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Folder Title:

North Korea, January 1995 [4]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	Daniel Poneman to Joan Edwards et al re ROK FM (Republic of Korea Foreign Minister] (2 pages)	01/19/1995	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 [4]

2009-0528-F

kc1576

RESTRICTION CODES

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

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

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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).

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North Korea's Plutonium Production Capability

Based upon North Korean declarations on power rating and configuration, we calculated approximate cumulative plutonium production (in kilograms) as follows for each of the reactors at Yongbyon (5MWe and 50MWe) and Taechon (200MWe):

<u>Year</u>	<u>5MWe</u>	<u>50MWe</u>	<u>200MWe</u>	<u>Potential Number of Weapons*</u>
1994	30			5
1995	37			6
1996	44	50		15
1997	48	75		20
1998	55	125	150	55
1999	59	150	300	84
2000	66	200	450	119
*				
*				
2005	94	375	1200	278

Although North Korea has declared that the Taechon reactor is for power, it would produce approximately 150 kg of plutonium per year. Even if power is the primary function, as many as 10 percent of the fuel channels could be used for plutonium production, providing a plutonium production capability approximately equal to the 5MWe reactor or about 94 kg of plutonium or 15 nuclear weapons by 2005.

*Assumes 6kg/weapon

*United States Department of Energy
Office of the Under Secretary*

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WILLIAM D. ROGERS

DIRECT LINE (202) 872-6915

November 29, 1994

The Honorable Samuel R. Berger
Deputy Assistant to the President for
National Security Affairs
National Security Council
West Wing
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Imports of Magnesia from North Korea

Dear Sandy:

We represent Minerals Technologies Inc., one of the largest U.S. manufacturers of refractories (refractories are used to line steelmaking furnaces). We recently met with Lynn Turk and others at the State Department, to discuss the importance to the U.S. refractory and steel industries of permitting U.S. refractory firms to import magnesia -- a critical raw material in their products -- from North Korea. The only realistic alternative source of supply is China, which has recently begun to impose prohibitive export levies on this commodity. European and Asian refractory manufacturers are already able to use North Korean magnesia; unless U.S. firms are allowed to do the same, they will be at a substantial competitive disadvantage.

I have enclosed, for your information, a copy of the white paper that we provided to Mr. Turk. As you will see, the entire U.S. refractory industry, as well as the U.S. steel industry, endorse the request that this modest measure be included among the initial steps to be taken in carrying out the new agreement with North Korea. While the dollar value of these imports is small -- imports of magnesia from North Korea in 1995 would probably total between 100,000 and 200,000 tons, or between \$5-10 million -- permitting these imports would plainly serve overall U.S. interests.

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The Honorable Samuel R. Berger
November 29, 1994
Page 2

If you have any questions about this issue, or if we can provide you with any additional information, please call me (at the above number) or Doug Dworkin (at 872-3678).

Best regards.

Sincerely yours,

William D. Rogers
William D. Rogers

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THE REFRACTORIES INSTITUTE

500 Wood Street, Suite 326, Pittsburgh, PA 15222-2408
412/281-6787 • Facsimile 412/281-6881

November 18, 1994

Mr. James C. O'Donoghue
President
Minteq International Inc.
The Chrysler Building
405 Lexington Avenue
New York, NY 10174-1901

Dear Mr. O'Donoghue:

This will respond to your letter of October 31, 1994, and our recent telephone conversations regarding North Korean magnesite and U.S. refractories industry access to world supplies of raw materials.

More and more, the manufacturing and supplier members of The Refractories Institute (TRI) find themselves operating and competing in a world market. TRI takes the position that our members and their customers benefit from free and open access to markets anywhere, whether they are markets for raw materials or final products. A prerequisite, of course, is a level playing field and trade at fair value.

As such, The Refractories Institute supports any efforts to open here-to-fore inaccessible markets. We therefore endorse initiatives to gain access to the North Korean market. It would have the double benefit of helping our industry specifically while also contributing in general to political stability in the world.

I will pass your information along to the industry as we discussed.

Sincerely,

Robert W. Crolius
President

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November, 1994

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ADMINISTRATIVE MARKING

MEMORANDUM

Initials: CD Date: 01/30/15
2009-0528-F

RE: Need to Permit Imports of North Korean Magnesia

ISSUE:

The U.S. refractory industry – and the U.S. steel industry, for which refractories are vital in the making of steel – are facing a critical shortage of competitively priced magnesia. Unless the U.S. refractory industry is permitted to import magnesia from North Korea, both that industry and the U.S. steel industry will be at a severe cost disadvantage and will face damaging competition from abroad.

For years China has been the principal source of natural, refractory-grade magnesia, which is the most important raw material used in the manufacture of basic refractory materials. Beginning earlier this year, however, the Chinese government began to impose increasingly high export levies on Chinese magnesia; by January 1, 1995, those levies are expected to reach \$45 per ton, which will result in a prohibitive 90% increase in raw material cost (at point of origin) to American producers. The only other source of competitively priced magnesia in the world is North Korea, whose magnesia is available to European and Japanese refractory producers.

Next year Chinese magnesia will cost twice what Korean magnesia costs. The ban on the import of North Korean magnesia should be suspended to allow the U.S. refractory industry, and the U.S. steel industry, the same access to less costly magnesia as their Japanese and European competitors.

BACKGROUND:

- Refractories, an essential component of all steelmaking, are materials used to line the walls of steelmaking furnaces and other high temperature vessels to maintain and extend their lives. The principal raw material used in the manufacture of refractories is magnesia, which is in turn derived from magnesite. Refractory producers provide a highly specialized package of both magnesia-based materials and services to the steel industry.
- The U.S. refractory industry had domestic revenues in 1993 of \$1.9 billion and employed more than 12,000 people in the United States. Industry profitability is estimated at 3% pre-tax, or approximately \$57 million. The industry accounted for \$300 million of exports in 1993. U.S. refractory manufacturers also sell to European and Asian steelmakers.

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- For many years, the U.S. refractory industry and in turn the U.S. steel industry – like the refractory and steel industries in Europe and Japan – has utilized Chinese magnesite as the principal raw material. The only two economically viable sources of magnesia suitable for use in steelmaking are China and North Korea. Those two countries sit astride the same massive surface deposit of magnesite, which can be mined by low-cost, efficient surface mining techniques. Other deposits of magnesite around the world – e.g., in Brazil, Greece, Turkey, Slovakia, and Australia – are either (i) largely depleted, (ii) of low purity, requiring expensive beneficiation, (iii) located far from cost-effective sea transportation, or (iv) located in deep deposits that can be mined only by costly deep-mining techniques.
- There is currently no mining of magnesite in the United States for general refractory use. While there are several producers of synthetic magnesia now operating in the United States, that technique results in a much higher grade – and costlier – product which is used for different purposes.
- Prior to this year, the price of Chinese magnesia was approximately \$48 per ton FOB China. Recent actions by the Chinese government have increased the cost of Chinese magnesia by 90%. In April 1994, the Chinese government imposed an export levy of \$15 per ton on magnesia exports. This levy was increased in September 1994 to \$26 per ton. The levy will reportedly be increased again on January 1, 1995 to \$45 per ton – the result will be a 90% increase in the FOB China cost of magnesia to the U.S. refractory industry.

COMPETITIVE IMPACT:

- The largest customer of the refractories industry, the steelmaking sector, has become a cost-driven industry which competes primarily on the basis of price. Over the past eight years, the steel industry has cut 20,000 jobs to become cost-competitive. Any inflationary increase in the cost of refractories would erode the progress that has been made to date. The rising cost of Chinese magnesia will subject U.S. steel producers to a severe competitive disadvantage vis-a-vis foreign steel producers. Foreign steel producers can purchase foreign refractories, made from low-cost North Korean magnesia; U.S. steel producers cannot.
- The U.S. refractory industry faces tough competition from refractory manufacturers in Europe and Asia. Because of the Chinese export levies, European and Asian refractory competitors are increasingly turning to low-cost North Korean magnesia. This enables these companies to undersell U.S. refractory producers, which have to date been precluded from purchasing magnesia from North Korea for use in offering their services and materials to foreign steelmakers. As a result, U.S. refractory manufacturers will lose market share in Europe and Asia.

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- As a result, the U.S. steel industry will face increasing competition from foreign steel producers, just as that industry has reemerged as an international competitor.

SOLUTION: LIFT RESTRICTIONS ON IMPORTS OF NORTH KOREAN MAGNESITE:

- By lifting the restrictions on imports of North Korean magnesite, the U.S. government can level the playing field between U.S. and foreign producers of both refractories and steel.
- The recently signed agreement between the United States and North Korea contemplates a gradual easing of economic relations between the two countries. A relaxation of the ban on importation of magnesite from North Korea should be one of the first steps in that process, for the following reasons:
 - 1) The U.S. refractory industry faces a critical deadline – once the Chinese levy is raised on January 1, the U.S. industry will immediately face damaging competition from foreign companies that can buy from North Korea. The imminence of this deadline has already caused dramatic declines in the value of U.S. refractory firms' stock.
 - 2) As indicated by the attached letter from the Refractories Institute, all U.S. refractories producers support this move.
 - 3) A letter will be forthcoming from the American Iron and Steel Institute showing the U.S. steel industry supports this move.
 - 4) We are unaware of any U.S. industry that would oppose this move. No U.S. economic or financial interest would be adversely affected by permitting the import of North Korean magnesite.
 - 5) Lifting the ban on imports of North Korean magnesite poses no conceivable economic, geopolitical, or security risk to the United States. Mining of magnesite in North Korea is a low-tech industry. Permitting U.S. companies to purchase from that industry poses no threat to U.S. or South Korean interests. Total U.S. purchases will at most be a few tens of millions of dollars. The only consequence of maintaining the import ban on magnesite would be to protect the Chinese effort to collect the new \$45/ton export tax from the American refractory and steel industries, which have no alternative source of supply.
 - 6) The ban could be lifted either by revising the relevant regulations, or by issuance of specific licenses by OFAC.

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Now Paper -

-- The DPRK side needs to know very urgently the scheduled arrival date of heavy oil at Sonbong Port. The U.S. side is requested to inform us of it as soon as possible.

-- For your reference, I'd like to tell you that the Vice-President of Stanton Group, a U.S. Company visited the Sonbong Thermal Power Plant on November 4, 1994 and personally confirmed that the Plant would be able to begin its operation immediately after receiving the heavy oil.

-- It is my personal opinion that U.S. Government officials will likely hold "on the spot" arrangement for arrival and quality assurance on delivery.

-- As for the reaffirmation of assurances of heavy oil, if your side demand a governmental assurance that the DPRK will use this heavy oil only for heating and electricity production, we will make it following the Geneva Agreed Framework. *defined.*

I will report your preference to my capital.

01/10/88 10:15

1. Delivery Point for the Heavy Oil

Our side wants to receive the heavy oil at the Sonbong Port which is placed in the Rajin-Sonbong Free Economic and Trade Zone, and to spend it for the use of Sonbong Thermal Power Plant near the Sonbong Port.

Our side can not understand that during Berlin talks a DPRK's expert from the power industry told your side that the Sonbong Thermal Power Plant consumes 50,000 tons of oil annually, since its generating capacity is 200,000 KW (2 units of 50,000 KW and 1 unit of 100,000 KW), and its consumption of heavy oil is 230 grams per KW/hour in technical design but actually is 290 grams.

Then, $200,000 \text{ KW} \times 7,200 \text{ hours} = 1,440,000,000 \text{ KW/hour}$
 $1,440,000,000 \times 290\text{g} = 417,600 \text{ tons}$

We will increase generating capacity of Sonbong Thermal Power Plant 200,000 KW by 400,000 KW in 2 or 3 years. So, after 2 or 3 year we will need not 500,000 tons, but 800,000 tons of heavy oil annually.

We intend to use approximately 80,000 tons of heavy oil left from the Sonbong Thermal Power Plant for the Chongjin Thermal Power Plant near Sonbong area until the generating capacity extension of Sonbong Power Plant is completed.

At present, the consumption of oil for electricity production per 1KW/hour is high in our plants, therefore considering this fact, we think it necessary for us to do technical exchange to enhance energy effectiveness in the future.

2. Specification of the Heavy Oil and Quality Assurance on Delivery

-- Specification:

Sulfur-- less than 2%

Water and Sediment -- less than 2%

Minimum Caloric value -- more than 9,600 Kcal/Kg

Freezing point--

Winter use - 10°C

Summer use - 25°C

Ignition point--

Winter use - 90°C

Summer use - 110°C

Viscosity at 100°C

Minimum - 15

Maximum - 50

-- Quality Assurance

The quality assurance will be finalized with the arriving inspection. In other words, results inspected by the Foreign Commodity Inspecting Office of the DPRK will be the final one.

3. Heavy Oil Storage Arrangements

- Heavy oil shall be delivered by ship to the Sonbong Port and received by the DPRK thereof.

