Case Number: 2009-0528-F-2.

FOIA MARKER

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Folder Title:
North Korea, January 1995 [3]

Staff Office-Individual:
Nonproliferation and Export Controls-Aoki, Steven

Original OA/ID Number:
711

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41	5	6	3	V

Withdrawal/Redaction Sheet
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. paper	re concept paper (5 pages)	11/27/1994	P1/b(1)
001b. paper	re timeline (2 pages)	11/27/1994	P1/b(1)
002a. fax	cover, Warren Stern to Steve Aoki [partial] (1 page)	01/10/1995	b(7)(C)
002b. paper	re scope paper (5 pages)	01/10/1995	P1/b(1)
003a. fax	cover, Jim Pierce to Steve Aoki (1 page)	01/11/1995	P1/b(1)
003b. draft	letter, POTUS to President Kim of ROK (2 pages)	01/13/1995	P1/b(1)
004a. fax	cover, Tom Marten to Steve Aoki (1 page)	01/00/1995	P1/b(1)
004b. memo	Daniel Tarullo et al to Mr Tarnoff re OFAC License Request (4 pages)	01/00/1995	P1/b(1)
004c. letter	The Stanton Group to Richard Newcomb, OFAC re Special License [50 USC 2411c] (4 pages)	11/23/1994	P3/b(3)
005a. fax	cover, Warren Stern to Steve Aoki (partial) (1 page)	01/12/1995	b(7)(C)
005b. memo	Norman Wulf to Steve Aoki et al re addition to Scope Paper (2 pages)	01/12/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [3]

2009-0528-F
kc1575

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

75A

John/Mary
Pls make copies
of these for
DA

United States Department of State

Washington, D.C. 20520

Office of Economic Sanctions
Policy
Tel: 202-647-7699
Fax: 202-647-4064

January 11, 1995

UNCLASSIFIED
FAX MESSAGE

No. of Pages: 3

TO: Steve Aoki
NSC

VIA FAX: 456-9180

FROM: Thomas A. Marten

SUBJECT: Liberalization of North Korea Sanctions

Steve,

Herewith a one page draft statement on relaxing sanctions against North Korea. Most, but not all, State clearances are in. I haven't heard back yet from Treasury or Commerce and may not hear back tonight. I don't expect any major problems with the substance; this basically summarizes the package of measures we agreed to interagency before Thanksgiving and is almost a verbatim copy of the one-page paper included in the paperwork for the last two Deputies' meetings.

All sanctions-easing measures outlined here can be done by revision of regulations, mostly Treasury regs. You already have OFAC's draft revised regs. We foresee a need for two changes in commerce regs: revising their policy of denial to permit case-by-case consideration of export license applications related to the energy sector (including the spent fuel project now underway) and telecommunications (hardware which may be necessary to establish direct U.S.-DPRK transmission circuits, since there are none now).

I still owe you more detailed press guidance and q's and a's that go into the nitty-gritty of implementation. I'm working on that now as we reach agreement on the few policy issues involved. Hope to have that to you no later than Friday, maybe tomorrow if the trilateral talks end early this evening...

Regards,

Tom

White House Statement
on Relaxing Sanctions against North Korea

The President directed the Secretaries of Treasury and Commerce today to take the following steps in consultation with the Secretary of State to relax economic sanctions against North Korea. These initial steps are in response to North Korea's decision to freeze its nuclear program and facilities and cooperate with the U.S. and IAEA to verify the freeze and ensure safe storage of spent nuclear fuel, in the context of the October 21, 1994 U.S.-DPRK Agreed Framework. Further progress in relaxing economic sanctions against North Korea will depend on further verified progress on the nuclear issue as well as progress in other areas of concern, including chemical and biological weapons, missile proliferation, human rights and terrorism.

<u>Telecommunications and Information</u>: The U.S. will permit most financial transactions related to telecommunications transmissions, travel, and news-gathering activities. These changes fall within the letter and spirit of the Free Trade in Ideas section of the Foreign Affairs Authorization Act of 1994.

<u>Financial Transactions</u>: We will authorize the DPRK to clear dollar transactions with third countries through the U.S. banking system, but transactions will not be allowed to originate or terminate in the U.S. Frozen DPRK assets in which there is no Government interest will be released.

<u>Foreign Subsidiaries</u>: We will allow foreign companies with U.S. ownership (e.g., foreign-incorporated subsidiaries of U.S. companies) to do business with the DPRK, provided there is no direct involvement by U.S. persons, consistent with U.S. export laws and regulations

<u>Diplomatic Activities</u>: We will authorize all financial transactions for diplomatic missions (DPRK mission to the UN and, eventually, new liaison offices in Washington and Pyongyang).

<u>Rare Commodities</u>: U.S. importers will be authorized to purchase from the DPRK rare commodities for which the DPRK is a necessary supplier in the world market. (The DPRK is one of only two known sources of magnesite, a refractory material used in steel production.)

<u>UN Development Projects</u>: The U.S. will cease active opposition to UN funding of DPRK development projects, except as required by law.

<u>Energy Sector</u>: In support of our policy objectives in the Agreed Framework, we will consider on a case-by-case basis requests from U.S. industry to pursue projects in North Korea's conventional and nuclear energy sectors.

kn Sanctions relaxation statement

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cleared: eb/esp:rsdeutsch
s/al:jwit;vcarotenuto
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l/ebc:rfranks;jdolan
h:tlodge
p:bhall
e:aderse
t:jbarker
pm:mharris
pm/exp:bpope
treasury/ofac:ldohm
commerce/bxa:jroberts;acannaught

United States Department of State

Washington, D.C. 20520

Office of Economic Sanctions Policy
Tel: 202-647-7699
Fax: 202-647-4064

January 11, 1995

UNCLASSIFIED
FAX MESSAGE

No. of Pages: 18

TO: Steve Aoki
NSC

VIA FAX: 456-9180

FROM: Thomas A. Marten

SUBJECT: Liberalization of North Korea Sanctions

Steve,

Herewith Treasury's draft revised regs implementing the North Korea sanctions policy changes we agreed on interagency at the working level before Thanksgiving. These are the same policy changes reviewed by the Deputies.

Our lawyers are still going over the text, but we hope to reply by Friday. There are a couple of policy issues related to implementation flagged by Treasury in their cover memo that we will have to address in our reply, such as whether or not to unblock and return frozen assets to DPRK-controlled firms outside the DPRK.

I will send to you a draft White House statement on relaxing sanctions together with more detailed press guidance and q's and a's discussing the nitty-gritty of implementation. Hope to have that to you no later than Friday.

We would like to consult with and brief Hill staff before the decision on sanctions is made public. Can a lag be built-in between the time the decision is made and when it is made public?

Regards,

Tom

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

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FAC No. 143237

MEMORANDUM FOR ROBERT S. DEUTSCH
DIRECTOR
OFFICE OF ECONOMIC SANCTIONS POLICY
BUREAU OF ECONOMIC AND BUSINESS AFFAIRS
DEPARTMENT OF STATE

SUBJECT: Liberalization of North Korea Sanctions

Attached for your review and comment are draft regulations amending the Foreign Assets Control Regulations, 31 C.F.R. Part 500 (the "FACR"), to implement measures called for in the Agreed Framework Between the United States of America and the Democratic People's Republic of Korea (the "DPRK"), and to bring the FACR into conformity with amendments to the Trading with the Enemy Act included in the Free Trade in Ideas Act of 1994. We would appreciate your review in particular on the following issues:

(1) New § 500.581. A limited lifting of the ban on financial transactions to permit clearing dollars through the United States places an untenable burden on banks to police transactions on behalf of the USG. Transfers through U.S. banks involving payments for unauthorized trade in goods or services, or remittances between the DPRK and the United States, should generally be policed some other way. We are therefore proposing a prospective authorization of all financial transfers with no culpability to the banks unless a bank is the originator or the beneficiary of the transfer, i.e., where it is on notice from its dealings or those of its customer (or explicitly from FAC) that a transfer relates to a prohibited transaction. For example, the bank could not process the transfer if documents were presented under a letter of credit involving an unlicensed trade transaction by a U.S. person, or if a U.S. bank received a request for a prohibited remittance to a relative in the DPRK.

(2) Amended § 500.563. If U.S. persons are allowed to use credit cards in the DPRK issued by U.S. banks for travel-related purposes, U.S. banks will also have no way of verifying the legitimacy of the transfer when funds are reimbursed.

