

USAPC Washington Report
Interview with Ambassador Charles L. (Jack) Pritchard
September 2007

USAPC: South Korean President Roh Moo-hyun and North Korean leader Kim Jong-il will meet October 2-4 in Pyongyang. What is the significance of this long-awaited summit?

Pritchard: There is both good and bad news with respect to the recently announced North-South summit. The good news is that it represents a continuation of a dialogue that began on June 15, 2000. That was the first meeting between Kim Jong-il and former South Korean President Kim Dae-jung in Pyongyang.

Some regional observers had hoped that the October 2-4 summit would be reciprocal and the two leaders would meet at a location in South Korea. But Seoul approached the summit very pragmatically. South Korean officials understood the importance of continuing the North-South dialogue and let it be known that President Roh was prepared to meet Kim Jong-il anytime, any place. So the summit will take place in Pyongyang again.

The bad news, if you will, is that North Korea's initiation of the summit has raised all sorts of questions about Pyongyang's motives. Conventional wisdom suggests that Kim Jong-il would not want to have a summit during the last few months of the term of a somewhat unpopular South Korean president. Kim could not count on the next South Korea president to implement fully whatever deal President Roh makes, particularly since polls indicate that Roh's successor may be from the more conservative, hawkish Grand Opposition Party (GNP).

So why did North Korea initiate the summit? It may be that Pyongyang was looking for an opportunity to lock Roh in on various agreements -- whether for food, fertilizer, or joint ventures -- that effectively would bind his successor, no matter what that person's party affiliation and propensity for engagement with the North.

USAPC: Some analysts have suggested that Pyongyang called the summit in an effort to meddle in South Korean politics.

Pritchard: Yes, that is another possible explanation. The North Koreans are notorious for using those tactics. Kim Jong-il may view the summit as a means of boosting support for candidates of the liberal United New Democratic Party in South Korea's presidential election on December 19, 2007. The United New Democratic Party, which is an off-shoot of the liberal, ruling Uri Party, also would support policies aimed at developing relations with the North, while the GNP favors a harder-line approach.

Not surprisingly, the GNP argued soon after the two governments announced the summit that North Korea, indeed, was trying to affect the South Korean presidential elections. It remains to be seen, though, how South Korean voters will view the North's tactics and whether they will reward the United New Democratic Party accordingly.

USAPC: How might the North-South summit affect progress in the Six Party Talks aimed at ending North Korea's nuclear program?

Pritchard: Yet another worry is that the North Koreans may be trying to use the North-South summit to interfere with the Six-Party Talks. In recent months, there has been a meeting of the minds between Seoul and Washington on how best to deal with North Korea on the nuclear issue. There is a sense of solidarity between the United States and South Korea that has not existed for the past six years.

The North Koreans therefore may be trying to undermine this new U.S.-South Korean solidarity by trumping it with North-South rapprochement. If the summit significantly improves the tenor of North-South relations, it might then be difficult for South Korea to get tough with the North if the Six Party Talks hit a roadblock six or eight months down the road.

We will not know Pyongyang's true motivation for some time. I imagine the Bush administration is concerned. U.S. officials probably have mixed views, on the one hand, wanting to support the concept of North-South engagement, but on the other, worried that the outcome may affect the new-found solidarity of the United States and South Korea toward the North.

USAPC: With respect to the Six Party talks, do you think implementation of the second, so-called “disablement phase” of the February 13 agreement¹ will be completed by the end of the year as Christopher Hill, Assistant Secretary of State for East Asia and the Pacific, predicted earlier this year?

Pritchard: Ambassador Hill, to his credit, does a wonderful job of managing media expectations, but the disablement phase was never going to be completed by the end of 2007. That was never in the cards.

Implementation of the second phase will be much trickier. Pyongyang will be required to disable the Yongbyon reactor. The North Korean government is prepared to do that because it has determined that the Yongbyon facility, whose condition is deteriorating, no longer provides any strategic benefits. That also is why Pyongyang was willing to shut down and seal the Yongbyon reactor as called for in the initial action phase of the February 13 agreement. The North Koreans apparently felt they would not be losing much by giving up Yongbyon.

Nevertheless, Pyongyang undoubtedly will try to extract as much negotiating benefit as possible from the Yongbyon disablement. In my view, the North Koreans will come back to the negotiating table with even more demands – in addition to insisting on the provision of 950,000 metric tons of heavy fuel oil or its equivalent as stipulated in the February deal.

