



THE ATLANTIC COUNCIL
OF THE UNITED STATES

A Framework for Peace and Security in Korea and Northeast Asia

Co-Chairs

**Ambassador James Goodby
General Jack N. Merritt**

Project Director

Donald Gross

Policy Paper

April 2007



THE ATLANTIC COUNCIL

OF THE UNITED STATES

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A Framework for Peace and Security in Korea and Northeast Asia

**Report of the Atlantic Council
Working Group on North Korea**

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Table of Contents

<i>Foreword</i>	iii
<i>Acknowledgements</i>	v
<i>Members of the Working Group</i>	vii
<i>Conclusions and Recommendations</i>	ix
I. The Context: Before and After the Six-Party “Joint Agreement”.....	1
II. Obstacles in U.S.-North Korea Relations.....	3
North Korea’s Nuclear and Missile Tests and its Declared Status as a Nuclear Weapons State.....	3
China’s Role.....	3
Tension between U.S. and South Korean Negotiating Positions on North Korea.....	4
Deep U.S. Distrust of North Korea’s Regime and its Intentions.....	5
North Korea’s Deep Distrust of the U.S. and its Intentions.....	6
Primary U.S. Focus on the Nuclear Issue in Negotiations with North Korea.....	7
Beyond the Six Party Joint Agreement.....	9
III. U.S. Strategic Goals.....	11
Denuclearizing the Korean Peninsula and Curtailing the Threat of North Korean Nuclear Proliferation.....	11
Establishing Regional Peace and Stability While Avoiding a War on the Korean Peninsula.....	11
Transforming the Behavior of the North Korean regime.....	11
Enhancing Japanese Security.....	12
Strengthening the U.S.-Korea Alliance.....	12
IV. Realizing a Comprehensive Settlement on the Korean Peninsula.....	13
V. Components of a Comprehensive Settlement.....	15
Denuclearization Agreement.....	15
Four-Party Agreement.....	16
U.S.-North Korea Agreement.....	17
Trilateral Agreement among the U.S., South Korea and North Korea on Military CBMs and Force Dispositions.....	19
Agreement on a Multilateral Organization for Security and Cooperation in Northeast Asia.....	23
VI. Other Regional Agreements.....	27

South Korea – North Korea Agreement.....	27
Japan – North Korea Agreement	28
VII. Recommendations	31
VIII. Concluding Note.....	33
<i>Annex A. Comments on the Report.....</i>	<i>35</i>
<i>Endnotes</i>	<i>37</i>

Foreword

This report continues a series of Atlantic Council studies since the early 1990s that analyze U.S. relations with “adversary states” and recommend measures for improving relations with them to achieve strategic U.S. policy goals. The value of such work was made clear to us in 2004 when U.S. officials, implementing the historic agreement leading Libya to abandon its nuclear weapons program, leaned on our report *U.S.-Libyan Relations: Toward Cautious Reengagement*. We are currently updating similar work done regarding Cuba for the day improved relations with that country may be possible.

Few United States foreign policy goals are as important as getting our relations right with North Korea and the region around it. The perils of a nuclear-tipped Pyongyang include the danger of encouraging proliferation elsewhere to the possibility North Korea might transfer its capabilities or materiel to other rogue states or terrorist groups. Success requires diplomatic skill behind a consistent, focused and visionary approach. For this reason, we assembled a distinguished working group to review U.S. strategic goals regarding North Korea and steps to achieve them. A list of all working group members is on page vii.

The report that follows, located electronically on the Atlantic Council's website at [http://www.acus.org/070413 Framework for Peace and Security in Korea and Northeast Asia.pdf](http://www.acus.org/070413_Framework_for_Peace_and_Security_in_Korea_and_Northeast_Asia.pdf), calls for the U.S. to take a leadership role in creating a comprehensive peace settlement for the region that goes far beyond the critical denuclearization talks. Given the current historic opportunity, we hope policymakers on all sides will read it carefully and heed its recommendations.

While the working group deliberated, Kenneth Katzman of the Congressional Research Service compiled and analyzed a 186-page compendium on active U.S. legislation on North Korea that severely limits relations with that country. Should the U.S. government seek permanent peace arrangements, it must undo these policies and legal strictures accumulated over more than fifty years. The compendium, entitled *U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations*, can be ordered from the Atlantic Council or found electronically on the Atlantic Council's website at [http://www.acus.org/070415-US North Korea Relations Compendium.pdf](http://www.acus.org/070415-US_North_Korea_Relations_Compendium.pdf). (NOTE: Dr. Katzman also wrote earlier Atlantic Council compendia on U.S.-Libyan relations and U.S.-Iranian relations.)

The Atlantic Council thanks the Korea Foundation for generously funding the working group's efforts and the publication of this report. Thanks also go to the United States Institute for Peace for funding the compendium. We are deeply indebted to the working group's co-chairs, Ambassador James Goodby (ret.) and General Jack Merritt (ret.). I particularly acknowledge the wise, forward-looking leadership of project director Donald Gross and critical contributions from Banning Garrett, C. Richard Nelson, Jonathan Adams and Patrick deGateño.

Frederick Kempe
President & CEO
Atlantic Council of the United States

Acknowledgements

A report such as this invariably draws upon the intellectual capital of individual experts and scholars who have thought hard and long about the “North Korea problem” for a number of years. The working group is, in the first place, indebted to its co-chairs, General Jack Merritt and Ambassador James Goodby, who have wrestled with Korea-related issues during their rich careers inside and outside the U.S. Government. They both deeply understand the complexity of U.S. policy toward North Korea and the sensitive domestic politics that attend any frank discussion of how to deal with the Pyongyang regime.

The working group was fortunate to benefit from a number of insightful papers and issue briefs contributed by its members. While all the papers noted below were valuable to our deliberations, the work of Bill Drennan, Jim Goodby, Marc Noland, Alan Romberg, Lee Sigal and David Straub proved especially timely and helpful. The papers discussed by the working group included:

Daniel Bob, “Congress and North Korea Policy” (working paper, Atlantic Council working group on North Korea, 2007)

William Drennan, “Military Implications of a Peace Regime for the Korean Peninsula” (working paper, Atlantic Council working group on North Korea, 2006); William M. Drennan, “Special Report: A Comprehensive Resolution of the Korean War,” Special Report 106 (Washington: United States Institute of Peace, May 2003)

James Goodby, “The Six-Party Talks: Opportunity or Obstacle,” (Washington: The Woodrow Wilson International Center for Scholars, 2005)

Kenneth Katzman, “U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations” (Washington: Atlantic Council of the United States, 2006)

Marcus Noland, “The Legal Framework of US-DPRK Trade Relations” (Washington: Institute for International Economics, 2006)

Aloysius M. O’Neill, “Inter-Korean CBMs and Their Role in a Peace Regime” (working paper, Atlantic Council working group on North Korea, 2006)

Alan Romberg, “Permanent Peace on the Korean Peninsula,” *Korea and World Affairs*, vol. 3, no. 3 (fall 2006): 309-326

Leon V. Sigal, “Building a Peace Regime in Korea: An American View,” *International Journal of Korean Unification Studies*, Vol. 15, No. 1 (2006): 30-52

David Straub, “U.S.’s Viewpoint toward a Peace Forum on the Korean Peninsula,” June 9, 2006 (paper presented to the International Conference on a Peace Forum on the Korean Peninsula, Seoul, Korea)

Michael Schiffer, “Time for a Northeast Asian Security Institution,” *PacNet Newsletter #59* (Honolulu: Pacific Forum CSIS, December 8, 2006)

Robert Sutter, “South Korea Re-Calibrates Relations with the U.S. and China – Implications for a Prospective Peace Regime with North Korea,” (working paper, Atlantic Council working group on North Korea, 2006)

On behalf of the working group, I would like to express sincere gratitude to the Korea Foundation for supporting our efforts and to the United States Institute of Peace for funding the companion volume to this report, “U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations.”

Thanks to the wisdom and foresight of Jan Lodal, acting president of the Atlantic Council, Banning Garrett, the former Director of Asia Programs at the Council, and Dick Nelson, who served as a consultant to the working group, we initiated and sustained this project from its humble beginnings in the spring of 2006. Jan, Banning and Dick drew strength and institutional support from the Council’s decade-long commitment to studies on “reversing U.S. relations with adversary states.” We were admirably assisted by Jonathan Adams and his successor as assistant director of Asia Programs at the Council, Patrick deGategno. Elena Pak, the Council’s talented and enthusiastic assistant director of external relations, made a strong contribution to publicizing the working group’s efforts.

Lastly, I would like to offer my personal thanks to Fred Kempe, the president of the Atlantic Council, who brought to bear his extensive experience and professional abilities in improving the quality of the report. Fred’s leadership, personal magnetism, and intellectual integrity will surely stand the Atlantic Council in good stead for many years to come.

Donald Gross
Project Director
Atlantic Council of the United States

Members of the Working Group

The members of the working group believe that the recommendations stated in this paper promote overall U.S. interests. While there may be some parts of the report with which some participants are not in full agreement, each participant believes that the report, as a whole, provides a sound basis for future actions by the government of the United States. The views of the working group members do not represent the official position of any institution.

Co-Chairs

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Conclusions and Recommendations

The United States has few more important policy goals than eliminating North Korea's nuclear weapons program. The risk that the repressive Pyongyang regime could transfer nuclear weapons and materials to rogue states or terrorist groups weighs particularly heavy on the minds of U.S. policymakers.

U.S. negotiators in February 2007 achieved a breakthrough in the Six Party talks towards the goal of reversing Pyongyang's nuclear ambitions. The "joint agreement" – among the United States, North Korea, South Korea, China, Japan and Russia – set in motion a process for dismantling Pyongyang's nuclear weapons program. But this agreement still leaves the parties a long distance from denuclearizing North Korea or resolving other fundamental security, political, and economic issues on the Korean peninsula. The report that follows describes a path and the elements of a comprehensive settlement to achieve the full range of U.S. strategic goals in Korea.

After more than nine months of deliberations, a nonpartisan working group, organized by the Atlantic Council, has concluded that the United States should now seek a comprehensive settlement in Korea – the major aspects of which are outlined below – that would not only build upon but go beyond the administration's February 2007 political decision to move ahead on nuclear negotiations with North Korea.