(3) Amended § 500.579. We have added the DPRK to the section authorizing the post-lifting return of certain funds blocked because of a Vietnamese interest. This section will effectively unblock all assets that did not directly originate from the DPRK or the Government of the DPRK, and parallels the

post-lifting measure we took with Vietnamese assets. Between this section and the new § 500.581, as a practical matter, there will be few blocked funds transfers subject to U.S. jurisdiction that will remain blocked because of an interest of the DPRK or a person in the DPRK, nor is it likely that additional funds be blocked. Please note that we need State input on the issue of whether Specially Designated Nationals of the DPRK not located in the DPRK should be eligible to have funds returned to them as remitters, or whether they should be treated as the Government of the DPRK wherever located. As you discussed with Loren Dohm, Alan Drimmer and Bill Hoffman, the FACR (§ 500.306) do not explicitly equate SDNs with the government. Because property of both the government and nationals of the DPRK is blocked, the distinction has not made a difference heretofore.

(4) New § 500.585. According to the Agreed Framework, U.S. firms can't provide any "key nuclear components" until after a bilateral agreement is signed, and that won't happen until a "significant portion of the LWR project is completed." It would therefore seem premature to allow for licensing these activities in the regulation at this time. The storage and disposal of spent fuel from the 5 MW(e) experimental reactor will take place even later, beginning with the delivery of the key nuclear components for the first LWR unit. We have therefore limited the scope of this provision to what can take place at this time or in the near future.

We are available to meet with you to discuss these issues further. Please refer any questions on the package to me (622-2510) or David Mills of the Chief Counsel's Office (622-2410).

Richard Newcomb

R. Richard Newcomb
Director
Office of Foreign Assets Control

Attachments

cc with attachments: Lynn Turk - EAP/K
Jim Hergen - L/EAP
JoAnn Dolan - L/EBC

DEPARTMENT OF THE TREASURY

Office of Foreign Assets Control

31 CFR Part 500

Foreign Assets Control Regulations; North Korean Travel and Financial Transactions; Information and Informational Materials

AGENCY: Office of Foreign Assets Control, Treasury.

ACTION: Final rule; amendments.

SUMMARY: The Treasury Department is amending the Foreign Assets Control Regulations (the "Regulations") pursuant to talks held with the Government of the Democratic Peoples Republic of Korea ("North Korea") on October 21, 1994, regarding relations between the two countries. In addition, the Regulations are also being amended to bring them into conformity with amendments to the Trading with the Enemy Act included in the Free Trade in Ideas Act of 1994.

EFFECTIVE DATE: [insert date of publication]

FOR FURTHER INFORMATION CONTACT: Steven I. Pinter, Chief of Licensing (tel.: 202/622-2480), or William B. Hoffman, Chief Counsel (tel.: 202/622-2410), Office of Foreign Assets Control, Department of the Treasury, Washington, D.C. 20220.

SUPPLEMENTARY INFORMATION:

Electronic Availability

This document is available as an electronic file on The Federal Bulletin Board the day of publication in the Federal Register. By modem dial 202/512-1387 or call 202/512-1530 for disks or paper copies. This file is available in Postscript, WordPerfect 5.1 and ASCII.

Background

On October 21, 1994, the United States and North Korea agreed, in the context of broader negotiations, to begin reducing barriers to trade and investment. Based on these mutual commitments, the Regulations are being amended by (1) adding a new § 500.580 to authorize transactions with North Korea by foreign subsidiaries of U.S. firms (i.e., not foreign branches of U.S. firms nor U.S. citizens or permanent residents); **[(2) adding a new § 500.581 to authorize the clearing through the U.S. banking system of U.S. dollar transactions in which North Korea or a national thereof has an interest;]** (3) adding a new § 500.582 to authorize transactions related to the operation of U.S. and North Korean diplomatic missions in the United States and North Korea; (4) amending § 500.563 to authorize all U.S. persons' transactions with respect to travel to, from, and within North Korea, including removal of restrictions on group travel and travel service providers (including travel agents, carriers, ticket agents and commercial and noncommercial organizations that promote or arrange travel) and removal of the prior $200 per diem ceiling on expenditures; (5) amending § 500.566, regarding the authorization of travel-related transactions by North Korean nationals in the United States; **[(6) amending § 500.579 to authorize the unblocking of certain funds which came into the possession or control of U.S. banking institutions through wire transfer instructions or check remittances in which North Korea or a national thereof has or has had an interest, provided no funds are transferred directly to the Government of North Korea or to persons in North Korea;]** and (7) removing §§ 500.564, regarding reimbursment of travel costs by foreign subsidiaries, and 500.569, regarding group travel to North Korea, as no longer necessary.

Section 500.583 is added to the Regulations to provide a statement of licensing policy noting that specific licenses may be issued for the importation into the United States of North Korean-origin magnesite or magnesia, because the absence of North Korea as a supplier subjects U.S. importers to unreasonably high prices due to otherwise limited foreign sources. Section 500.584 is added to the Regulations to provide that specific licenses may be issued to authorize transactions necessary to establish offices in North Korea of U.S. news organizations and for offices in the United States of North Korean news organizations. Finally, § 500.585 is added to the Regulations to provide that specific licenses may be issued to authorize U.S. persons to participate in certain types of energy sector projects in North Korea with respect to the replacement of existing nuclear reactors with light-water reactor power plants.

The Free Trade in Ideas Act of 1994, section 525(b) of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, Pub. L. No. 103-236, 108 Stat. 474 (the "FTIA"), amended section 5(b)(4) of the Trading with the Enemy Act, 50 U.S.C. App. 5(b)(4) ("TWEA"), to expand the list of items defined as categories of informational materials to include compact discs, CD ROMs, artworks, and news wire feed. In addition, section 5(b)(4) of TWEA, as amended, exempts from the authority granted to the President the authority pursuant to TWEA to regulate or prohibit, directly or indirectly, the exportation or importation, whether commercial or otherwise, of information or informational materials regardless of format or medium of transmission, except exportations that would be controlled pursuant to national security, nonproliferation, or antiterrorism provisions of the Export Administration Act of 1979, 50 U.S.C. App. 2401-2420, or espionage provisions of 18 U.S.C. chapter 37. Section 500.571 of the Regulations is being amended to reflect the exemption from regulation of all transmissions of noncontrolled information over existing telecommunications circuits, including current settlement of telecommunications fees between the United States and North Korea.

Note: The FTIA exemption applies to transmissions of information, not telecommunications facilities and equipment necessary to transmit information. Exportation from the United States of equipment to enhance gateway-to-gateway telecommunications service with North Korea is subject to licensing requirements of the Department of Commerce, in conjunction with the general license in § 500.533 of the Regulations. Exportation or reexportation of such equipment to North Korea from a third country by a U.S. person requires a specific license from FAC and may also be subject to Commerce Department licensing provisions set forth in the Export Administration Regulations, 15 CFR Parts 768-799.

Section 500.206 is amended to reflect the FTIA exemption that applies to transactions concerning exportation and importation of information and informational materials. The definition of the term "informational materials" contained in § 500.332 is amended to conform the section to amended section 5(b)(4) of TWEA. Conforming amendments are also made to § 500.550, which authorizes transactions related to the importation and exportation of information and informational materials.

Because the Regulations involve a foreign affairs function, Executive Order 12866 and the provisions of the Administrative Procedure Act, 5 U.S.C. 553, requiring notice of proposed rulemaking, opportunity for public participation, and delay in effective date, are inapplicable. Because no notice of proposed rulemaking is required for this rule, the Regulatory Flexibility Act, 5 U.S.C. 601-612, does not apply.

List of Subjects in 31 CFR Part 500

Administrative practice and procedure, Banks, Banking, Cambodia, Exports, Fines and penalties, Finance, Foreign investment in the United States, Foreign trade, Imports, Information and informational materials, International organizations, North Korea, Reporting and recordkeeping requirements, Securities, Services, Travel restrictions, Trusts and estates, Vietnam.

For the reasons set forth in the preamble, 31 CFR part 500 is amended as set forth below:

PART 500 -- FOREIGN ASSETS CONTROL REGULATIONS

1. The authority citation for part 500 continues to read as follows:

Authority: 50 U.S.C. App. 1-44; E.O. 9193, 7 FR 5205, 3 CFR, 1938-1943 Comp., p. 1174; E.O. 9989, 13 FR 4891, 3 CFR, 1943-1948 Comp., p. 748.

Subpart B -- Prohibitions

2. The section heading and paragraphs (a) and (b) of § 500.206 are revised to read as follows, and the word

"synchronization" and the comma following it are removed from Example #4 of § 500.206:

§ 500.206 Exemption of information and informational materials.

(a) The importation from any country and the exportation to any country of information or informational materials as defined in § 500.332, whether commercial or otherwise, regardless of format or medium of transmission, are exempt from the prohibitions and regulations of this part.