Here, it should be taken into account of the following:

The ~~depth~~^{height} of wharf at the Sonbong port is only 7.3 meters; it is difficult for a vessel with more than 5,000 tons class to enter the wharf.

Therefore, it is advisable that the oil tanker with the capacity of 50,000 tons enter the Sonbong Port and anchor down at the point of 2 miles off the wharf.

Then, the oil tanker of the DPRK with the capacity of 200,000 tons shall transport oil up to the wharf of Sonbong Port by the method of pressure using the pipe-line to the storage tanker.

*** (The oil tanker with the capacity of 200,000 tons is not be able to enter the Port when loaded with 200,000 tons of heavy oil, but it is capable when loaded with only 50,000 tons of heavy oil.)

- The storage capacity of tank is 50,000 tons.

Therefore it is not be able to receive more than 50,000 tons of heavy oil at one time.

4. General Information of Port

- Terminal Name: Sonbong Port, DPRK

- Terminal Location: Rajin-Sonbong City, North Hamgyong Province.

42.20 North Latitude, 130.25 East Longitude.

- Government-Sponsored Terminal Operating Company: Foreign Ships Affairs Company (Branch Office in Rajin Area)

- Terminal Tel No: Headquarters 81-4100

- Terminal Telex No: 35-059-KOSA-KP (Headquarters)
24-043-BJ-KOSA-KP (Branch Office)

- Terminal Radio Frequency: Abreviation of Wireless Communications at the Coast; HMR

- Transportation Agency: Korea Foreign Transportation Company
Fax: 81-4445
Tel: 81-6054
Telex: 36042 OS-KP

- Maximum Vessel Length Overall: unlimited

- Width of Vessel: unlimited

- wharf of Port: 7.3 meters

- Maximum Vessel Weight: unlimited

- Other Vessel Size Restrictions: unlimited

- Lodging Method: Single-Point Mooring Buoy 2 miles off the Wharf

- Ballast Discharge Facilities: Possible

- Any Vessel Equipment Restrictions: There must be equipment to discharge heavy oil.
- Wharf Marine Fuel Storage:
 - Storage Tank for Port Operation
 - One Tank for Diesel-oil with the capacity of 10,000 tons.
 - One Tank for Ship-heavy oil with the capacity of 5,000 tons.
- Dock: A dock in Rajin Port, not distant from Sonbong Port can be used.
- All ships are treated in accordance with the general regulations applied in international ports.

~~1/2~~ (.... wharf) means

the waterline, draught line of wharf.

Final ~~_____~~

**TERMS AND CONDITIONS FOR AGREEMENT ON
SUPPLY OF A LIGHT-WATER REACTOR PROJECT BETWEEN
THE KOREAN ENERGY DEVELOPMENT ORGANIZATION AND
THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA**

This supply agreement shall constitute an international agreement between KEDO and the DPRK and shall be binding on both parties under international law. It shall include articles addressing the following matters.

1. Scope of Supply

A. The Korean Energy Development Organization (KEDO) shall provide two Korean standard light-water reactor (LWR) units with a capacity of approximately 1000 MW(e) each to the DPRK on a turnkey basis. The reference plants will be Ulchin 3 and 4.

B. The scope of supply for the LWR project shall include the tasks and projects specified in annex 1 to this agreement.

C. The LWR project shall conform to a set of codes and standards for the **design, manufacture**, construction, maintenance, and operation of nuclear power plants, including those relating to safety, physical protection, environmental protection, and waste disposal and storage, such as those applied to the Korean standard LWRs, which are comparable to those of the IAEA and the U.S.

2. Purchase Price and Terms of Payment

A. Consideration for the provision of the LWR project shall consist of:

(1) the satisfaction by the DPRK of the assurances described in article 12; and

(2) payment by the DPRK to KEDO of the purchase price for the LWR project established pursuant to article 2(B).

B. The purchase price will be determined by KEDO and the DPRK based on the contract price payable by KEDO to the authorized prime contractor under the commercial supply contracts to be entered into between KEDO and the prime contractor for the scope of supply specified in annex 1 and the cost of other KEDO activities undertaken in order to provide the work specified in annex 1. With respect to the items specified in annex 1, the DPRK shall not be responsible for any additional costs above the purchase price, other than such costs as result from actions by the DPRK or from its failure to take actions for which it is responsible, in which case the purchase price shall be increased by the amount of such additional costs.

-2-

C. The DPRK shall be responsible for **any other costs associated with the LWR project, including those related to the scope of supply specified in annex 2.**

D. The DPRK shall pay KEDO the purchase price of the LWR project in equal, **semiannual** installments over a 15-year term, free of interest, with the first payment due upon completion of the first LWR unit. The DPRK may repay the purchase price in cash, cash equivalents, or through the transfer of goods. In the event that the DPRK pays in cash equivalents or in goods, the value of such cash equivalents or goods shall be determined jointly by KEDO and the DPRK based on an agreed formula for determining market price. In the case of payment in goods, the value shall be net of the cost of transportation and disposition. The DPRK and KEDO may designate in advance an independent third party to arbitrate any disputes that may arise in relation to valuation of in-kind repayment.

E. Penalties **shall be assessed and applied** against the DPRK by KEDO in the event of late payment or nonpayment.

F. Additional details related to purchase price and terms of payment will be specified in **an annex to this agreement.**

3. Delivery Schedule

A. KEDO shall supply the items specified in Annex 1 of this agreement consistent with the terms of the U.S.-DPRK Agreed Framework of October 21, 1994, which sets a target date of 2003 for completion of the LWR project. The first phase of the project will be completion of a "significant portion" of the LWR project. (Completion of a "significant portion" of the LWR project, as that phrase is used in the U.S.-DPRK Agreed Framework, will be more precisely defined in this Agreement.)

B. Once the DPRK has taken all steps that may be deemed necessary by the IAEA, the IAEA has declared that the DPRK is in full compliance with its fullscope safeguards agreement with the IAEA (INFCIRC 403), and the bilateral agreements for nuclear cooperation referred to in article 12(d) have been concluded, the delivery of key nuclear components for the first reactor unit will begin. For purposes of this agreement, "key nuclear components" are all components controlled under the trigger list of the Nuclear Suppliers Group. When delivery of these key nuclear components for the first reactor unit begins, the transfer from the DPRK of spent fuel from the 5 MW experimental reactor for ultimate disposition will begin. The transfer of spent fuel will be completed when the first reactor unit is completed. Target date for completion of the first

-3-

reactor unit is by the end of 2002. For purposes of this agreement, "completion" refers to the successful conclusion of cold hydrotesting prior to the loading of nuclear fuel.

C. When the first reactor unit is completed, the DPRK will begin dismantling its frozen graphite-moderated reactors and related facilities, as specified in the U.S.-DPRK Agreed Framework. Dismantlement, including disassembly or destruction of relevant components and equipment, will be completed when the second reactor unit is completed. Target date for the completion of the second reactor unit is by the end of 2003.

D. Plans and schedules for LWR deployment, shipment of spent fuel from the DPRK, and dismantlement of the DPRK's graphite-moderated reactors and related facilities shall be agreed between KEDO and the DPRK, with appropriate reference to the provisions of the U.S.-DPRK Agreed Framework.

4. Site Selection

A. KEDO shall conduct a site study to ensure that appropriate site selection criteria have been satisfied. For this purpose, KEDO will apply the criteria established by the IAEA and the United States. The site study shall also identify any infrastructure improvements that may be needed in order to complete the LWR project (e.g., port improvements, roads, power supply, water, and other amenities).

B. The site selection process will focus initially on the DPRK-preferred site at Kumho-ri, Sinpo city, South Hamgyong Province, as a candidate site. The DPRK shall provide KEDO with relevant information, including the results of the studies that were performed previously at this site in connection with the DPRK-USSR agreement on Economic and Technical Cooperation in Constructing the Nuclear Power Plant.

C. In the event that the DPRK-preferred site is determined not to be suitable for construction of the LWR project, KEDO and the DPRK shall consider alternative sites and adjust the target dates for the LWR project accordingly.

5. DPRK Obligations

A. The DPRK shall be responsible for performing the work described in annex 2 in accordance with the plans, specifications, and schedules for the LWR project.

B. All DPRK approvals necessary for completion of the LWR project shall be provided expeditiously and free of charge, including but not limited to visas, licenses, permits, import and export licenses, access rights, and site take-over agreements. The DPRK shall facilitate prompt unloading, customs clearance, and internal transportation of material, equipment, and components for the LWR project.

-4-

C. KEDO contractors and their personnel shall be exempt from DPRK taxes, customs duties, expropriation, and other charges in connection with the LWR project.

D. All personnel sent to the DPRK by KEDO or KEDO contractors shall be allowed full, secure, unimpeded access to the project site, to international communications, and to designated land, sea, and air transportation routes to and from the project site.

E. Currency exchange and other financial services for KEDO and its contractors shall be provided at the project site and in Pyongyang.

F. KEDO and its contractors shall be permitted to operate offices at the project site and in Pyongyang and other related locations and to communicate with KEDO and other contractor offices by means of their own choosing.

G. The DPRK shall make available at a fair price **high-quality** water, food, lodging, communications, and other amenities necessary for living and working by personnel sent to the DPRK by KEDO or KEDO contractors.

H. The DPRK shall accord KEDO independent juridical status sufficient to permit KEDO to carry out its functions. Such juridical status shall be defined in a separate agreement between the DPRK and KEDO.

I. The DPRK shall accord KEDO and its staff such privileges and immunities in the territory of the DPRK as necessary to carry out the functions entrusted in KEDO. These privileges and immunities shall be defined in a separate agreement between KEDO and the DPRK.

J. The DPRK shall protect the safety of other personnel sent to the DPRK by KEDO or KEDO's contractors and their property. Consular access to all such personnel shall be guaranteed.

K. The DPRK shall cooperate fully with KEDO representatives and contractors in matters related to the project, including the conduct of the site study and any other necessary analytical studies.

L. The DPRK shall not interfere with the repatriation by KEDO and KEDO's contractors of construction equipment and remaining materials from the LWR project.

M. The obligations described in this article with respect to KEDO staff, KEDO contractors, and KEDO contractors' personnel shall apply regardless of the nationality of the individual or contractor.

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6. KEDO Obligations

A. KEDO shall perform its obligations under this supply agreement in a manner consistent with the agreement on the establishment of KEDO, signed in [city] on _____, 1995.

B. KEDO shall provide the DPRK access to project plans and drawings as necessary for safe operation and maintenance.

C. KEDO shall do its utmost to ensure that design preparation, equipment delivery, project construction, and LWR completion occur within the periods agreed upon in this agreement.

D. KEDO shall ensure that guarantees with respect to LWR design and construction are issued to the DPRK by the designer and vendor, as appropriate, in accordance with nuclear industry practice (e.g., guarantees for workmanship and materials for one year from the date of project completion).

E. After providing the initial load of fuel for the reactors, KEDO shall facilitate the availability of additional fuel on commercial terms as long as the DPRK is in compliance with this agreement.

F. KEDO shall facilitate the availability of spare parts, in addition to those provided pursuant to annex 1, on commercial terms as long as the DPRK is in compliance with this agreement.

G. Personnel sent to the DPRK by KEDO and KEDO's contractors shall respect the relevant laws of the DPRK, as shall be agreed between KEDO and the DPRK, and shall conduct themselves at all times in a professional manner.

7. Contractual Arrangements

A. KEDO shall be designated as the formal point of contact with the DPRK on matters relating to the **design, manufacture, construction, maintenance, and operation** of the LWR project.

B. As soon as possible after conclusion of this agreement, KEDO shall designate a Prime Contractor and conclude a commercial contract with this Prime Contractor for the design, manufacturing, and construction of the LWR project.

C. The DPRK shall enter into arrangements with KEDO with respect to specific requirements for performance by the DPRK side of the work described in annex 2.

-6-

D. KEDO and the DPRK shall facilitate direct communication between the DPRK and private companies involved in the LWR project, including the prime contractor, when such communications are required to facilitate implementation of the LWR project.

8. Nuclear Safety and Regulation

A. The DPRK shall assure that nuclear regulatory standards and procedures comparable to those applied to the Korean standard LWRs and to those of the IAEA and the U.S. Nuclear Regulatory Commission are in place to promote the safe operation of the nuclear plant.

B. At the earliest opportunity, but before beginning operation of the first LWR unit, the DPRK shall adhere to the the Convention on Nuclear Safety, the Convention on Early Notification of a Nuclear Accident, the Convention on Assistance in the Case of a Nuclear Accident or Radiological Emergency, and the Convention on the Physical Protection of Nuclear Material.

C. KEDO shall be responsible for assuring that design, **manufacture**, and construction of the LWRs to be provided by KEDO are in compliance with nuclear regulatory standards comparable to those applied to the Korean standard LWRs and to those of the IAEA and the U.S. Nuclear Regulatory Commission.