In the working group's view, parallel negotiations to achieve a series of agreements on political, security and economic issues related to the nuclear deal will provide the U.S. with significantly greater diplomatic leverage for achieving its strategic policy goals of denuclearizing North Korea and establishing long-term peace and stability in Northeast Asia. Realizing a comprehensive settlement would also demonstrate the strategic value of making diplomatic common cause with an emerging China.

Enlarging the diplomatic agenda through parallel negotiations, *alongside the nuclear talks*, will strengthen the U.S. hand by enabling diplomats to assert additional pressures on North Korea as well as provide Pyongyang, and other negotiating partners, new incentives. By offering the prospect of a fundamental settlement of all outstanding disputes with North Korea (and by expressing a willingness to negotiate other military, political and economic issues together with the nuclear issue), the U.S. would significantly improve the political conditions for the negotiations. The history of negotiating with North Korea demonstrates that improvements in political conditions almost always precede and foster agreements on security-related issues.

Clearly, North Korea will be required to make major concessions in the course of negotiations on a comprehensive settlement. In the working group's view, Pyongyang will be more likely to do so if it perceives that its concessions will help bring about a resolution of all major security issues, while furthering economic development and normalizing political relations with the United States. (A companion volume to this report, *U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations*, addresses the steps that need to be taken by both sides to facilitate a change in existing U.S. laws, regulations, and policies that currently inhibit U.S. relations with North Korea, as part of the process of normalizing bilateral relations).

Given the unpredictable nature of diplomacy with North Korea, it may well be that only some of the proposed elements of a comprehensive settlement, outlined in this report, are necessary and they should be implemented in a sequence that is best determined at a future time. Nevertheless, the working group believes that all these elements are ripe for current consideration and the U.S. should move now toward a comprehensive settlement of security, political and economic issues on the Korean peninsula.

Recommendations

The working group recommends that the United States takes the following steps:

- Express a strong U.S. commitment to achieve a comprehensive settlement in Korea both to facilitate the success of the denuclearization talks and to resolve other critical security, political and economic issues on the Korean peninsula. Peace arrangements would take the form of a series of measures, outlined in further detail below, which includes a Denuclearization Agreement, a Four Party Agreement that replaces the 1953 Armistice, a U.S.-North Korea agreement for normalizing relations, a trilateral U.S.-South Korea-North Korea agreement on military measures, and an agreement establishing a multilateral organization for security and cooperation in Northeast Asia that could grow out of the current Six Party arrangement.
- Proceed reciprocally and step-by-step in a Denuclearization Agreement toward the complete, verifiable and irreversible dismantlement of North Korea's nuclear weapons program, including the removal of spent nuclear fuel, the destruction of existing bomb and warhead stockpiles, and the implementation of a full protocol for verification and inspection to ensure ongoing compliance.
- Pursue a Four Party agreement among South Korea, North Korea, China and the United States to replace the 1953 Armistice with a new overall political and legal structure for long-term peace and stability on the Korean peninsula. Among other measures, this agreement would provide for a formal cessation of hostilities in Korea, recognize the sovereignty and territorial integrity of both Koreas, extend U.S. and Chinese security guarantees to North and South Korea, and affirm the goal of eventually achieving Korean national reunification. This agreement should be endorsed by a resolution of the UN Security Council.
- Negotiate a bilateral agreement with North Korea – in close coordination with South Korea – to settle outstanding political and legal issues, normalize diplomatic relations, and provide U.S. assistance to foster economic development and economic reform in North Korea. The bilateral agreement would address the steps to facilitate a change in existing U.S. laws regulations, and policies that inhibit normal U.S. relations with North Korea, as described in the companion volume to this report, *“U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations.”* (Rather than negotiating a single agreement, the U.S. and North Korea might instead negotiate several agreements that, taken together, adjust and normalize the overall bilateral relationship).

- Negotiate a trilateral agreement among the United States, South Korea and North Korea to implement military confidence-building measures as well as to adjust deployments and force levels on the Korean peninsula. In these talks, the U.S. and South Korea would first agree between themselves and then negotiate the implementation of military measures with North Korea.
- Aggressively explore establishing a new multilateral organization for security and cooperation in Northeast Asia both to manage North Korea-related issues and to help realize U.S. strategic policy goals for the region as a whole. Modeled on OSCE and other existing multilateral security frameworks, the new multilateral organization would pursue an agenda focused on security, economic and humanitarian issues.
- Convene an on-going series of meetings of foreign ministers of the countries involved in negotiating a comprehensive settlement – South Korea, North Korea, China, Japan, Russia and the United States – for the purpose of overseeing these negotiations and forming the nucleus of a new multilateral organization for regional security and cooperation. An initial meeting of foreign ministers, agreed to in the Six Party “joint agreement” of February 13, 2007, should take up these issues.
- Immediately propose *interim* military confidence-building measures, from among those contemplated for a trilateral agreement, to foster the necessary political confidence among the parties for negotiating a comprehensive settlement.
- Seek bipartisan consensus in the Congress on U.S. diplomatic objectives regarding Korea. While leadership on North Korea issues remains firmly with the administration, bipartisan Congressional support will be critical for realizing a comprehensive settlement and funding for any arrangements agreed with the North.
- Synchronize U.S. strategy more effectively with South Korea. Clearly, a strong U.S. effort to achieve a comprehensive settlement on the Korean peninsula, in and of itself, would significantly improve U.S. relations with South Korea. Nevertheless, because a U.S. leadership role in pursuing a comprehensive settlement would once again thrust the U.S. to the forefront in determining a historical political outcome in Korea, Washington should exert all possible efforts to coordinate its negotiating positions with Seoul and strengthen cooperation through the Strategic Consultation for Allied Partnership (SCAP), a new set of diplomatic meetings agreed upon in January 2006.

US Strategic Goals

The working group believes that pursuing the elements of a comprehensive settlement for the Korean peninsula will significantly help the U.S. achieve the following strategic policy goals:

- **Denuclearizing the Korean peninsula and curtailing the threat of North Korean nuclear proliferation**

Consistent with U.S. policy going back to the early 1990s, the working group reaffirmed the policy priority of managing, containing, reducing and, ultimately, eliminating the nuclear threat from North Korea.

- **Establishing regional peace and stability while avoiding a war on the Korean Peninsula**

This broader U.S. strategic goal would be facilitated by normalizing relationships among the nations concerned, negotiating significant redeployments and reductions of conventional forces on the Korean peninsula to establish stable military postures on both sides of the DMZ, and replacing the 1953 Armistice with a comprehensive settlement that engenders both North-South and multilateral cooperation on security, economic and humanitarian issues. Significant progress in resolving North Korea-related issues would strengthen the U.S. relationship with China and by so doing, help to stabilize Northeast Asia.

- **Transforming the behavior of the North Korean regime**

The United States has a strong interest in transforming the behavior of the government of North Korea, both by encouraging it to proceed with economic reform and by loosening controls over its people. Economic reform in North Korea will open its society to international norms of conduct and beneficial outside influences.

- **Enhancing Japanese security**

Japan is more at risk from a North Korean nuclear attack than the United States because Pyongyang potentially possesses the means for delivering a weapon at a short to medium range, while it still lacks long-range missile delivery systems. A settlement with North Korea which furthers peace and stability in Korea would strongly advance Japan's national interests.

- **Strengthening the U.S.-Korea alliance**

South Korea plays a critical role in the U.S. strategic alliance structure in the Asia Pacific. The non-military component of the U.S.-South Korea alliance has been expanding as well, based on common political values and the mutual desire to strengthen economic ties through a free trade agreement. A major policy goal of the U.S. should be consciously to promote measures that harmonize U.S. and South Korean policies and, in so doing, strengthen the alliance.

A FRAMEWORK FOR PEACE AND SECURITY IN KOREA AND NORTHEAST ASIA

Report of the Atlantic Council Working Group on North Korea

I. The Context: Before and After the Six-Party “Joint Agreement”

For more than fifty years, U.S. relations with North Korea have been marked by hostility, misunderstanding and deep mutual suspicion. Along the demilitarized zone (DMZ), U.S. and South Korean forces face off against North Korean long-range artillery and missiles that have the power to devastate Seoul, only thirty-seven miles to the south. North Korean officials and media regularly accuse the U.S. of preparing to attack – and use the fear of a U.S. military strike to mobilize support for their draconian regime.

Despite U.S. assurances that it has “no intention” to invade North Korea, fear of a U.S. military action drives North Korea’s preparations for war and for achieving a nuclear deterrent. Against the virtually unanimous opposition of the international community, Pyongyang conducted its first nuclear test in October 2006, making good on its long-standing determination to become a nuclear weapons state.

North Korea’s intransigence and its unwillingness to bow either to U.S. pressure or the will of the international community have long made it a thorn in the side of U.S. policymakers in both Democratic and Republican administrations. At times, North Korea almost seems to take pleasure in defying the entire outside world and sinking deeper into its political isolation. In the United States, North Korea’s behavior often inspires anger, dampens enthusiasm for creative diplomacy, causes officials to question the rationality of Pyongyang’s policymaking, generates worst-case intelligence assessments, and most importantly, spurs worst-case military planning for an uncertain future.

With the harsh reality of a dangerous and ongoing military stand-off, it is perhaps not surprising that the United States and North Korea are still legally in a state of war and have lived under a mere ceasefire – the 1953 Armistice – since the end of the Korean War. While some observers argue that the 1953 Armistice has contributed to stability – and South Korea’s astounding economic growth – it has proven incapable of ending the heavy and highly threatening deployment of North Korean forces just north of the DMZ or significantly lowering the threat of accidental and unintended war on the peninsula.

Needless to say, the Armistice has also failed to supply a framework for addressing North Korea's programs to develop nuclear weapons or ballistic missiles.

Over the past fifteen years, North Korea's potential nuclear and missile capabilities have been the primary factors driving U.S. diplomacy toward Pyongyang. To a large extent, U.S. policy has subordinated other interests and issues to its overriding concern with rolling back North Korea's nuclear and missile programs. It has too often ignored the larger political considerations that motivate most of the other regional players, especially North Korea, but also China, Russia and South Korea.