(b) All transactions of common carriers incident to the importation or exportation of information or informational materials, including mail, between the United States and any foreign country designated under § 500.201, are exempt from the prohibitions and regulations of this part.

* * * * *

Subpart C -- General Definitions

3. The section heading and text of § 500.332 are revised to read as follows:

§ 500.332 Information and informational materials.

(a) For purposes of this part, the term *informational materials* includes, without limitation:

(1) Publications, films, posters, phonograph records, photographs, microfilms, microfiche, tapes, compact disks, CD ROMs, artworks, and news wire feeds.

(2) To be considered informational materials, artworks must be classified under chapter subheading 9701, 9702, or 9703 of the Harmonized Tariff Schedule of the United States.

(b) The terms *information* and *informational materials* with respect to U.S. exports do not include items that would be controlled for export pursuant to section 5 of the Export Administration Act of 1979, 50 U.S.C. App. 2401-2420 (1979)(the "EAA"), or section 6 of the EAA to the extent that such controls promote the nonproliferation or antiterrorism policies of the United States, including "software" that is not "publicly available" as these terms are defined in 15 CFR Parts 779 and 799.1 (1994); or with respect to which acts are prohibited by 18 U.S.C. chapter 37.

Subpart E -- Licenses, Authorizations, and Statements of Licensing Policy

3. The section heading and paragraph (a) of § 500.550 are revised to read as follows, and the words "information and" are added before the words "informational materials" in each place they appear in the first sentence of paragraph (b) of § 500.550:

§ 500.550 Transactions related to information and informational materials.

(a) All financial and other transactions directly incident to the importation or exportation of information or informational materials as defined in § 500.332 of this part are authorized.

* * * * *

4. The section heading and text of § 500.563 are revised to read as follows:

§ 500.563 Transactions incident to travel to and within North Korea.

(a) All transactions of persons subject to U.S. jurisdiction, including travel service providers, ordinarily incident to travel to, from, and within North Korea and to maintenance within North Korea are authorized. This authorization extends to transactions with North Korean carriers, involving group tours, payment of living expenses, the acquisition of goods in North Korea for personal use, **[and normal banking transactions involving currency drafts, charge, debit or credit cards, traveler's checks, or other financial instruments negotiated incident to personal travel]**.

(b) The purchase of merchandise in North Korea by persons subject to U.S. jurisdiction for importation into the United

States or a third country as accompanied baggage is limited to goods with a foreign market value not to exceed $100 per person for personal use only. Such merchandise may not be resold. This authorization may be used only once in every six consecutive months. As provided in § 500.206 of this part, information and informational materials are exempt from this restriction.

(c) This section does not authorize any debit to a blocked account.

5. Section 500.564 is removed and reserved.

6. Paragraph (b) of § 500.566 is removed, paragraph (c) is redesignated as paragraph (b), and paragraphs (a) and (a)(1) are revised to read as follows [**now permits transactions outside U.S. with North Korean carriers**]:

§ 500.566 Certain transactions authorized on behalf of North Korean nationals incident to their travel and maintenance expenses.

(a) Except as provided in paragraph (b) of this section, the following transactions are authorized by or on behalf of a national of North Korea who enters the United States on a visa issued by the Department of State:

(1) All transactions ordinarily incident to travel to, from, and within the United States are authorized, including the importation into the United States of accompanied baggage for personal use;

* * * * *

7. Section 500.569 is removed and reserved.

8. Section 500.571 is revised by substituting the words "North Korea" for the word "Vietnam" wherever it appears.

9. Section 500.579 is revised to read as follows:

§ 500.579 Authorization for release of certain blocked transfers by banking institutions subject to U.S. jurisdiction.

Banking institutions subject to the jurisdiction of the United States are authorized to unblock and return to the remitting party funds that were blocked pursuant to this part because of an interest of North Korea or Vietnam, or a national thereof, that came into their possession or control by wire transfer or check remittance, provided that no funds are released to the Governments of North Korea or Vietnam or to any person in North Korea or Vietnam. In the case of Vietnam, however, this

authorization is restricted to wire transfers or check remittances received after December 31, 1989.

10. Section 500.580 is added to read as follows:

§ 500.580 Transactions involving North Korea by foreign entities subject to U.S. jurisdiction.

All transactions of any corporation, partnership, association or other organization organized outside the United States, that is owned or controlled by persons specified in paragraph (a) or (c) of § 500.329 or paragraph (a)(2) of § 500.330 of this part, which transactions would otherwise be prohibited by subpart B of this part, are authorized. Except as otherwise specifically provided in this part, this section does not authorize the involvement in such transactions of any person specified in paragraph (a) or (c) of § 500.329 or paragraph (a)(2) of § 500.330 of this part.

11. Section 500.581 is added to read as follows:

§ 500.581 Authorization of U.S. dollar clearing transactions involving North Korea.

Banking institutions organized under the laws of or located in the United States are authorized to process the transfer of

funds in which North Korea or a national thereof has an interest. Originators and ultimate beneficiaries of funds transfers, however, including U.S. banking institutions that are themselves originators or beneficiaries, may not initiate or receive such transfers if the underlying transactions to which they relate are prohibited pursuant to this part.

12. Section 500.582 is added to read as follows:

§ 500.582 Financial transactions related to diplomatic missions authorized.

All financial transactions related to activities of North Korean diplomatic missions in the United States and U.S. diplomatic missions in North Korea are authorized.

13. Section 500.583 is added to read as follows:

§500.583 Importation of North Korean-origin magnesite and magnesia.

Specific licenses may be issued authorizing the importation into the United States of North Korean-origin magnesite or magnesia.

14. Section 500.584 is added to read as follows:

§ 500.584 News organization offices.

(a) Specific licenses may be issued authorizing all transactions necessary for the establishment and operation of news bureaus in North Korea by U.S. organizations whose primary purpose is the gathering and dissemination of news to the general public.

(b) Transactions that will be authorized include but are not limited to those incident to the following:

(1) leasing office space and securing related goods and services;

(2) hiring North Korean nationals to serve as support staff;

(3) purchasing North Korean-origin goods for use in the operation of the office; and

(4) paying fees related to the operation of the office in North Korea.

(c) Specific licenses may be issued authorizing transactions necessary for the establishment and operation of news bureaus in the United States by North Korean organizations whose primary purpose is the gathering and dissemination of news to the general public.

(d) The number assigned to a specific license issued pursuant to this section should be referenced in all import documents, and in all funds transfers and other banking transactions through banks organized or located in the United States, in connection with the licensed transactions to avoid the blocking of goods imported from North Korea and the interruption of the financial transactions with North Korea.

15. Section 500.585 is added to read as follows:

§500.585 Energy sector projects in North Korea.

Specific licenses may be issued to permit persons subject to U.S. jurisdiction to participate in certain types of energy sector projects in North Korea in connection with that country's transition to light-water reactor ("LWR") power plants. Such transactions include those related to LWR power plant site preparation, excavation, plant design, delivery of essential nonnuclear components including turbines and generators, building construction, and the provision of heavy oil to North Korea for heating and electricity generation pending completion of the first LWR unit.

Dated: January __ , 1995.

R. Richard Newcomb,
Director, Office of Foreign Assets Control.

Approved: January __ , 1995.

John Berry
Deputy Assistant Secretary (Enforcement).

[FR Doc. 95-????? Filed 01-??-95; ??:?? am]
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WASHFAX RECEIPT
DEPARTMENT OF STATE

B

S/S #

C

MESSAGE NO. 9413?3 CLASSIFICATION ~~Confidential~~ No. Pages 7

FROM: Tom Marten (Officer name) EB/ESP (Office symbol) x7-7699 (Extension) 3329 (Room numbe

MESSAGE DESCRIPTION DPRK Sanctions Lift Concept Paper (Revised)

TO: (Agency)	DELIVER TO:	Extension	Room No.
Treasury/OFAC	Rick Newcomb & Bill Hoffman	622-2500	Annex II
Treasury/OASIA	Susan Hart & Meg Lundeslager	622-1258	
NSC	Steve Aoki call when rec'd →	456-9181	382 OEOB
DOD	Todd Harvey & Capt. Steve Loeffler	697-7757 695-6565	4C840 4E830
DOE	Beth Lisanne	586-2145	NN 43
Commerce/BXA	Gene Peterson-Baird	482-4479	4054

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REMARKS: As promised.