USAPC: You have hands-on experience negotiating with the North Koreans. What is it like to sit across the table from your North Korean counterparts and be told that you

¹ On February 13, 2007, the Six Parties agreed to a two-phase action plan aimed at getting North Korea back on track toward implementing the September 19, 2005 agreement. That accord requires North Korea to abandon its nuclear weapons and its nuclear programs and to do so in a verifiable manner. The February 13 deal established an initial 60-day “action” phase, in which North Korea was obliged to shut down and seal its main nuclear reactor at Yongbyon and allow verification by International Atomic Energy Agency (IAEA) inspectors. During the same period, the other five parties were obliged to provide North Korea an initial shipment of 50,000 metric tons of heavy fuel oil (HFO) or its equivalent. During the second, “disablement” phase, North Korea is required to disable all existing nuclear facilities, including graphite-moderated reactors and reprocessing plants, and provide a list of all its nuclear programs to the other Six-Party participants. If Pyongyang met its obligations under the second phase, the five other parties would provide an additional 950,000 tons of HFO or its equivalent. Additionally, upon successful completion of the initial phase, the Six Parties were to hold a ministerial meeting to “explore ways and means for promoting security cooperation in Northeast Asia.” At press time, the ministerial meeting had yet to be scheduled.

have a deal, only to learn the following day that, in reality, you do not have a deal because they have backpedaled, changed the terms of the agreement, or otherwise tried to upend the process?

Pritchard: You are correct about the negotiating habits of the North Koreans. My experience, which was defined most sharply during the Clinton administration, involved intense negotiations on various subjects, each of which extended over several months.

The North Koreans have a distinct negotiating pattern. One day you seem to be moving toward mutually beneficial goals and objectives. On days like that, however, experienced U.S. negotiators often return to their meeting rooms feeling somewhat depressed. That is because they know that those gains will be erased the following day. The North Koreans typically provide Americans with a taste of what could be possible – but then inform them that it will not work after all unless something else is addressed. By using this negotiating approach, the North Koreans try to maximize what little leverage they have.

Ambassador Hill undoubtedly has experienced this negotiating behavior from the North Korean delegation. It creates a very frustrating process -- until the day when the North Koreans finally conclude that they cannot realize any better outcome. When what is on the table is acceptable to them and in accordance with their objectives, only then will the North Koreans make the deal.

USAPC: Will the Six Party Talks ever enable us to realize a Korean Peninsula free of nuclear weapons or a nuclear weapons-building capability?

Pritchard: That is now a very difficult question. There was a distinct period of time in the 1990s when the North Korean nuclear weapons program was captured in the truest sense of the term. That was because the North Koreans had made a strategic decision to go down the road to full denuclearization.

They gave up their nuclear facilities, which international inspectors verified. They canned and sealed spent fuel rods, which international inspectors also verified. Pyongyang certainly appeared to be moving toward finalizing the deal worked out under the 1994 Agreed Framework. Securing the end of North Korea's nuclear program was a feasible and achievable goal.

But the deal fell apart in 2002, so I do not know if that is the case anymore. In the past five years, a totally different North Korea has emerged. Pyongyang has taken risks that it never would have taken before 2002. In 1993-94, the Clinton administration established a very clear "red line" concerning the reprocessing of spent fuel into plutonium. Former Secretary of Defense William Perry has indicated that the United States was prepared to take military action if North Korea crossed that line. The North understood that there would be war on the Korean Peninsula.

In March 2003, however, the North Koreans announced their intention to reprocess spent fuel. They then stepped over the red line – and did so yet again in May 2005 at about the same time as the fourth round of Six Party Talks.

By defying the United States, the North Koreans have produced a sufficient amount of plutonium to serve as a "deterrent," in their words, against the United States. They appear to have achieved what for them was an important objective. It will be even more difficult to take that capability away from Pyongyang since it decided on October 9, 2006 to detonate some kind of nuclear device.

USAPC: It sounds like you believe that U.S. diplomacy toward the North took a very wrong turn in 2002 and we now are in a weaker negotiating position because of that.

Pritchard: The United States is the “demander” now. We need something. The Bush administration needs success after having changed its North Korea policy in the beginning of 2007. The White House cannot reverse course again and deal with North Korea as it did for the first five years of the administration, which in my view was failed diplomacy.

The Bush administration must stay the course, but politically, it also must show some measure of success. The North Koreans fully understand that and, as I said earlier, they will try to take advantage of Washington’s political needs in making new demands.

USAPC: And those demands may include provision of a light-water reactor?

Pritchard: Quite possibly. It is important to bear in mind that North Korea has the capacity to receive only 50,000 tons of heavy fuel oil per month. So during the four remaining months of 2007, North Korea could receive a maximum of 200,000 tons of fuel. But what about other 750,000 tons promised to them under the February accord? When would that be delivered?

