

The Perry Report and US-North Korea Relations¹

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The Perry Report of 12 October 1999 has built a stronger foundation for the Agreed Framework of 1994 which aims at the elimination of North Korea's alleged nuclear weapons programme. This has been done by abandoning the initial premise that the North Korean regime would not last until the two Western Light Water Reactors would be completed in North Korea, by addressing the failure of the US to provide the incentives promised in the Agreed Framework, and by becoming more realistic about the constraints of any North Korea policy. However, the chances to carry through the Agreed Framework continue to be threatened by the wide discrepancy between North Korean and Western goals, by the US intention to deploy a Tactical Missile Defence system, and by difficulties of the US to maintain a common front with South Korea and Japan. The insistence of the US on greater North Korean reciprocity may also endanger the initial success of the Perry Report.

Introduction

The prevention of the proliferation of weapons of mass destruction and their delivery vehicles has assumed an even greater importance for American foreign and security policy after the end of the Cold War than before. The end of the East-West confrontation has loosened the controls over several nuclear threshold countries as it has over their grievance that led them to consider the acquisition of weapons of mass destruction. Iraq was defeated in its war of aggression against Kuwait, but the fight to end its ambition to acquire weapons of mass destruction has not yet ended. When the suspicions about a North Korean nuclear weapon programme hardened at the beginning of the 1990s, the US was close to consider the use of military strikes but the 1994 concluded Agreed Framework between the US and North Korea, facilitated by former US President Jimmy Carter's Pyongyang visit in June of that year, averted this possibility. However, by 1998 the implementation of the Agreed Framework had run into difficulties which resulted from continued suspicions about North Korea's nuclear intentions, its missile programme, the eroding US Congressional support for the deal with North Korea, and difficulties of coordination with the Republic of Korea and Japan. India and Pakistan conducted nuclear tests in 1998, introducing

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yet another challenge to the international non-nuclear proliferation regime. Failure to prevent the nuclear weaponization of North Korea would completely derail this regime. Against this troubling background, the Perry Review which resulted in the Perry Report of 12 October 1999, is aimed at shoring up sufficient support for the continued implementation of the Agreed Framework by offering a hopefully more convincing mixture of incentives and threats to Pyongyang to make it stay with the 1994 agreement.

After an analysis of the circumstances which led to the Perry Review, the article will evaluate its strengths and weaknesses. I conclude that the Perry Review has built a stronger case for the success of the Agreed Framework by abandoning the premise that North Korean regime would not last to see the completion of the two nuclear Light Water Reactor (LWR) power stations, by addressing the failure of the US to provide incentives offered in the Agreed Framework, and by addressing more realistically the constraints on any North Korea policy. In this way the Report has established a better foundation for support by Congress and by the allies most closely concerned, i.e. South Korea and Japan. However, the chances of keeping North Korea away from nuclear armament continue to be threatened by a huge gap between North Korean and Western perception of nuclear weapons and missiles, by North Korea's political brinkmanship, and by its unwillingness to radically address its economic crisis. At the same time the Report has created the seeds for future dissent among the US, South Korea and Japan by being overly optimistic about what the Agreed Framework can achieve, by overloading the communication process with North Korea, and by promoting Tactical Missile Defense (TMD) which goes beyond the current US deterrent against North Korea. Threats to trilateral US-Japan-South Korea coordination emerge also from the positive dynamics which the Report has set off in North-South relations as well as in North Korea's diplomatic offensive towards Western countries and international organizations.

The road to the Perry review

North Korea has shown from the end of the 1980s that it is reluctant to submit itself to the full requirements of international agreements to control nuclear non-proliferation. It has given the impression that it is either not serious about fully complying with its contractual obligations, or that it wants to trade piecemeal compliance against other objectives, notably the normalization of diplomatic and economic relations with the US. At the same time, and while its economic situation caused serious malnutrition in many parts of the country, it has continued with improving its military potential and maintaining its threatening military posture.

For the North Korean leadership, nuclear weapons and their delivery vehicles offset their country's economic and military weakness. The Western interest is to prevent nuclear proliferation as well as the North Korean deployment of medium and inter-continental missiles and their sales to other sensitive countries. The Western readiness to engage North Korea has proved many times to the North Korean leadership the political value of these military means. Is it therefore imaginable that North

Korea would truly abandon its nuclear and missile potential which have proved militarily and politically so valuable?