D. The DPRK shall be responsible for the safe operation and maintenance of the reactors, appropriate physical protection, and safe storage and disposal of radioactive waste, including spent fuel, in conformity with IAEA standards or other appropriate international standards and practices. KEDO shall cooperate in the effort to ensure safe operation and maintenance of the LWRs by the DPRK. The DPRK shall accept safety reviews if requested and arranged by KEDO and shall respect the results of such reviews in taking measures to ensure safe operation and maintenance.

E. In the event of a nuclear emergency or accident, the DPRK shall permit immediate and unconditional access to the site and information by personnel sent by KEDO or KEDO's contractors to determine the extent of safety concerns and to provide safety assistance.

9. Nuclear Liability

A. The DPRK shall assure that a legal and financial mechanism is available for meeting claims brought within the DPRK for damages in the event of a nuclear incident at one of the LWR units. The legal mechanism shall include the channelling of liability in the event of a nuclear incident to the reactor operator on the basis of absolute liability. The DPRK shall assure that the reactor operator is able to satisfy such liabilities.

B. The DPRK shall bring no claims arising from activities undertaken pursuant to this agreement against KEDO, KEDO contractors, or their personnel for damage to DPRK property or citizens as a result of a nuclear incident at one of the LWR units.

C. The DPRK shall provide for the adequate defense of and indemnify KEDO, KEDO contractors, KEDO member governments, and their personnel in connection with third-party claims in any court or forum arising from activities undertaken pursuant to this agreement in the event of injury or damage occurring inside or outside the territory of the DPRK as a result of a nuclear incident at one of the LWR units. This provision shall not be construed as acknowledging the jurisdiction of any court or forum or as waiving any immunity of either party.

10. Intellectual Property

To the extent that the DPRK has access to intellectual property owned by the firms supplying the reactors, it shall provide for the protection of such intellectual property in accordance with international norms, including practices established by the Paris Convention on the protection of industrial property rights. Intellectual property will include, without limitation, plans and specifications, operational information, and maintenance information.

11. Dispute Resolution

A. Disputes shall be settled through consultations between the DPRK and KEDO, in conformity with the principles of international law.

B. Disputes that cannot be resolved in this manner shall be settled by referral to arbitration in accordance with the procedures contained in an annex to this agreement.

C. The decision of the arbitral tribunal shall be final.

12. Assurances in Connection with LWR Delivery

The following assurances must be satisfied by the DPRK as condition of KEDO's obligations under this agreement:

A. The DPRK shall remain a party to the Treaty on the Nonproliferation of Nuclear Weapons and shall allow implementation of its safeguards agreement under this Treaty.

B. The DPRK shall continue the freeze on its graphite-moderated reactors and related facilities and shall provide full cooperation to the IAEA in its monitoring of the freeze.

C. The DPRK shall refrain from the construction of new graphite-moderated reactors and related facilities.

D. The DPRK shall conclude a bilateral agreement for peaceful nuclear cooperation with the U.S., and bilateral agreements for peaceful nuclear cooperation between the DPRK and other countries shall be concluded as necessary and appropriate.

E. The DPRK shall continue cooperation on safe storage and ultimate disposition of spent fuel from the 5MW(e) experimental reactor.

F. Upon conclusion of the supply agreement, the DPRK shall permit resumption of ad hoc and routine inspections under the DPRK's safeguards agreement with the IAEA with respect to facilities not subject to the freeze.

G. When a significant portion of the LWR project is completed, but before delivery of key nuclear components, the DPRK shall come into full compliance with its IAEA safeguards agreement, including taking all steps that may be deemed necessary by the IAEA.

H. When the first LWR unit is completed, the DPRK shall begin dismantlement of its frozen graphite-moderated reactors and related facilities, and such dismantlement shall be completed when the second LWR unit is completed.

I. When initial delivery of key nuclear components begins, the DPRK shall begin to transfer spent fuel from the 5 MW(e) experimental reactor from its territory for ultimate disposition, and such transfer shall be completed when the first LWR unit is completed.

J. The DPRK shall assure ~~KEDO's right to require the~~ ^{the} transfer of the LWR spent fuel out of the DPRK as soon as technically possible after the fuel is discharged. ~~In the event that KEDO exercises this option, the DPRK shall relinquish ownership rights over the spent fuel and shall transfer the spent fuel from its territory~~ ^{of KEDO or any of the original members that desire this} ~~When~~ ^{exerc}

see
attached
for
final
language

~~to a location
designated by the
requesting party.~~

Japanese language accepted by U.S. + ROK

- J. The DPRK shall assure that KEDO or any of the original members can require the transfer of the LWR spent fuel out of the DPRK as soon as technically possible after the fuel is discharged. When they do so, the DPRK Shall relinquish ownership rights over the spent fuel and shall transfer the spent fuel from its territory to a country designated, subject to the consent of the country, by the requiring party. Necessary arrangements for such transfer, including those to ensure safety and non-proliferation, will be made separately.

-9-

K. The DPRK shall use the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, exclusively for peaceful, non-explosive purposes.

L. The DPRK shall ensure that the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, are used properly and exclusively for the purposes of the LWR project.

M. The DPRK shall provide effective physical protection in accordance with international standards with respect to the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items for the useful life of such reactors and nuclear material.

N. The DPRK shall assure the application of IAEA safeguards to the reactors and nuclear material transferred pursuant to this supply agreement, as well as any nuclear material used therein or produced through the use of such items, for the useful life of such reactors and nuclear material.

O. The DPRK shall at no time reprocess or increase the enrichment level of any nuclear material transferred pursuant to this supply agreement, or any nuclear material used in or produced through the use of any reactor or nuclear material transferred in the LWR project.

P. The DPRK shall not transfer any nuclear equipment or technology or nuclear material transferred pursuant to this supply agreement, or any nuclear material used therein or produced through the use of such items, outside the territory of the DPRK unless otherwise agreed between the DPRK and KEDO.

Q. The DPRK shall not reprocess or enrich any nuclear material or construct or operate any facility or installation for such purposes.

-10-

13. Actions in the Event of Noncompliance

In the event that the DPRK abrogates or violates any of the above assurances, KEDO shall have the right to suspend or terminate this supply agreement and to require the return of any nuclear materials and equipment transferred pursuant to this agreement and any special nuclear material produced through the use thereof, and to require the immediate payment of all amounts due under article 2 of this agreement and any additional losses incurred by KEDO or its contractors arising from **the consequences** of such abrogation or violation. In that event, KEDO shall also have the right to suspend the provision of interim energy supplies and to require the return of such supplies.

ANNEX 1: SCOPE OF SUPPLY

The reference plant will provide the basis for KEDO in defining the scope of the items set forth below to be provided by KEDO, except to the extent that the DPRK is responsible as set forth in annex 2:

1. Site-specific designs, plans, and schedules.
2. LWR equipment and directly related auxiliary equipment.
3. Construction materials and services for the nuclear plant.
4. Overall project management, including quality control and quality assurance.
5. Studies and assessments.
6. The customary inventory of spare parts for a two-year period of plant operation, as determined by the Prime Contractor.
7. Nuclear fuel for the initial loading of the nuclear plant.
8. Testing services for initial plant operation.
9. Training for operation and maintenance of the nuclear plant.
10. Technical support services for the early stage of operation and maintenance.

ANNEX 2: SCOPE OF DPRK WORK ON THE LWR PROJECT

1. Site preparation for the LWR project, including securing land and clearing the site.
2. Provision of a stable supply of electricity and water and other incidental facilities necessary for the construction of the LWR project.
3. Port and road improvement to facilitate transport of equipment and materials.
4. Provision of electrical transmission lines, off-site substations, and off-site network connected to the nuclear plant necessary for a stable electrical grid.

UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9500404
RECEIVED: 19 JAN 95 14

TO: LAKE

FROM: BOWLES, E

DOC DATE: 18 JAN 95
SOURCE REF:

KEYWORDS: NUCLEAR WEAPONS
CTB

NPT

PERSONS: CIRINCIONE, JOSEPH

SUBJECT: MEMO TO BOWLES FM CIRINCIONE

ACTION: APPROPRIATE ACTION

DUE DATE: 23 JAN 95 STATUS: S

STAFF OFFICER: PONEMAN

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION
PONEMAN

FOR CONCURRENCE

FOR INFO
AOKI

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMBN

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED

0404
1/18/95
M. Reed
January 18, 1995

MEMORANDUM

To: Honorable Erskine Bowles

From: Joseph Cirincione, Exec. Director, Campaign for the Non-Proliferation Treaty

Subject: New Polling Data on Nuclear Weapon Issues

The attached polling information indicates promising avenues for presidential initiatives to further reduce the nuclear danger. It corroborates our sense that the political liabilities that faced Democratic Cold War presidents on these issues have largely dissipated. There is very little downside and a significant upside to a visionary, aggressive statement of purpose and policy. Yet, 63% of Americans know little or nothing about your efforts.

This poll was designed by Dr. Alan Kay and vetted by republican pollster Fred Steeper to eliminate bias. They took pains to ask the questions several different ways to minimize unintended influence. Both are available for inquiries from you or your office.

- The huge majorities favoring much deeper cuts in nuclear arsenals and a test ban dwarf the majorities favoring increased defense spending and (less dramatically) global missile defenses. There is no need for a tentative position toward START III.
- The strong majorities favoring a denuclearization agenda give the administration a "story" to play against the Republican campaigns on military budget increases and Star Wars.
- The options favored by the public for reducing nuclear dangers also turn out to be the cheapest options. This is a serious factor when the nation is faced with reducing the huge Republican debt.
- You should know that a major bi-partisan Council on Foreign Relations working group on non-proliferation, chaired by Bush Administration Assistant Secretary of Defense Steven Hadley, has completed a consensus report advocating everything we have recommended to you and explored in this poll. There is a consensus in the expert community waiting to be exploited and turned into an initiative which addresses a significant public fear.
- Events in Russia may frighten some political leaders from nuclear issues, but Russian chaos is a reason to push a more ambitious vision for reducing the threat. The problem isn't World War III anymore; it's losing control of Russian nuclear weapons and materials. You have an agenda that can deal with this, if you promote it and take new, galvanizing steps.
- Time is running out on the NPT and the CTB. You must act now to win these two prizes.
- **Next Steps:** We are planning a more extensive poll and focus groups on these issues. If you would like to be involved, please let us know.

For immediate release

**Contact: Alan F. Kay, PhD, President
Americans Talk Issues Foundation
904-826-0984**

**Public Opinion on Nuclear Weapons Issues
December 30, 1994 - January 3, 1995**

(Washington, D.C.) A new poll shows that almost 80% of the American people believes that reducing the danger of nuclear weapons now should be an important priority for the US government (with 56% saying it is a very important priority). The overwhelming majority favors aggressive arms control measures over the current policies, with lesser majorities supporting building a missile defense system or increasing military spending. These results were true for Republican, Independent and Democratic voters alike.

The national poll of 1,011 Americans asked about specific policy options to reduce the danger of nuclear weapons:

- 90 percent favors further cuts in the world's total stockpile of nuclear weapons (72% strongly in favor).
- 82 percent favors a global ban on all nuclear tests (with 56% strongly in favor).
- 68 percent favors building a theater anti-missile system for troops (43% strongly favors).
- 64 percent favors trying to build a global anti-missile system for the US (38% strongly favors).
- 58 percent favors eliminating all or most nuclear weapons, as a general goal.
- 54 percent favors increasing the US military budget (32% strongly favors).

80% of Republican voters favor a test ban, as do 85% of Democratic voters and 81% of independents. Similarly, 90% of all three voter groups favors further cuts in nuclear weapons, with 80% of Republican respondents opting for eliminating all, almost all, or a lot of the weapons compared to 82% of all respondents.

Given a choice, 58% favors as a general goal eliminating all nuclear arms in the world rather than a few countries, including the United States, having nuclear weapons -- either for

deterrence or to prevent other nations from acquiring nuclear weapons. Only 40% support the current policy of a few countries in the world having nuclear weapons.

63% say that they had read or heard little or nothing about President Clinton's policies on nuclear weapons. Fewer than half (45%) said they are satisfied with the President's actions to reduce the danger of nuclear weapons, with 42% saying they are dissatisfied.

(The poll of 1,011 Americans over age 18 was conducted from December 30, 1994 through January 3, 1995, by ICR Survey Research Group, which does polling for the Associated Press, The Washington Post, and others. Republican pollster Fred Steeper approved the questions to ensure fairness and balance. The margin of error is +/- 3.1 percent (at the 95% level of confidence, according to standard polling practice).

