

# CRS Report for Congress

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

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## Summary

The United States has had a military alliance with South Korea and important interests in the Korean peninsula since the Korean War of 1950-53. Many U.S. interests relate to communist North Korea. Since the early 1990s, the issue of North Korea's development of nuclear weapons has been the dominant U.S. policy concern. Experts in and out of the U.S. government believe that North Korea has produced at least six atomic bombs, and North Korea tested a nuclear device in October 2006. In 2007, a six party negotiation (between the United States, North Korea, China, South Korea, Japan, and Russia) produced agreements encompassing two North Korean and two U.S. obligations: disablement of North Korea's Yongbyon nuclear installations, a North Korean declaration of nuclear programs, U.S. removal of North Korea from the U.S. list of state sponsors of terrorism, and U.S. removal of North Korea from the sanctions provisions of the U.S. Trading with the Enemy Act. In June and July 2008, North Korea and the Bush Administration announced measures to implement fully the agreements by October 31, 2008.

The Bush Administration has subordinated to the nuclear other North Korean activities that affect U.S. interests. North Korean exports of counterfeit U.S. currency and U.S. products produce upwards of \$1 billion annually for the North Korean regime. North Korea earns considerable income from sales of missiles and missile technology cooperation with countries like Iran and Syria. It has developed short-range and intermediate range missiles, but it has failed to develop an intercontinental ballistic missile. It is estimated to have sizeable stockpiles of chemical and biological weapons. North Korean involvement in international terrorism has included the kidnapping of Japanese citizens, reportedly arms and training to the Hezbollah and Tamil Tigers terrorist groups, and cooperation with the Iranian Revolutionary Guards in development of missiles and nuclear weapons. U.S. human rights groups are involved in responding to the outflow of tens of thousands of North Korean refugees into China, due to severe food shortages inside North Korea and the repressive policies of the North Korean regime. U.S. and international food aid to North Korea has been provided since 1995 but has declined since 2002. The Bush Administration in 2008 committed 500,000 tons of foodgrains..

South Korea followed a conciliation policy toward North Korea under the administrations of Kim Dae-jung and Roh Moo-hyun; but President Lee Myung-bak, elected in December 2007, states that he will link South Korean aid to North Korea more closely to the nuclear issue and will press North Korea on human rights. North Korea responded by cutting off most contacts with the Lee government. The United States signed a Free Trade Agreement (FTA) with South Korea (the seventh largest U.S. trading partner) in 2007. There is support but also opposition to the FTA in both the United States and South Korea, and U.S. congressional support of the FTA appears unlikely in 2008. The U.S. and R.O.K. military establishments have agreed since 2004 on the relocation and withdrawals of U.S. troops in South Korea and on the disbandment of the unified military command and establish separate U.S. and R.O.K. military commands. However, recent Pentagon policies and South Korean government decisions indicate either delays in implementing the agreements or new limits on withdrawals and relocations.

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

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

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

The United States maintains about 28,000 troops there to supplement the 650,000-strong South Korean armed forces. This force is intended to deter North Korea’s (the Democratic People’s Republic of Korea — D.P.R.K.) 1.2 million-man army. Since 1991, U.S. attention has focused primarily on North Korea’s drive to develop nuclear weapons. However, other North Korean policies and actions have affected U.S. interests including proliferation of missiles and other weapons of mass destruction to Middle Eastern countries, support for terrorist groups in the Middle East and South Asia, counterfeiting of U.S. currency and U.S. products, human rights abuses, and policies that have forced thousands of North Koreans to flee to China as refugees. North Korean policies are important issues in U.S. relations with China and Japan.

The United States is South Korea’s third largest trading partner (replaced as number one by China in 2002) and second largest export market. South Korea is the seventh-largest U.S. trading partner. Total trade is close to \$80 billion annually. In 2007, the United States and South Korea signed a Free Trade Agreement (FTA). President Bush has not submitted the FTA to Congress for approval. If approved, it would be the second largest U.S. FTA; only the North American Free Trade Agreement would be larger.

## Relations with North Korea

The Bush Administration, throughout its time in office, has concentrated on North Korea's nuclear weapons program in its policy toward North Korea. Other issues, from North Korean missiles to human rights, have been subordinated. After the breakdown of the 1994 U.S.-North Korean Agreed Framework in late 2002 and North Korea's resumption of plutonium production, the Bush Administration and China organized a six party negotiation to deal with the nuclear issue. Besides the United States and China, the other members of the six party talks are North Korea, South Korea, Russia, and Japan.

**Nuclear Weapons and the Six Party Talks.** (For additional information on this subject, see CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy* and CRS Report RL34256, *North Korea's Nuclear Weapons, Latest Developments*.) On October 9, 2006, North Korea conducted its first nuclear test, a small plutonium explosion of less than one kiloton (3-4 percent of the explosion power of the Nagasaki plutonium atomic bomb).<sup>1</sup> U.S. intelligence agencies estimated that North Korea has about 50 kilograms of nuclear weapons grade plutonium that it extracted from its operating five megawatt nuclear reactor at Yongbyon. Using six kilograms per weapon, this would be enough for six to eight atomic bombs.<sup>2</sup>

On June 26, 2008, the North Korean government and the Bush Administration took measures to implement a nuclear agreement that they originally negotiated throughout 2007, first in the form of a six party accord of February 2007 and then in another six party accord of October 2007. The details were finalized in April 2008 at a meeting of the chief U.S. and North Korean negotiators in Singapore.

The agreement consists of two obligations each for North Korea and the United States to fulfill. North Korea is to allow a process of disablement of its plutonium nuclear facilities at Yongbyon. Between early 2003 and the summer of 2007, the Yongbyon facilities produced weapons grade plutonium, which North Korea reportedly used to produce a number of atomic bombs. The disablement process began in October 2007. The Bush Administration claims that 8 of 11 components of the disablement process have been completed and that close to 50% of nuclear fuel rods in the Yongbyon nuclear reactor have been removed.<sup>3</sup> Administration officials have stated that disablement of the Yongbyon installations would be extensive enough so that it would take North Korea about a year to restart them.<sup>4</sup>

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

<sup>2</sup> Ibid.