North Korea signed the Nuclear Non-Proliferation Treaty (NPT) on December 12 1985 because of Western concern which led to Soviet pressure on North Korea to sign. In 1989 the press reported on a suspected plutonium separation plant, referred to by North Korea as a mere 'radiochemical laboratory'. North Korea refused to sign a safeguard agreement with the International Atomic Energy Agency (IAEA), mandatory under the NPT. Under Western pressure North Korea finally signed such an agreement with the IAEA on 30 January 1992. In May 1992 North Korea provided the IAEA with its initial declaration of all nuclear material. During the ensuing IAEA inspections the agency discovered discrepancies between its findings and the information provided by North Korea, leading to the suspicion of plutonium extraction from fuel rods in 1990 and in 1991. IAEA member states also provided information about an undeclared nuclear waste site near the plutonium separating plant. In January 1993 North Korea did not allow further access for inspection, and the IAEA asked for 'special inspections'. In March 1993 North Korea announced its withdrawal from the NPT, but later in June 1993 suspended it. In May 1994 North Korea announced that it had unloaded the fuel rods of its only working reactor, worsening the crisis with the IAEA and the US in particular. The protracted crisis finally resulted in the Agreed Framework of October 1994.² The Agreed Framework was concluded between North Korea and the US, but entails considerable financial contributions from South Korea and Japan in the first place, but other countries as well.

The Agreed Framework provides North Korea with the annual supply of 500,000 t heating oil until the first of the two Western-designed LWR of approx. 2,000 MW(e) comes on stream by the year 2003, a date which is now unlikely because of delays caused by North Korean obstruction, US delays in delivering oil on time, and other complications. The US promised also to facilitate trade with Pyongyang, lift trade sanctions and elevate relations by establishing liaison offices.

Under the Agreed Framework North Korea has frozen its Russian-designed graphite moderated reactors and related facilities. North Korea will remain party to the NPT and will gradually restore full implementation of its safeguard agreement with the IAEA. In return the US undertook to organise an international consortium, i.e. the Korean Peninsula Energy Development Organization (KEDO), established on 9 March 1995, for the supply and financing of the two LWR as well as the annual supply of 500,000 t of heating oil.

The nonproliferation interests in this deal are obvious. The extraction of weapon-grade plutonium from LWR is less easy. In addition LWR would necessitate that North Korea imports enriched fuel for the fuel rods. The previously extracted fuel rods from its old nuclear reactor have been encased by the US and will have to be taken out of North Korea under the stipulations of the Agreed Framework.

² For a critical account of these negotiations see Sigal, Leon V.: *Disarming strangers. Nuclear diplomacy with North Korea* (Princeton 1998: Princeton University Press).

The implementation of the Agreed Framework has been extremely tortuous. One cluster of reasons has to do with the unfamiliarity of North Korea with normal Western business dealings, its extreme suspicion towards Western countries and notably South Korea and the US, its intention to extract maximum economic benefits by using the nuclear card despite its weaker economic position, its reticence to resume the North-South dialogue, and its continued military challenges to South Korea and the rest of the world (military intrusions into South Korea, export of missile technology to Pakistan and the Middle East, missile tests, etc). Moreover, there have been persistent reports from the IAEA about North Korea's insufficient compliance with verification.

Another cluster of problems has to do with the inconsistent North Korea policy under former President Kim Young-Sam, the American reluctance to relax trade restrictions towards North Korea, US Congress reluctance to fully pay the US share of KEDO because of continuing suspicion about North Korea not sticking to its non-proliferation commitments, and Japan's inability to improve relations with North Korea, notably after the test flight of a North Korean missile/rocket over Japan on 31 August 1998. It has become clear that the US had concluded the Agreed Framework because it did not expect the North Korean regime to last very long. Given these problems of the US, South Korea and Japan, it was not surprising that the dynamics of these three bilateral relationships with North Korea made coordination among them very difficult. Whereas South Korea and the US have been delivering food aid to North Korea during the last few years, Japan has been much more reluctant, delivering its fourth food aid in April 2000 after an interruption of three years.³