[illegible]

MASTER QUESTIONNAIRE

ATI # 27, 1/7/95

ICR, Media PA

Field dates: Dec 30, 1994 - Jan 3, 1995

NOTE: The following precautions were taken to minimize the effect of bias by averaging out small, deliberate biases introduced in question pre-ambls and response choices. This method also serves to prove that small biases do produce comfortingly small changes in the response statistics, so that the resulting averages not only probably produce less bias than the older method of survey design where preambles and response menu choices introduced by the survey designers are not tested at all. The new method also brackets the effect of bias, and often shows how little dependent on wording-bias responses are, and when they do occur what the exceptions to that rule are and how they arise: Questions were read in the order presented to both half samples. Q1 is identical to Q2 except Q1 has a more "comforting" introduction and Q2 has a more "alarming" introduction. Questions were read to half sample A as presented here. Half sample B had the "comforting" and "alarming" introductions [the words in brackets, like these] interchanged in Q1 and Q2. Half sample B in Q3 and Q8 were read the response choices in reverse order, and half samples A and B in Q12 tested the support for two strong but different reasons for not aiming toward the elimination of all nuclear weapons.

First a little background....

1. (HALF SAMPLE A). [The nuclear arms race has substantially diminished and many nuclear weapons have been eliminated in the last five years.] Should reducing the danger of nuclear weapons now be an important priority for the US government or NOT an important priority? Is that very or somewhat important/unimportant?

Very important ____ 46%,
Somewhat important ____ 30%,
Somewhat unimportant ____ 17%,
Very unimportant ____ 4%,
DK/NA ____ 3%

Important 76%; Unimportant 21%.

1. (HALF SAMPLE B)

Very important ____ 60%,
Somewhat important ____ 21%,
Somewhat unimportant ____ 10%,
Very unimportant ____ 6%,
DK/NA ____ 3%

Important 81%; Unimportant 18%

2. (HALF SAMPLE A). It is also true that [the US and Russia still have many thousands of nuclear weapons. Terrorists could buy or steal nuclear weapons from a nuclear state. And other nations such as Iraq and North Korea may be building nuclear bombs.] Knowing that, I'd like to ask you again: Should reducing the danger of nuclear weapons now be an important priority for the US government or NOT an important priority? Is that very or somewhat important/unimportant?

Very important ____ 61%,
Somewhat important ____ 18%,
Somewhat unimportant ____ 14%,
Very unimportant ____ 5%,
DK/NA ____ 2%

Important 79%; Unimportant 19%

2. (HALF SAMPLE B).

Very important ____ 58%,
Somewhat important ____ 24%,
Somewhat unimportant ____ 11%,
Very unimportant ____ 5%,
DK/NA ____ 1%

Important 82%; Unimportant 16%

Average of four: Q1 and Q2 responses, A and B samples:

Should reducing the danger of nuclear weapons now be an important priority for the US government or NOT an important priority? Is that very or somewhat important/unimportant?

Very important ____ 56%,
Somewhat important ____ 23%,
Somewhat unimportant ____ 13%,
Very unimportant ____ 5%,
DK/NA ____ 2%

Important 79%; Unimportant 18%

3. How concerned are you that renegade countries or terrorist groups could get nuclear weapons?

Extremely ____ 21%,
Very ____ 40%,
Somewhat ____ 28%,
Not very ____ 8%,
Not at all ____ 2%,
DK/NA ____

4. How much have you read or heard about President Clinton's policies on nuclear weapons?

A lot ____ 7%,
Some ____ 30%,
Just a little ____ 37%,
Nothing ____ 26%,
DK/NA ____

5. Are you satisfied with what President Clinton has done to reduce the danger of nuclear weapons?

Extremely ____ 3%,
Very ____ 9%,
Somewhat ____ 33%

Total satisfied ____ 45%

Extremely ____ 6%,
Very ____ 13%,
Somewhat ____ 23%,
DK/NA ____ 13%.

Total dissatisfied ____ 42%

Now some suggestions for dealing with nuclear weapons....

6. Do you favor or oppose the US negotiating an international agreement to end all nuclear test explosions?

Strongly	___	56%,	
Somewhat	___	26%	Total favor ___ 82%.

Strongly	___	7%,	
Somewhat	___	8%	Total oppose ___ 15%.
DK/NA	___	3%	

7. Do you favor or oppose negotiating an agreement where all nations with nuclear weapons agree to further reduce the world's total stockpile of nuclear weapons?

Strongly	___	72%,	
Somewhat	___	19%%	Total favor ___ 90%.

Strongly	___	4%,	
Somewhat	___	3%	Total oppose ___ 7%.
DK/NA	___	3%	

8. [Asked of 90.4% who favor in Q7] Reduce the world's nuclear weapons stockpile how much? Of those asked:

A little	___	7%,
A lot	___	26%,
Almost completely	___	27%,
Completely	___	39%,
DK/NA	___	2%

Of total sample:

Eliminate completely	___	35%;	
Eliminate almost completely	___	24%;	Total reduce a lot,
Reduce a lot	___	24%;	complete or almost ___ 82%
Reduce a little	___	6%;	
Oppose reduction (from Q7)	___	7%;	
DK/NA (Total of Q7 and Q8)	___	4%	

9. Do you favor or oppose increasing the US military budget?

Strongly	___	32%,	
Somewhat	___	21%	Total favor ___ 54%.

Strongly	___	22%,	
Somewhat	___	21%	Total oppose ___ 43%.
DK/NA	___	3%	

10. Do you favor or oppose building an anti-missile system to protect the overseas troops of the US and its allies from nuclear missile attack?

Strongly	___	43%,	
Somewhat	___	25%	Total favor ___ 68%.

Strongly	___	12%,	
Somewhat	___	15%	Total oppose ___ 27%.
DK/NA	___	4%.	

11. In addition, some say we need a new anti-missile system to protect the US from accidental launches, unauthorized launches and threats of attack from third world nations. Others say that such systems will be expensive, will work poorly -- in some circumstances not at all -- and would sooner or later violate our ABM treaty obligations. Do you approve or disapprove of trying to build an anti-missile system that will try to shoot down missiles launched at the US?

Strongly approve	___	38%,	
Somewhat approve	___	26%,	Total approve ___ 64%
Strongly disapprove	___	19%,	
Somewhat disapprove	___	13%,	Total disapprove ___ 32%
DK/NA	___	4%	

12.(A half sample) As a general goal, which of these two things do you think is more desirable...

- OR
- | | | |
|--|-----|-----|
| 1. The elimination of all nuclear arms in the world. | ___ | 55% |
| 2. For a few countries, including the US to have enough nuclear arms so no country would dare attack them. | ___ | 44% |
| 3. DK/NA | ___ | 1%. |

12(B half sample). As a general goal, which of these two things do you think is more desirable...

- OR
- | | | |
|--|-----|-----|
| 1. The elimination of all nuclear arms in the world. | ___ | 60% |
| 2. For a few countries, including the US to have nuclear arms, while trying to keep the rest of the world from getting them. | ___ | 36% |
| 3. DK/NA | ___ | |
-



Public Opinion Survey Nuclear Weapons Issues

December 28, 1994 - January 3, 1995

A non-partisan poll designed by Dr. Alan Kay and approved by Republican pollster Fred Steeper to assure fairness and balance.

Note: Totals may not add due to rounding.

Chart 1

How Important is Reducing the Danger of Nuclear Weapons?