Over this period, diplomatic successes such as the 1994 Agreed Framework, which froze North Korea's nuclear weapons program, have been few and the ongoing difficulty in reaching resolution of the preeminent nuclear issue has continued to aggravate relations between Washington and Pyongyang. On several occasions, it has appeared that a new war on the Korean peninsula could break out, despite all parties' realization that this event would likely cause hundreds of thousands of deaths and massive destruction.

II. Obstacles in U.S.-North Korea Relations

The working group has identified a number of factors that continue to impede U.S.-North Korea relations, as of early 2007:

North Korea's Nuclear and Missile Tests and its Declared Status as a Nuclear Weapons State

In July 2006, North Korea test launched seven missiles, including a long-range Taepo Dong 2 that was theoretically capable of hitting the United States. Although the long-range ICBM failed after 40 seconds and may not have been capable of carrying a nuclear payload, the test was a graphic reminder of the North Korean threat.

These missile tests were soon overshadowed on October 9 by North Korea's test of a nuclear device. Despite its small size, less than one kiloton, the test confirmed Pyongyang's nuclear capability and demonstrated the partial success of its nuclear weapons program. According to a 2006 U.S. National Intelligence Estimate, North Korea has likely fabricated material for six or more nuclear weapons since 2000 and is continuing to produce enough plutonium for approximately one bomb each year.¹

North Korea's tests significantly harmed U.S.-North Korea relations and cast grave doubt on the possibility that North Korea would ever decide to dismantle its nuclear weapons program – now the primary U.S. diplomatic goal in negotiations with Pyongyang. Despite strong sanctions imposed by the United Nations Security Council, the North Korean regime seemed bent on resisting international pressure and continuing with its build-up of nuclear weapons.

The Atlantic Council working group welcomed the “joint agreement” of February 13, 2007 – which was a follow-on agreement to the September 2005 “Joint Statement of Principles” – as the first serious effort since 2002 to test ultimate North Korean intentions. Yet the group's differences mirror those within the administration and Congress – with some members feeling that Pyongyang's agreement as a tactical maneuver to gain energy assistance and relieve financial pressure while it plays for time to further develop its nuclear weapons program, while others believed that given the right combination of pressures and incentives, that North Korea would be willing to move toward disarming.

China's Role

For the last four years, the U.S. has relied heavily on China to prod North Korea toward a diplomatic resolution of the nuclear issue. Because North Korea is heavily dependent on China for oil and other vital materials, Washington has argued that Beijing possesses significant leverage that it could and should apply against Pyongyang in diplomatic negotiations. China also has a strong self-interest in preventing the emergence of another nuclear weapons state on its border.

At least until recently, however, China had adopted a less confrontational approach to North Korea than the U.S. originally desired or expected. China reaps growing economic benefits from trade and investment in North Korea (though small in comparison to the benefits it receives from more than \$100 billion in trade with South Korea), but China's principal motivation for holding back appeared to be fear of destabilizing North Korea and triggering refugee flows toward China.

Within its own analytical policy framework, China holds the view that a hardline U.S. approach toward North Korea was counterproductive and reduced the chances of reaching a negotiated resolution of the nuclear issue. Consequently, China has urged the U.S. to be more flexible in its approach while avoiding confrontation with North Korea. China implemented this policy approach by convening the Six Party talks and providing the opportunity for the U.S. and North Korea to negotiate a path toward denuclearizing the Korean peninsula.

However, China's unwillingness, until recently, to threaten or impose strong measures was seen by the U.S. administration as effectively undercutting U.S. diplomatic strategy in dealing with North Korea. Some working group members believe that China sees some benefit in keeping a manageable level of tension between Washington and Pyongyang, especially if it serves to move Seoul closer to Beijing's camp.

Nevertheless, China played an important role in brokering the September 2005 "joint statement of principles", mobilizing Security Council support for UN sanctions, and helping to achieve the February 2007 "joint agreement" at the Six Party talks. China accepted the basic premises of the U.S. position that the regime in Pyongyang must not only denuclearize but must change its behavior internationally and internally.

Toward these ends, Beijing has pushed North Korea to implement Chinese-style economic and social reforms as well as abandon its nuclear weapons program. At the same time, China has urged the U.S. to provide security guarantees and economic and diplomatic incentives for North Korea to change its behavior while opening up its economy and society to the outside world. Washington praised Beijing particularly strongly for its recent efforts at the Six Party talks in gaining Pyongyang's support for the "joint agreement" on denuclearization.

Tension between U.S. and South Korean Negotiating Positions on North Korea

Since the late 1990s, South Korea has pursued an engagement policy with North Korea that conflicted with the policy approach adopted by the Bush administration. Although Seoul shares a commitment to denuclearizing the North, South Korea's major policy goal has been to avoid war or a flood of refugees by seeking to lower tensions on the Korean peninsula while maintaining a strong U.S.-Korea alliance.

Looking ahead to possible future Korean reunification, South Korea has strived to jump-start North Korea's economic development to lessen the potential economic burdens it would have to bear if North Korea is no longer an independent state. Seoul and Pyongyang

have attempted to establish rail and highway links across the DMZ, created the Kaesong industrial zone in North Korea and promoted South Korean tourism to an important cultural site in North Korea, Mount Kumgang.

From time to time – most recently after the October 2006 nuclear test – the Bush administration has sought to discourage these South Korean efforts and curb Seoul’s engagement policy. Seoul has resisted this pressure and pointedly refused to join with the U.S. in implementing measures like the Proliferation Security Initiative (PSI) which was designed to put pressure on North Korea. It did, however, curtail emergency food and fertilizer shipments after North Korea’s nuclear test. (Since the February 2007 joint agreement, Seoul reaffirmed its aid commitments to the North while tailoring the actual delivery of assistance to progress in the nuclear talks).

From South Korea’s standpoint, the U.S. does not fully appreciate the benefits to South Korea from the abatement of Cold War tensions on the peninsula. To some U.S. policymakers, on the other hand, South Korea’s “engagement” is a self-defeating approach that props up a despotic regime and effectively allows North Korea to continue its nuclear weapons program and maintain a threatening military posture.

While South Korea and the United States regularly reaffirm both the strength of their alliance and their mutual commitment to ending North Korea’s nuclear weapons program, the truth is that their priorities diverge and their diplomatic measures often run at cross-purposes. By means of U.S. sanctions, some in Washington hoped to bring North Korea to its knees.

South Korea, on the other hand, greatly feared North Korea’s collapse – with the refugee and economic crises that would ensue – and thus often found itself supporting China’s more gentle diplomacy toward Pyongyang. South Korea also believed, along with China, that engagement is ultimately the best way to bring about needed change in the North. Leaving aside the damage that these contrary views did to the U.S.-South Korea alliance, they also weakened the impact a more coordinated approach might have had on North Korea.

Deep U.S. Distrust of North Korea’s Regime and its Intentions

U.S. distrust of North Korea stems from abhorrence of its repressive regime, belief that Pyongyang uses diplomacy as a cover to build a nuclear and missile deterrent, and strong aversion to North Korea’s brinkmanship tactics and offensive anti-American rhetoric. Nevertheless, it is hardly a secret that within the U.S. administration and Congress, two views – that cut across party lines – compete in how to deal with North Korea.

One faction feels deep contempt and animosity for North Korea’s regime and would like to hasten its collapse. This group reluctantly accepts the Six Party talks but rejects bilateral negotiations with Pyongyang and focuses on maintaining harsh sanctions to contain North Korea for the indefinite future.

Another faction in the administration and Congress believes North Korea will likely survive for the foreseeable future and seeks to reach a diplomatic resolution of the threat that the nuclear issue represents to American national security. This faction supports giving U.S. negotiators more flexibility in dealing with Pyongyang, including through bilateral talks and, while not abandoning pressure, also using various incentives that the other faction finds repugnant.

One faction often argues that it is in the best interests of the United States to negotiate with adversary states like North Korea, no matter how reprehensible their regimes may be to American values. The other faction frequently contends that negotiating with a repressive, communist regime betrays weakness and an unwillingness “to do what it takes” to protect American security.

Despite this difference in factional views, neither U.S. faction has any sympathy for the North Korean regime. Both are willing to use military force if North Korea crosses certain U.S. “red lines” (such as by transferring nuclear weapons or materials), though both recognize that military solutions would likely take a terrible human toll on South Korea’s people, while triggering significant regional instability and undermining U.S. relations with both South Korea and China.

Differing U.S. views on how to deal with North Korea significantly contributed to seventeen-month impasse in U.S.-North Korea nuclear negotiations that preceded the February 2007 joint agreement at the Six Party talks. After political infighting, the administration effectively limited the flexibility of U.S. diplomats, for example, by preventing Ambassador Christopher Hill from traveling to North Korea and, until recently, blocking the bilateral talks that North Korea seeks outside a Six Party setting. The administration also insisted on implementing financial sanctions against North Korea (for reported counterfeiting of U.S. currency) in a manner that led Pyongyang to boycott the nuclear negotiations from November 2005 to December 2006.

In effect, the factional clash of political opinions within the administration and Congress has weakened U.S. resolve, policy coherence, and ability to take a prominent leadership role in dealing with North Korea. Unable to speak with unified convictions and views, the administration has often settled for tactical measures and passive diplomacy. It was compelled to issue highly circumscribed instructions to U.S. diplomats because this was the only basis on which it could obtain interagency consensus.

North Korea’s Deep Distrust of the U.S. and its Intentions

The working group believes that at the base of North Korea’s strong distrust of the United States, as expressed through its anti-American rhetoric and nuclear programs, is a deep-seated fear of U.S. military power. North Korea launched the Korean War and, as a consequence, U.S. airpower leveled Pyongyang and other North Korean cities, to the point where virtually no significant structure was left standing. Though armed combat ended more than fifty years ago, the memory of this destruction is fresh in the minds of many North Koreans – and especially those senior officials who lived through it.

North Korea's view of the United States as its leading adversary was only magnified by the Cold War, when Pyongyang sought to cultivate close ties with both Russia and China. During this period, North Korea competed fiercely with South Korea, which even today it terms a U.S. "puppet state." Pyongyang knew that any new war on the Korean peninsula would entail an immediate confrontation with the United States.