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Initials: W Date: 08/05/15

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001a. paper	re concept paper (5 pages)	11/27/1994	P1/b(1)

COLLECTION:

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National Security Council
Steven Aoki (Nonproliferation and Export Controls)
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RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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001b. paper	re timeline (2 pages)	11/27/1994	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [3]

2009-0528-F
kc1575

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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BOB BELL

Carnegie Corporation of New York

437 Madison Avenue, New York, N.Y. 10022 • (212) 371-3200 • Telex: 6506377182 • Fax: (212) 754-4073

January 6, 1995

Anthony Lake
Assistant to the President for
National Security Affairs
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Tony:

Cy Vance has told me of your report that there is no early chance of a meeting with the President on the questions we have raised about current U.S. policy on CTBT and NPT extension. That's understandable at this season, and I can only say that I do urge you to have one more look, yourself, at where you all will be in the spring when the world notices that you are pushing both a permanent extension of NPT and a ten-year escape clause for CTB. I cannot think of any previous President in the nuclear age who would have consciously chosen to climb into such a box.

I also owe you advance notice that I am likely to go public on this issue, possibly as early as next week, but more probably after a Caribbean holiday that follows. If I do that, I will address myself directly to the issues and steer clear of our exchanges. There may be public gossip about our effort with you all at some stage, given the number of people in and out of government who already know about it, but it will not come from me.

Sincerely,

Mac

McGeorge Bundy

Draft #8/LRC, 1/9/95

Dismantling the Nuclear Weapons Legacy of the Cold War

James E. Goodby
Distinguished Visiting Fellow
Institute for National Strategic Studies
National Defense University

The Greatest Disarmament Program in Human History

The nuclear arms reduction agreements and parallel commitments reached since 1987 will remove from active deployment about 27,000 former Soviet bombs and warheads. When START I and II are fully implemented, Russia will have eliminated some 1000 strategic nuclear delivery vehicles and removed from active deployment 4,500 strategic warheads. Ukraine will give up 176 SS-19S and 24S and 1,240 strategic warheads as well as cruise missile warheads. The 81 SS-25 single-warhead missiles placed in Belarus by the Soviet Union will be withdrawn and probably redeployed on Russian territory. For its part, the United States will eliminate over 1, 300 strategic nuclear delivery vehicles under the START agreements, and will have removed from active deployment over 6,000 strategic warheads.

These reductions, in terms of systems scheduled for elimination and the destructive potential they represent, amount to the greatest program of disarmament in human history. The process also signals a change in relations between Washington and Moscow, if only by dramatically reversing the upward trend in nuclear weapons targeted against each other's homeland that has characterized much of the nuclear age.

The Nunn-Lugar Legislation: A Cooperative Approach to Security

Not all of the problems that could arise in undertaking a dismantlement program of this magnitude were perceived with the clarity that hindsight affords when Senator Lugar (R-IN) and Senator Nunn (D-GA) sponsored the Soviet Nuclear Threat Reduction Act of 1991 (PL 102-222). But the general shape of the problem was identified with considerable accuracy. The initial legislation put the Congress on record as supporting actions to facilitate dismantlement of nuclear weapons in the Soviet Union and to assist in the prevention of weapons proliferation. Subsequently the scope was broadened and applied to the new independent states of the former Soviet Union. In practice, cooperation has been developed with Belarus, Kazakhstan, Russia, and Ukraine -- the countries strategic nuclear weapons were still located after the break -up of the Soviet Union.

This program has been known by several names -- the Nunn-Lugar program, safe and secure dismantlement (SSD), and cooperative threat reduction (CTR). A remarkable feature of it is the way in which Americans, Belarusians, Kazakhstanis, Russians, and Ukrainians have joined forces to solve problems. The style is reminiscent of how General George C. Marshall said problems should be attacked: all the participants in a discussion on one side of the table and the problem on the other. Within the constraints of legislation, funding, and Executive Branch procedures, the prospective partners were asked what kinds of cooperative programs would best suit their needs. The resulting dialogue led to analysis and to joint conclusions and to a series of agreements, some of which dealt with highly sensitive issues. It is unlikely that this joint problem-solving style could have evolved without the resources provided by the Nunn-Lugar legislation.

Joint problem-solving initially occurred while the political-legal framework for cooperation was being developed and it continued in a more detailed manner throughout the implementation phase. The intent was to provide the basic legal foundations and a general outline of the areas of cooperation, while leaving open for subsequent development most of the specific description of goods and services to be provided.

For each country an umbrella agreement was negotiated that addressed the scope of the cooperation, tied the cooperation to the objectives defined by U.S. legislation, and defined the general rights and obligations of the two parties. Implementing agreements were then negotiated that identified specific areas for cooperation and the maximum amount of Nunn-Lugar money that could be made available for each implementing agreement. As of December 1994, there are a total of 36 implementing agreements in effect.

Issues that were sometimes difficult to resolve in these negotiations included the auditing provisions needed to assure the U.S. Government that public monies were being properly spent, rights and privileges to be accorded to American citizens working on these projects in each of the partner countries, and relief from customs duties for U.S. equipment being furnished in accordance with the agreements.

Ukraine

Special note should be taken of the significant role that Nunn-Lugar funds played in gaining Ukraine's adherence to START I, the Lisbon Protocol, and the Nuclear Non-proliferation Treaty (NPT). To facilitate implementation of the Lisbon Protocol, President Bush in the fall of 1992 committed $175 million in Nunn-Lugar assistance to Ukraine. After considerable hesitation, Ukraine signed its Nunn-Lugar umbrella agreement with the United States on October 25, 1993 during the visit of Secretary of State Christopher to Kiev. In December 1993, Ukraine and the United States concluded an implementing agreement for dismantlement of the strategic offensive forces deployed in Ukraine, initially for a program envisaging the expenditure of up to $135 million. Assistance to help offset the cost to Ukraine of dismantling nuclear weapons was one of the conditions set by the Ukrainian Parliament for its ratification of START I and the Lisbon Protocol. In that same month of December 1993, Ukrainian authorities informed the U.S. negotiating team that their government had decided to deactivate all of their missiles, including the most modern missiles -- the SS-24s. Deactivation of SS-24s, arrangements for Russian compensation to Ukraine for the value of the enriched uranium in nuclear warheads shipped to Russia for dismantling, and commitments to provide security assurances for Ukraine made possible the trilateral accord signed by Presidents Clinton, Kravchuk, and Yeltsin on January 14, 1994 that placed Ukraine on the road to adherence to the NPT, as well as to START I and the Lisbon Protocol.

Status of Cooperative Programs

There are two useful ways of comprehending how these programs of cooperation are proceeding. One is to identify the resources being devoted to achieving the major goals of this effort. The other is to review the programs on a country-specific basis. Table I uses the first method and Table II the second. As can be seen in Table I, there are three principal categories in which cooperation is underway:

- o Weapons destruction and dismantlement;
- o Chain of custody;
- o Demilitarization.

Destruction and dismantlement includes heavy equipment for use in destroying nuclear delivery vehicles and silos, government-to-government communication links for transmitting data related to START I elimination progress, chemical weapons destruction assistance, and elimination of strategic missile bases and site restoration.

Chain of Custody includes assistance in the safe and secure transport and storage of fissile material, material control and accounting, export controls, weapons security, and nuclear reactor safety.

Demilitarization includes cooperation in the transition from defense production to civilian production, housing for demobilized strategic rocket forces officers, and centers for scientific cooperation.

By the end of 1994 about $1 billion had been committed to the support of cooperative programs between the United States on the one hand and Belarus Kazakhstan, Russia, and Ukraine on the other. Approximately 50% of those commitments had been devoted to weapons dismantlement, white chain of custody had absorbed about 30% of the commitments. Just under 17% had been dedicated to demilitarization.

As Table II indicates, U.S.-Russian programs of cooperation have accounted for the largest share of the billion dollars, $450.7 million. Ukraine has the second largest program at just under $280 million. The Kazakhstani program is third in size with about $100 million in committed Nunn-Lugar funds and the Belarus program is just over $70 million.

Table II also shows that the assistance actually provided by the United States as of December 1994 has not caught up with and the amount that the United States has agreed to provide to the cooperating countries. The reasons for this are shared between the United States and the cooperating countries. But substantial progress was made during calendar 1994 in translating agreements into real goods and services. From not much over $100 million in January 1994, US obligations rose to well over $450 million by December 1994. (In U.S. budgetary practice, "obligations" refers to funds that have been transferred through contracts for good and services).

These obligations resulted in shipments to the cooperating countries through calendar year 1994 that included cranes, bulldozers, cut-off saws, cable shredders, communications equipment, computer equipment, armor blankets, protective suits, plasma cutters, fissile material containers, excavators, and assorted other types of equipment.