<sup>3</sup> White House Press Spokesman, Press Fact Sheet: President Action on State Sponsor of Terrorism (SST) and the Trading with the Enemy Act (TWEA), June 26, 2008.

<sup>4</sup> Restoring disabled N.Korea nukes would need year — US, Reuters News, November 22, 2007.

North Korea's second obligation is to provide the United States and other members of the six party talks with a "complete and correct" declaration of nuclear programs. The declaration reportedly includes a statement that North Korea's stockpile of plutonium amounts to 37 kilograms. However, other components of North Korea's plutonium program reportedly are omitted from the declaration. These include the number of atomic bombs North Korea possesses and information about the facilities where North Korea produces and tests atomic bombs. The declaration also reportedly contains no information about North Korea's highly enriched uranium program or North Korea's reported nuclear collaboration activities with Iran and Syria. According to Bush Administration officials, the uranium enrichment and Syria issues are addressed in a "confidential minute."<sup>5</sup> (They have said nothing about Iran.) However, in the confidential minute, North Korea reportedly does not admit to uranium enrichment or proliferation activities with Syria. It merely "acknowledges" U.S. concerns that North Korea has engaged in these activities in the past.<sup>6</sup>

The two U.S. obligations under the agreement are to remove North Korea from the sanctions provisions of the U.S. Trading with the Enemy Act and from the U.S. list of state sponsors of terrorism. On June 26, 2008, as North Korea submitted its declaration of nuclear programs to China, the chairman of the six party talks, President Bush announced that he had removed North Korea from the Trading with the Enemy Act. He also announced that he had sent Congress notification of his intent to remove North Korea from the list of state sponsors of terrorism after 45 calendar days. Under U.S. law, the President is required to notify Congress 45 days before removing a country from the list. If Congress does not act legislatively to block North Korea's removal during the 45 day period, the White House said that North Korea would be removed on August 11, 2008.

On July 10-12, 2008, a meeting of the six parties reached agreement on principles to verify North Korea's declaration of its plutonium stockpile, including inspection of Yongbyon facilities, review of documents, and interviews of North Korean nuclear scientists and technicians. U.S. officials subsequently said that the Bush Administration had given North Korea a document containing proposals for the implementation of the verification principles. The six parties also agreed to complete by October 31, 2008, the obligation they had undertaken in the February 2007 six party agreement to supply North Korea with one million tons of heavy fuel oil or the equivalent amount of other energy assistance.

**U.S. Policy Toward North Korean Illegal Activities.** U.S. administrations have cited North Korea since the mid-1990s for instigating a number of activities abroad that are illegal under U.S. law. These include production and trafficking in heroin, methamphetamines, counterfeit U.S. brand cigarettes, counterfeit pharmaceuticals, and counterfeit U.S. currency. (For a detailed

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<sup>5</sup> Anne Gearan, "U.S. official: North Korea has agreed to intensive US verification of its plutonium production," Associated Press, June 26, 2008. Helene Cooper, "Past deals by N. Korea may face less study," *New York Times*, April 18, 2008, p. A5.

<sup>6</sup> Anne Gearan, "U.S. official: North Korea has agreed to intensive US verification of its plutonium production," Associated Press, June 26, 2008.

discussion, see CRS Report RL33324, *North Korean Counterfeiting of U.S. Currency*, and CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*.) Earnings from counterfeiting and drug trafficking reportedly go directly to North Korean leader, Kim Jong-il, through Bureau 39 of the Communist Party. He reportedly uses the funds to reward his political elite with imported consumer goods and to procure foreign components for weapons of mass destruction.

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

As part of the implementation of phase one of the February 2007 nuclear agreement (freezing the Yongbyon nuclear facilities), North Korea demanded the release of all of the \$24 million in its accounts in Banco Delta Asia before it would carry out its obligations under phase one. The Bush Administration decided on April 10, 2007, to allow the release of the \$24 million.<sup>7</sup> North Korea then demanded assurances from the Bush Administration that the U.S. Treasury Department would not penalize any foreign banks that received the transferred Banco Delta Asia money. In June 2007, the Bush administration and the Russian government arranged for the money to be transferred through the New York Federal Reserve Bank to Russia's central bank, which then forwarded the money to a private Russian bank that maintained a North Korean account.<sup>8</sup> The Treasury Department also ceased its campaign to warn and pressure foreign governments and banks to stop doing business with North Korea. Treasury Undersecretary Stuart Levey told the Senate Finance Committee on April 1, 2008, that many foreign banks had terminated their dealings with North Korea.<sup>9</sup>

In December 2007, the Japanese government revealed estimates of North Korean exports of counterfeit drugs and cigarettes. It estimated North Korea's earnings from counterfeit cigarettes at 60-80 billion yen annually (\$600-\$800 million) and up to 50 billion yen (\$500 million) from counterfeit stimulant drugs and heroin. The government said that North Korea was increasing production of counterfeit cigarettes because of increased Chinese and Japanese measures against

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<sup>7</sup> Lee Dong-min, Interview with former White House official Victor Cha, Vantage Point, June 2007, p. 22-24.

<sup>8</sup> Jay Solomon, "Money transfer advanced North Korea pact," *The Wall Street Journal Asia*, June 15, 2007, p. 22-24.

<sup>9</sup> "N.K.'s counterfeit U.S. bills still showing up: Treasury," Yonhap News Agency, April 2, 2008.

the smuggling of North Korean drugs. North Korea, it estimated, was producing about 41 billion counterfeit cigarettes annually at ten factories.<sup>10</sup> In his April 2008 testimony to the Senate Finance Committee, U.S. Treasury Undersecretary Stuart Levey stated that counterfeit U.S. dollars produced by North Korea “continue to surface.”