Aside from fear of U.S. military power, a second factor engendering North Korea's deep distrust of the United States, in recent years, is its certain knowledge that one faction in the U.S. administration seeks the regime's collapse. North Korea views the financial sanctions that the U.S. imposed for reported counterfeiting, for example, as a sign of U.S. "hostile intent" toward its regime. Fear that the U.S. might exploit any possible weakness leads North Korea to observe great caution in security negotiations and to withdraw from negotiations altogether when it believes the U.S. is taking active measures to cause its collapse.

North Korea's view of the United States as a fundamental threat to its existence, leading to its severe distrust, obviously contributes to the difficulties in U.S.-North Korea relations. North Korea's insecurity spurs negotiating tactics designed to keep the U.S. "off balance" and discourages Pyongyang from striving to implement a settlement of the nuclear issue in the Six Party talks.

This awareness of its own vulnerabilities also explains why North Korea reacted so sharply to U.S. financial sanctions in the fall of 2005 by withdrawing from the nuclear talks. Interpreting these sanctions as an effort to cause the regime's collapse, Pyongyang chose to "hunker down" and exert counter-pressure, rather than negotiate. Much to the detriment of U.S. interests, this negotiating impasse culminated in North Korea's nuclear test on October 9, 2006.

Primary U.S. Focus on the Nuclear Issue in Negotiations with North Korea

Since the early 1990s, U.S. policy toward North Korea has focused mainly on curtailing its programs to develop nuclear weapons and ballistic missiles. In negotiations with North Korea, other issues have risen to the surface from time to time, but have had a much lower priority until the nuclear issue is first resolved. During this period, North Korea has insisted that ending "hostile relations" with the United States was a key condition for abandoning its nuclear weapons programs.

For example, in the October 1994 "Agreed Framework", where North Korea obligated itself to shut down and "eventually dismantle" its graphite-moderated reactors, the U.S. and North Korea agreed to:

- Move toward full normalization of political and economic relations
- Open a liaison office in each other's capital
- Upgrade bilateral relations to the ambassadorial level

- Work together for peace and security on a nuclear-free Korean peninsula
- Reduce barriers to trade and investment²

In an October 2000 “joint communiqué,” North Korea affirmed its moratorium on long-range missile tests and its commitment to the 1994 Agreed Framework. This communiqué was the high-water mark of the Clinton administration’s efforts, led by former Secretary of Defense William J. Perry, to negotiate a resolution of the nuclear issue with North Korea. In the communiqué, the U.S. and North Korea agreed to:

- Fundamentally improve their bilateral relations
- Build a new relationship free from past enmity without “hostile intent”
- Develop mutually beneficial economic cooperation and exchanges
- Exchange visits by economic and trade experts at an early date
- Support and encourage international efforts against terrorism³

In the September 19, 2005 “joint statement” at the Six Party talks, where North Korea committed for the first time in a negotiation with the United States to “abandoning all nuclear weapons and existing nuclear weapons programs,” the U.S. and North Korea agreed to “take steps to normalize relations with Pyongyang.”

All Six Parties also agreed to:

- Promote international economic cooperation with North Korea
- Negotiate a permanent peace regime on the Korean peninsula at an appropriate separate forum
- Explore ways and means for promoting security cooperation in Northeast Asia⁴

Most recently, in their February 13, 2007 “joint agreement” at the Six Party talks, the U.S. and North Korea joined the other parties in reaffirming “their common goal and will to achieve early denuclearization of the Korean peninsula in a peaceful manner” and agreed to:

- Start bilateral talks aimed at resolving bilateral issues and moving toward full diplomatic relations
- Begin the process of removing the designation of the DPRK as a state sponsor of terrorism and advance the process of terminating the application of the Trading with the Enemy Act with respect to the DPRK
- Cooperate in economic, energy and humanitarian assistance to the DPRK
- Join with the other four parties to explore ways and means for promoting security cooperation in northeast Asia

- Hold a Six Party meeting at the foreign-minister level
- Negotiate a permanent peace regime on the Korean Peninsula at an appropriate separate forum⁵

Despite these many mutual promises by the United States and North Korea over more than fifteen years, the major issue on which the two countries have seriously negotiated – with great difficulty – is North Korea’s programs to develop nuclear weapons and ballistic missiles (although the U.S. has not seriously discussed the missile issue with Pyongyang since November 2000).

Because moving ahead on other major issues has effectively been conditioned on first resolving the nuclear question, overall U.S.-North Korean relations have largely remained frozen. Much of the blame for this situation, of course, falls on North Korea, which has consistently failed to take advantage of opportunities for improving relations with the United States, beginning with the 1994 Agreed Framework.

Beyond the Six Party Joint Agreement

While the “joint agreement” of February 2007 at the Six Party talks once again revives the diplomatic track for nuclear negotiations – and is therefore a promising development – its implementation is highly uncertain and it by no means resolves all the major difficulties in U.S.-North Korea relations.

Today, on the Korean peninsula, hundreds of thousands of combat troops, artillery and short-range missiles are still poised along the DMZ – the most heavily armed border in the world. While deterrence of North Korea is robust, North Korea has its own credible deterrent – the capability of using its forward-deployed missiles and artillery to carry out a devastating attack on Seoul, a city of more than ten million people.

Although this mutual deterrence posture greatly reduces the chance of surprise attack or premeditated war, it increases the chance of accidental war. Fearing a possible attack, each side has an incentive to mobilize quickly, causing the other to move as rapidly as possible to take preemptive military action.

As the negotiating impasse in U.S.-North Korea relations continued until early 2007, the nuclear problem has only grown worse. Each year, Pyongyang has added to its stockpile enough nuclear material to make approximately one bomb, and the risk of proliferation – through North Korea’s sale of nuclear material or a nuclear weapon to rogue states or terrorist groups – is ever-present.

North Korea currently remains outside the nuclear nonproliferation treaty (NPT) regime and inspectors of the International Atomic Energy Agency (IAEA) were long ago expelled from the country. As time goes on, the likelihood rises of North Korea developing a long-range ballistic missile capable of hitting the United States.

Now that North Korea has exploded a nuclear device, the risk of a nuclear arms race in Northeast Asia has also increased. Following the October 2006 test, some opinion leaders in Japan called for reopening discussion on the feasibility of developing a nuclear deterrent to counter the North Korean threat.

Although the government rejected this option – and the likelihood of Japan going nuclear is slim as long as U.S. “extended deterrence” remains credible – public debate will certainly increase if Pyongyang carries out further nuclear tests, couples them with anti-Japanese rhetoric, and refuses to settle the issue of Japanese citizens kidnapped to North Korea during the Cold War. Heightened tensions in the region that result from a political debate in Japan on acquiring nuclear weapons are manifestly not in the U.S. interest.

The difficulties in U.S.-North Korea relations continue to take a serious toll on the U.S.-South Korea alliance. While both countries have issued frequent affirmations of the centrality and strength of the alliance in the last several years, negative attitudes arising from their difference of views toward North Korea persist and have eroded mutual confidence. Despite obvious friction, the U.S.-South Korea alliance has endured because it is in the strong strategic interest of both countries.

But the difficulty in U.S.-North Korea relations clearly contributes to tension between the U.S. and South Korea, and could fatally undermine their alliance if it continues for the indefinite future. Allowing relations to deteriorate could permit Pyongyang to achieve its long-time goal of “driving a wedge” between Washington and Seoul, which is clearly not in the U.S. interest.

III. U.S. Strategic Goals

In the course of analyzing U.S.-North Korea relations, the working group found it valuable to review the U.S. strategic goals toward North Korea. These strategic goals include the following:

Denuclearizing the Korean Peninsula and Curtailing the Threat of North Korean Nuclear Proliferation

Among all the strategic U.S. goals toward North Korea, dismantling its nuclear weapons program and eliminating its nuclear arsenal as well as preventing it from selling nuclear material, know-how, equipment or actual weapons to other countries or terrorist groups is preeminent in the eyes of the working group. Consistent with U.S. policy going back to the early 1990s, the working group reaffirmed the policy priority of managing, containing, reducing and, ultimately, eliminating this threat.

Establishing Regional Peace and Stability While Avoiding a War on the Korean Peninsula

A broader U.S. strategic goal, to which the dismantling of North Korea's nuclear weapons program would contribute, is establishing peace and stability on the Korean peninsula and in the region as a whole. Significant progress in resolving North Korea-related issues would also strengthen the U.S. relationship with China and by so doing, further stabilize Northeast Asia.

Transforming the Behavior of the North Korean regime

The United States has a strong interest in transforming the behavior of the government of North Korea, both by encouraging it to proceed with economic reform and by loosening controls over its people. The working group believes that establishing a comprehensive settlement on the Korean peninsula would help create conditions necessary for political liberalization in North Korea. Following this settlement, the Pyongyang regime would no longer be able to justify its repressive rule as necessary for dealing with the threat of imminent military attack by the United States. Its exposure to the outside world will lead, over time, to internal changes that will foster a more open climate.

Enhancing Japanese Security

Japan is the target of even more frequent and harsher rhetoric from North Korea than the United States. North Korea's missile tests have been directed toward Japan and were designed, in part, to intimidate its government. Japan is more at risk from North Korean nuclear attack than the United States because Pyongyang potentially possesses the means for delivering a weapon at a short to medium range, while it still lacks long-range missile delivery systems.

In keeping with the U.S.-Japan alliance, a major goal of U.S. policy toward North Korea should be to enhance Japanese security and assist Japan in achieving its policy goals in the region. The U.S. should continue to support Japan in seeking resolution of the abduction issue, while encouraging Tokyo to frame its negotiating approach more realistically, so it will lead to actual diplomatic progress (rather than being an impediment to a comprehensive settlement).

Strengthening the U.S.-Korea Alliance

Despite the high value both the United States and South Korea place on their alliance, it remains at serious risk over the medium to long term, largely due to differences between Washington and Seoul over the best strategy for dealing with North Korea. At the root of these differences is the broad-based aspiration in South Korea for reconciliation with Pyongyang as a means of realizing the national goal of eventual Korean reunification. One major policy goal of the U.S., therefore, should be consciously to promote measures that harmonize U.S. and South Korean policies and, in so doing, strengthen the alliance.