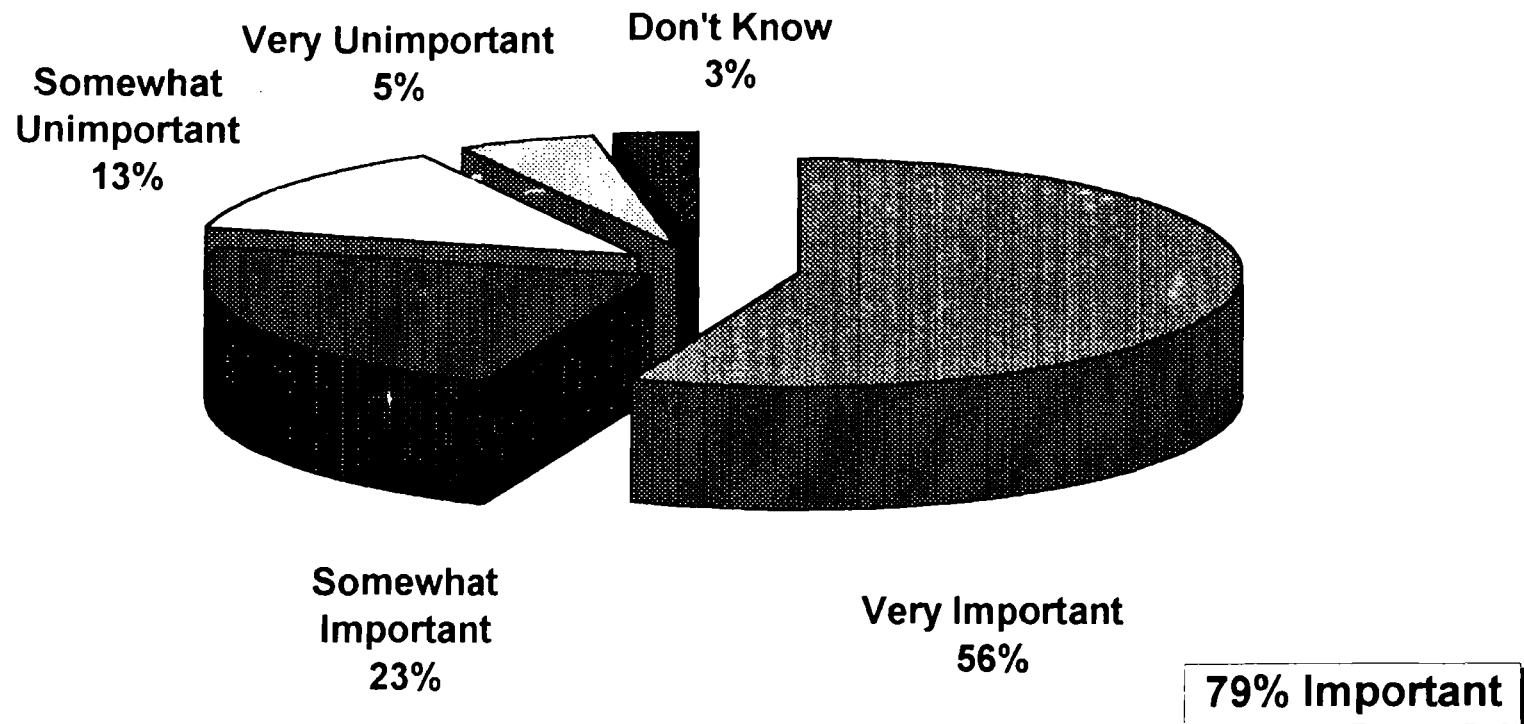


Chart 2

Public Support for a Comprehensive Test Ban

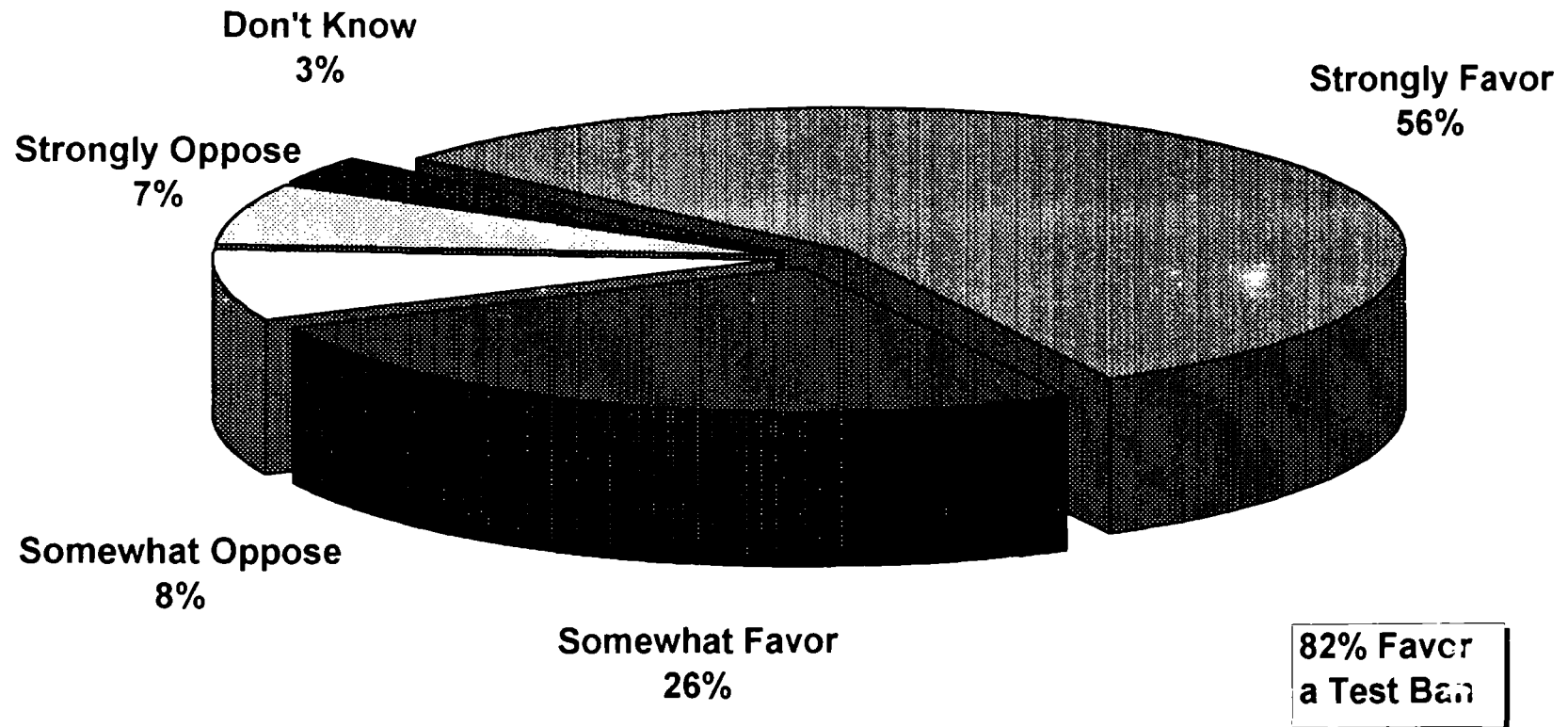


Chart 3

Public Support for Further Reductions in Nuclear Weapons

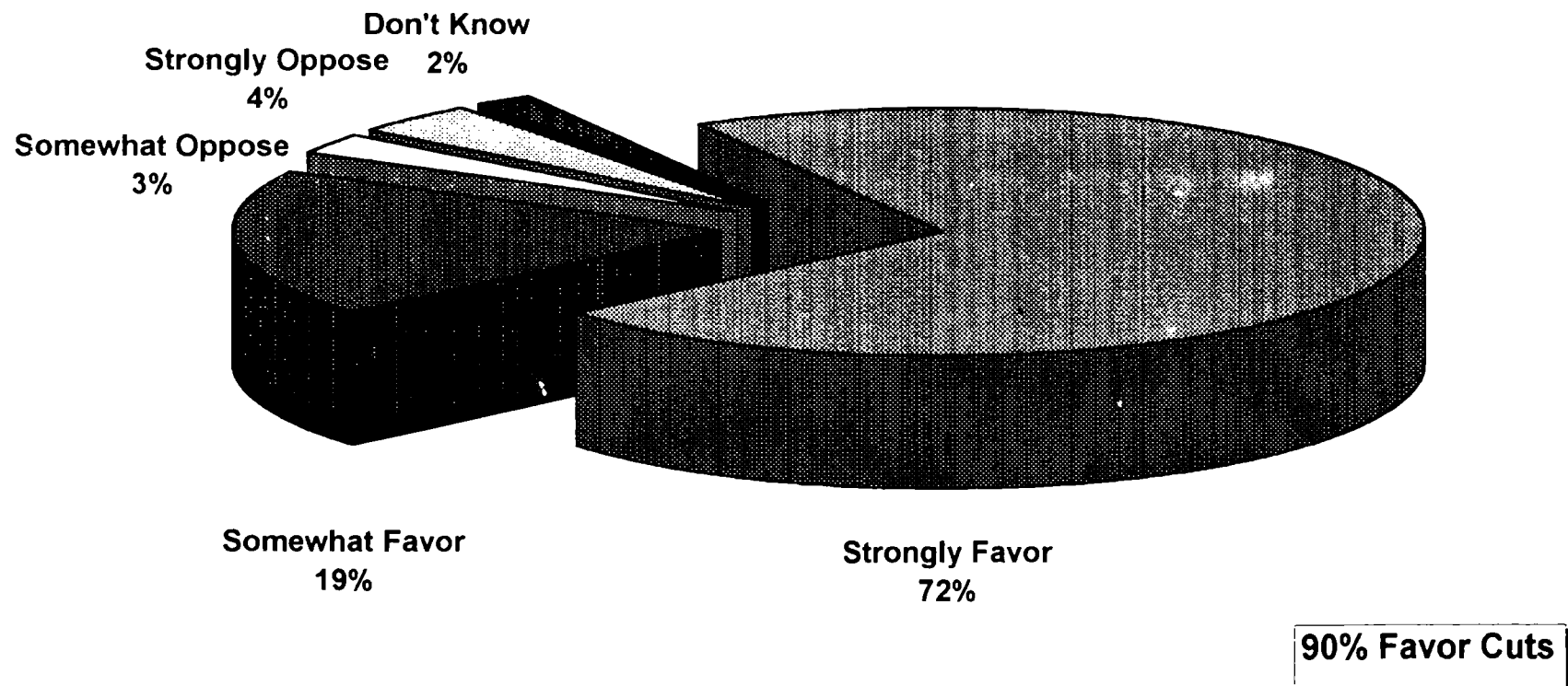
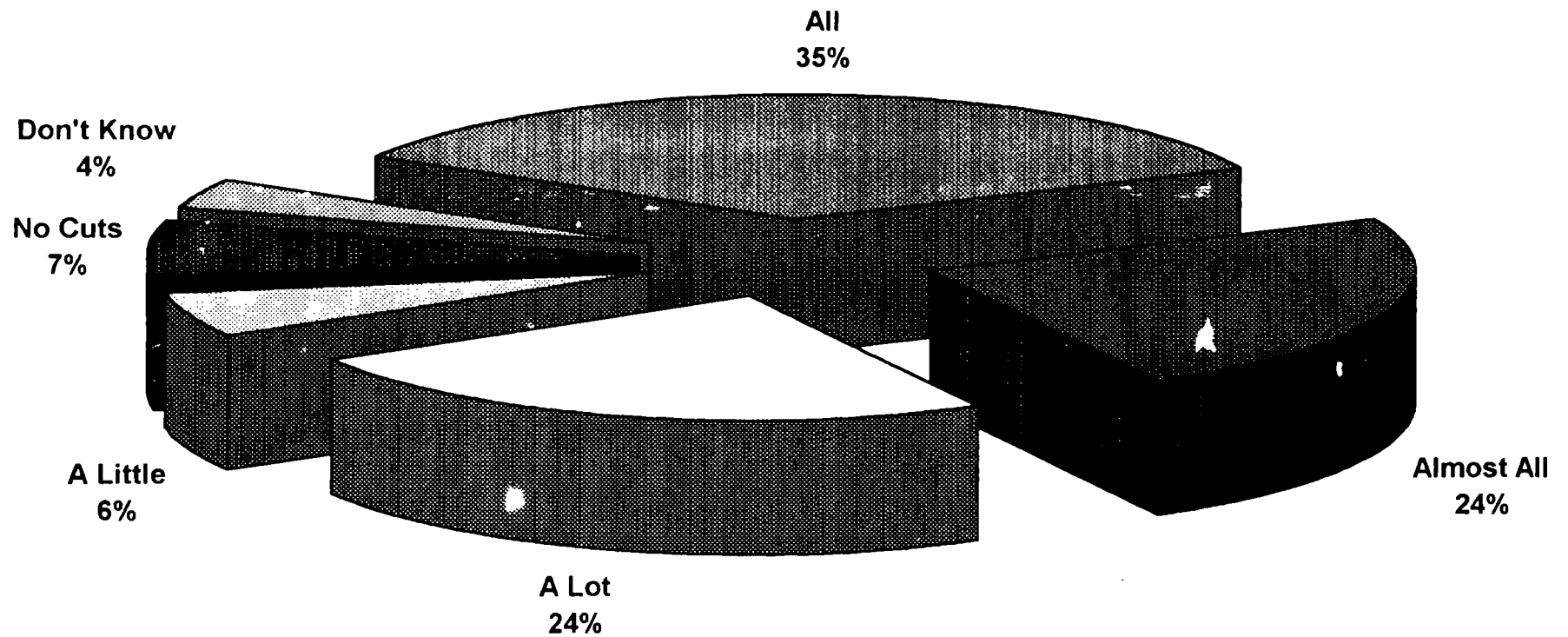


Chart 4

How Much Would the Public Cut?