**North Korea’s Missile Program.** North Korea maintained a moratorium on flight testing of long-range missiles since September 1999 until the missile launches on July 4, 2006, when North Korea fired seven missiles into the Sea of Japan, including one long-range Taepodong II missile. The Taepodong II’s liftoff failed after 40 seconds, and the missile fell into the sea, an apparent failure. However, the other missiles tested successfully, reportedly including a new model of the Scud short-range missile. A previous missile test, of a Taepodong I on August 31, 1998, flew over Japanese territory out into the Pacific Ocean.<sup>11</sup>

North Korea is estimated to have more than 600 Scud missiles with a range of up to 500 kilometers, including new solid-fuel Scuds, which can be fired quickly, in contrast to liquid-fuel missiles. The range of the Scuds could cover all of South Korea. North Korea also is estimated to have deployed approximately 200 intermediate-range Nodong missiles. The Nodongs have an estimated range of 1,300 kilometers (900 miles), which could reach most of Japan.<sup>12</sup> North Korea reportedly has developed since 2003 a more accurate, longer-range intermediate ballistic missile. This new missile, dubbed the Taepodong X or the “Musudan,” appears to be based on the design of the Soviet SS-N-6 missile. It is believed to have a range of between 2,500 and 4,000 kilometers, sufficient to reach Okinawa and Guam, the site of major U.S. military bases.<sup>13</sup> In 2005, Iran reportedly purchased 18 Musudan missiles from North Korea. North Korea displayed the Musudan missile for the first time in a parade on April 25, 2007. On January 17, 2006, Iran tested successfully a “Shahab-4” missile that reached a distance of nearly 3,000 kilometers before being destroyed in mid-flight. It reportedly was the Musudan.<sup>14</sup> Tests of this missile’s engine also reportedly have been conducted in Iran.<sup>15</sup>

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

<sup>11</sup> Kim Kyoung-soo (ed.), *North Korea’s Weapons of Mass Destruction*. Elizabeth, New Jersey, and Seoul: Hollym Corporation, 2004, p. 121-148.

<sup>12</sup> Jon Herskovitz, “General alarmed by Pyongyang’s advanced missile tests,” *Washington Times*, July 3, 2007, p. A9. Jung Sung-ki, “S. Korea vulnerable to NK chemical warheads,” *The Korea Times* (internet version), October 17, 2007.

<sup>13</sup> “North Korea’s growing missile arsenal.” Reuters News, July 7, 2006. Kerr, Paul. “New North Korean missile suspected.” *Arms Control Today* (internet version), September 2004.

<sup>14</sup> “Iran develops missile with 4,000-KM range.” Middle East Newline, March 2, 2006. Vick, Charles P. “Has the No-Dong B/Shahab-4 finally been tested in Iran for North Korea?” *Global Security* (internet version) May 2, 2006.

<sup>15</sup> Takashi Arimoto, “North Korea may have tested engine combustion of a new type missile in Iran — the two countries may share data,” *Sankei Shimbun* (internet version), June 21,



In the 1990s, North Korea exported short-range Scud missiles and Scud missile technology to countries in the Middle East. It exported Nodong missiles and Nodong technology to Iran, Pakistan, and Libya. In 1998, Iran and Pakistan successfully tested medium-range missiles modeled on the Nodong. In February 2006, it was disclosed that Iran had purchased 18 BM-25 mobile missiles from North Korea with a range of 2,500 kilometers. Pakistani and Iranian tests of North Korean-designed missiles have provided “surrogate testing” that observers maintain have diluted the limitations of the September 1999 moratorium. The Iranian test of the Musudan was an example. Iranians reportedly were at the North Korean test site for the July 4, 2006 missile launches. (For further information, see CRS Report RS21473, *North Korean Ballistic Missile Threat to the United States.*)

**Weapons of Mass Destruction.** Official and unofficial estimates of North Korea’s stockpile of chemical weapons range between 1,000 and 5,000 tons, including nerve gas, blister agents, mustard gas, and vomiting agents. These estimates also cite North Korea’s ability to produce biological agents of anthrax, smallpox, and cholera.<sup>16</sup> A report in the February 2007 edition of the magazine, *Popular Mechanics*, cited the estimate of 5,000 tons of chemical weapons and also asserted that North Korea was producing biological weapons at over 20 facilities throughout the country.<sup>17</sup>

**North Korea’s Inclusion on the U.S. List of State Sponsors of Terrorism.** The removal of North Korea from the U.S. list of state sponsors of terrorism will contain no financial windfall for North Korea. For North Korea, it will end the requirement under U.S. law (P.L. 95-118, the International Financial Institutions Act) that the United States oppose any proposals in the IMF and World Bank to extend loans or other financial assistance to countries on the list of state sponsors of terrorism. North Korea may have three motives for its pressure on the Bush Administration — dating back to 2000 — to remove it from the list of state sponsors of terrorism. One is to reduce U.S. support for Japan on the issue of Japanese citizens kidnapped by North Korea and thus weaken Japanese pressure on North Korea to disclose truthful information on Japanese reportedly kidnapped. Japan had urged the United States to keep North Korea on the terrorism list until North Korea resolves Japan’s concerns over North Korea’s kidnapping of Japanese citizens. The Japanese government asserts that it has knowledge that North Korea has kidnapped at least 17 Japanese citizens. In 2002, North Korea admitted to kidnapping 13, and it claimed that of the 13, 8 were dead. Japan tightened economic sanctions and other restrictions on North Korea primarily because of the kidnapping issue. In the wake of the June 26, 2008, Bush Administration announcement of

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<sup>15</sup> (...continued)  
2007.

<sup>16</sup> U.S. Department of Defense, *2000 Report to Congress: Military Situation on the Korean Peninsula*, September 12, 2000, p. 6. Ministry of National Defense, Republic of Korea, Defense White Paper 2004, p. 45. Kim Kyoung-soo (ed.), *North Korea’s Weapons of Mass Destruction: Problems and Prospects*, p. 79-111.