Without a positive effort in this direction, nationalist opinion in South Korea and skepticism about South Korea's "reliability" in the United States could lead to the Alliance's demise, sooner rather than later. U.S. leadership, in seeking, together with South Korea, a comprehensive settlement for the Korean peninsula would go far to solidifying the alliance for the long term.

IV. Realizing a Comprehensive Settlement on the Korean Peninsula

The working group's analysis of both causes of difficulty in U.S.-North Korea relations and U.S. policy goals toward North Korea thus lead to its major overall conclusion: *building upon the administration's February 2007 political decision to move ahead on the nuclear negotiations with North Korea, the United States should seek a comprehensive settlement for the Korean peninsula.*⁶ In the working group's view, putting in place a comprehensive settlement – and thus reaching an agreement to replace the 1953 Armistice – is the best means of achieving strategic U.S. policy goals on the peninsula.

By offering the prospect of a fundamental settlement of all outstanding disputes with North Korea (and by expressing a willingness to negotiate the nuclear issue *alongside* other military, political and economic issues), the U.S. would radically improve the political conditions for the negotiations. As the history of negotiating with North Korea demonstrates, improvements in political conditions almost always precede and facilitate agreements on security-related issues. *The working group believes that an effective denuclearization agreement is the most critical component of a comprehensive settlement on the peninsula.*

Clearly, North Korea will be required to make major concessions in the course of negotiations on a comprehensive settlement. Pyongyang will be far more likely to do so if it perceives that its concessions will help bring about a settlement of all major security issues, thus reducing the overall threat it faces from combined U.S. and South Korean forces, while fostering economic development in North Korea and normalizing political relations with the United States.

The working group considered the view that North Korea may refuse to abandon its nuclear weapons program, even in the context of a larger settlement, no matter what incentives and pressures the U.S. brings to bear in negotiations. However, the working group concluded that it is currently uncertain whether North Korea will take a strategic decision to trade its nuclear weapons program for security, political and economic returns in a larger negotiation. It may well be that Kim Jong Il and his leadership faction will only be in a position to make this decision when faced with accepting a historic peace settlement and calculating the cost of its rejection.

In sum, to resolve the nuclear issue itself as well as to lay the foundation for a reliable and lasting peace on the Peninsula and in the region, the working group believes the U.S. *must try* to negotiate a comprehensive settlement with North Korea, despite the uncertainty about Pyongyang's intentions. A diplomatic approach focusing primarily on the nuclear issue has thus far proved inadequate, and the alternate military options are highly risky, costly and uncertain of achieving their intended results.

In the working group's view, pursuing the path of parallel negotiations alongside the denuclearization talks offers the best means of realizing strategic U.S. policy goals on the peninsula. Seeking the elements of a comprehensive settlement through parallel negotiations will provide the United States with significantly greater leverage for achieving a denuclearization agreement. By so doing, the U.S. would be able to assert a variety of additional pressures on North Korea as well as provide new incentives.

Taken together, a larger diplomatic arsenal of “sticks and carrots” will facilitate both the denuclearization of North Korea and the favorable resolution of other critical security issues on the Korean peninsula, much to the benefit of the United States and its regional allies.

V. Components of a Comprehensive Settlement

Denuclearization Agreement

A Denuclearization Agreement would implement the September 19, 2005 “joint declaration” at the Six Party talks in which North Korea committed to “abandoning all weapons and existing nuclear weapons programs”⁷. The carefully crafted language on ‘existing nuclear weapons programs’ in this statement covered *both* Pyongyang’s declared plutonium-generating graphite-modified reactors and its suspected, but unacknowledged, potential program to enrich uranium as material for nuclear weapons, as well as existing fissile material and weapons.

The “joint agreement” of February 13, 2007 at the Six Party talks outlined two phases for progressively dismantling North Korea’s nuclear weapons program.⁸ A Denuclearization Agreement would certify the actions that North Korea has taken to implement the “Initial Phase” of procedures and reaffirm the remaining procedures that North Korea must still carry out. Actions in the Initial Phase (which extends 60 days) include:

- Shutting down and sealing the Yongbyon nuclear facility, including the reprocessing facility
- Ensuring the presence of IAEA personnel for conducting all necessary monitoring and verification
- North Korea’s “discussion” with other parties of a list of all its nuclear weapons programs – including its stockpile of weapons-grade plutonium which has been extracted from spent fuel rods – that are to be abandoned pursuant to the joint agreement

North Korea’s actions in the second phase of the February 2007 joint agreement include:

- Complete declaration of all nuclear weapons programs to ensure a full accounting
- Disablement of all existing nuclear facilities including graphite-moderated reactors and reprocessing plants

A Denuclearization Agreement would also cover additional steps to ensure the complete, verifiable and irreversible dismantlement of North Korea’s nuclear weapons program:

- Removal of spent nuclear fuel from North Korea
- Destruction of existing bomb and warhead stockpiles
- Implementation of a full protocol for verification and inspection to ensure ongoing compliance⁹

A Denuclearization Agreement would further reaffirm the 1992 “Joint Declaration on the Denuclearization of the Korean Peninsula”, which required both South and North Korea not to “test, manufacture, produce, receive, possess, store, deploy or use nuclear weapons.”¹⁰

In parallel with a Denuclearization Agreement, the U.S. and South Korea could negotiate with Pyongyang to establish payload and range limitations for North Korean missiles consistent with the Missile Technology Control Regime, which prohibits testing a missile payload of more than 500 kilograms beyond a range of 300 kilometers.

Four-Party Agreement

The objective of a Four Party Agreement is to put in place a new overall political and legal structure for long-term peace and stability on the Korean peninsula. This agreement would replace the 1953 Armistice – a mere military cease-fire that has lasted more than fifty years. In addition to formally ending the technical state of war in Korea, a new Four Party Agreement would outline mutual security obligations, provide security guarantees, describe stable geographic boundaries between South and North Korea. This agreement should be endorsed by a resolution of the UN Security Council.

The working group believes a prospective Four Party Agreement for Korea should include the following specific elements:

Designated Parties

The parties that enter into a peace agreement which replaces the 1953 Armistice should be the “principal belligerents” that fought in the Korean War – China, the United States, North Korea and South Korea.¹¹ The support of both China and the U.S. for the agreement will be essential. They are the two outside powers with the greatest influence over events on the peninsula and whose interests must primarily be taken into account for the agreement to be stable over time. Endorsement of this agreement by the UN Security Council will ensure that other interested states remain invested in its positive implementation.

Legal Measures for Final Settlement of the Korean War

As a document settling the Korean War under international law, a Four Party Agreement could model itself on provisions of the 1990 Final Settlement with Respect to Germany.¹² In this short agreement, East and West Germany were joined by France, the Soviet Union, Britain and the United States in establishing a unified German state and terminating all the “rights and responsibilities” of the four outside powers “relating to Berlin and to Germany as a whole.”

Although Korean reunification would not be the subject of the negotiations to replace the Armistice with a comprehensive settlement, the 1990 Final Settlement on Germany contains a number of measures that are conceptually relevant to Korea, including denuclearizing German territory, establishing stable external borders, instituting military force ceilings and

reductions, and reaffirming provisions of the United Nations Charter, the Nuclear Nonproliferation Treaty and the Conference on Security and Cooperation in Europe (CSCE).

Consistent with the 1990 Final Settlement for Germany, a Four Party Agreement should include provisions that affirm:

- Formal cessation of hostilities among the parties
- Recognition of the sovereignty and territorial integrity of both Korea
- Obligations not to use force or threaten the use of force
- Renunciation of the manufacture, possession and control of nuclear, biological and chemical weapons as well as the stationing of such weapons on the Korean peninsula
- The need for conventional force reductions and redeployment of forces on the Korean peninsula
- Security guarantees that the United States and China would extend to both Korea¹³
- The right of the parties to adhere to alliance relationships and to station allied forces on their territories
- The goal of achieving peaceful Korean national reunification under conditions acceptable to the people of both South and North Korea

Establishing Geographic Boundaries Between North and South Korea

The parties to the 1953 Armistice established a cease-fire line known officially as the Military Line of Demarcation (MDL) between North and South Korea. The line bisects the DMZ and runs about 248 kilometers roughly along the 38th parallel. In the Basic Agreement of 1992, both North and South Korea accepted the MDL as their border, prior to a peace settlement.

A new Four Party Agreement for the peninsula should reaffirm a mutually agreed boundary between South and North Korea pending reunification. As part of this arrangement, the parties might well want to adopt cooperative monitoring arrangements which have been developed by the Cooperative Monitoring Center (CMC) at Sandia National Laboratories. Cooperative monitoring utilizing advanced sensor technologies can be put in place at the DMZ and along the NLL to build habits of cooperation while minimizing potential conflicts.

U.S.-North Korea Agreement

While a Four Party Agreement will go far to settle outstanding political and legal issues between the United States and North Korea, a bilateral agreement is a critical part of the series of measures for establishing a comprehensive settlement on the peninsula. The

objective of this agreement is to normalize relations between the two countries, end their deep distrust of each other, and lay the basis for future political and economic cooperation.

In so doing, it would provide means for addressing U.S. grievances against North Korea that go beyond the scope of the Four Party Agreement – such as prohibiting counterfeiting and resuming joint-recovery operations for U.S. servicemen missing since the Korean War. More than any other measure, a bilateral agreement will directly improve U.S.-North Korea relations and assist the U.S. in achieving its strategic policy goals in Korea. (Rather than negotiating a single agreement, the U.S. and North Korea might instead choose to negotiate several agreements that, taken together, adjust and normalize the overall bilateral relationship).

Diplomatic Normalization

The U.S.-North Korea agreement would significantly reduce legal, political and economic barriers that currently inhibit relations. Formally establishing diplomatic relations and exchanging ambassadors, while setting up embassies in each country's capital, would be the most significant political step, both practically and symbolically. The new diplomatic relationship would facilitate communication between the two governments and enhance cooperation on various initiatives. (Currently, the State Department must rely on a limited, informal diplomatic channel through the North Korean representative to the United Nations in New York for most of its direct contacts with Pyongyang).