The Perry review in 1998-1999

By 1998 support in the US for the implementation of the Agreed Framework had eroded dangerously. The imminent presidential election risked totally derailing Clinton's North Korea policy. Since 1994 major changes had occurred in North Korea which disproved the assumption of an early North Korean collapse on which the Agreed Framework had been built: the leadership survived the transfer of power from Kim Il-Sung to Kim Jong-Il as well as the serious economic deterioration. A new policy was needed to cope with an astonishingly resilient North Korean regime. In August 1998 US intelligence reportedly found that North Korea was building an underground nuclear facility in Kumchangri. The missile/rocket test (a three-stage Taepondong-1 which according to North Korea was carrying a satellite) over Japan in August 1998 had further alarmed the Japanese side, leading even to a hiatus in signing a vital financial agreement for KEDO by Tokyo. There was concern about the effect of a second missile launch on Japanese public support for the Agreed Framework and on the future development of Japanese security policy. The so-called 'Sunshine policy' of President Kim Dae-Jung created further difficulties in coordinating policies between the US, Japan and South Korea towards North Korea.

³ Japan provided 500,000 tons of rice in 1995, 6 million dollars worth of rice and medical supplies in 1996, and 27 million dollars worth -- or 67,000 tons -- of rice in 1997 through international organizations.

Since South Korea and Japan will shoulder the greatest financial burden of KEDO, their full support is necessary to continue the Clinton's North Korea policy.

What had so far prevented the collapse of the process of the Agreed Framework despite the many problems and delays was the lack of any viable option for all parties concerned, including North Korea. An understanding among US military and political leaders had developed that a military response to the North Korean challenge would not receive sufficient support from the US public, and even less from South Korea and Japan. Military action would have to take place in a densely populated area and involve highly armed forces, leading to many casualties and refugees. This lack of alternatives and the fear of an erosion of support leading to the Agreed Framework's collapse created an atmosphere which prompted Congress in November 1998 to pass legislation requiring the Clinton Administration to appoint a Special Coordinator to review the Administration's North Korea policy, resulting in the appointment of former Secretary of Defense William J. Perry. The review lasted about eight months and included consultations with officials and specialists from many countries with an interest in Northeast Asia, notably Japan and South Korea. Perry's visit to North Korea in May 1999 was the highest-level official US delegation to Pyongyang since the Korean War.

The Report stated the non-viability of the current North Korea policy in view of the following changes and constraints:

1. The resilience of the North Korean regime in the face of the death of Kim Il-Sung and the serious economic crisis, or, as the Report put it: 'United States policy must, therefore, deal with the North Korean government as it is, not as we might wish it to be'.⁴
2. The difficulty of a US military solution in view of the likely casualties.
3. The security interests between the US and South Korea are not totally identical (greater US concern about global nuclear non-proliferation and North Korean long-range missiles).
4. The security interests between the US and Japan are not totally identical (greater Japanese concern about North Korean missile activities and North Korean animosity to Japan).
5. Despite all its intelligence gathering abilities, the US is faced with a North Korean counterpart where 'the unknowns continue to outweigh the knowns', depriving the Administration of a fundamental element to create an informed policy, i.e. an understanding of the other side

On the basis of this sober recognition of the difficulties to continue the current North Korea policy, the Report came to the following conclusions and proposals:

A relative stable deterrence of war on the Korean peninsula could 'provide the time and conditions for all sides to pursue a permanent peace', but that this situation would be threatened by North Korean nuclear armament and missile development. It expresses 'serious concerns about possible continuing nuclear weapons-related work

⁴ All quotes from the 'Perry Report' are from the complete text of the unclassified version of former US Defense Secretary William Perry's review of United States policy toward the DPRK, http://www.state.gov/www/regions/eap/991012_northkorea_rpt.html.

in the DPRK' while appreciating the success of the Agreed Framework in freezing North Korean plutonium production at Yongbyon. New suspicion had been raised by US reports about nuclear activities in Kumchangri, but the Perry Report concludes that US access to the site removed these suspicions.