<sup>17</sup> “N.Korea producing biological and chemical weapons at 32 facilities: U.S. report,” Yonhap News Agency, February 4, 2007. Karl Eiselsberg, Korea Report, August 26, 2007, p. 10-11.

intent to remove North Korea from the list of state sponsors of terrorism, North Korea agreed to reopen an investigation of the kidnapping issue; Japan responded that it would lift some restrictions on travel to North Korea and North Korean ships docking at Japanese ports. Japan, however, said it would continue its policy, first announced in 2007, of not providing money for the heavy oil shipments to North Korea under the 2007 six party nuclear agreements until there was progress on the kidnapping issue. (See CRS Report RS22845, *North Korea's Abduction of Japanese Citizens and the Six Party Talks.*)

A second North Korea motive may be to improve the prospects for normalization of diplomatic relations with the United States, which North Korea says it wants.<sup>18</sup> A possible third motive may be to remove any U.S. incentive to raise the issue of North Korea's activities in the Middle East and deny to the United States the terrorism list as a potential negotiating lever over North Korea's activities. Numerous reports indicate that North Korea's activities include providing training and weapons to Hezbollah and cooperation with the Iranian Revolutionary Guards in the development of both missiles and nuclear weapons.<sup>19</sup>

**Food Aid.** North Korea's order to the U.N. World Food Program (WFP) to suspend food aid after December 2005 significantly curtailed a ten-year program of WFP food aid to North Korea. The two-year program negotiated in early 2006 to feed small children and young women is much more limited in scope. Moreover, apparently influenced by North Korea's nuclear and missile tests, country donations to the WFP for North Korea aid declined from 2006 to the present.<sup>20</sup> However, as North Korea and the Bush Administration neared completion of their nuclear agreement in 2008, the Bush Administration committed 500,000 tons of new food aid to North Korea. Most of the food aid will go through the WFP. The WFP announced in June 2008 that it had signed a new agreement with North Korea to expand its food aid program based on the U.S. contribution and that North Korea had agreed to allow the WFP to expand its mechanisms to monitor the distribution of food.<sup>21</sup>

From 1995 through 2004, the United States supplied North Korea with over 1.9 million metric tons of food aid through the WFP. Since 2000, South Korea has extended bilateral food aid to North Korea of 400,000 to 500,000 tons of rice annually. Agriculture production in North Korea began to decline in the mid-1980s. Severe food shortages appeared in 1990-1991 and have continued since. South Korean experts stated in late 2007 that North Korea likely would produce about 3.9

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<sup>18</sup> "N Korea want normalized relations with the US," *Dong-A Ilbo* (Seoul, internet), June 6, 2008.

<sup>19</sup> Reports of North Korea's activities in the Middle East are detailed in CRS Report RL30613, *North Korea: Terrorism List Removal?*, by Larry Niksch.

<sup>20</sup> "WFP says N. Korean food aid massively underfunded," *Kyodo News*, February 9, 2007.

<sup>21</sup> Blaine Harden, "U.S. wheat begins new aid to N. Korea," *Washington Post*, July 1, 2008, p. A7.

million tons of food grain in 2008, leaving a shortfall of at least 1.4 million tons.<sup>22</sup> In September 1995, North Korea made its first appeal for international food assistance.

The WFP acknowledges that North Korea places restrictions on its monitors' access to the food distribution system, but it professes that most of its food aid reaches needy people. Several private aid groups, however, withdrew from North Korea because of such restrictions and suspicions that the North Korean regime was diverting food aid to the military or the communist elite living mainly in the capital of Pyongyang. In March 2008, the United Nations human rights monitor for North Korea criticized the "great disparity between access by the elite to food and the rest of the population." On March 20, 2008, the South Korean newspaper, *Chosun Ilbo*, published photographs taken by the South Korean military on the demilitarized zone (DMZ) showing North Korean soldiers on the other side of the DMZ loading rice sacks with the South Korean Red Cross symbol aboard military trucks and moving rice sacks to military posts. The *Chosun Ilbo* report claimed that since 2003, the South Korean military had seen the North Korean military divert more than 400 sacks of apparent South Korean rice over ten occasions to soldiers in frontline units.<sup>23</sup> Some experts also believe that North Korean officials divert some food aid for sale on the extensive black market. The regime has spent little of several billion dollars in foreign exchange earnings since 1998 to import food or medicines. The regime has not adopted agricultural reforms similar to those of fellow communist countries, China and Vietnam, including dismantling of Soviet-style collective farms. Estimates of the number of North Koreans who die of malnutrition or related causes range widely, from 600,000 to three million.<sup>24</sup>

**North Korean Refugees in China and Human Rights.** The U.S. State Department estimates that 30,000-50,000 North Korean refugees live in China. Other estimates by non-governmental organization range between 100,000 and 300,000. The refugee exodus from North Korea into China's Manchuria region began in the mid-1990s as the result of the dire food situation in North Korea.

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

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<sup>22</sup> Park Chan-kyong, "Expert tells AFP: North Korea may face famine in 2008," Agence France Presse, October 18, 2007.

<sup>23</sup> "UN raps 'military first' food access in North Korea," Agence France Presse, March 13, 2008. "Photo of N.Korea diverting rice aid to army revealed," *Chosun Ilbo*, March 20, 2008.

<sup>24</sup> Natsios, Andrew S. *The Great North Korean Famine*. Washington, U.S. Institute of Peace Press, 2001. Flake, L. Gordon and Snyder, Scott. *Paved with Good Intentions: The NGO Experience in North Korea*. Westport, Connecticut: Praeger, 2003.

China allowed refugees who had gained asylum in foreign diplomatic missions to emigrate to South Korea.

China tries to prevent any scenario that would lead to a collapse of the Pyongyang regime, its long-standing ally. Chinese officials fear that too much visibility of the refugees and especially any U.N. presence could spark an escalation of the refugee outflow and lead to a North Korean regime crisis and possible collapse. China's crackdowns are sometimes a reaction to increased visibility of the refugee issue. China's interests in buttressing North Korea also have made China susceptible to North Korean pressure to crack down on the refugees and return them. Reports since 2002 described stepped-up security on both sides of the China-North Korea border to stop the movement of refugees and Chinese roundups of refugees and repatriation to North Korea. South Korea accepts refugees seeking entrance into its missions and allows them entrance into South Korea, and it negotiated with China over how to deal with these refugees.<sup>25</sup> However, South Korea, too, opposes encouragement of a refugee exodus from North Korea.