The bilateral agreement would address the steps that need to be taken by both sides to facilitate a change in existing U.S. laws regulations, and policies that inhibit normal U.S. relations with North Korea in the following areas. (A full discussion of these and other U.S. strictures can be found in the companion volume to this report, *“U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations”*¹⁴):

- Easing the remaining restrictions and licensing procedures for trade with North Korea, including those contained in the “Trading with the Enemy Act”
- Removing North Korea from the U.S. “Terrorism List” which currently requires the U.S. to oppose lending by international financial institutions to North Korea
- Deleting North Korea from the list of countries barred from receiving U.S. foreign aid under foreign aid appropriations laws
- Creating a process for returning frozen assets to North Korea

Trade Relations

The working group noted that in June 2000 the U.S. removed all but a few of the trade restrictions on North Korea while retaining prohibitions on the sale of weapons, missile-related technology, unlicensed exports of dual-use technology, and militarily useful items. For the most part, U.S. citizens may invest in, export to or import from North Korea¹⁵.

Even with the removal of North Korea-specific restrictions, however, North Korea still faces formidable obstacles to improving economic relations with the U.S. As a component

of diplomatic normalization, North Korea would demand that the U.S. grant it “Normal Trade Relations” status so that Pyongyang can avoid the very high, so-called “column 2” tariff rates imposed by U.S. law.¹⁶ Even then, as a non-market economy, North Korea would still be subject to potentially onerous U.S. anti-dumping regulations.¹⁷

In the view of the working group, the U.S. can best move toward normal, mutually beneficial economic relations by helping North Korea undertake major economic reform. The U.S. could assist North Korea in obtaining both technical and financial assistance from the World Bank, Asian Development Bank and International Monetary Fund to open its economy and become eligible for membership in the World Trade Organization (WTO). Vietnam has successfully followed this path and is a good model for North Korea.¹⁸ In the context of a bilateral agreement that establishes normal diplomatic relations, Washington’s cooperation to promote economic reform would be invaluable to Pyongyang.

Humanitarian and Development Aid

Even during the tensest periods in U.S.-North Korea relations, over the past twenty years, the U.S. has provided humanitarian aid to the people of North Korea, mainly in the form of food through contributions to the UN’s World Food Program (WFP) and fuel distributed by KEDO. This humanitarian aid has helped stabilize Washington’s relations with Pyongyang and has given North Korea’s regime a direct sense of American generosity. It helped relieve the disastrous famine that caused an estimated 600,000 to 2 million deaths in the mid-1990s.¹⁹

Since North Korea is a poor country, the U.S. would want to provide continued humanitarian aid as well as long-term development assistance under its bilateral agreement, as part of a comprehensive settlement. In so doing, the U.S. would likely insist upon greater control than it has previously obtained over the distribution of aid.

Trilateral Agreement among the U.S., South Korea and North Korea on Military CBMs and Force Dispositions

Since all arrangements on military CBMs, force levels and deployments south of the 38th parallel require approval by both the United States and South Korea, a trilateral negotiation among the U.S., South Korea and North Korea is necessary to implement CBMs as well as changes in force dispositions. The U.S. would coordinate closely with South Korea throughout these talks to determine a jointly-held position that would subsequently be discussed with North Korea.

In the view of some working group members, initial agreements on military confidence-building measures among the three parties with troops on the ground – the U.S., South Korea and North Korea – could serve as *interim steps* toward both a Four Party Agreement and a U.S.-North Korea accord. Such agreements could give “face” to Pyongyang and thus provide some political leverage to the U.S. for achieving North Korea’s denuclearization.

Among the prospective military measures that could be contained in a trilateral agreement are the following:

CBMs Similar to Those Identified in the North-South Agreement of 1992

In their “Agreement on Reconciliation, Nonaggression, Exchanges and Cooperation”²⁰ which became effective in February 1992 *but was never meaningfully implemented*, South and North Korea agreed on extensive confidence-building measures. The CBMs in this “Basic Agreement,” as it came to be known, included “control of major movements of military units and major military exercises, the peaceful utilization of the DMZ, exchanges of military personnel and information, phased reductions in armaments including the elimination of weapons of mass destruction and attack capabilities and verifications thereof.”²¹ The “civilian” articles of the Basic Agreement promised sweeping exchanges in many fields, including reunions of families separated during the Korean War.

A few significant confidence-building measures have, in fact, have been implemented since the historic summit meeting of June 2000 between South Korean President Kim Dae Jung and North Korean leader Kim Jong Il. The most well-known CBM has been a series of highly-publicized reunions of families that were separated for more than fifty years following the Korean War.

The other important and durable CBMs now in place have characteristically conferred some economic advantage on North Korea, while diminishing tensions on the peninsula. These include a 2004 agreement to avoid naval confrontations in the Yellow Sea/West Sea (which have frequently arisen during the profitable crab-fishing season) and cease propaganda activities.

The most significant agreement opens unprecedented rail and highway links between the two Koreas across the DMZ to facilitate building a new industrial zone in Kaesong (north of the DMZ) as well as travel by South Korean tourists to Mount Kumgang in North Korea.²² That agreement – which required extensive de-mining operations in border areas – has not been fully implemented by North Korea, although a recent North-South ministerial meeting agreed to take further steps to activate these links.

Conceptual breakdown and types of confidence-building measures

CBMs that should be contained in a U.S.-North Korea Agreement would significantly lower the risk of surprise attack, enhance crisis management capabilities, increase warning time, reduce risk of miscalculation, bolster communications, build trust, resolve disputes, and address the “military asymmetry” of forward-deployed North Korean artillery and missiles, just north of the DMZ. Taken together, CBMs, including the following, would help create a more stable, defensively-oriented force relationship:

- Minimizing the danger of surprise attack

- Exchange of liaison officers and stand-by monitoring teams at military headquarters and field units

- Advance notice of, and observers at, military exercises involving significant numbers of troops or capabilities
 - Deployment of sensors to monitor the movement of heavy equipment in areas near the DMZ
 - Measures for monitoring the use of storage sites for military equipment
- Reducing the likelihood of accidental war
- Hotlines between various security organizations including ministries of defense, armed forces, etc.
 - Provisions for an “open skies” regime (allowing unarmed observation flights over each country’s territory) as well the exchange of information on military capabilities such as organization, size, capabilities, and locations of military forces
 - Crisis management modalities, including formal agreement on the prevention of provocative military exercises and dangerous military activities, along with periodic exercises to test the effectiveness of these arrangements
 - An agreement modeled on the U.S.-Soviet “incidents at sea” agreement²³

Mutual Reduction and Redeployment of Forces

The working group believes that a comprehensive settlement will have to address the current array of forces on both sides of the DMZ. At the same time, it believes that a long-term presence of U.S. military forces in and around the Korean peninsula is necessary to achieve the U.S. policy goal of peace and stability in the region. In this regard, the working group noted South Korean President Kim Dae Jung’s assertion that North Korea’s leader Kim Jong Il agreed with South Korean President Kim Dae Jung, at their June 2000 summit, on the importance of a U.S. military presence in Korea “not just until [Korean] unification, but also thereafter.”²⁴

A trilateral agreement on military CBMs and force dispositions should not preclude a continued U.S. military deployment in Korea. Meanwhile, Washington and Seoul should adjust the level and types of U.S. and South Korean forces in a manner consistent with a comprehensive settlement and reciprocal North Korean actions.

Currently, the United States is moving *unilaterally* to reduce the size of USFK and redeploy it away from the DMZ, as part of the global transformation of the U.S. military (through the Global Posture Review) and the global war on terrorism. The Pentagon is also taking into account the domestic political environment in which USFK operates – particularly, the lower tolerance of the South Korean public for military-related accidents and military exercises held close to civilian areas. At the same time, South Korea is seeking a stronger self-defense capability while reducing the overall size of its forces. The U.S. has agreed to turn over to South Korea the wartime operational control of South Korean forces in Korea (which is currently assumed by the commander of the Combined Forces Command) by 2012.

While the working group has no settled opinion on what the ultimate size and deployment of U.S. forces should be under a comprehensive settlement, it believes the U.S. should insist on major reductions and redeployments from North Korea which relate not only to what the U.S. is already doing unilaterally, but also to negotiated force balances for the Peninsula as a whole. The goal of this mutual restructuring of forces, preceded by CBMs, is to create a more stable, defensively-oriented force.²⁵

The normally-applied principle of reciprocity in force reductions and redeployments needs to be modified to reflect the *asymmetrical* threat that forward-deployed North Korean forces pose to Seoul. It will be essential to initially redeploy far to the rear and ultimately eliminate North Korea's forward-deployed artillery and short-range missiles so they are no longer a threat to Seoul. Merely thinning out or pulling back deployments of troops and tanks would do little to enhance South Korea's security.

Beyond setting new force ceilings and mandating force redeployments, a trilateral U.S.-South Korea-North Korea agreement should provide for reductions in military equipment in specified categories. In addition to the five categories of Treaty-Limited Equipment (TLE) utilized in the Conventional Armed Forces in Europe Treaty (CFE) – tanks, artillery, armored combat vehicles, combat aircraft and attack helicopters – a trilateral agreement should include a categories for short-range missiles and air defenses.

(North Korea possesses an air defense system that poses a major threat to the U.S. and South Korean air forces in the event of war). At some point, the U.S., South Korea and North Korea will also have to reach a phased agreement on removing landmines from broad swaths of the DMZ, to foster normalization of relations.

Finally, it will be essential to establish a body for supervising the intrusive measures that will be required to verify a trilateral agreement on conventional forces. This body could be conceptually similar to the “military commission” established in the Basic Agreement of 1992 for implementing CBMs, arms control measures, and redeployments of forces.

A new military commission would replace and perform the functions of “what has worked” in the past, specifically the consultative frameworks provided by the Military Armistice Commission and the Neutral Nations Supervisory Commission (NNSC). Created under the 1953 Armistice, the MAC has previously served as an open channel of communications, tension reduction and problem-resolution, while the NNSC served as an inspection and compliance organization. Although the MAC and NNSC are currently moribund, a replacement mechanism would assist greatly in verifying and monitoring the military provisions of new a comprehensive settlement.

