenes American pressure) forced Chun to allow the drafting of a new constitution and the holding of free presidential elections. The constitution established a President, elected for a single five-year term. Since 1987, five presidents have been elected to office. A National Assembly of 299 members, elected to four-year terms, received expanded powers to legislate laws and to conduct oversight and investigations over the executive branch. Courts were given greater independence from South Korean presidents. Municipal and provincial governments were given new powers independent of the central government, a break from Korea's history of highly centralized governments.

The developments of 1987 also ushered in new political forces which have operated alongside more traditional elements of Korean political culture.<sup>69</sup> The President remains a powerful figure. However, his tenure is only one term, and his base of support is no longer the military. The military since 1987 has ended its political role. Political parties were weak and unstable under the authoritarian regimes, and they have retained many of those characteristics despite their growing importance in the National Assembly and at the local level. Political parties generally have been the appendages of powerful political leaders. They often have been based in different regions of South Korea. Members have viewed their loyalty as directed to the leader rather than to a party as an institution. They have viewed the political parties as a means of acquiring power and position. Parties thus have been unstable, often lasting only for short periods before breaking up. The latest example is the disintegration of the Uri Party in 2007. The Uri Party was led by President Roh Moo-hyun, who was elected in December 2002. It was the largest party in the National Assembly with 139 seats. However, with polls showing Roh's public approval extremely low and the Uri Party's prospects in the December 2007 president election as very poor, defections began from the party in 2007. Uri's strength in the National Assembly fell to 110, and remaining party leaders created a new party, the United Democratic Party.

Nevertheless, the United Democratic Party entered the presidential race in 2007 in a weakened condition. Its candidate lost badly to the candidate of the opposition Grand National Party (GNP), former mayor of Seoul, Lee Myung-bak, in December 2007. Lee, who won nearly 49% of the vote, ran on a pro-business platform, pledging to relax government regulations over domestic and foreign business and cut the corporation tax in order to restore the high level of South Korean economic growth that had persisted from the late 1960s until the late 1990s and create up to 600,000 new jobs annually. He said he would create a \$40 billion investment fund to develop North Korea toward raising its per capita income from an estimated \$500 to \$3,000.<sup>70</sup>

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<sup>69</sup> Steinberg, David I and Shin, Myung. "Tensions in South Korean political parties in transition." *Asian Survey*, July-August 2006. p. 517-537.

<sup>70</sup> Andy Jackson, "Seoul Choice," *Wall Street Journal Asia*, October 30, 2007, p. 13. Jim Ji-hyun, "Champion of open economy soft on N Korea," *Korea Herald* (Internet version), December 5, 2007.

Lee's Grand National Party won 153 of 299 National Assembly seats in the election of April 9, 2008.<sup>71</sup> Two other parties perceived as conservative won 32 seats, and one of them subsequently merged with the Grand National Party, giving it a parliamentary majority of 171 seats. Former President Roh's United Democratic Party won only 81 seats.

President Lee was weakened by the anti-U.S. beef protests and widespread criticisms of several of his other policies. The anti-U.S. beef protests corresponded with a sharp decline in Lee's approval ratings to the 20% to 30% range. Lee also was weakened by the impact of the 2008 global recession on South Korea's economy. Lee backed off from several of his policy initiatives, including a plan to construct a canal across South Korea and the privatization of state enterprises. However, several of Lee's other policies appear to have been more successful, including enhancing South Korea's role in international economic organizations such as the G-20 and repelling North Korea's hostile policy toward South Korea from early 2008 until mid-2009. South Korea's economy grew by nearly 3% annually during the final six months of 2009, further boosting Lee's popularity. His approval ratings were close to 50% at the end of 2009. Lee has said that creating 200,000 new jobs is the main goal of his economic policy in 2010.<sup>72</sup>

Political parties and political institutions that have arisen since 1987 have demonstrated sharper ideological positions, especially on issues like relations with North Korea and the United States. Ideological divisions on these issues have had a strong generational element in them. Older South Koreans have attitudes more favorable to the United States and are anti-communist. Younger South Koreans are more supportive of conciliation with North Korea and are critical of key elements of the South Korean-U.S. alliance. However, since the anti-U.S. protests of 2002, South Korean attitudes toward North Korea became more critical and support for the U.S.-R.O.K. alliance received greater public support. An array of non-governmental groups influence the government on key policy issues such as the role of labor unions, environmental policies, government support of farmers, women's issues, and consumer issues. The press includes a number of newspapers but also extensive news-oriented computer websites.

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<sup>71</sup> "Large group of swing voters poses threat to ruling party," Yonhap News Agency, March 30, 2008.

<sup>72</sup> Five political risks to watch in South Korea, Reuters News, January 4, 2010. S Korean Pres's politics, diplomacy face crucial test in 2010, Asia Pulse, January 4, 2010.

## **For Additional Reading**

CRS Report R40851, *South Korea: Its Domestic Politics and Foreign Policy Outlook*, by Mark E. Manyin.

CRS Report R40095, *Foreign Assistance to North Korea*, by Mark E. Manyin and Mary Beth Nikitin.

CRS Report RL32493, *North Korea: Economic Leverage and Policy Analysis*, by Dick K. Nanto and Emma Chanlett-Avery.

CRS Report R40684, *North Korea's Second Nuclear Test: Implications of U.N. Security Council Resolution 1874*, coordinated by Mary Beth Nikitin and Mark E. Manyin.

CRS Report RL34256, *North Korea's Nuclear Weapons: Technical Issues*, by Mary Beth Nikitin.

CRS Report RL34330, *The Proposed U.S.-South Korea Free Trade Agreement (KORUS FTA): Provisions and Implications*, coordinated by William H. Cooper.

CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

CRS Report RL31555, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues*, by Shirley A. Kan.

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