SOLVING AN OLD PROBLEM, CONFRONTING NEW ONES

Eliminating a large fraction of the nuclear weapons legacy of the Cold War under present conditions has surfaced several practical problems of execution for those governments directly concerned:

- the resource requirements of rapidly dismantling nuclear weapons systems;
- managing the process of rapid dismantlement while maintaining absolute control over the fissile materials released;
- protecting fissile materials in facilities where the security environment may have deteriorated,
- the economic and intellectual needs of displaced scientific and technical personnel;
- underlying economic problems in the former Soviet Union that make it more difficult for governments concerned to prosecute in a sustained and vigorous manner their obligations to dismantle nuclear weapons systems.
- dealing with the perceived security, economic, and political needs of newly independent countries where nuclear weapons deployed by the former Soviet Union are located -- Belarus, Kazakhstan, and Ukraine;

Paradoxically, the process of removing warheads from deployment with missiles and disassembling missiles can pose new dangers that did not exist when the warheads and missiles were kept in securely guarded missile sites. Transporting fissile materials and weapons components over great distances to storage and dismantling facilities that are operating in a difficult economic and security environment, and filling those facilities to capacity, or beyond, creates new problems in terms of the safety and security of nuclear warheads. In societies that are under enormous stress and are suffering from major economic dislocations, warheads, fissile materials, or missile components could become more vulnerable to "insider" thefts or criminal actions. The end of the nuclear arms race, coincident with a sharp downturn in employment opportunities in the former Soviet Union for technically- skilled persons, also has generated widespread hardship within the elite scientific communities is of the new independent states.

The evidence to date supports the thesis that the products of disarmament are safeguarded with great care by responsible agencies. So far, the smuggling attributed to leakages from within the former Soviet nuclear establishment appears to have come from civilian research centers and not from materials released by the process of dismantling nuclear weapons systems. But improvements in the control of fissile materials would greatly reduce the potential for unauthorized seizure of these hazardous materials. The time has now come to work intensively to develop and strengthen cooperative programs to prevent a relatively new kind of proliferation -- that resulting from sub-state threats to effective governmental control over fissile materials. It would be particularly important to do this with Russia, where the dismantling and storage of nuclear warheads and components are taking place.

The Resource Crunch

It is clear that Fiscal Year 1996 budget requests for nuclear dismantlement and related activities will face close and critical scrutiny; they must compete for funding with other valuable programs that may have to be trimmed or eliminated. Priorities within the Nunn-Lugar program need to be reviewed in this context and in the context of diverse threats to U.S. and international security. Rapid de-activation of nuclear weapons systems can proceed with a modest amount of additional assistance. Working with Russia, Belarus, Kazakhstan and Ukraine to improve fissile materials control and accountability systems, customs controls, storage facilities for dismantled nuclear warhead components, and safe and secure rail transport of fissile materials entails, potentially, much more support than has been allocated by the US Government to date. Special monitoring and safeguards procedures also will be required on a reciprocal basis ifRussia and the United States can agree on ways and means of assuring each other that nuclear warheads are indeed being dismantled and that fissile materials declared excess to military needs will not be re-used for new nuclear weapons.

One issue that this situation poses is whether the ratio between the nearly 50% devoted to dismantling nuclear delivery systems and the 30% devoted to chain of custody is the right proportion of Nunn-Lugar commitments to project into the future. If the greater relative need at present is to enhance the management and control of fissile materials, then a greater priority in funding should be attached to this task.

Are Nuclear Weapons Being Eliminated?

If the provisions of START II are fulfilled by Russia and the United States, by the year 2003 (or by 2000, with U.S. assistance) the deployed strategic nuclear forces of the Untied States and Russia will be reduced to levels corresponding to 3500-3000 nuclear warheads. Although the launchers and nuclear delivery vehicles -- the objects of these disarmament accords -- must be eliminated by prescribed and verified procedures, there is no obligation on either party to eliminate the nuclear warheads removed from active deployment status. There is no agreed procedure now in place that would enable the United States, or Russia, to know for sure that the other side is dismantling these warheads. There is no assurance that the process of eliminating weapons is irreversible.

On September 28, 1994 Presidents Clinton and Yeltsin decided to "direct their joint working group on nuclear safeguards, transparency and irreversibility to pursue by March 1995 further measures to improve confidence in and increase the transparency and irreversibility of the process of reducing nuclear weapons." In discussions leading up to the Clinton-Yeltsin meeting U.S. and Russian officials agreed that the US-Russian joint working group would:

- "Define options to make transfers of fissile materials from weapons to non-weapons purposes irreversible;
- Consider options for an exchange of data on inventories of fissile materials removed from dismantled warheads;
- Examine options for reciprocal inspections of storage facilities containing plutonium and highly-enriched uranium removed from nuclear weapons; and
- Address special safeguards problems related to the cut-off of production of fissile materials and the feasibility and specific methods for placing fissile materials released as a result of the disarmament process under IAEA safeguards."

They agreed that the joint working group would report on its progress at the next summit meeting. Obviously, these talks will be a key part of the process of eliminating nuclear weapons and safeguarding fissile material. In view of the new and sensitive issues that will be discussed, the talks will need the sustained commitment of the most senior policy makers in both the United States and Russia if they are to succeed.

Conclusion

- o The process of dismantling former Soviet nuclear weapons systems, while highly desirable from the standpoint of reducing a major threat to the United States, generates new security threats that need urgent attention. These threats include access to fissile materials by unauthorized persons or groups, including criminal or terrorist organizations.
- o Working with Belarus, Kazakhstan, Russia and Ukraine to improve the ability of duly constituted authorities in those countries to account for and control access to fissile materials should be a high-priority US policy.
- o The urgency of strengthening safeguards over fissile materials will require some shifting of funding and policy resources into programs that support this goal. This may require more funding for the "chain of custody" category of cooperative threat reduction (Nunn-Lugar programs).
- o Top-level Administration and Congressional support is required for US-Russian efforts to make the process of transferring fissile materials from weapons to non-weapons purposes transparent and irreversible.

Recommendations

The United States should assign high priority to:

1. Securing US-Russian arrangements that will increase the transparency of the

process of reducing nuclear weapons and build confidence in the irreversibility of transfers of fissile materials from weapons to non-weapons purposes.

2. Supporting in tangible ways efforts being made in Belarus, Kazakhstan, Russia, and Ukraine to strengthen safeguards over fissile materials.

3. Providing appropriate funding levels for programs of cooperation between the United States and Belarus, Kazkhstan, Russia and Ukraine in areas related to the chain of custody over fissile materials.

COOPERATIVE THREAT REDUCTION
SUMMARY OF ASSISTANCE

Program Area Name	Assistance AGREED ($M)	Assistance Provided ($M)
Chain of Custody	260.8	154.7
Demilitarization	150.0	84.6
Destruction and Dismantlement	472.0	187.6
Other Program Support	15.0	7.6
Grand Total:*	897.8	434.4

*Does not include funds obligated for non-agreement assistance, e.g. Arctic Nuclear Waste, Other Assessments and Defense Enterprise Fund.

As of: 12 Dec 94

Table I
Courtesy of USDOD

COOPERATIVE THREAT REDUCTION

SUMMARY OF ASSISTANCE

Partner ~~Counter~~ Country	Assistance Agreement ($M)	Assistance Provided ($M)
Belarus	70.1	22.5
Kazakstan	100	3.4
Russia	450.7	278.4
Ukraine	277.1	130.0
Totals:	897.9	434.3

As of: 12 Dec 94

Table II
Courtsey of USDOD

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DTG 101842Z Jan 95

RELEASER [illegible]

FROM/LOCATION

Warren Stern

TO/LOCATION

Steve Aoki

TIME OF RECIEPT

1018 Z Jan 95

INFO/LOCATION

SPECIAL INSTRUCTIONS/REMARKS

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002a. fax	cover, Warren Stern to Steve Aoki [partial] (1 page)	01/10/1995	b(7)(C)

COLLECTION:
Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:
North Korea, January 1995 [3]

2009-0528-F
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[002a]

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UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

CLASSIFIED FAX COVER SHEET

ACDA/NP/INA

DATE: 1-10-95

TO: NSC - Steve Aoki (456-9181)

CLASSIFIED FAX #: (b)(7)c

FROM: Warren Stern (647-9715)

CLASSIFIED FAX #: (b)(7)c

MESSAGE: Response required by noon 1/11.

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
Initials: [illegible] Date: 07/30/15
2009-0528-F

PAGE ONE OF 7

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UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
Washington, D.C. 20451

January 10, 1995

MEMORANDUM

TO: NSC - Steve Aoki
S/AL - Joel Witt
EAP - Lynn Turk
OSD - Steve Loeffler (703 697 9487)
OMB - Steve Goldberg/Jim Nix (395 7558)
DOE - Bob Alvarez (586 9759/7570)

FROM: ACDA - Warren Stern (647-9715) WS

SUBJECT: Scope Paper for Next Spent Fuel Meeting

The DPRK has accepted our proposed dates of January 17-24 for the next spent fuel meeting. I have attached a scope paper for the meeting.