82% Favor Deep Cuts

Chart 5

Public Priorities for Reducing the Nuclear Danger

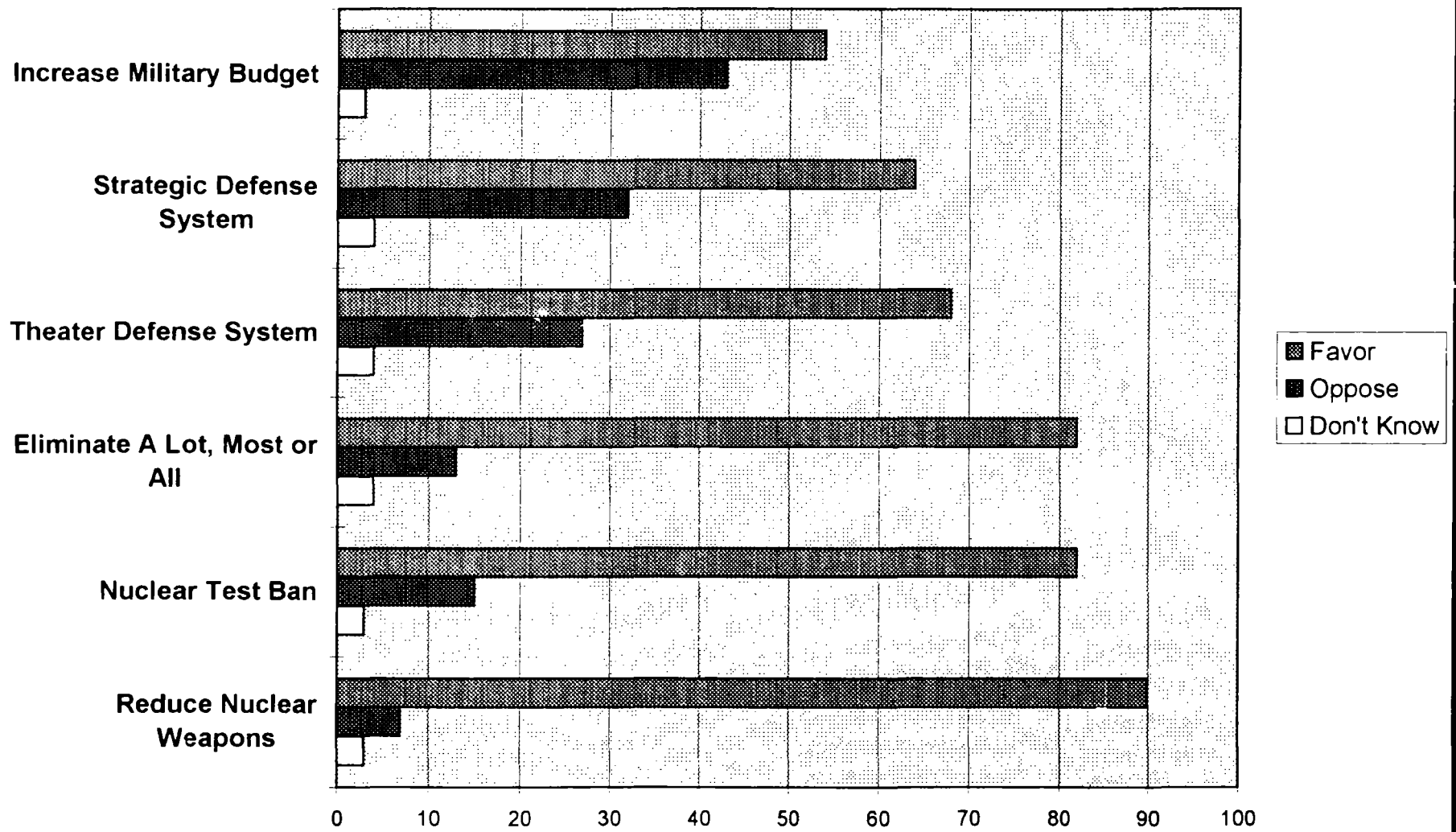


Chart 6

Priorities by Party for Reducing the Nuclear Danger

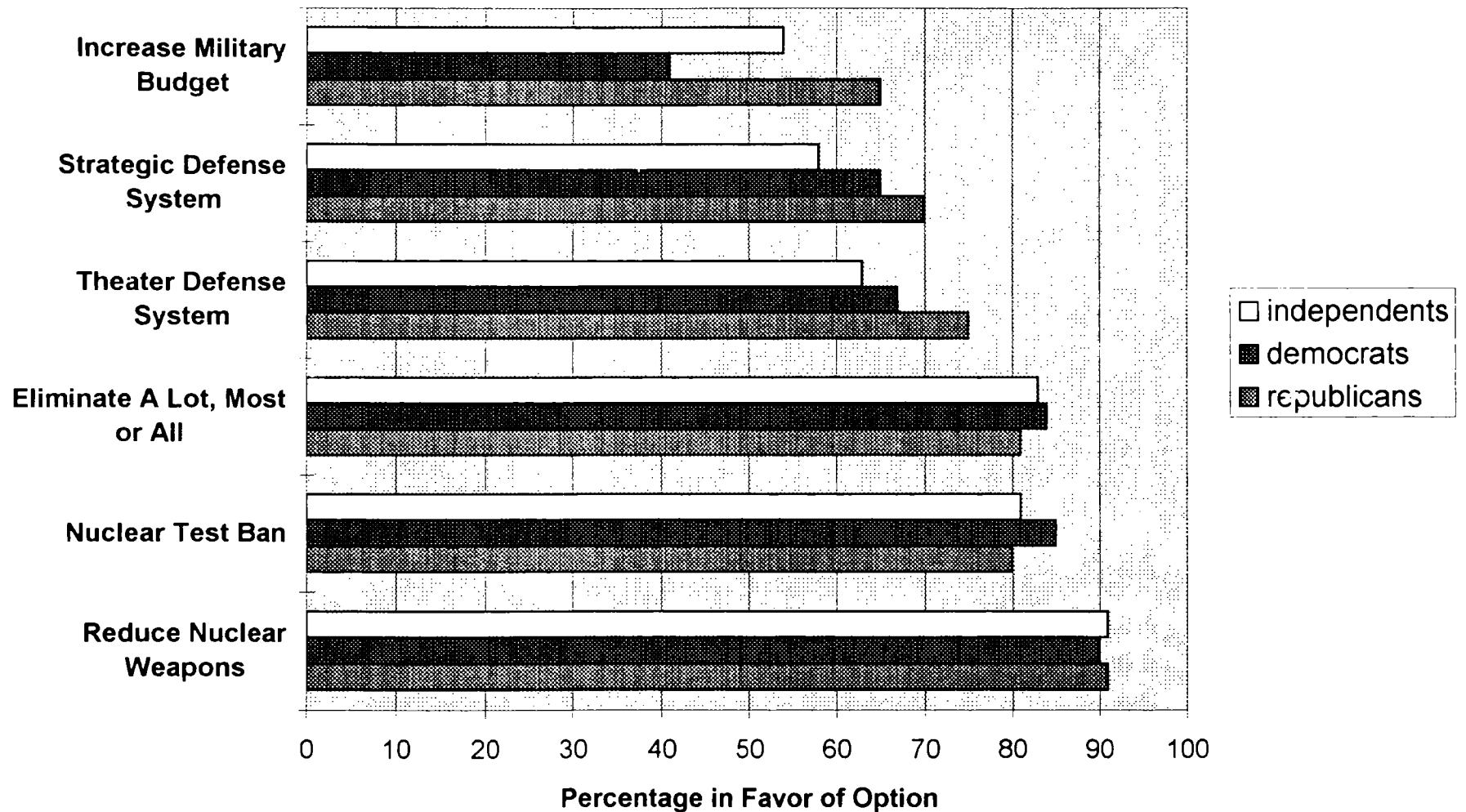


Chart 7

How Much Have You Read or Heard About Clinton's Nuclear Policies?