Groups that aid North Korean refugees apparently operate an "underground railroad" that transports refugees through China into countries on China's southern border, including Thailand, Vietnam, Laos, and Cambodia. Several hundred refugees at a time reportedly are in these countries awaiting repatriation to South Korea or other countries. In early 2008, the number in Thailand was estimated at about 1,200.<sup>26</sup>

Most observers, including refugee and human rights groups, believe that the Bush Administration gave the refugee issue low priority. The Administration requested that China allow U.N. assistance to the refugees but asserted that South Korea should lead diplomatically with China. It has not raised the issue in the six party talks. The issue has been aired in congressional hearings. The North Korean Human Rights Act (P.L. 108-333), passed by Congress in October 2004, provided for the admittance of North Korean refugees into the United States. In early 2006, key Members of Congress criticized the Bush Administration for failing to implement this provision, and the Administration admitted the first group of six refugees. Assistant Secretary of State Christopher Hill told the Senate Foreign Relations Committee on February 6, 2008, that the United States had admitted 37 North Korean refugees.

The refugee issue led to increased outside attention to human rights conditions in North Korea. Reports assert that refugees forcibly returned from China have been imprisoned and tortured in an extensive apparatus of North Korean concentration camps modeled after the "gulag" labor camp system in the Soviet Union under

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<sup>25</sup> Kirk, Jeremy. "N. Korean Defections Strain Ties," *Washington Times*, February 11, 2005. p.A17.

<sup>26</sup> "Thailand urged Seoul to accept more N. Korean refugees," *Chosun Ilbo* (internet version), March 19, 2008.

Stalin.<sup>27</sup> Reports by Amnesty International, the U.S. State Department, and, most recently, the U.S. Committee for Human Rights in North Korea have described this system as holding up to 250,000 people. The United States and the European Union have secured resolutions from the U.N. Human Rights Commission expressing concern over human rights violations in North Korea, including concentration camps and forced labor. The North Korean Human Rights Act requires the U.S. executive branch adopt a number of measures aimed at furthering human rights in North Korea, including financial support of nongovernmental human rights groups, increased radio broadcasts into North Korea, sending of radios into North Korea, and a demand for more effective monitoring of food aid. However, the Bush Administration has refrained from raising human rights with North Korea in the six party nuclear talks. Assistant Secretary of State Christopher Hill has said that the United States would normalize relations with North Korea when North Korea dismantles its nuclear programs, but he also has stated that human rights will be on the agenda of normalization.<sup>28</sup> (For a complete analysis of the refugee and human rights issues, see CRS Report RL34189, *North Korean Refugees in China and Human Rights Issues: International Response and U.S. Policy Options.*)

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

South Korea’s conciliation policy included significant amounts of food and fertilizer, including 400,000 to 500,000 tons of rice annually through 2007. North-South trade surpassed \$1 billion in 2005, a ten-fold increase since the early 1990s. Seoul and Pyongyang also instituted a series of reunion meetings of members of separated families. As of 2005, nearly 10,000 South Korean had participated in reunions.<sup>29</sup>

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<sup>27</sup> “U.S. human rights report — Korea,” Yonhap News Agency, March 11, 2008.

<sup>28</sup> Statement by Assistant Secretary of State Christopher Hill to the Senate Foreign Relations Committee, February 6, 2008.

<sup>29</sup> Republic of Korea. Ministry of Unification. *Peace and Prosperity: White Paper on Korean Unification 2005*. 169 pages.

The conciliation policy also has produced three major economic projects. A tourist project at Mount Kumgang, in North Korea just north of the demilitarized zone (DMZ). Operated by the Hyundai Asan Corporation, the Mount Kumgang tourist project has hosted over one million visitors from South Korea. Another agreement is for the connecting of roads and railways across the DMZ. The roads opened in 2003, and the first train crossed the DMZ in November 2007. The third project is the establishment by Hyundai Asan of an “industrial complex” at Kaesong just north of the DMZ. South Korean companies are to invest in manufacturing, using North Korean labor. As of July 2008, 72 companies had set up facilities, employing over 30,000 North Korean workers.<sup>30</sup> The plan envisages 2,000 companies investing by 2012, employing at least 500,000 North Koreans. The wages of North Korean workers are paid in hard currency to a North Korean state agency.<sup>31</sup>

The Mount Kumgang and Kaesong projects have been a significant source of finances for North Korean leader, Kim Jong-il. The Mount Kumgang tourist project resulted in large South Korean monetary payments to Kim Jong-il through both official payments and secret payments by Hyundai Asan, especially in the 1999-2001 period.<sup>32</sup> It also appears likely that the North Korean government keeps most of the hard currency paid to North Korean workers at Kaesong.<sup>33</sup> The Kaesong industrial complex will generate considerable foreign exchange income to the North Korean regime in the near future as it expands — an estimated \$500 million in annual wage income by 2012 and an additional \$1.78 billion in estimated tax revenues by 2017.<sup>34</sup>

President Roh and Kim Jong-il held a summit meeting in October 2007. Roh promised South Korean financing of several large infrastructure projects in North Korea, including a second industrial zone, refurbishing Haeju port, extension of North Korea’s railway line north of Kaesong, a highway between Kaesong and Pyongyang, and a shipbuilding complex in the port of Nampo.<sup>35</sup>

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<sup>30</sup> Shim Sun-ah, “Number of DPRK workers at Kaesong complex tops 30,000,” Yonhap News Agency, July 8, 2008.

<sup>31</sup> “Factbox — South Korea’s industrial park in the North.” Reuters News, June 12, 2006. Faiola, Anthony. “Two Koreas learn to work as one.” *Washington Post*, February 28, 2006. p. A10.

<sup>32</sup> CRS reported the secret Hyundai payments in 2001. The Kim Dae-jung administration denied for two years that secret payments were made. In June 2003, a South Korean special prosecutor reported that secret payments of \$500 million were made shortly before the June 2000 North-South summit. See Kang Chu-an, “North cash called “payoff” by counsel,” *Chungang Ilbo* (internet version), June 26, 2003.