Cooperative Threat Reduction

Three U.S. administrations and successive U.S. Congresses have been strong supporters of the program of “cooperative threat reduction” initiated in 1991 by former Senator Sam Nunn (D-GA) and Senator Richard Lugar (R-IN). The Nunn-Lugar program provided financing at the level of \$600 to \$700 million or more per year to help nations of the former Soviet Union expedite dismantlement of nuclear weapons systems and prevent proliferation

of weapons of mass destruction. The original Nunn-Lugar program has been amended so that it can be utilized for the solution of security problems in Northeast Asia.

The Nunn-Lugar precedent should be applied to dismantling ballistic missile launch sites and steering North Korea away from the export of missiles and missile technology.²⁶ It would help convert weapons production facilities in North Korea to peaceful pursuits, for example, by encouraging (and providing incentives for) scientists engaged in weapons research to shift their research toward civilian activities.

Although less appealing to Congress, there has been budgetary support for converting whole cities (in the former Soviet Union) to civilian industry. This “Nuclear Cities Initiative” should be applied to Yongbyon, the site of North Korea’s known reactors. Funding for programs like these need not depend just on the United States or South Korea. The European Union, Japan and even China or Russia should also be involved.

Agreement on a Multilateral Organization for Security and Cooperation in Northeast Asia

The final critical component of a comprehensive settlement in Korea is a multilateral organization for security and cooperation. Although broader in scope than Korea, and likely to be formed with a larger set of nations, taken together with a Denuclearization Agreement, Four Party Agreement, and a U.S.-North Korea agreement, a regional multilateral forum would serve to improve U.S. relations with North Korea while meeting the need for strengthened security arrangements among the major powers in Northeast Asia. Thus, a multilateral organization of this kind will help realize U.S. strategic policy goals for the region as a whole.

The tasks of a new multilateral security organization in Northeast Asia are numerous. They include:

- Promoting the peaceful resolution of disputes
- Resolving misunderstandings and preventing miscalculations
- Encouraging transparency in the mutual relations of the member states
- Affirming a joint commitment not to use or threaten force in mutual relations
- Enhancing regional economic cooperation within the larger framework of the global economy
- Contributing to higher living standards of all the people living in the area
- Promoting the free movement of people, information, and ideas among their nations
- Fostering an improved mutual understanding of each other’s histories and cultures²⁷

President George W. Bush and South Korean President Roh Moo-hyun underscored the potential value of a multilateral security and cooperation organization in Northeast Asia in their joint declaration of November 17, 2005, when they agreed “to make common efforts to develop a regional multilateral security dialogue and a cooperation mechanism so as to jointly respond to regional security issues.”²⁸ President Roh recently reaffirmed the importance he attaches to such a mechanism as a follow-on to the Six Party talks.²⁹

A Multilateral Forum and North Korea

A multilateral forum would significantly strengthen a comprehensive settlement in Korea by helping induce North Korea to adopt international norms and thus transform its behavior. A forum would assist in integrating Pyongyang into the regional and global economy, furthering its internal economic reform. Overall, a regional forum would give substance to promises that North Korea will benefit from a future of peace and prosperity through abandoning its nuclear weapons program, ending its largely self-imposed isolation, and cooperating closely with its neighbors.

A multilateral organization for security and cooperation bears specific importance for the current nuclear negotiations with North Korea. A multilateral forum would confer valuable strategic benefits on the U.S. if the Six Party talks *either* succeed in reaching a resolution of the nuclear issue *or* if these negotiations ultimately fail.

If the Six Party talks are successful, a multilateral forum that includes Pyongyang could play a critical role in managing the dismantlement of North Korea’s nuclear weapons program, ensuring it adheres to international nonproliferation norms, and cooperates with inspectors seeking to verify the agreement. With the demise of KEDO (the Korean Peninsula Energy Development Organization), a new multilateral mechanism is necessary for performing these important functions.³⁰

On the other hand, if the Six Party talks enter another long impasse or collapse, a regional five party multilateral security structure which excludes Pyongyang would provide an institutional framework for maintaining effective sanctions, preventing proliferation and managing a potentially hostile North Korea. North Korea would certainly object to this arrangement whose purpose would be to further Pyongyang’s isolation from the international community and contain its disruptive behavior.

A Multilateral Forum and the Northeast Asia Region

More broadly, a new multilateral forum – which has also been termed a regional “peace and security mechanism” – would help realize U.S. policy goals for Northeast Asia *as a whole*, especially by helping establish long-term peace and stability in the region. Dangerous balance-of-power politics have begun taking hold in Northeast Asia to offset the rising power of China. As part of its quest for “normal nation” status, Japan has been moving simultaneously to improve diplomatic relations with Russia and to align itself more strongly against China on the incendiary Taiwan issue. Some nationalists in South Korea have called for their country to move closer to Beijing. They foresee conflict with Korea’s traditional enemy, Japan, and an end to the U.S.-South Korea alliance.³¹ Additionally, lingering territorial disputes and “history” issues create the potential for serious regional conflict.

The United States still plays a critical role in Northeast Asia, although its influence is less than in the past. Both South Korea and Japan, for example, have obliged the Bush administration by sending troops to Iraq. However, the United States is reducing its military presence in South Korea and it has encouraged Japan to take on additional roles and missions within the U.S.-Japan security alliance.

Political and security issues between China and the United States continue to generate frictions while on the crucial economic front, U.S.-China trade and financial problems are multiplying. All three major economic powers of Northeast Asia – China, Japan, and South Korea – are seeking to diversify their currency holdings, looking to have relatively fewer dollars in their reserves. All three are thinking about a trade bloc of Asian nations.

A multilateral security and cooperation forum would significantly assist in developing a regional security community which could mitigate tensions, resolve disputes and engender all-important “habits of cooperation.” By fostering communication, promoting common interests and creating greater transparency, a multilateral forum would help manage inevitable crises and lessen the chance of military confrontation. Modeled on existing multilateral security frameworks in both Europe and Asia – including the Organization for Security and Cooperation in Europe (OSCE) and the Shanghai Cooperation Organization – a new multilateral forum in Northeast Asia would have an agenda organized around three areas: security, economics and humanitarian issues.³² In the security basket, the parties would develop new region-wide transparency and confidence-building measures.

Nuclear nonproliferation issues should be included as well as terrorism, plans for military modernization and missile defenses. In the economic basket, the parties would promote regional development, for example by discussing plans for constructing natural gas pipelines to meet pressing future energy needs as well as developing transportation infrastructure and forming an energy cooperation network. In the humanitarian basket, the parties would discuss implementing international norms of behavior (including human rights standards), alleviating poverty and poor medical care, and assistance to refugees. They should also address ways to end the pervasive trafficking in women and children.

A new multilateral forum in Northeast Asia need not have a large bureaucracy. In fact, the Conference on Security and Cooperation in Europe, the forerunner of today’s OSCE, did without any international bureaucracy for the first 15 years of its existence.³³ Governments of the host countries arranged regular meetings including major Review Conferences and other important conferences which developed and expanded upon the general prescriptions of the Helsinki Final Act. It was only in 1990 that regular, inter-governmental summits and ministerial meetings began to take place pursuant to the Paris Charter for a New Europe. At that point, CSCE became OSCE and acquired a permanent secretariat based in Vienna.³⁴

U.S. leadership will be required to realize a multilateral security and cooperation forum in Northeast Asia. In recent years, Washington has endorsed the idea of a regional security framework (e.g., in the November 2005 joint presidential declaration noted previously) but, as noted previously, has not put real diplomatic and political muscle behind it. Given the important role that a multilateral forum could play in a comprehensive settlement for Korea, the U.S. now has an even more compelling rationale for mobilizing the necessary regional support to implement this new security framework.

VI. Other Regional Agreements

Although North and South Korea would both play central roles in negotiating a Four Party Agreement, they would also require – and insist upon – a separate, direct negotiation to take up issues of deep bilateral concern. Similarly, Japan and North Korea will want to conclude an agreement for resolving issues central to the normalization of their bilateral relations, specifically including the question of Japanese citizens abducted by North Korea during the Cold War.

Although these additional agreements are not explicit components of a comprehensive settlement in Korea, they are critical to its success. The U.S. should strongly support South Korea and Japan in negotiating these important bilateral agreements with North Korea.

South Korea – North Korea Agreement

The history of North-South agreements dates to 1972 when then South Korean President Park Chung-hee and North Korean leader Kim Il-Sung approved a Joint Communiqué which set out broad principles of Korean unification – the long-standing goal of both governments. Only one concrete result followed from the Communiqué – a military hotline which North Korea unilaterally severed in 1976 after a military confrontation with U.S. and South Korean forces at the DMZ.

The “Basic Agreement” between South and North Korea, which became effective in February 1992, called explicitly for both governments to “together endeavor to transform the present state of armistice into a firm peace between the two sides....”³⁵ Unlike the 1972 pact, the Basic Agreement outlined a number of security-related CBMs as well as measures concerning North-South reconciliation, nonaggression, exchanges of people, and economic cooperation.

South and North Korea also negotiated a “Joint Declaration for the Denuclearization of the Korean Peninsula,”³⁶ which prohibited plutonium reprocessing and uranium enrichment facilities. It became effective at the same time as the Basic Agreement – and, like the Basic Agreement, was never implemented.

The other important measure which would contribute to the framework of a new North-South agreement is the “North-South Declaration” of June 15, 2000. Signed by South Korean president Kim Dae Jung and North Korean leader Kim Jong Il at their historic summit meeting, this declaration underscores the deeply-felt aspiration of Koreans, on both sides of the DMZ, for “the peaceful reunification of the country.”³⁷

The first of five points in the June 2000 declaration stresses the independent role of the two governments in reaching a resolution of fundamental national issues: “the North and the South agreed to solve the question of the country’s reunification independently by the concerted efforts of the Korean nation responsible for it.” Other points in the declaration call for work on the political aspects of reunification, settlement of “humanitarian issues” including the separation of families, “balanced development of the national economy

through economic cooperation”, and building “mutual confidence by activating cooperation and exchanges in all fields, social, cultural, sports, public health, environmental and so on.”³⁸

A new North Korea -South Korea agreement, as one component of a comprehensive settlement, would likely draw on or reaffirm all these prior agreements. In the working group’s view, the United States should support its South Korean ally in negotiating any such agreement with North Korea while not attempting to dictate its terms. Consistent with the U.S.-South Korea Alliance, South Korea can be expected to work closely with the United States in order to assure respect and protection of U.S. “equities” in pursuing a direct agreement with North Korea.