Please provide your clearance/comments to be by noon on Wednesday, January 11, to me or Scott Davis (647-9751).

Attachment:
As stated

DECLASSIFIED E.O. 13526
Department of State Guidelines,
September 11, 2006
By LW NARA, Date 07/30/15
2009-0528-F

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002b. paper	re scope paper (5 pages)	01/10/1995	P1/b(1)

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Steven Aoki (Nonproliferation and Export Controls)
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003a. fax	cover, Jim Pierce to Steve Aoki (1 page)	01/11/1995	P1/b(1)

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003b. draft	letter, POTUS to President Kim of ROK (2 pages)	01/13/1995	P1/b(1)

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RR. Document will be reviewed upon request.

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Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004b. memo	Daniel Tarullo et al to Mr Tarnoff re OFAC License Request (4 pages)	01/00/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [3]

2009-0528-F
kc1575

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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Tab A —

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

FAC No. 142998

NOV 3 0 1994

MEMORANDUM FOR ROBERT S. DEUTSCH
DIRECTOR
DEPARTMENT OF STATE/EB/ESP

FROM: R. RICHARD NEWCOMB
DIRECTOR
OFFICE OF FOREIGN ASSETS CONTROL

SUBJECT: North Korea License Request by the Stanton Group
Possible Violation of North Korea Sanctions

Attached is a license request from the Stanton Group, Boston, Massachusetts, seeking authorization to permit the Stanton Group to conduct business in the Democratic People's Republic of Korea ("DPRK") in connection with an apparent agreement between the DPRK and the Stanton Group allegedly executed on November 8, 1994 (the "Agreement").

We note that while the execution of an agreement between the DPRK and a U.S. person would require prior FAC authorization, the Stanton Group has no such authorization. Thus, it appears from the face of the application that the Stanton Group has engaged in an unauthorized transaction by executing the Agreement. This Office intends to pursue this apparent violation of the Foreign Assets Control Regulations, 31 C.F.R. Part 500. However, we request that the State Department comment specifically on this aspect of the application.

We request the views of the State Department with respect to the Stanton Group's license request. Upon obtaining your views, we will make our licensing determination in this matter.

Attachment

5/1

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004c. letter	The Stanton Group to Richard Newcomb, OFAC re Special License [50 USC 2411c] (4 pages)	11/23/1994	P3/b(3)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [3]

2009-0528-F
kc1575

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November 7, 1994

LETTER OF GUARANTEE

The economic and development activities to be jointly undertaken by the Solbi-Stanton Development Corporation will be encouraged and financially guaranteed specially by the State Commission of External Economic Affairs at the authorization of the Government of the Democratic People's Republic of Korea.

State Commission of External
Economic Affairs,
Democratic People's Republic of Korea

PYONGYANG

10/1.

TAB B

January x, 1995

UNCLASSIFIED
MEMORANDUM

TO: R. Richard Newcomb
Director
Office of Foreign Assets Control
Department of the Treasury

FROM: Robert S. Deutsch
Director
Office of Economic Sanctions Policy

SUBJECT: North Korea License Request by the Stanton Group

REF: FAC No. 142988

The Department of State does not object to issuance of a license authorizing the Stanton Group of Boston, Massachusetts, to enter into a joint venture with a North Korean firm to operate the Sombong oil-fired electric power plant and the Sombong oil refinery. The license should include the following conditions with respect to operation of the Sombong oil refinery:

1) All refined products shall be exported from North Korea;

2) All hard currency earnings shall be managed by the licensee, and the DPRK's portion thereof shall be deposited in an escrow account established in a bank subject to U.S. jurisdiction and used solely to expand or upgrade conventionally powered electric generating plants in the DPRK.

This project will substantially advance our foreign policy objectives pursuant to the U.S.-DPRK Agreed Framework of October 21, 1994.

We do not support issuance of a license authorizing Stanton to promote foreign investment in North Korea at this time.

In view of the pending revision to our economic sanctions policy with respect to North Korea, we do not believe that prosecution of the Stanton Group for sanctions violations is in the national interest at this time.

11/12

TAB C

January x, 1995

UNCLASSIFIED
MEMORANDUM

TO: R. Richard Newcomb
Director
Office of Foreign Assets Control
Department of the Treasury

FROM: Robert S. Deutsch
Director
Office of Economic Sanctions Policy

SUBJECT: North Korea License Request by the Stanton Group

REF: FAC No. 142988

The Department of State does not object to issuance of a license authorizing the Stanton Group of Boston, Massachusetts, to enter into a joint venture with a North Korean firm to operate the Sombong oil-fired electric power plant. This project will substantially advance our foreign policy objectives pursuant to the U.S.-DPRK Agreed Framework of October 21, 1994.

We wish to defer our recommendation on issuance of a license authorizing Stanton to operate the Sombong oil reinfery pending further progress in resolving the nuclear issue.

We do not support issuance of a license authorizing Stanton to promote foreign investment in North Korea at this time.

In view of the pending revision to our economic sanctions policy with respect to North Korea, we do not believe that prosecution of the Stanton Group for sanctions violations is in the national interest at this time.

12/1:

JOHN M. SPRATT, JR.
5th DISTRICT, SOUTH CAROLINA

1536 LONGWORTH BUILDING
WASHINGTON, D.C. 20515
(202) 225-5501

COMMITTEES:
ARMED SERVICES
GOVERNMENT OPERATIONS

Congress of the United States
House of Representatives
Washington, D.C. 20515

DISTRICT OFFICES:

FEDERAL BUILDING
BOX 350
ROCK HILL, SOUTH CAROLINA 2973
(803) 327-1114

39 E. CALHOUN STREET
SUMTER, SOUTH CAROLINA 29150
(803) 773-3362

88 PUBLIC SQUARE
BOX 25
DARLINGTON, SOUTH CAROLINA 295
(803) 393-3998

January 10, 1995

Mr. Anthony Lake
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20506

Dear Mr. Lake:

I write to remind you of the attached legislation, which was included in the National Defense Authorization Act for FY 1995. Under section 3155, the President has authority to transmit restricted and formerly restricted date for several purposes, including nuclear material control and accounting (MC&A).

Since 1991, I have advocated a reciprocal exchange of information between the U.S. and the states of the former Soviet Union (FSU) regarding nuclear weapon stockpiles, weapons production sites, and nuclear materials inventories. Such an exchange is a fundamental step toward establishing an effective MC&A system in the FSU. To put it bluntly, I am disappointed in the progress to date in establishing an inventory of FSU nuclear materials and assisting Russia and the other states of the FSU in providing adequate security for them.

I understand that there is disagreement over which agency should conduct and fund our MC&A efforts. I urge you to resolve this question quickly, and provide sufficient resources to whichever agency undertakes this mission. I firmly believe we have neglected MC&A too long and must accelerate our efforts. A MC&A program can garner bipartisan support in the 104th Congress, and is a much more cost-effective method of preventing a terrorist, accidental or rogue nuclear missile attack than establishing a space-based national missile defense system.

I look forward to your reply.

Respectfully,

John Spratt

John M. Spratt, Jr.
Member of Congress

JMSj:hb
Enclosure

103d Congress 2d Session | HOUSE OF REPRESENTATIVES | Report 103-701

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1995

CONFERENCE REPORT

[illegible] 12, 1994.—Ordered to be printed

(2) The terms "byproduct material", "source material", and "special nuclear material" have the meaning given such terms in section 11 of the Atomic Energy Act of 1954 (42 U.S.C. 2014).

SEC. 3155. COMMUNICATION OF RESTRICTED DATA AND FORMERLY RESTRICTED DATA.

(a) COMMUNICATION OF DATA.—Section 144 of the Atomic Energy Act of 1954 (42 U.S.C. 2164) is amended—

(1) by redesignating subsection d. as subsection e.; and

(2) by inserting after subsection c. the following new subsection d.:

"d. (1) In addition to the cooperation authorized in subsections a., b., and c., the President may, upon making a determination described in paragraph (2), authorize the Department of Energy, with the assistance of the Department of Defense, to cooperate with another nation to communicate to that nation such Restricted Data, and the President may, upon making such determination, authorize the Department of Defense, with the assistance of the Department of Energy, to cooperate with another nation to communicate to that nation such data removed from the Restricted Data category under section 142, as is necessary for—

"(A) the support of a program for the control of and accounting for fissile material and other weapons material;

"(B) the support of the control of and accounting for atomic weapons;

"(C) the verification of a treaty; and

"(D) the establishment of international standards for the classification of data on atomic weapons, data on fissile material, and related data.

