

US-Japan-Korea Trilaterals

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Item 4: Nuclear Issue and Agreed FrameworkBackground

Good progress is being made on the implementation of the nuclear aspects of the Agreed Framework. Most importantly, in late April, with all the complex technical preparations complete, the actual canning of spent fuel began at Nyongbyon under IAEA observation.

Progress in other areas of the Agreed Framework is less satisfactory. Most importantly, there has been no meaningful North-South dialogue. While the North has clearly sought to avoid governmental talks with the ROK, domestic factors in the South have also been a major obstacle to dialogue. The climate for dialogue may be changing.

In addition, progress on the bilateral US-DPRK aspects of the Framework has been spotty and halting. Remains and missile talks are positive developments. The impasse on Liaison Offices continues. The North has criticised the US for not meeting its commitment in the Agreed Framework to gradually normalize economic relations as progress has been made on other issues. They have a valid point.

The establishment of the Korean Peninsula Energy Development Organization (KEDO) as an international consortium has been and will continue to be essential to implementing the Agreed Framework. KEDO has made important progress in implementing its reactor project and heavy fuel oil deliveries in return for the DPRK's continued freeze of its nuclear program. Challenges still remain including securing international political and financial support and working out additional arrangements with North Korea to implement the reactor supply agreement. Korea's participation in KEDO and its on-going negotiations with the DPRK have eased earlier ROK concerns about being excluded and provided some opportunities for North-South contact. The successful participation of Korean personnel in KEDO delegations to North Korea is gradually convincing Koreans of KEDO's importance as a new channel to the North.

Efforts by the U.S., ROK, and Japan to garner broad international financial and political support for KEDO and its activities have resulted in contributions from 19 countries and the additional membership of seven countries: Australia, Canada, New Zealand, Finland, Indonesia, France, and Argentina. Most importantly, Japan's special fund contribution of \$19 mil. greatly eased KEDO's short term funding crisis this

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spring. While we have made important progress in securing international support, KEDO still needs an additional \$8-10 million this year to continue its HFO shipments past September. We are working cooperatively to overcome these funding difficulties, but KEDO can still not see its way to funding all fuel shipments required this year.

Japan and Korea have been concerned about what they see as signs of waning USG financial commitment to KEDO. The Secretary has assured Japan that the US would restore its full \$22 mil. funding for FY96 and seek to increase funding in FY97 above the \$25 mil. contained in the Administration's budget request. By the time of the Cheju consultations, the congressional waiver period will be over and we will be in the process of transferring a full \$22 mil. contribution to KEDO.

Korea has repeatedly expressed concern about DPRK resistance to IAEA safeguards requirements. There are a few outstanding issues between the IAEA and DPRK, which we are working to help the IAEA get resolved. Overall, DPRK cooperation has been good. This includes working out acceptable procedures related to the canning of spent fuel rods.

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