<sup>33</sup> “SKorea says northern workers at joint industrial zone get paid,” Associated Press, November 11, 2006. An official of the South Korean Unification Ministry stated that North Korean workers at Kaesong received only about five percent of the monthly wage of \$57 from the North Korean agency that collects the wages.

<sup>34</sup> Moon Ihlwan, “Bridging the Korean economic divide,” *Business Week Online*, March 8, 2006.

<sup>35</sup> Norimitsu Onishi, “Korea summit meeting paves way for joint projects,” *New York Times*, October 5, 2007, p. A3.

South Korea's President Lee Myung-bak, who took office in February 2008, stated that he would continue main features of Roh Moo-hyun's policies, including the provision of humanitarian aid (food and fertilizer) to North Korea and a continuation of the Mount Kumgang and Kaesong projects. He enunciated a "3000 Policy" to help North Korea raise per capita income to \$3,000 over the next ten years. Lee, however, said he will review the infrastructure promised by Roh Moo-hyun at the October 2007 North-South summit, looking at options of canceling or postponing them. He said that he will base his decisions on these projects on the extent of progress on the North Korean nuclear issue, the economic feasibility of the projects, the financial costs, and the degree of South Korean public support.<sup>36</sup>

Lee asserted that he would link South Korean policy toward North Korea more closely to the status of the nuclear negotiations. He called for the complete dismantlement of North Korea's nuclear programs and weapons. His Unification Minister said on March 19, 2008, that it would be difficult to expand the Kaesong industrial zone until there was progress on the nuclear issue.<sup>37</sup> Lee also stated that he would reverse Roh's policy of not raising human rights issues with North Korea. He said the South Korean government would raise the issues of South Korean fishermen kidnapped by North Korea and South Korean soldiers from the Korean War still held as prisoners by North Korea.<sup>38</sup>

North Korea reacted to Lee's policy by essentially shutting down North-South relations with the exception of the Mount Kumgang and Kaesong projects, undoubtedly because they generate significant income for the North Korean government. Pyongyang expelled South Korean government officials from the Kaesong complex and rejected Lee's offer to hold annual springtime talks over the provision of food and fertilizer assistance. North Korea demanded that the Lee government honor former President Roh's October 2007 infrastructure commitments.

On July 11, 2008, Lee told the Korean National Assembly that because of "substantive progress" in the nuclear issue, South Korea would be willing to engage in "serious consultations" with North Korea on implementing existing inter-Korean agreements, including the infrastructure commitments of October 2007. North Korea immediately rejected Lee's offer. On July 11 also, a North Korean guard at the Mount Kumgang tourist project shot and killed a South Korean woman tourist. North Korea blamed South Korea for the incident, claiming the tourist had entered a forbidden area. Pyongyang rejected South Korea's request for a joint investigation of the killing. South Korea then halted all tours to Mount Kumgang.

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<sup>36</sup> Sin Sok-ho, Joint interview with President-elect Lee Myung-bak by Dong-A Ilbo, Asahi Shimbun, and the *Wall Street Journal*, *Dong-A Ilbo* (internet version), February 4, 2008.

<sup>37</sup> Choe Sang-hun, "South Korea adds terms for its aid to the North," *New York Times*, March 27, 2007, p. A6.

<sup>38</sup> *Ibid.*

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

On June 30, 2007, the United States and South Korea signed a Free Trade Agreement (KORUS FTA). If approved the agreement would be the largest FTA that South Korea has signed to date and would be the second largest (next to the North American Free Trade Agreement — NAFTA) in which the United States participates. South Korea is the seventh-largest trading partner of the United States; total trade in 2007 was close to \$80 billion. Various studies conclude that the agreement would increase bilateral trade and investment flows.

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

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

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

The South Korean National Assembly will have to ratify the FTA and the Assembly reportedly is divided closely. In the United States, auto and steel manufacturers and their labor unions oppose the agreement on the grounds that it would reduce barriers to the import of South Korean steel and automobiles and would not open the South Korean market sufficiently for U.S. autos. The U.S. agricultural community and some Members of Congress have withheld support for the FTA because of South Korea's restrictions on imports of U.S. beef.

Differences between the Bush Administration and the Democratic leadership in Congress and leading Democratic presidential candidates have made Congressional approval of the FTA unlikely in 2008. On the South Korean side, President Lee Myung-bak is weighing the timing of asking the Korean National Assembly to take up the KORUS FTA. (For more details, see CRS Report RL33435, *The Proposed South Korea-U.S. Free Trade Agreement (KORUSFTA)*.)



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

### **U.S.-South Korea Military Alliance<sup>39</sup>**

The U.S. alliance with South Korea is undergoing fundamental changes that are affecting the alliance structure and the U.S. military presence in South Korea. Four factors influenced the initiation of this process in 2003. One was the demonstration of anti-American sentiment in South Korea in 2002, particularly against the U.S. military presence in South Korea, sparked by the accidental killing of two South Korean schoolgirls by a U.S. military vehicle. Mass demonstrations against the United States ensued throughout South Korea over the U.S. military command's (USFK) handling of the incident. South Korean attitudes critical of the United States are especially pronounced among South Koreans below the age of 50, while older South Koreans remain substantially pro-U.S. South Korean polls indicated that anti-American sentiment declined after 2005, but the anti-U.S. beef protests of 2008 indicated that there is significant anti-American sentiment under the surface. Secretary of Defense Donald Rumsfeld and the Pentagon launched a program of change in the U.S. military presence in 2003, which, they said, was partly in response to the anti-U.S. protests.

A second factor was the policies of President Roh Moo-hyun, elected in 2002, who sought changes in the alliance structure to give South Korea more equality and independence from the United States. Roh made important proposals for changing the alliance structure, which Secretary Rumsfeld accepted.