"(2) A determination referred to in paragraph (1) is a determination that the proposed cooperation and proposed communication referred to in that paragraph—

"(A) will promote the common defense and security interests of the United States and the nation concerned; and

"(B) will not constitute an unreasonable risk to such common defense and security interests.

"(3) Cooperation under this subsection shall be undertaken pursuant to an agreement for cooperation entered into in accordance with section 123.".

(b) APPLICABILITY OF NOTICE AND WAIT PROVISIONS.—Section 123 d. of the Atomic Energy Act of 1954 (42 U.S.C. 2153(d)), as amended by subsection (c), shall not apply to a proposed agreement for cooperation under section 144 d. of such Act, as inserted by subsection (a), until December 31, 1995.

(c) CONFORMING AMENDMENTS.—The Atomic Energy Act of 1954 (42 U.S.C. 2011 et seq.) is amended as follows:

(1) Section 123 is amended—

(A) by striking out "or 144 c." each place it appears and inserting in lieu thereof "144 c., or 144 d.";

(B) in subsection a., by striking out "or 144 b." and inserting in lieu thereof "144 b., or 144 d."; and

(C) in subsection b., by inserting "(except an agreement arranged pursuant to section 91 c., 144 b., 144 c., or 144 d.)" after "the President has submitted text of the proposed agreement for cooperation".

(2) Section 142 d. is amended by striking out "subsection 144 b." and inserting in lieu thereof "subsection b. or d. of section 144.".

(3) Section 142 f. is repealed.

(4) Section 144 e., as redesignated by subsection (a)(1), is amended by striking out "or c." and inserting in lieu thereof "c., or d.".

SEC. 3156. SCHOLARSHIP AND FELLOWSHIP PROGRAM FOR ENVIRONMENTAL RESTORATION AND WASTE MANAGEMENT.

(a) USE OF FUNDS.—Of the funds authorized to be appropriated to the Department of Energy in section 3102 for fiscal year 1995 for environmental restoration and waste management, $1,000,000 shall be available for the scholarship and fellowship program for environmental restoration and waste management carried out under section 3132 of the National Defense Authorization Act for Fiscal Years 1992 and 1993 (Public Law 102–190; 105 Stat. 1572; 42 U.S.C. 7274e).

(b) DESIGNATION AS MARILYN LLOYD SCHOLARSHIP AND FELLOWSHIP PROGRAM.—(1) Section 3132(a) of such Act (42 U.S.C. 7274e(a)) is amended by adding at the end the following: "The scholarship and fellowship program shall be known as the 'Marilyn Lloyd Scholarship and Fellowship Program'.".

(2) The amendment made by paragraph (1) shall take effect on January 3, 1995.

SEC. 3157. REPORT ON ECONOMIC REDEVELOPMENT AND CONVERSION ACTIVITIES RESULTING FROM RECONFIGURATION OF DEPARTMENT OF ENERGY NUCLEAR WEAPONS COMPLEX.

(a) IN GENERAL.—Not later than May 1, 1995, the Secretary of Energy shall submit to Congress information on economic redevelopment and conversion activities that, in the determination of the Secretary, may result from the reconfiguration of the Department of Energy nuclear weapons complex. The Secretary may submit the information in a report or submit the programmatic environmental impact statement referred to in section 3145(c) of the National Defense Authorization Act for Fiscal Year 1994 (Public Law 103–160; 107 Stat. 1949) and include the information in that statement.

(b) CONTENTS.—The information referred to in subsection (a) shall include the following:

(1) An analysis of the existing condition and capabilities of the facilities of the nuclear weapons complex.

(2) A description of the technologies and processes at such facilities that have the potential to be developed in collaboration with private industry, State, local, or tribal governments, institutions of higher education, or non-profit organizations.

(3) An estimate of the costs associated with economic redevelopment and conversion activities as a result of the reconfiguration of the nuclear weapons complex.

(4) A description of how the Secretary will coordinate with local interests regarding such activities.

SEC. 3158. OFFICE OF FISSILE MATERIALS DISPOSITION.

(a) ESTABLISHMENT.—Title II of the Department of Energy Organization Act (42 U.S.C. 7131 et seq.) is amended by adding at the end the following:

Technology development

The conferees urge the Department of Energy to ensure that the funds allocated for research and development activities in support of the environmental restoration and waste management program are actually spent on needed research. More needs to be done to ensure that the scarce environmental research and development funds are used first, for research and, second, for research that addresses a priority need of the Department.

The conferees are particularly pleased with the newly-created joint research and development efforts that the DOE and the Department of Defense have initiated. The conferees look forward to more coordination in research and development between the two agencies.

Because the defense budget is decreasing, the environmental restoration and waste management programs will come under increasing budgetary constraints. The conferees believe that many dollars could be saved through the research, development, and demonstration of pollution prevention strategies, new waste characterization and treatment technologies, and remediation methodologies. The conferees urge the Secretary to fund the research and development program consistent with the Department's stated goal of dedicating 10 percent of the environmental budget to research and development.

Fissile material disposition

Disposition of excess weapons-grade fissile materials will continue to be a major challenge to the Department of Energy for the foreseeable future. Although all of the materials must be stored in a safe and secure manner for many years, the disposition of excess plutonium presents the most significant challenge. The conferees are disappointed that the Department did not include in its budget request a request for funding to deal with the many issues associated with the storage and disposition of these materials. The conferees recommend $50.0 million for fissile materials disposition.

The conferees urge DOE to begin assessing in earnest the broad range of technologies, including reactor, advanced reactor, and non-reactor technologies, potentially available for the disposition of plutonium. The assessments should focus on the safe, permanent disposition of surplus weapons material independent of the disposition of civilian plutonium. Each of the possible disposition options present significant challenges.

The conferees also expect the Secretary to use such funds as are available and required to identify the Department's near-term requirements for the storage of fissile materials until the nation has determined a final disposition strategy. The conferees recognize that in fiscal year 1995, the Secretary must also devote significant resources from the fissile materials disposition budget to prepare and issue the environmental impact statement (EIS) necessary for compliance with the National Environmental Policy Act. The conferees urge the Secretary to prepare the EIS in as cost-efficient a manner as possible.

Russia too faces a challenge, similar to that of the United States, in storing and ultimately reducing its excess weapons materials. The conferees believe that to the maximum extent practicable, DOE should work with its Russian counterparts to ensure that the Russian weapons-grade fissile materials are stored in a safe, secure, and accountable manner. Recent news reports about small quantities of weapons-grade plutonium, apparently from Russia, being available for sale in Germany are most troublesome. The conferees urge the Office of Fissile Materials Disposition to coordinate its activities with the DOE Office of Nonproliferation and National Security and other relevant offices and agencies in addressing areas of mutual concern with Russia.

The conferees note that the DOE weapons laboratories have established very successful and productive relationships with various Russian laboratories and urge DOE to expand on this success.

Material control and accounting

The conferees have consistently urged both the Department of Energy and the Department of Defense to develop an accurate accounting of all weapons-grade fissile and special nuclear materials in Russia and the other nations of the Commonwealth of Independent States (CIS). The conferees strongly believe that obtaining an accurate inventory of such materials in the CIS is a fundamental step in establishing an effective nonproliferation regime. The conferees recognize that a bilateral exchange of nuclear weapons stockpile data, including restricted data and formerly restricted data, between the United States and the nuclear states of the CIS will likely be necessary to establish such an accounting. The conferees agree to clarify and expand the authority of the President to provide such data in section 3155 of this act.

Elsewhere in this statement of the managers, the conferees direct the Department of Energy to work with Russia to explore options for excess weapons-grade fissile material disposition and to ensure that Russian weapons-grade fissile materials are stored in a safe, secure, and accountable manner. After discussions with DOE officials, the conferees understand that the Office of Nonproliferation and National Security will manage the Department's activities with Russia in these areas.

The conferees urge the Secretary to make available to the Office of Nonproliferation and National Security funds and resources required to ensure rapid progress in establishing a complete and accurate accounting of all weapons-grade fissile and special nuclear materials in the CIS. The conferees note that the DOE weapons laboratories have established very successful and productive relationships with various Russian laboratories and urge DOE to expand on this success. The conferees also encourage DOE to consider reprogramming actions, as appropriate, to support these efforts. The Office of Nonproliferation and National Security should coordinate its activities with the Department's Office of Fissile Materials Disposition, other DOE offices, the DOE laboratories, and relevant federal agencies

Finally, the conferees note that title XII of this act authorizes funds for the cooperative threat reduction program that could be used to support the control and accounting of fissile materials in the CIS. The conferees direct the Secretary of Energy to consult with the Secretaries of State and Defense to determine the most effective use of the funds provided in title XII for fiscal year 1995 and prior years to advance material control and accounting objectives.