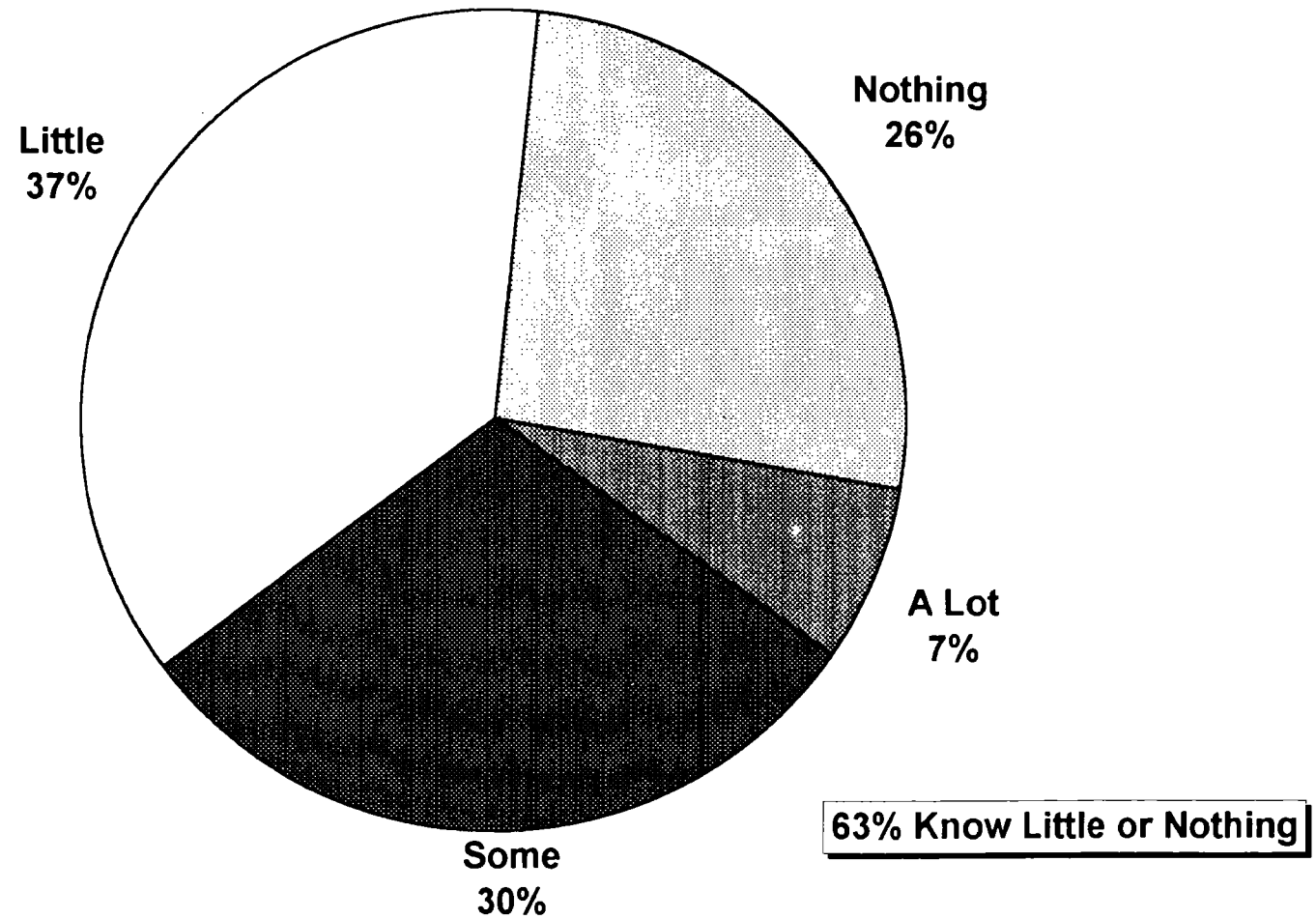


Chart 8

Public Satisfaction with Clinton Nuclear Policies

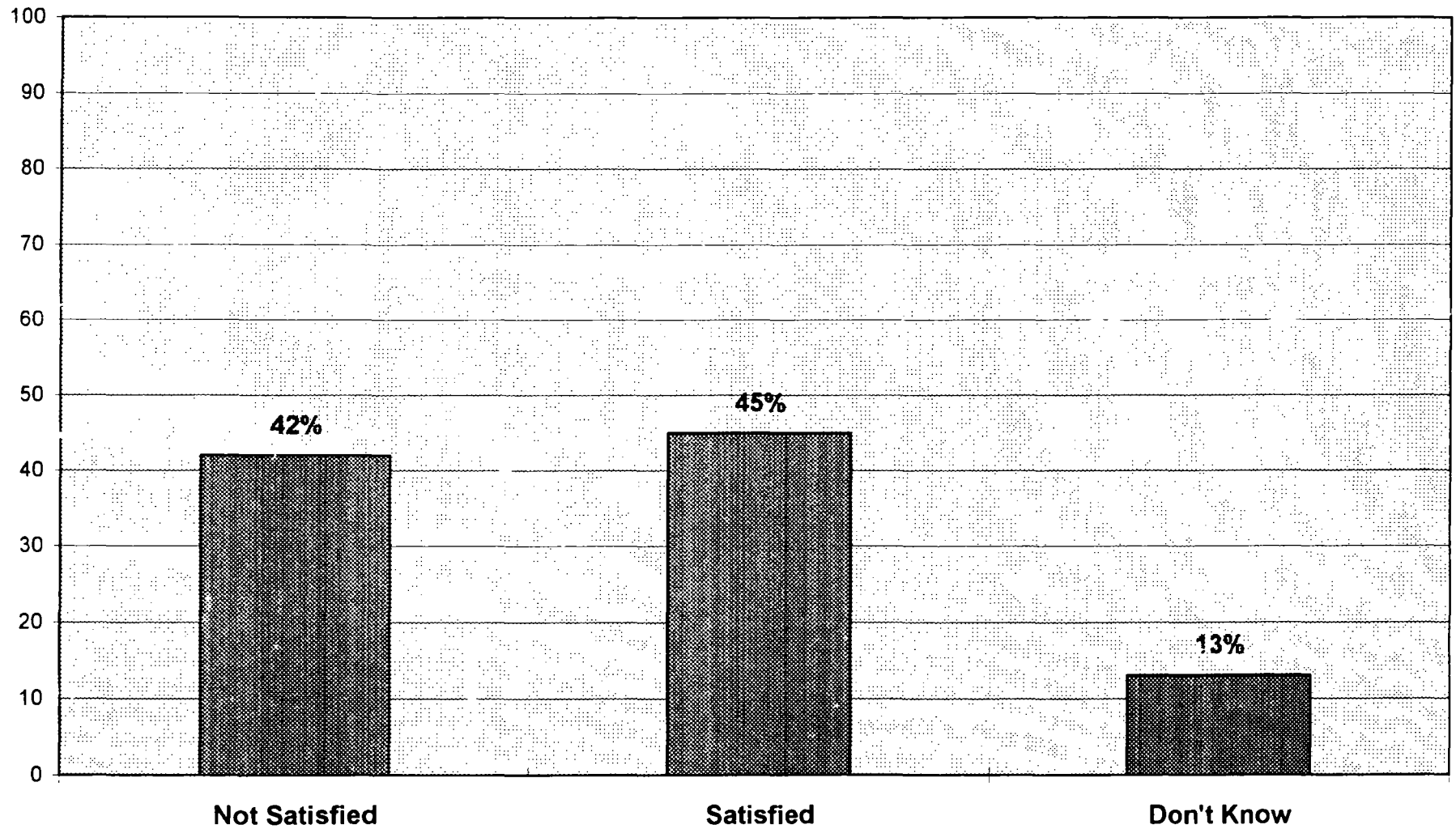


Chart 9

General Goals: Elimination vs. Deterrence

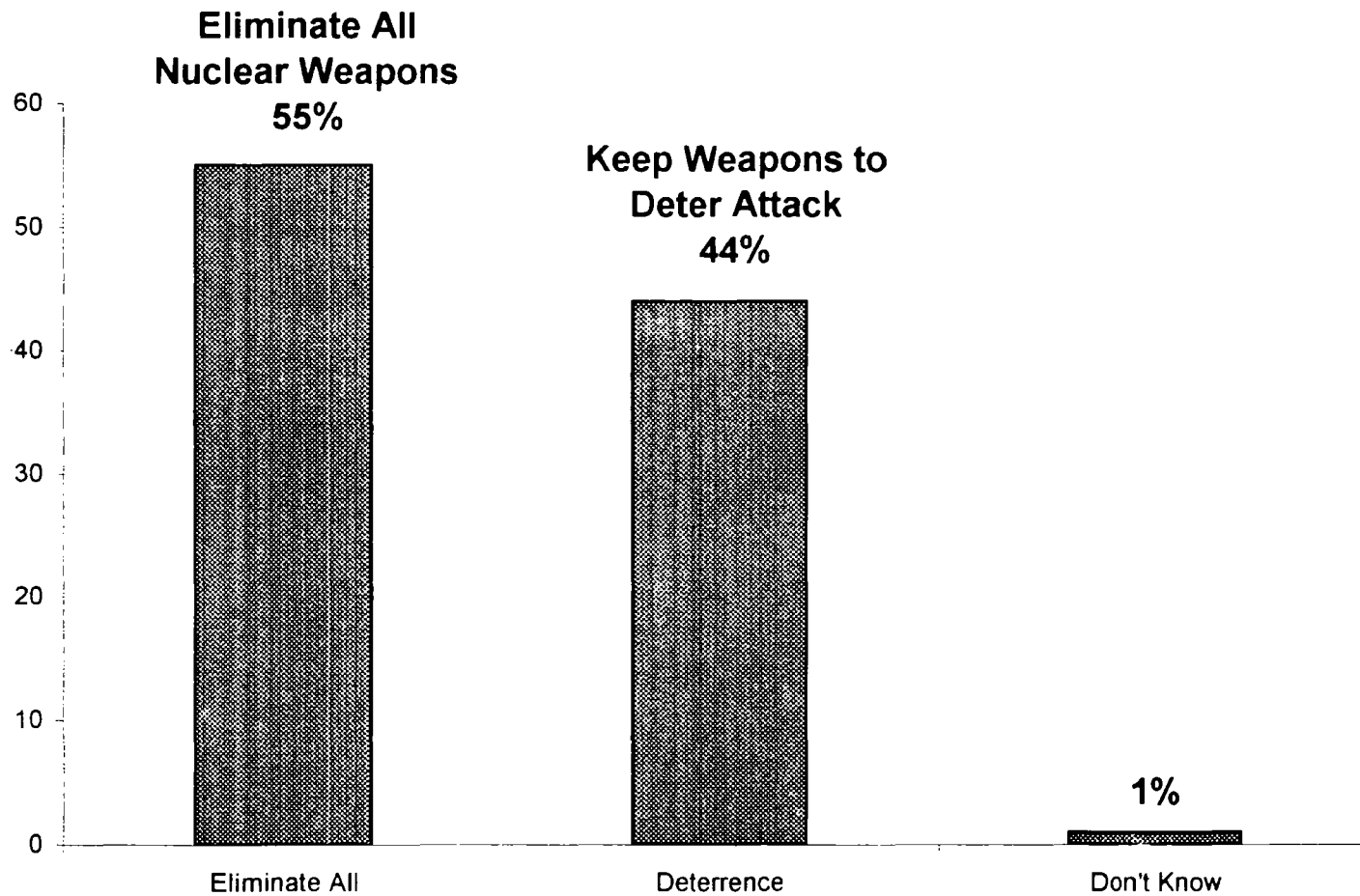
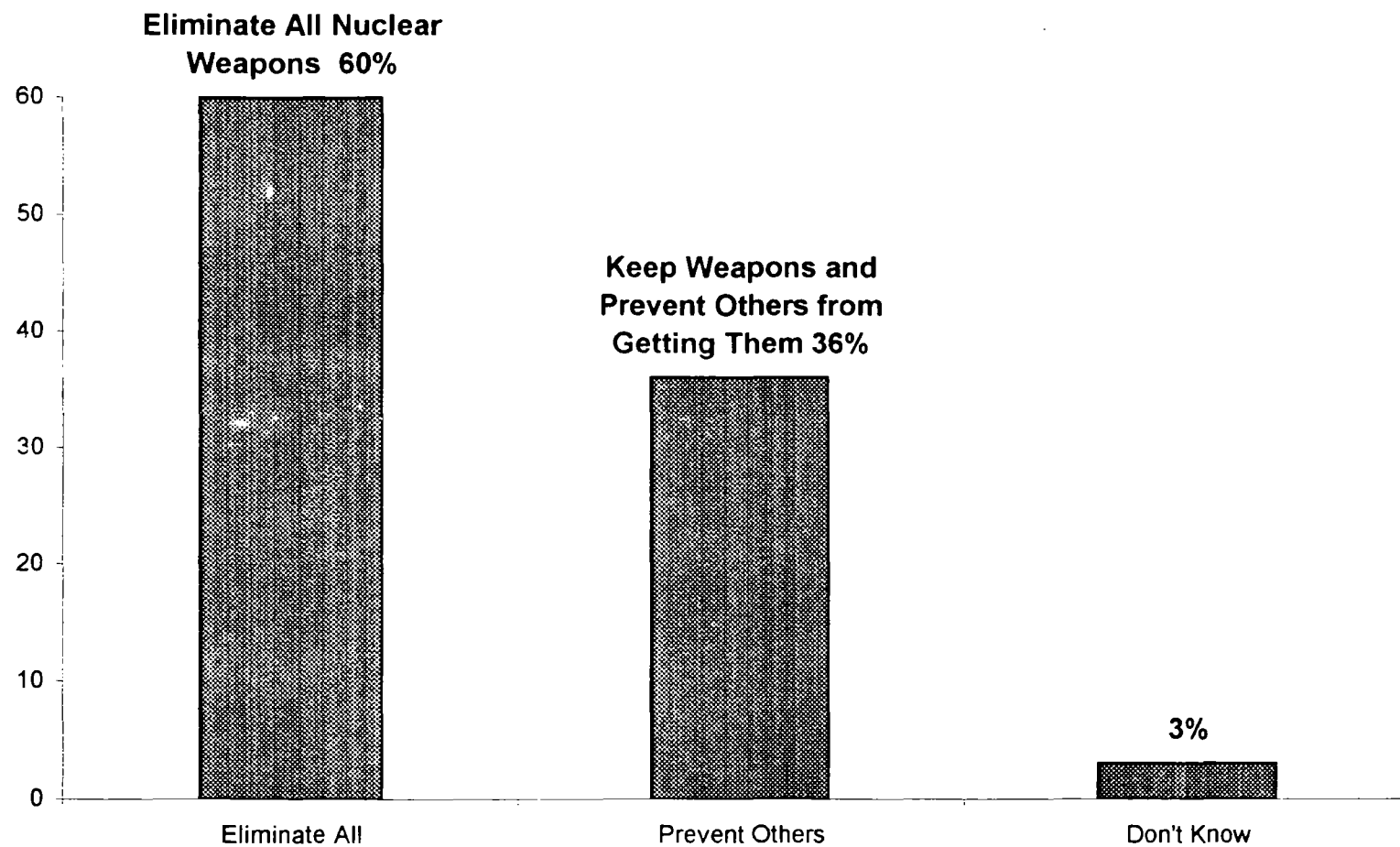


Chart 10

General Goals: Elimination vs. Prevention



**HONORABLE WILLIAM J. PERRY
TESTIMONY BEFORE THE
SENATE FOREIGN RELATIONS COMMITTEE
ON KOREA
JANUARY 24, 1995**

BACKGROUND--

Mr. Chairman, thank you for this opportunity to testify before your committee on the North Korea nuclear issue and the recently signed Agreed Framework. This is my first opportunity to address the 104th Congress, and I am deeply honored. I would like to begin by saying I look forward to working with you as we strive to develop wise defense policy over the next year and beyond. Looking ahead to the many tasks at hand, I shall also reaffirm my commitment to continue to consult with Congress, seeking form a common front with you and the President in the face of external challenges to our national security and interests.

With regard to today's topic, the Department of Defense and all of its representatives stand ready to provide whatever information your committee needs to assess the framework and evaluate its impact on U.S. interests in Asia and globally.

I would first like to offer my wholehearted endorsement of the testimony provided by Secretary Christopher today. To supplement his presentation, I would like to give you a Defense Department perspective on the security implications of this agreement for the U.S., its allies, and the East Asian region as a whole.

We must recognize as our starting point that the stability of Asia is critical to the security and prosperity of the United States. At present, our trade with the Asia-Pacific region amounts to over \$370 billion -- 40 percent greater than trade with Europe. Almost three million U.S. jobs depend in some way upon this trade. The markets created by this region's economies play an essential role in sustaining U.S. economic health. This interdependence is destined to grow as East Asia and the Pacific grow to account for approximately one-third of the world's economic activity by the first years of the next century.

The foundation for Northeast Asia's impressive economic growth since the Second World War has in large measure been provided by America's military strength and commitment to the region. The linchpins of that commitment are our security relationships with South Korea and Japan.

Our success in laying a foundation of peace and stability, however, has been tempered by long-standing challenges; foremost among these has been

the division of the Korean peninsula and the hostilities engendered by that division. Since fighting a costly war to a stalemate on the peninsula during the early 1950s, we have maintained a strong military presence in the ROK to safeguard it against the conventional threat posed by its ethnic brethren to the North. U.S./ROK determination and readiness have deterred further aggression on the conventional side for more than four decades.

But the North Korean challenge acquired a more ominous dimension during the last several years with the emergence of a major North Korean nuclear weapons program that could threaten the stability of the peninsula and Northeast Asia as a whole. Since the early 1980s, North Korea built and operated a nuclear complex at Yongbyon that had as its purpose the production of plutonium for use in nuclear weapons. The program consisted of a small 5 MWe, graphite-moderated reactor, substantially larger 50 MWe and 200MWe reactors under construction, a radiochemical laboratory with two reprocessing lines, and other related facilities. Prior to the signing of the Agreed Framework and the initial steps to implement the agreement, the DPRK nuclear program was poised to leap forward in terms of weapons-grade plutonium production.

The expanding North Korean nuclear program represented an unmistakable and unacceptable threat to U.S. interests and objectives in the region and globally for a number of mutually-reinforcing reasons:

- An unchecked nuclear capability in the North, coupled with its oversized conventional force, could have been used for extortion or blackmail purposes against South Korea to secure, for example, economic benefits, technology transfers, or favorable reunification terms. And, of course, it could have greatly increased the already huge costs of a war in Korea.
- A nuclear arsenal in North Korea could have ignited a nuclear arms race in Asia, as other states in the region sought to build their own deterrent against nuclear threats.
- Failure to curb North Korean efforts could have undermined the Nuclear Nonproliferation Treaty and prompted other would-be proliferators to try a similar break-out.
- North Korea could have exported nuclear technologies and components to pariah states or terrorists worldwide and thereby increased the risk of nuclear weapons' use.
- With upgraded missile delivery systems, which the North is developing at this time, any nuclear threat could have been projected across most of Northeast Asia and even, at some point in the future, to the U.S. mainland.

Confronted with this critical situation, the U.S. became directly involved in diplomatic efforts to resolve the mounting crisis in 1992, after the DPRK refused to clarify its nuclear past. At that time, the UN Security Council requested that individual governments seek to resolve the nuclear issue, encouraging the U.S. bilateral dialogue with the DPRK. (If you will recall, the DPRK signed the Nonproliferation Treaty (NPT) in 1985, entered into a safeguards agreement with the IAEA in January, 1992 and also agreed with the ROK in 1992 to denuclearize the Korean Peninsula).

The controversy over North Korean non-compliance with its NPT and the IAEA safeguards obligations continued from 1992 to mid-1994. In the spring of 1994, the North defueled its reactor and refused to allow the IAEA to take steps that could have helped to shed light on the disposition of the plutonium removed earlier. In light of this action, and the lack of progress in our bilateral talks, the U.S., in cooperation with ROK and other allies, took steps to obtain UN Security Council sanctions.

Through the multiple rounds of intensive negotiations and fluctuating tensions, the Defense Department fulfilled its role in maintaining the military capability to deter and defend on the peninsula. The combined forces of the U.S. and ROK maintained their determination and readiness to counter any military move from the North. Simultaneously, the ROK made progress in implementing its Force Improvement Program to outfit its troops with advanced equipment and doctrine. These force upgrades, greater cost-sharing with the ROK, and ROK assumption of peacetime operational control of all its forces are part of our ongoing effort to divide responsibilities for the defense of the peninsula more equitably with the ROK. Regardless of the division of labor, the close working relationship of U.S. and ROK forces on the peninsula was, and remains, central to the deterrent capability of our combined forces.

In the spring of 1994, DPRK intransigence prompted the U.S. and the international community to undertake efforts to impose economic sanctions on North Korea through the United Nations Security Council. Given DPRK pronouncements that a resort to sanctions would be tantamount to war, the U.S. and ROK also undertook a series of measures to augment the readiness and combat power of combined forces in the South. These measures involved both temporary deployments of specific assets and units and planned modernization initiatives. In response to increased tensions, the U.S. deployed a Patriot battalion and mine-countermeasures assets to protect our forces and our ability to rapidly reinforce, if required.

Other modernization measures and force improvements taken by the U.S. during the spring and summer of 1994 included:

- Replacing two squadrons of Cobra helicopters with 36 AH-64 Apache attack helicopters;
- GPS receivers added to the inventory for 2d Infantry Division maneuver units;
- Increased Close Air Support assets with the addition of 12 A-10 aircraft;
- 16 OH-58D Kiowa Warrior observation helicopters were added;
- Replaced 24 M113 APCs with 28 TOW capable M3A2 Bradley Fighting Vehicles;
- Fielded the Contingency Air Control System/Automated Planning System (CTAPS) to automate Air Tasking Order production and dissemination;
- Upgraded all maneuver and support forces with frequency hopping radios (SINCGARS).

All these measures were taken in response to requests from the Commander-in-Chief, Combined Forces Command in Korea. The determination and steadfastness demonstrated in these measures almost certainly weighed prominently in the North's ultimate decision to return to the bargaining table on terms that we found acceptable.

As you know, bilateral talks resumed in August of last year after the U.S. and ROK enhanced their forces and former President Carter traveled to North Korea to explore common negotiating ground. As a basis for talks, the DPRK agreed not to refuel the reactor or reprocess plutonium from spent fuel rods and to allow IAEA inspectors to maintain a presence at the Yongbyon nuclear complex.