A third factor was plans for a restructuring of U.S. forces in the Western Pacific that the Pentagon and the U.S. Pacific Command began to develop in the late 1990s, coupled with the need for more U.S. troops for the war in Iraq. A fourth contributing factor was the gradual recognition that the capabilities of North Korean conventional military forces have deteriorated substantially as a result of the collapse of the Soviet

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<sup>39</sup> Perry, Charles. *Alliance Diversification and the Future of the U.S.-Korean Security Relationship*. Herndon, Virginia: Brassey's, Inc., 2004. Mitchell, Derek (ed.). *Strategy and Sentiment: South Korean Views of the United States and the U.S.-ROK Alliance*. Washington, Center for Strategic and International Studies, 2004.

Union (North Korea's main supplier of arms) and the collapse of North Korea's economy in the 1990s.

The main elements of the Rumsfeld program, including his responses to President Roh's proposals,<sup>40</sup> were:

- The planned withdrawal of the U.S. Second Infantry Division of about 15,000 troops from its position just below the demilitarized zone to "hub bases" about 75 miles south at Pyongtaek. The Pentagon and the R.O.K. Ministry of Defense agreed on 2008 as the date of relocation.
- The planned relocation of the U.S. Yongsan base, which houses about 9,000 U.S. military personnel in the center of Seoul, to Pyongtaek, again originally set for 2008.
- The withdrawal of a 3,600-man combat brigade of the Second Division from South Korea to Iraq in 2004.
- The withdrawal from South Korea of an additional 12,500 U.S. troops, to be completed by the end of 2005.
- An \$11 billion U.S. plan to modernize U.S. forces in South Korea.
- Increased deployments of U.S. combat airpower into South Korea on a rotational basis.
- Acceptance of President Roh Moo-hyun's proposals to set up separate South Korean and U.S. military commands: A U.S.-South Korea (R.O.K.) operational control (OPCON) agreement will dismantle the U.S.-R.O.K. Combined Forces Command (CFC), which has been headed by the U.S. commander in Korea. Separate U.S. and R.O.K. military commands will be established. These steps are slated to begin in October 2009 and be completed by March 2012. Under the OPCON agreement, a Military Cooperation Center will be responsible for planning military operations, joint military exercises, logistics support, intelligence exchanges, and assisting in the operation of the C4I (communication, command, control, computer) system.

Except for the completed withdrawal of the ground combat brigade to Iraq, implementation of elements of the Rumsfeld program have been delayed, and other elements have been reduced in scope. The South Korean Defense Ministry pressed the Pentagon to postpone the U.S. troop drawdown to 25,000 scheduled for the end of 2005, and the Pentagon agreed to re-schedule it for September 2008. In June 2008, the Pentagon under Secretary Robert Gates announced that the drawdown

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<sup>40</sup> Charles Perry, *Alliance Diversification and the Future of the U.S.-Korean Security Relationship*. Herndon, Virginia: Brassey's, Inc., 2004.

would halt at 28,500; and it indicated that level of troop strength would be maintained indefinitely.<sup>41</sup> The relocations of the Second Division and Yongson garrison to Pyongtaek have been postponed from 2008 to 2013 because of South Korean protests of financial difficulties in paying its share of the relocation costs. In June 2008, sources in South Korea's Defense Ministry began talking of a postponement to 2016.<sup>42</sup> The Pentagon also announced that U.S. military personnel can bring families to South Korea. This will enlarge considerably the U.S. military community in South Korea and will result in much higher costs of housing and other facilities at Pyongtaek. The *Korea Times* editorialized that the rising financial costs of housing for relocated U.S. troops and their families "would prove to be a political minefield" in R.O.K.-U.S. negotiations.<sup>43</sup> Before the announcement on U.S. military families, the estimated cost of the Pyongtaek relocations was \$10.7 billion.<sup>44</sup>

Another potential challenge to the Rumsfeld program lies in the misgivings expressed by the new South Korean government and President Lee Myung-bak's Grand National Party over the OPCON agreement. This sentiment is that the OPCON agreement should be postponed or canceled. The Pentagon and the U.S. Military Command in Korea (USFK) assert that implementation should proceed.<sup>45</sup> Their commitment to the OPCON agreement would be tested within the next two years if official South Korean sentiment against it continues to build.

With the election of President Lee Myung-bak, there has been talk in South Korea and the United States about broadening the alliance beyond the Korean peninsula. The alliance operates on a very limited basis outside the Korean peninsula. President Roh Moo-hyun sent 3,600 R.O.K. troops to Iraq in 2004, the third largest contribution of U.S. allies. They have been based in the relatively secure Kurdish area in northern Iraq and have not engaged in anti-insurgency combat. Troop withdrawals will bring the R.O.K. contingent down to about 650 by the end of 2008.<sup>46</sup>

In 2007, South Korea withdrew 200 non-combat military personnel it had sent to Afghanistan, and the government has not responded to appeals of U.S. commanders since mid-2006 for U.S. allies to send ground combat troops to Afghanistan to help deal with the resurgent Taliban. In contrast to the absence of a South Korean commitment of troops to Afghanistan, eight other U.S. allies have each

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<sup>41</sup> Byun Kuk-kun and Sam Kim, "U.S. Defense Secretary dismissed additional reduction of troops in Korea," Yonhap News Agency, June 3, 2008. "U.S. may draw down forces in Korea after reunification: Commander," Yonhap News Agency, July 17, 2008.

<sup>42</sup> "US base relocation needs closer watch," *Korea Times* (internet), June 10, 2008.

<sup>43</sup> *Ibid.*

<sup>44</sup> "USFK commander to fight any move to delay US military base relocation," Yonhap News Agency, January 9, 2007.

<sup>45</sup> "Last Korea-US military talks held under Roh government," Yonhap News Agency, January 24, 2008. Robert Campbell, "U.S. commander backs S. Korea war command transfer," Reuters News, January 28, 2008.