Following the outlines of the Basic Agreement, among the provisions that a new North Korea – South Korea agreement might contain are the following:

- Declarations regarding common efforts toward peaceful reunification, non-interference in internal affairs, non-aggression, peaceful resolution of disputes, and pursuing cooperation to promote the “interests of Korea in the international arena”³⁹
- Establishing a “South-North Political Committee” to consider political measures for furthering national reunification
- Engaging in accelerated economic exchanges and cooperation to allow joint development of resources and industrial zones
- Promoting cooperation in various fields such as science and technology, education, literature and the arts, sports, environment and media
- Reconnecting rail and highway links as well as opening sea and air routes
- Linking facilities for post and telecommunications
- Permitting greater freedom of movement on the Korean peninsula, especially to facilitate reunions of divided families and resolve other humanitarian issues

Japan – North Korea Agreement

Japan is often the target of harsh North Korean rhetoric, reflecting enmity arising from Japan’s colonization of the Korean peninsula between 1910 and 1945. North Korea’s missile tests have been directed toward Japan and Japan is clearly at risk from a possible North Korean nuclear attack. A settlement with North Korea which furthers peace and stability in Korea would strongly advance Japan’s national interests, from both a security and economic perspective. But this settlement cannot be complete without a bilateral Japan – North Korea agreement that normalizes relations between the two countries.

At present, the primary issue in Japan-North Korea negotiations is the repatriation of Japan’s citizens abducted by North Korea during the Cold War. North Korea admitted in 2002 to kidnapping thirteen Japanese for the purpose of training its spies, and then returned five

abductees to Japan, while claiming that the remaining eight people had died. To move forward with normalization of diplomatic relations, Japan requires a full accounting beyond what North Korea has provided to date.

For its part, North Korea seeks promised reparations for the period of Japan's colonization. In the working group's view, the U.S. should strongly support Japan's efforts to resolve the abduction issue, while encouraging Tokyo to frame its negotiating approach so it leads to diplomatic progress and does not hinder reaching broader policy goals.

VII. Recommendations

To achieve its strategic goals in Korea and Northeast Asia, the Atlantic Council working group believes the U.S. should seek a comprehensive and durable settlement for the Korean peninsula. Pursuing a set of parallel negotiations on political, economic and security issues, *alongside the denuclearization talks*, will specifically facilitate reaching a nuclear agreement as well as other strategic U.S. policy goals.

An enlarged negotiating agenda that addresses all underlying security concerns will provide the United States with significantly greater diplomatic leverage. By enabling the U.S. to assert a variety of additional pressures on North Korea as well as provide new incentives, it would strengthen the U.S. hand in achieving a denuclearization accord. The aim of this broader negotiation would be not just a nuclear-free North Korea, but also long-term peace and stability on the Korean peninsula and in the region as a whole, strongly furthering U.S. interests.

The working group recommends the following steps that the U.S. should take:

- Express a strong U.S. commitment to achieve a comprehensive settlement in Korea both to facilitate the success of the denuclearization talks and to resolve other critical security issues on the peninsula. Peace arrangements would take the form of a series of measures which includes a Denuclearization Agreement, a Four Party Agreement that replaces the 1953 Armistice, a U.S.-North Korea agreement, a trilateral U.S.-South Korea-North Korea agreement on military measures, and an agreement establishing a multilateral organization for security and cooperation in Northeast Asia.
- Proceed reciprocally and step-by-step in a Denuclearization Agreement toward the complete, verifiable and irreversible dismantlement of North Korea's nuclear weapons program, including the removal of spent nuclear fuel, the destruction of existing bomb and warhead stockpiles, and the implementation of a full protocol for verification and inspection to ensure ongoing compliance.
- Pursue a Four Party agreement among South Korea, North Korea, China and the United States to replace the 1953 Armistice with a new overall political and legal structure for long-term peace and stability on the Korean peninsula. Among other measures, this agreement would provide for a formal cessation of hostilities in Korea, recognize the sovereignty and territorial integrity of both Koreas, extend U.S. and Chinese security guarantees to North and South Korea, and affirm the goal of eventually achieving Korean national reunification. This agreement should be endorsed by a resolution of the UN Security Council.
- Negotiate a bilateral agreement with North Korea – in close coordination with South Korea – to settle outstanding political and legal issues, normalize diplomatic relations, and provide U.S. assistance to foster economic development and economic reform in North Korea. The bilateral agreement would address the steps to facilitate a change in existing U.S. laws regulations, and policies that inhibit normal U.S. relations with North Korea, as described in the companion volume to this report, *“U.S.-North Korea Relations: An Analytic Compendium of U.S. Policies, Laws and Regulations.”* Rather than negotiating a

single agreement, the U.S. and North Korea might instead negotiate several agreements that, taken together, adjust and normalize the overall bilateral relationship.

- Negotiate a trilateral agreement among the United States, South Korea and North Korea to implement military CBMs as well as to adjust deployments and force levels on the Korean peninsula. In these talks, the U.S. and South Korea would first agree between themselves on appropriate military measures and then negotiate their implementation with North Korea.
- Aggressively explore establishing a new multilateral organization for security and cooperation in Northeast Asia both to manage North Korea-related issues and to help realize U.S. strategic policy goals for the region as a whole. Modeled on OSCE and other existing multilateral security frameworks, the new multilateral organization would pursue an agenda focused on security, economic and humanitarian issues.
- Convene an on-going series of meetings of foreign ministers of the countries involved in negotiating a comprehensive settlement – South Korea, North Korea, China, Japan, Russia and the United States – for the purpose of overseeing these negotiations and forming the nucleus of a new multilateral organization for regional security and cooperation. An initial meeting of foreign ministers, agreed to in the Six Party “joint agreement” of February 13, 2007, should take up these issues.
- Immediately propose military confidence-building measures, from among those contemplated for a trilateral agreement, to reduce the risk of unintended war as steps toward a comprehensive settlement. These *interim measures* would contribute to the necessary political confidence among the parties for negotiating a comprehensive settlement.
- Seek bipartisan consensus in the Congress on U.S. diplomatic objectives regarding Korea. While leadership on North Korea issues remains firmly with the administration,⁴⁰ bipartisan Congressional support will be critical for realizing a comprehensive settlement and funding for any arrangements agreed with the North.
- Synchronize U.S. strategy more effectively with South Korea. Clearly, a strong U.S. effort to achieve a comprehensive settlement on the Korean peninsula, in and of itself, would significantly improve U.S. alliance relations with South Korea. Nevertheless, because a U.S. leadership role in pursuing a comprehensive settlement would once again thrust the U.S. to the forefront in determining a historical political outcome in Korea, Washington should exert all possible efforts to coordinate its negotiating positions with Seoul and strengthen cooperation through the Strategic Consultation for Allied Partnership (SCAP), a new set of diplomatic meetings agreed upon in January 2006.

VIII. Concluding Note

The working group believes that pursuing a comprehensive settlement in Korea through parallel negotiations on political, security and economic issues, *alongside the denuclearization talks*, will specifically facilitate reaching a nuclear agreement as well as other strategic U.S. policy goals in Korea and Northeast Asia. This report outlines the prospective elements of a comprehensive settlement in Korea in the hope that it will assist and guide U.S. policymakers and diplomats.

Given the unpredictable nature of diplomacy with North Korea, it may well be that only some of the proposed elements are necessary and they should be implemented in a sequence that is best determined at a future time. Nevertheless, the working group believes that all these elements are ripe for current consideration and the U.S. should move now toward a comprehensive settlement of security, political and economic issues on the Korean peninsula.

Annex A. Comments on the Report

It is very difficult to negotiate with North Korea and limiting the focus of negotiations, in my opinion, helps get results. I agree that to reach a final agreement on nuclear issues, the United States very likely will have to proceed toward normalization of relations with the North, which is on the table in the context of the February 13, 2007 “joint agreement.”

To reach an agreement on nuclear issues, North Korea will want some economic/energy assistance and Japan will have to be player in the overall arrangements. Both of these issues are also on the table as part of the February 13 agreement. Taken together, these various elements offer the prospect of a realistic agreement which meets the diplomatic objectives of both Washington and Pyongyang.

I do not think adding more issues to the negotiations in the short-term – such as confidence-building measures and force disposition issues or a possible agreement to replace the 1953 Armistice and a North-South agreement – will assist considerably in reaching an immediate nuclear agreement with North Korea. We can deal with these issues later, and trying to do so soon could make reaching agreement on the core nuclear questions more difficult than it is already.

I recognize that the February 13 agreement also put a Northeast Asia “peace and security mechanism” on the table. While I favor such a mechanism and would like to see it succeed, it potentially involves many more issues than just those involving North Korea and I believe it is better to keep discussions on it outside the nuclear talks. I also think it is necessary to take up important missile issues with Pyongyang.

Over time, if the nuclear negotiations succeed, I think we may well be able to affect significantly North Korea’s force dispositions, replace the Armistice, and facilitate a North-South agreement. However, I am doubtful that we should let these issues become part of the current effort. So, in substance, my critique goes both to questions of timing and effectiveness of negotiation. My judgment is that it is better to put less on the table at the outset and address other important issues as the second step of a two-step process.

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This report provides a very thoughtful analysis of U.S. relations with North Korea and some very desirable policy elements. In particular, its emphasis on the need for a broad package of agreements is a welcome move toward achieving a range of US strategic goals. However, the report does not fully come to grips with the difficult policy tradeoffs in terms of U.S. willingness to take steps that could have the effect of prolonging the current North Korean regime in return for achieving other strategic goals.

Specifically, while the report identifies ‘transforming the behavior of the North Korean regime’ as one of the strategic US policy goals, the recommendations may well lead to reducing the incentives for political reform at least in the near term. Moreover, there is, in my judgment, very little prospect of complete denuclearization by North Korea absent a dramatic change in the political environment both in North Korea itself and in the region.

The report does not address what we should do in the case of partial North Korean compliance – e.g., a freeze on production of new fissile material, but not complete and verifiable elimination of past nuclear efforts. An all-or-nothing approach contributed to the deterioration of the security situation in North East Asia over the past six years and we should be wary of replicating it again.

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