In order to maintain the existing stability and to find a solution to North Korea's nuclear armament and missile development, the Report proposes

- a) to offer North Korea the establishment of 'more normal diplomatic relations' and joining of the ROK's policy of engagement towards the North.
- b) to stick to the Agreed Framework because of its past record in stopping North Korea from developing nuclear weapons, despite all the Framework's flaws and difficulties. The Agreed Framework's limitations (e.g. it does not cover all of North Korea's nuclear activities or its missile development) should be addressed by supplementary agreements.
- c) improve US-South Korean-Japanese trilateral coordination.
- d) 'steadiness and persistence' in pursuing the 'approach adopted now' beyond the Clinton administration.
- e) continuation of the current US deterrent against North Korea.

Evaluation and critique

The merits of the Report lie not in any new proposals but in having involved all concerned parties in a long consultation process which created a new foundation for Congressional support, US-South Korea-Japan coordination and North Korean engagement. This process was an intellectual but also a face-saving exercise to understand and admit the constraints and limits of any policy in dealing with the North Korean nuclear and missile challenges. To the relief of many US supporters of the Agreed Framework, including South Korea and Japan, the Report dismisses alternative approaches such as rigid containment or even military action as non-viable. Its adoption was facilitated by this long consultation process as well as by the stress on the continued implementation of the Agreed Framework, if necessary by supplementary agreements, in a more consistent manner to last beyond the current Administration. In short, the Report is a ringing endorsement of the ORIGINAL Agreed Framework which (on the basis of solid military deterrence) foresaw a much wider engagement of North Korea (notably trade and diplomatic relations) in a *quid pro quo* approach, and a criticism of those policies in the last decade which aimed at a limited engagement of North Korea in exchange for a verifiably implemented nuclear freeze at Yongbyon without showing too much concern for the rising North Korean missile challenge. The hope of the Perry Report is that going back to the original wider scope of the Agreed Framework and its *quid pro quo* approach, issues even beyond the prevention of nuclear proliferation such as missile developments and Prisoners of War/Missing in Action (POW/MIA) issues could be more successfully solved. By opting for wider engagement of North Korea and a closer process of trilateral coordination, it is hoped that support of South Korea and Japan will be more resistant to new circumstances such as another North Korean long-range missile launch.

The most spectacular immediate achievement has been an unprecedented trilateral coordination between the US, South Korea and Japan. This trilateral process of consultation and policy coordination at senior level was institutionalized in June 1999 by the establishment of the Trilateral Coordination and Oversight Group (TCOG).⁵ It has been paralleled by an improved South Korea-Japan relationship and a US-Japan-South Korea summit meeting on the occasion of the APEC summit in September 1999.

The adoption of the Report by the Clinton Administration laid the foundation of Congressional support for the Administration's North Korea policy. President Clinton announced the lifting of some economic sanctions on 17 September 1999. North Korea has responded favourably by announcing on 24 September 1999 at the UN a unilateral suspension of further missile tests while talks with the US continued. The greater emphasis of the Report on North Korea's missile developments and the absence of any new missile tests have soothed the main Japanese concern about North Korea's military posture. The pace of US-North Korea talks increased and culminated in the visit of Secretary of State Madelaine Albright in 2000. The US suspicions about Kumchangri could be resolved by an agreement on inspections which began in December 1999. The Report has allowed President Kim Dae-Jung to make considerable advances in improving the North-South dialogue, culminating in the June 2000 summit between him and Kim Jong-Il. North Korea has embarked on an astonishing diplomatic offensive to normalize diplomatic relations with many Western countries and to become member of the ASEAN Regional Forum (ARF). The Western countries feel freer to respond to North Korean overtures and consider a positive response as helpful to better integrate North Korea, while North Korea considers its diplomatic successes as a means to overcome its economic crisis and to put pressure on the US and Japan to be more accommodating to its demands.

The Perry review process achieved renewed understanding by China of the dangers for its strategic environment in case the Agreed Framework would collapse. In view of its concerns about the strengthening US-Japan alliance, it must have become clear to Beijing that a failure to protect Japan's security from North Korean missiles would either lead to a much closer US-Japan alliance, or even worse from China's perspective, to an independent Japanese nuclear deterrent. China is supporting the Agreed Framework although it has kept a distance from it. In 1994 it had turned down a proposal to host KEDO's headquarters. China's official explanation for the hands-off attitude has been that it would achieve more for the Agreed Framework outside rather than inside of it. China has indirectly supported the Western North Korea policy by providing substantial food aid on an unmonitored and unconditional basis.⁶

The weaknesses of the Perry Report are obvious and are natural in view of the discrepancies among all players in terms of aims and means of the new North Korea policy and the speed of change with the main interested parties. The dynamics cre-

5 For details see Park, Jongchul: "US-ROK-Japan trilateral coordination in the implementation of the Perry Report", *The Korean Journal of Defense Analysis*, XI (Winter 1999) 2, pp. 97-120.