The United States would be naïve to think that the North Koreans would completely disable the Yongbyon reactor on the promise that at some point down the road they will receive the additional 750,000 metric tons of fuel. That is why I think North Korea will insist on further bargaining in order to move the Six Party process forward.

In particular, I think Pyongyang will demand accelerated discussion about the provision of a light-water reactor. The September 2005 agreement states that the Six Parties would discuss this matter “at an appropriate time.” The Bush administration later explained that an appropriate time essentially meant “never.” Nonetheless, the North Koreans likely will press for timely discussions about the light-water reactor.

In addition, the shutdown and disablement of the Yongbyon reactor potentially could create an environmental nightmare. Pyongyang likely would argue that it cannot afford the clean-up, so the United States should assume that responsibility. The North Korean government also may demand assistance from the other five parties with respect to re-employment of the scientists and other Yongbyon residents who support the reactor site but soon will find themselves without jobs.

USAPC: How about the residual problems caused by U.S. Treasury’s rule on March 14, 2007 that prohibits U.S. financial institutions from going business with Macao-based Banco Delta Asia (BDA).²

² On September 15, the U.S. Treasury Department designated Banco Delta Asia (BDA) as a primary money-laundering concern under the U.S. Patriot Act. Treasury charged that BDA had facilitated many of Pyongyang’s criminal activities, such as circulating counterfeit U.S. currency. Treasury’s action prompted Macanese authorities to freeze North Korea’s BDA accounts, which amounted to about \$25 million. On March 14, Treasury issued a final rule that prohibited U.S. financial institutions from doing business with BDA. North Korea demanded the release of its BDA funds as a *quid pro quo*, of sorts, for agreeing to the February 13 deal. However, Treasury’s action had wider ripple effects as banks throughout the world refused to handle the transfer of North Korea’s BDA funds for fear that they also would meet the fate of the now-bankrupt Macanese bank.

Pritchard: Yes, I believe at some point the BDA problem will be revisited. The North Korean government had hoped to use the \$25 million returned to them earlier this year from the frozen BDA accounts, but that is not yet possible.

Treasury's March 14 ruling still is in effect, and it serves as a warning to global banks that they could end up bankrupt like BDA if they do business with North Korea. Consequently, there still is a great deal of reluctance in the international financial community to conduct normal banking commerce with North Korea.

What transpired to resolve the BDA freeze on North Korean accounts was an extraordinary effort above the legal system of the Treasury Department. It was a one-time routing of the money in North Korea's BDA accounts that involved the U.S. Federal Reserve System and the Russian central bank. This approach cannot be replicated to transfer other monies for commercial purposes.

The North Koreans therefore will want to some concession through the Six Party process that would enable them to fully utilize the international banking system for commercial transactions. They may try to address this during the second phase of the February 13 deal.

All told, there are many issues that were not addressed in the February 13 agreement that North Korea may try to raise in the months ahead which could block further progress. And the five parties may find that they no longer are of one view about how to deal with North Korea. There could be some fissures, not only between the United States and South Korea, but among the other participants in the Six Party Talks.

USAPC: Are you referring to problems in bilateral talks between Japan and North Korea aimed at normalizing relations?

Pritchard: Yes. Japan effectively has isolated itself in the Six Party Process by its insistence on addressing what essentially is a bilateral issue. About 30 years ago, North Korean agents abducted at least 16 Japanese nationals. Five years ago, former Japanese Prime Minister Junichiro Koizumi met North Korean Leader Kim to discuss the return of the abductees. At that time, Kim admitted to his government's abducting only 13 Japanese.

Shortly thereafter, Pyongyang allowed five of the abductees that it claimed were the only survivors to visit their families in Japan – provided they later return to North Korea. When Tokyo informed Pyongyang that the victims would not be returning, North Korea refused to discuss the matter further.

Pyongyang has stuck by its story that there were only 13 abductees and that the dispute effectively was resolved when the five surviving victims returned to Japan in October 2002. Tokyo has disagreed strongly. Among other things, Japanese officials have maintained that documentation provided by North Korea was fraudulent.

Tokyo has tried to use the Six Party Talks as yet another forum in which to resolve the abductee dispute to its satisfaction. China, Russia, South Korea, and the United States certainly recognize how important it is to Japan to resolve this dispute. Nevertheless, it is a bilateral matter, and it is preventing Japan from being a full partner in the Six Party process.