Naval nuclear propulsion program

The U.S. naval nuclear propulsion program, a joint program of the Department of Energy and the Department of the Navy, has recently achieved a major milestone—nuclear-powered surface ships and submarines have just steamed their 100 millionth mile on nuclear power without a single nuclear accident or harm to the public or the environment. This is a remarkable achievement, and the conferees congratulate the men and women of the naval reactors program for their dedication and exemplary work.

LEGISLATIVE PROVISIONS NOT ADOPTED

General reduction in authorization of appropriations

The Senate bill contained a provision (sec. 3105) that would generally reduce the amount authorized to be appropriated for national security programs at the Department of Energy by $220.0 million. This reduction was offset by the use of prior-year funds that were available because DOE failed to submit the five-year budget plan required by section 3144 of the National Defense Authorization Act for Fiscal Years 1990 and 1991. Section 3139 of the National Defense Authorization Act for Fiscal Year 1994 prohibited the Department of Energy from obligating more than 95 percent of the funds authorized to be appropriated for fiscal year 1994 until the five-year plan was submitted. The plan was due with the President's budget request for fiscal year 1995 in January 1994.

The House amendment contained no similar provision.

The Senate recedes. The conferees agree that this general reduction is no longer necessary. On July 21, 1994, the Secretary of Energy transmitted the five-year budget plan for fiscal year 1995 and beyond.

Limitation on use of funds for special access programs

The Senate bill contained a provision (sec. 3135) that would prohibit 80 percent of the funds authorized to be appropriated to the Department of Energy for fiscal year 1995 from being obligated for special or limited access programs until the Secretary submitted to Congress the report required by section 93 of the Atomic Energy Act of 1954 (42 U.S.C. 2122a).

The House amendment contained a similar provision (sec. 3139) that would prevent obligation of any funds for special or limited access programs until the required report was submitted.

The conferees agree to delete both provisions because the Secretary of Energy has submitted the required report.

Solar energy activities at Nevada Test Site, Nevada

The Senate bill contained a provision (sec. 3141) that would authorize $10.0 million for use at the Nevada Test Site for solar energy activities.

The House amendment contained no similar provision.

The House recedes.

→ SA

TW
Gallucci

~~CONFIDENTIAL~~

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IMMEDIATE

PRIORITY

ROUTINE

SECURE FAX # 76

ADMIN FAX #______

PAGES 3

DTG 121950Z JAN 9

RELEASER________

FROM/LOCATION Warren Stern

TO/LOCATION Aoki

TIME OF RECIEPT 1957Z

INFO/LOCATION

SPECIAL INSTRUCTIONS/REMARKS

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UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ATTACHMENTS
Initials: (lW) Date: 07/30/15
2009-0528-F

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005a. fax	cover, Warren Stern to Steve Aoki (partial) (1 page)	01/12/1995	b(7)(C)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [3]

2009-0528-F
kc1575

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[005a]

~~CONFIDENTIAL~~

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
WASHINGTON, D.C. 20451

CLASSIFIED FAX COVER SHEET

ACDA/NP/INA

DATE: 1-12-95

TO: Steve Aoki

CLASSIFIED FAX #: (b)(7)c

FROM: Warren Stern

CLASSIFIED FAX #: (b)(7)c

MESSAGE:

Response required by noon 1/13.

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ATTACHMENTS
Initials: [illegible] Date: 07/30/15
2009-0528-F

PAGE ONE OF 3

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005b. memo	Norman Wulf to Steve Aoki et al re addition to Scope Paper (2 pages)	01/12/1995	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

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JAN 20 1994

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of Export Administration
Washington, D.C. 20230

MEMORANDUM FOR STEVE AOKI
National Security Council

FROM: Iain S. Baird
Deputy Assistant Secretary

SUBJECT: Economic Impact of Magnesite Imports from North Korea

Per your request, this memo addresses the economic implications of allowing imports of magnesite from North Korea.

U.S. companies do not import significant amounts of magnesite (magnesium carbonate: $MgCO_2$) -- imports in 1993 totalled only a few hundred metric tons. Magnesite is usually processed into magnesium oxide at overseas locations. The magnesium oxide is then imported into the U.S., where it is used to manufacture refractory materials such as the heat-resistant bricks contained in furnaces at steel plants.

According to data furnished by the U.S. Bureau of Mines, the United States produces nearly as much processed magnesium oxide as it imports. In 1993, U.S. domestic facilities processed 268,000 metric tons of magnesium oxide. Imports of magnesium oxide in 1993 totalled 279,000 metric tons. Major domestic producers of magnesium oxide include Premier Services (Gabbs, Nevada, and Florida), Martin Marietta (Michigan), and National Refractories and Minerals Corporation (Mars Landing, California).

The Premier Services facility in Florida and the Martin Marietta and National Refractories facilities produce magnesium oxide by processing seawater or brine. Roughly 80 percent of the magnesium oxide produced in the U.S. is processed from seawater or brine. The only facility in the U.S. that produces magnesium oxide from magnesite ore is the Premier Services facility located in Gabbs, Nevada (the location of the only magnesite mine in the U.S.). The magnesium oxide that is produced from seawater or brine is generally of higher quality than magnesium oxide that is produced from magnesite -- the latter containing greater quantities of impurities such as iron and silicon.

While magnesite is not imported into the United States in significant quantities, imports of magnesium oxide have increased incrementally over the past ten years. In 1993, for example, U.S. domestic consumption of magnesium oxide totalled 487,000 metric tons. Imports accounted for 57% of this domestic consumption. Over 196,000 metric tons of imported magnesium oxide (40% of domestic consumption) were imported from the People's Republic of China, alone. Other foreign sources of magnesium oxide include Austria, Greece, Ireland, Israel, Mexico, the Slovak Republic, and Turkey. The PRC market share is due in large part to the fact that magnesium oxide processed in the PRC can be purchased at relatively low prices.

Precisely what effect imports of magnesite from North Korea would have on the U.S. domestic industry is uncertain. The United States deals primarily in the processed version of magnesite, magnesium oxide. We surmise that North Korean magnesite imports would not be helpful to those U.S. companies who produce magnesium oxide from seawater or brine, since their facilities are not be configured to process raw magnesite. Imports might have a tangible benefit for the Premier Services facility located in Gabbs, Nevada, particularly if the facility is found to be operating at less than full capacity due to insignificant production from its own magnesite mine.

If the Nevada facility were able to increase its total output of magnesium oxide by using some North Korean magnesite, this might allow the firm to offer magnesium oxide to more steel producers, potentially undercutting other U.S. magnesium oxide suppliers. This scenario, however, would only be possible if all or most of the North Korean magnesite went to the Nevada facility (not likely), and if there were no import quotas. We anticipate that any adjustment in the U.S. magnesium oxide industry as a result of North Korean magnesite imports would be subtle, or might not occur at all.

On the positive side, any increase in U.S. domestic production of magnesium oxide would help to lower the PRC's share of U.S. domestic consumption of magnesium oxide.

Attached to this memo is a table containing data on domestic production and consumption of magnesium oxide and recent import trends.

Attachment

Dead-burned magnesia (MgO) supply demand relationships (Thousand metric tons)											
Year	U.S. production	Total imports	Exports	U.S. consumption		Imports from China	% of U.S. consumption supplied by imports from China	% of U.S. consumption supplied by total imports		Average customs value of imports from China ($/mt)	Average customs value of imports from other countries ($/mt)
1983	414	42	10	446		5	1.1	9.4		104.69	296.22
1984	339	118	16	442		28	6.3	26.7		149.28	217.48
1985	263	149	22	390		40	10.3	38.2		130.71	226.74
1986	249	177	22	404		39	9.7	43.8		132.69	229.14
1987	296	186	13	469		44	9.4	39.7		148.28	244.55
1988	371	227	37	561		85	15.2	40.5		96.83	245.08
1989	348	203	22	529		61	11.5	38.4		80.06	237.80
1990	335	155	59	431		68	15.8	36.0		107.40	283.60
1991	296	147	66	377		74	19.6	39.0		129.24	285.42
1992	291	210	57	444		133	30.0	47.3		104.20	309.68
1993	288	279	80	487		196	40.2	57.3		81.14	395.02

Note: Between 1988 and 1989, the U.S. changed trade classifications from the TSUSA to the HTS system, therefore trade data before 1989 are not necessarily directly comparable to those from 1989 forward.

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