6 Report of an Independant Task Force for Managing Change on the Korean Peninsula, carried by NAPSNET 28 July 1999.

ated by the Perry Review process have given rise to new challenges for a coherent and consistent North Korea policy and to the maintenance of the closer trilateral policy coordination. The 'carrot-and-sticks approach' of the Report are sometimes difficult to translate into practical policies on a day-to-day basis.

The *quid pro quo* approach of the Agreed Framework and KEDO to cope with the mutual distrust between North Korea and the US has always been difficult to operate in practice although it looks so clearcut in theory. There has been disagreement for years among the KEDO Board members on the handling of compliance of North Korea with the IAEA safeguards obligation, holding up agreement on the delivery schedule for equipment of the two nuclear power stations. According to the Agreed Framework, North Korea has to fall into compliance with IAEA/NPT obligations after the completion of 'significant portions' of the LWRs, but before the start of shipping sensitive nuclear technologies. The IAEA is not willing to release major equipment for the power stations until North Korea fully discloses all nuclear material produced in the DPRK prior to the freeze in 1994.⁷ So far North Korea is said to have fully complied with the freezing of the suspicious Yongbyon nuclear reactor (despite some 'unaccounted' equipment from the reactor) but has been unwilling to comply with its obligation under the IAEA and Agreed Framework to disclose the full history of its past nuclear development. Moreover William Perry himself has been quoted in March last year that North Korea is 'moving forward' on its nuclear weapons.⁸ There have been occasional reports on North Korea pursuing nuclear programmes.⁹ How far do the IAEA and the KEDO Board members have to compromise towards North Korean intransigence about fulfilling its verification obligations without risking giving away their main lever over Pyongyang or prompting North Korea to break out of the Agreed Framework? It is easier for a single unified actor like North Korea to be a hard-nosed player than for a coalition of three countries of which one, South Korea, always faces the prospect of a devastating war. President Kim Dae-Jung will come increasingly under pressure to show results of his Sun-shine diplomacy and in view of rising popular expectations towards the end of his presidential term in 2003.

The Report does not and could not deal with other problems besetting the implementation of the work of KEDO which have, however, a great impact on the viability of the Agreed Framework.

These problems continue to cause further delays in building the nuclear power stations, leading to regular threats from North Korea to resume its nuclear programme. A major current problem is the disagreement over nuclear liability by General Electric (GE), the ultimate provider of the main equipment. The issue can only be resolved by either GE reversing its stance, the KEDO consortium taking over liability (i.e. the governments represented on the Board), or any other supplier being less

7 "North Korea nuke plant progress hinges in disclosure", *Reuters* (Singapore) 21 December 1999.

8 *The New York Times* 12 March 1999. See for other reports on an ongoing North Korean nuclear effort *The Washington Times* 11 March 1999.

9 The latest report, based on the testimony of former DPRK People's Army official who defected from the DPRK and had been detained by the PRC, mentions the production of uranium at Jonma Nuclear Power Plant in Mt. Jonma in Pyongando since 1989. *Sankei Shimbun* 9 June 2000.

concerned about nuclear liability. Moreover it will be difficult to establish an internationally acceptable nuclear liability regime in North Korea given the wide gap between the political and industrial development of North Korea and the West.