<sup>46</sup> Andrew Salmon, "S. Korea moves to stay in Iraq," *Washington Times*, October 24, 2007, p. A1.

contributed over 1,000 troops, and another five allies have each contributed over 500 troops.<sup>47</sup> In 2007, it appears that the South Korean government paid a sizeable ransom to the Taliban to secure the release of kidnapped South Korean Christian missionaries, reported by one Taliban official to be \$20 million.<sup>48</sup> In response to a question, U.S. Ambassador-designate to South Korea, Kathleen Stephens, stated that the U.S. and South Korean governments should discuss how South Korea could contribute to the war in Afghanistan. The South Korean newspaper, *Korea Herald*, reported that U.S. Secretary of Defense Robert Gates asked South Korean Representative Chong Mong-joon of the Grand National Party for the deployment of troops to Afghanistan to train Afghan military and police personnel.<sup>49</sup> In view of President Lee's political weakness in the wake of the anti-U.S. beef protests, he likely would have difficulty in securing public support and political support in the Korean National Assembly for any proposal to send South Korean troops to Afghanistan.

The United Nations Command, established in 1950 at the start of the Korean War, is to remain under the U.S. military commander, according to the OPCON agreement.<sup>50</sup> U.S. military officials have called for negotiations with R.O.K. counterparts over the role of the U.N. Command after the U.S. and R.O.K. commands have been separated. One issue is the role of the U.N. Command in maintaining the 1953 Korean armistice, including commanding South Korean forces in fulfilling functions related to the armistice. Another is the authority of the U.N. commander in wartime once U.S. and R.O.K. commands are separated.<sup>51</sup>

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

The total cost of stationing U.S. troops in South Korea is over \$2 billion annually. The South Korean direct financial contribution for 2007 was

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<sup>47</sup> Department of Defense table published in the *Washington Times*, January 17, 2008, p. A10.

<sup>48</sup> Saeed Ali Achakzai, "Seoul said to have ransomed hostages," *Washington Times*, September 2, 2007, p. A1. Andrew Salmon, "Top spy skirts ransom question on hostages," *Washington Times*, September 7, 2007, p. A15.

<sup>49</sup> Lee Joo-hee, "Korea faces tough balancing act with U.S. request list," *Korea Herald* (internet version), April 14, 2008. "Envoy-nominee to Seoul highlights Afghan, N.K. Issues," Yonhap News Agency, April 10, 2008.

<sup>50</sup> Jin Dae-woon. "Korea, U.S. compromise on command transfer." *Korea Herald* (internet version), October 22, 2006.

<sup>51</sup> Jin Dae-soong. "Speculation rises over U.S. intentions on UNC." *Korea Herald* (internet version), January 21, 2007.

approximately \$770 million (725.5 billion won). This is about 40% of the total cost of maintaining U.S. forces in South Korea. In recent U.S.-R.O.K. military negotiations, Pentagon officials called for South Korea to increase its share to at least 50%. They stated that if South Korea does not raise its share, the Pentagon will make cuts in costs and/or U.S. personnel.<sup>52</sup> A U.S.-R.O.K. agreement of December 2006 specified a South Korean financial contribution of about \$785 million in 2008.

## South Korea's Political System

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

The developments of 1987 also ushered in new political forces which have operated alongside more traditional elements of Korean political culture.<sup>53</sup> The President remains a powerful figure. However, his tenure is only one term, and his base of support is no longer the military. The military since 1987 has ended its political role. Political parties were weak and unstable under the authoritarian regimes, and they have retained many of those characteristics despite their growing importance in the National Assembly and at the local level. Political parties generally have been the appendages of powerful political leaders. They often have been based in different regions of South Korea. Members have viewed their loyalty as directed to the leader rather than to a party as an institution. They have viewed the political parties as a means of acquiring power and position. Parties thus have been unstable, often lasting only for short periods before breaking up. The latest example is the disintegration of the Uri Party in 2007. The Uri Party was led by President Roh Moo-hyun, who was elected in December 2002. It was the largest party in the National Assembly with 139 seats. However, with polls showing Roh's public approval extremely low and the Uri Party's prospects in the December 2007 president election as very poor, defections began from the party in 2007. Uri's strength in the National Assembly fell to 110, and remaining party leaders created a new party, the United Democratic Party.

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<sup>52</sup> "Pentagon taps Seoul on cost-sharing," *Washington Times*, October 3, 2006. p. A4.

<sup>53</sup> Steinberg, David I and Shin, Myung. "Tensions in South Korean political parties in transition." *Asian Survey*, July-August 2006. p. 517-537.

Nevertheless, the United Democratic Party entered the presidential race in 2007 in a weakened condition. Its candidate lost badly to the candidate of the opposition Grand National Party (GNP), former mayor of Seoul, Lee Myung-bak, in December 2007. Lee, who won nearly 49% of the vote, ran on a pro-business platform, pledging to relax government regulations over domestic and foreign business and cut the corporation tax in order to restore the high level of South Korean economic growth that had persisted from the late 1960s until the late 1990s and create up to 600,000 new jobs annually. He said he would create a \$40 billion investment fund to develop North Korea toward raising its per capita income from an estimated \$500 to \$3,000.<sup>54</sup>

Lee's Grand National Party won 153 of 299 National Assembly seats in the election of April 9, 2008.<sup>55</sup> Two other parties perceived as conservative won 32 seats, and one of them subsequently merged with the Grand National Party, giving it a parliamentary majority of 171 seats. Former President Roh's United Democratic Party won only 81 seats.

Nevertheless, President Lee has been weakened by the anti-U.S. beef protests and widespread criticisms of several of his other policies. The anti-U.S. beef protests corresponded with a sharp decline in Lee's approval ratings to the 20-30% range. Lee appears to have backed off from several of his policy initiatives, including a plan to construct a canal across South Korea and the privatization of state enterprises.

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

## For Additional Reading

CRS Report RL32167. *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.

CRS Report RL34256. *North Korea: Terrorism List Removal?*, by Larry A. Niksch and Raphael F. Perl.

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<sup>54</sup> Andy Jackson, "Seoul Choice," *The Wall Street Journal Asia*, October 30, 2007, p. 13. Jim Ji-hyun, "Champion of open economy soft on N Korea," *Korea Herald* (internet version), December 5, 2007.

<sup>55</sup> "Large group of swing voters poses threat to ruling party," Yonhap News Agency, March 30, 2008.

- CRS Report RS22845. *North Korea's Abduction of Japanese Citizens and the Six Party Talks*, by Emma Chanlett-Avery and Andorra Bruno.
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