USAPC: In the near term, there could be important political changes in most of the Six Party nations. You mentioned the upcoming presidential election in South Korea. The tenure of Japanese Prime Minister Shinzo Abe also is in question following his party's trouncing in late-July elections. In March 2008, there likely will be elections in Russia. And

at about that same time, the U.S. presidential primary elections will be underway. I imagine these developments could affect progress in the Party Talks.

Pritchard: Possibly. In the near term, the “stable” party has been and will continue to be North Korea. The same people will be in charge at least for the near term. First Vice Minister Kang Sok-ju is the head architect in the Ministry of Foreign Affairs and serves as the key interface between Kim Jong-il and Kim Gye Gwan, who is Vice Minister of Foreign Affairs and head of the North Korean Six Party delegation. Kang is still there and is still in very good standing.

Importantly, for the past 13 to 15 years Kim Gye Gwan has played a leading role in North Korea’s interactions with the United States. He has strong institutional memory, having lived through more than a decade’s worth of crucial negotiations pertaining to North Korea’s nuclear program among other things. In contrast, every other head of delegation in the Six Party Talks has changed at least once, and before this process to complete, no doubt will change again. Such changes may affect both the substance and pace of negotiations.

USAPC: Another challenge in U.S.-South Korean relations will be to secure timely approval of the recently concluded U.S.-Korea Free Trade Agreement (KORUS FTA) by each country’s legislative body. What would it take to get the KORUS FTA through Congress this year?

Pritchard: The U.S. Trade Representative (USTR) and its South Korean counterpart negotiated a very good trade package, particularly given the time constraints created by the June 30 expiration of the U.S. president’s Trade Promotion Authority (TPA). The KORUS FTA is not perfect, but no negotiation ever is from anyone’s viewpoint. Nevertheless, it is an extraordinarily good agreement for both countries.

Compounding the crunch created by TPA’s expiration was the separate agreement concluded by key Members of Congress and the Bush administration on labor and environmental standards that must be included in all FTAs. Washington imposed those standards on Seoul in a “take it or leave it” manner after the KORUS FTA was concluded. The South Korean government certainly did not appreciate the “take it or leave it” approach, but ultimately agreed to the labor and environmental provisions. Seoul recognized that South Korea’s own standards are so high that the actual impact of the new provisions on the KORUS FTA would be negligible or nonexistent.

Yet the KORUS FTA faces new hurdles in Congress. Senior Members of Congress – specifically, House Speaker Nancy Pelosi (D., California), House Ways and Means Committee Chairman Charles Rangel (D., New York), House Majority Leader Steny Hoyer (D., Maryland), and House Trade Subcommittee Chairman Sander Levin (D., Michigan) – issued a statement saying they would not support the KORUS FTA because of what they regard as deficiencies in provisions pertaining to auto trade. Ford Motor Company, in particular, has argued that the KORUS FTA does not eliminate some objectionable nontariff barriers, at least to its satisfaction.

Are the automotive provisions of the KORUS FTA perfect? No, but they certainly would create a better climate for auto trade between the two countries. Without the agreement, U.S. automakers will continue to sell about 4,000 cars annually in South Korea, while the South Korean automakers will sell 800,000 cars in the U.S. market. Is that an acceptable alternative?

The KORUS FTA certainly would improve the position of U.S. automakers in the Korean market.

USAPC: Even if a deal could be worked out via side letters that addresses the concerns of U.S. automakers, the fall legislative calendar is pretty crammed.

Pritchard: Yes. When Congress returns in September from the August recess, lawmakers will have very limited time for votes on the FTAs. There are four FTAs ready for floor action, and congressional leaders have said they will be considered in the following order: the Panama FTA, the Peru accord, the Colombia trade agreement, and finally the KORUS FTA.

When you combine the constraint posed by the legislative calendar with the U.S. presidential election cycle and the fear of some observers that consideration of the KORUS FTA will become politicized, there is a very narrow window of time for Congress to vote on the Korea trade deal.

Some insiders speculate that the administration will send implementation legislation to Congress on the KORUS FTA in March or April 2008. But that prediction assumes that the presidential primaries that have been moved up to February 2008 will define clearly who the nominees will be for the Republican and Democratic parties so the normal drawn-out primary process would be behind us before the general election kicks off. There might be a window then – or that scenario may not pan out.

Currently, the administration is waffling about the timeline for a congressional vote, suggesting they would shoot for a period “before the administration leaves office.” But that would be an awfully long time for the KORUS FTA to sit there without a concerted effort by the administration and the business community to convince and educate Members of Congress about the benefits of timely approval.

If this debate is not engaged early enough, those who are opposed to the Korea FTA very well may have center stage long enough to create a political bandwagon that will be very difficult to overcome. Time is definitely working against us with respect to the KORUS FTA.