The Report does not sufficiently address the US tendency to overload the negotiating process with Pyongyang with too many issues at the same time (terrorism, drug trafficking, POW/MIA etc) but rather encourages it by stressing that wider engagement will facilitate the discussion of a wider spectrum of issues. There is the fallacy of believing that engagement equals the discussion of an ever expanding range of topics. This does not take into account the need to prioritize issues, the danger of creating new linkages between unrelated issues, the fragmentation of North Korean bureaucracy, and the thin layer of North Korean interlocutors who are able to discuss an ever expanding range of issues. Overloading the agenda can therefore lead to increased North Korean suspicions about US intentions, particularly when the US uses additional talks to add new conditions to old promises on the lifting of sanctions ('double selling'), but it also negatively affects US perceptions if North Korea stalls because it cannot cope and/or doesn't appreciate the US strategy of 'double selling'. The current North Korean diplomatic offensive to increase economic and diplomatic links with other countries and organizations will probably further stretch the North Korean diplomatic apparatus.

As the Report rightly states, close cooperation and coordination between the US, South Korea and Japan is necessary for the new North Korea policy. But despite the current success of the TCOG, sustaining this harmony will become more difficult. The current North Korean diplomatic offensive, facilitated by the Perry Report, may create difficulties for the US and Japan to stick to a more consistent and persistent position towards North Korea. The emerging dynamics arising from the rapprochement between North and South Korea, notably after the presidential North-South summit in June, will make it more difficult to keep the US and Japan in step. There is the danger after the summit meeting of a spiral of popular expectations and willingness in South Korea to be too lenient towards North Korea for short-term gains. Discrepancies between South Korea and the US have already appeared before the June 2000 summit because of greater US emphasis on satisfactory compromises on North Korea's nuclear arms and missile development.¹⁰ Legal difficulties and political 'double linkages' slow down US efforts to expand the engagement of North Korea. Although President Clinton announced the lifting of some sanctions in September 1999, the announcement was actually not executed until after the North-South summit in June 2000.¹¹ The US Administration apparently added to the original condition of a North Korean freeze of its missile testing programme (which North Korea did) new conditions and therefore enacted the September 1999 promise only after the North-South summit meeting in June 2000. Domestic laws and regulations make it very difficult for any Administration to waive all economic sanctions as expected by North Korea under the Agreed Framework as well as demanded by Kim

10 *Asahi Shimbun* 2 and 27 May 2000.

11 US exports and investment in nonmilitary sectors of the DPRK's economy will be allowed, as well as money transfers from Korean-Americans to DPRK relatives. Direct travel between the nations will also be allowed. *USA Today* 8 June 2000.

Dae-Jung since 1999. For example one prerequisite, the removal of North Korea from the US terrorism list, is made very contentious not only by Congressional critics, but also by the provision of a safe haven to Japanese terrorists (Red Army members who hijacked a Japanese airliner in 1970) and the ongoing accusations of abductions of Japanese citizens to North Korea.¹² The President and Congress have to work together on a formal US-North Korea Nuclear Cooperation Agreement in order to establish the legal basis for the export of US nuclear equipment from GE to North Korea. All these steps demand political decisions at the highest executive and legislative levels in the US which will be difficult at any time, but particularly during the current year because of the presidential election campaign.

Japan risks drifting away from the more cooperative stance of the US and notably of South Korea towards North Korea, emphasizing its concern about the North Korean missile development although it has resumed in April 2000 the delivery of humanitarian aid as a good will gesture. This author is not convinced that greater US willingness to engage North Korea and trilateral coordination would not prevent the Japanese side to suspend its financing of KEDO in case of any new North Korean military incursion into Japan or a new missily ti9.8(o)ega81.6(reorTJ0I -gS)4.2(n)ce oh-1.2()8.5(w R4.1(yi9.8(o)

granted the Report deprives US negotiators of a major incentive for North Korea to back down on its missile development.

Conclusions

The Perry Report is laudable for its efforts to set out clearly the constraints and limitations of any North Korea policy, for having re-endorsed the Agreed Framework of 1994 as the only viable option, and for having reminded Congress of the 'carrots' of the 'stick-and-carrot' approach of the Agreed Framework. This has been done in a long review process which involved all the major players, achieving in this way wide Congressional support and unprecedented US-South Korea-Japan trilateral policy coordination. This process has led to an enhanced North-South dialogue and a North Korean offensive to win diplomatic and economic support with Western countries.

In order to benefit from the greater support of Congress and the main players for the Agreed Framework, and in order to prevent these new positive dynamics from eroding this support, the author suggests the following policy recommendations:

- according to the Agreed Framework, very intrusive IAEA inspection hab6r(:)TJrt