OUTLINE OF THE AGREEMENT

On October 21, 1994, negotiators for the U.S. and the DPRK signed an Agreed Framework in Geneva. Under this agreement, the North must immediately halt, and eventually dismantle, its nuclear weapons-related program to ensure, in the long run, a nuclear-free Korean peninsula. The DPRK must also come into compliance with its NPT and IAEA full scope safeguards, including a commitment to clarify its nuclear past. In exchange for these measures, the DPRK will receive alternate energy, initially in the form of residual fuel oil for electric generators, and later in the form of more proliferation-resistant light water reactor technology. The Agreed Framework will be implemented in a step-by-step fashion, with both the U.S. and the DPRK taking required actions throughout the approximately 10 year duration of the implementation phase.

The following are the key elements of the agreement, most of which I am sure you are familiar with:

- First, it calls for halting North Korea's graphite-moderated reactor program including three nuclear reactors, facilities for separating weapons-grade plutonium, and all other nuclear fuel- related facilities;
- Second, it requires the DPRK to return to full compliance with its obligations under the NPT and IAEA safeguards agreement;
- Third, it provides alternate energy in the form of annual shipments of heavy fuel oil to compensate for the 255 MW(e) of electrical power and thermal heat lost through shutdown of the three reactors;
- Fourth, it calls for the formation of an international consortium to provide two proliferation-resistant Light Water Reactors to replace the more dangerous graphite-moderated facilities;
- Fifth, it neutralizes the threat posed by the spent nuclear fuel already in North Korea by first treating and canning the fuel so that it can be held in indefinite storage without reprocessing, and then removing it from the DPRK for disposal in a third country;
- Sixth, it requires dismantlement of the DPRK's graphite-moderated reactors and related facilities
- Seventh, it begins the process of normalizing diplomatic and trade relations between the DPRK and the rest of the world through small steps, taken as the Agreed Framework is implemented, to exchange diplomatic offices and relax trade and investment restrictions; and,
- Eighth, it encourages the restoration of dialogue between North and South Korea with the objective of denuclearizing the Korean Peninsula and, ultimately, establishing a more permanent mechanism of peace on the peninsula.

THE IMPORTANCE OF THE AGREED FRAMEWORK

Having reviewed the key elements of the Agreed Framework, I would like to discuss the importance of the agreement for U.S. national security and touch on the role of the Department of Defense in its implementation.

As I noted earlier, the U.S. was faced with a very serious threat to its national security in the region and globally. We had concerns not only with past discrepancies in the North's program and its present actions but also, and perhaps most importantly from a security perspective, about the nuclear program's potential for exponential growth. We sought to prevent the DPRK from increasing its plutonium production and from gaining a strategic nuclear capability. The Agreed Framework provides the international community, and particularly the U.S., a vehicle to eliminate this risk.

Regarding the present, the DPRK has agreed to halt its current nuclear program and has already done so. Specifically, the DPRK has (1) shutdown and

agreed not to refuel the 5MW(e) reactor at the Yongbyon Nuclear Complex, (2) stopped all construction on the 50 MW(e) and 200 MW(e) reactors, (3) is cooperating in the program to place all spent fuel (which contains 5-6 nuclear weapons worth of plutonium) in long-term storage for eventual shipment out of the country, (4) agreed to seal the radio-chemical laboratory used to reprocess plutonium from the spent fuel, (5) and sealed the fuel storage, fuel fabrication and other facilities associated with its graphite-moderated nuclear program. These actions conform to the Agreed Framework timetable and are being verified by IAEA inspectors, who are presently in the DPRK. With regard to spent fuel, the U.S. has sent two expert teams to North Korea since signing the agreement to formalize arrangements for long-term storage of the spent fuel; their talks have been productive and have laid the groundwork for long-term storage. The critical initial stage of compliance has been accomplished – a verified freeze on the North Korean nuclear program.

With regard to discrepancies in the amount of plutonium previously declared by the DPRK, the Agreed Framework requires that all questions of the past must be resolved to the satisfaction of the IAEA before any nuclear components for the new LWRs are delivered.

But perhaps most importantly from a security perspective, the Agreed Framework requires the DPRK to go well beyond its NPT obligations by eliminating, not just freezing or placing under international surveillance, the source of our greatest concern – its graphite-moderated nuclear reactor program. The DPRK has agreed to dismantle its existing facilities and expatriate the spent fuel from the 5MWe reactor by the time the two LWRs are complete. The DPRK will also take steps to implement the North-South Joint Declaration on the Denuclearization of the Korean peninsula. We have long believed that, given the dynamics and history of conflict on the peninsula, more than the enforcement of IAEA and NPT requirements would be necessary to solve the North Korean nuclear challenge. Indeed, full security will require the elimination of its existing program and shipment of the current stockpile of 8000 spent fuel rods, goals which the Agreed Framework will achieve.

I would like to underscore the point that the Administration is not relying on trust to implement the agreement. Quite the contrary, we are relying upon the on-site presence of the IAEA inspectors as well as U.S. national sources to monitor the DPRK's actions and to ensure that they are fulfilling their obligations. We will be vigilant in verifying compliance. If at any point North Korea reneges on its commitments, we and our allies will halt implementation of the agreement. We would then consider appropriate measures to counter DPRK noncompliance, including a return to the sanctions path.

And finally, the agreement provides an opening, one which we did not have before, to address other outstanding security problems that trouble the peninsula, for example, North-South dialogue, conventional force imbalances, missile proliferation, terrorism, and human rights. There will certainly be no

quick resolution of any of the issues that separate us. The agreement will, however, start a dialogue and begin to draw the DPRK out of its isolation, thereby increasing the likelihood that points of contention between our countries can be resolved.

U.S.-ROK SECURITY RELATIONSHIP

Before I discuss the Defense Department's specific role to date in carrying out the agreement with the DPRK, I would like to draw your attention to one of the anchors of our policy in Asia: the U.S.-ROK security relationship. Our negotiations in Geneva were informed and guided by the security imperatives of our alliance with South Korea. The U.S. coordinated its negotiating positions with the ROK to an unprecedented extent. The fruits of this cooperation were seen in the quick ROK endorsement of the final results from Geneva. President Kim Young Sam and his government showed great courage in throwing their support behind this agreement and the U.S. remains committed to continued close consultations with the ROK on implementing it.

I would like to emphasize that, regardless of the course of our engagement with the North, the U.S. will remain fully committed to its alliance with the ROK. The U.S.-ROK security relationship is as strong as at any point in time and the sizable U.S. military presence in Korea is a symbol of that commitment. Further, this relationship is evolving in a positive direction, with a politically mature and economically robust South Korea assuming a greater share of the responsibility for its own defense.

Our presence in South Korea also underscores our broader mutual concern for peace and stability in Asia. This latter bond will extend beyond the relaxation of tensions on the peninsula, resting as it does on shared values and not simply on shared threats.

THE DEPARTMENT OF DEFENSE'S ROLE: U.S. PROVISION OF RESIDUAL FUEL OIL

I would now like to turn to the Department of Defense's role in implementing the agreement.

An early milestone for the U.S. in the Agreed Framework is the initial delivery of residual fuel oil by January 21. The U.S. performance on this obligation is a condition both of maintaining the freeze and continuing implementation of the agreement. It enables us to proceed to the next phase of the framework. The Department of Defense believes strongly that the success of the agreement is in the interest of regional stability and our overall non-proliferation policy and reinforces our national security agenda.

North Korea, under the agreement, has been required to take, and has taken important steps, before receiving any benefits from the U.S. or other countries. To review the actions already taken by the North in more detail:

- It has kept the 8000 fuel rods in storage, instead of reprocessing them to extract the plutonium for some 5-6 bombs. In the three months since the Agreement was signed, roughly 78% of these rods could have been run through the reprocessing facility.
- It has sealed the reprocessing facility and stopped construction on an additional reprocessing line that would double the reprocessing rate.
- It has refrained from refueling and restarting the 5MW(e) reactor from which the spent fuel was unloaded this spring. This reactor, run at a rate comparable to last year's, could produce enough plutonium for at least one bomb annually. This reactor is being inspected by the IAEA.
- It has stopped construction of two large new reactors with capacities of 50 MW(e) and 200 MW(e). These reactors, when completed in 1995 and 1996 respectively, would have had a capability to produce plutonium for a significant number of bombs annually.
- It has permitted IAEA inspectors to remain permanently at Yongbyon to implement the freeze, and verify and monitor, on a daily basis, that the freeze remains in effect. The Director General of the IAEA reports good cooperation and compliance with the freeze by the DPRK. IAEA inspectors will remain in North Korea for the duration of the framework implementation.
- It has permitted a U.S. technical team to visit Yongbyon to do a survey of measures necessary to stabilize the spent fuel so it can be stored until removed from North Korea, as required by the agreement. Removal will start when delivery of the first nuclear components for the LWRs begins.
- Thus, the critical initial stage of compliance has been accomplished — a verified halt to the North Korean nuclear program.
- As explained earlier, as alternate energy for the loss of electrical power and thermal heat from the DPRK's reactors, the U.S. agreed to arrange for shipments of heavy residual fuel oil in amounts equal to the potential electrical output of the three nuclear reactors, a total of 255MW(e), or 3.5% of North Korea's present electrical generation capacity.
- The Department of Defense agreed to arrange and pay for delivery of the first tranche under license to meet the ninety-day deadline and provide incentive for DPRK compliance with the nuclear non-proliferation incentives of the framework. The total cost to DoD will be approximately \$5M, including delivery.

The fuel will be paid for under long-established statutory authority in the annual DoD Appropriations Act for DoD use funds, up to a specific limit for emergency and extraordinary expenses. Congress has been informed of the overall terms of the deal and of the specific obligations to provide fuel, and of the other details of delivery and payment as outlined here, in a letter from the Deputy Secretary of Defense.

- Accordingly, the U.S. completed the first delivery of fuel oil, with tankers finishing the off-load on January 22. The first tranche of 50K metric tons of HFO was delivered to the currently idle, oil-fired power plant in Sonbong, North Korea, where it will be used to produce electricity for North Hamgyong Province and thermal heat (steam) for the surrounding villages.
- Fuel is in some sense fungible, but there is little potential for this fuel to be diverted to military use from its intended use in power and heat generation. Very little high-fraction fuel, such as gasoline, diesel, and kerosene, can be extracted from heavy residual fuel oil (HFO), compared to crude and other refined petroleum products. Commonly called 'Bunker C', heavy residual fuel oil can be used to fire boilers, but it cannot be used as motor fuel for vehicles or military hardware. It is like tar.
- The second tranche agreed to in the framework is 100K metric tons of HFO as alternate energy for both the 5MW(e) and 50MW(e) reactors. It is scheduled for delivery in October 1995. This and later shipments will be paid for by the multinational consortium under the leadership of the U.S., Japan, and the Republic of Korea.
- The third tranche is 500K metric tons of HFO, provided under the framework to compensate for the total 255MW(e) electrical capacity of all three nuclear reactors under the freeze. Delivery will commence in October 1996 and will be paid for by the international consortium. Deliveries will continue annually until the first LWR is on-line providing electricity in the DPRK.

SUMMARY

In summary, the Department of Defense fully supports the Agreed Framework and the importance of implementing it in a timely fashion. The agreement takes a major step towards securing our goal of finding a peaceful way to halt and eventually dismantle the DPRK's nuclear program and ensure for the long run a nuclear-free Korean peninsula. It also will help to ease tensions on the peninsula by encouraging dialogue with our ally South Korea and by drawing the DPRK out of its international isolation. We recognize that it is one thing for North Korea to sign an agreement, and another thing for it to carry out that agreement. We will be vigilant in insisting on full compliance. But as long as compliance continues, it is unequivocally far better to deal with the North Korean nuclear weapons

program in this way than in the manner we faced last June, with the huge potential costs and the attendant risk of war.

I would be happy to answer any questions you may have, particularly on the Department's contribution to implementing the agreement or our security relationship with the ROK.

DRAFTSpeechwriters Cut

Mr. Chairman, thank you for this opportunity to testify before your committee on the North Korea nuclear issue and the recently signed Agreed Framework.

This is my first opportunity to address the 104th Congress, and I am honored.

With regard to today's topic, the Department of Defense stands ready to provide whatever information your committee needs to assess the framework agreement and evaluate its impact on U.S. interests in Asia and globally.

I would first like to offer my wholehearted endorsement of the testimony provided by Secretary Christopher today.

If you agree, I will submit my written testimony for the record and just give you some oral comments to give you a Defense Department perspective on the security implications of the agreement

It will be useful to look at this agreement on a timeline. *(Put up timeline chart)*

I. Start with where we were last June .

We were taking steps to enhance our military posture and readiness in the theater.

Fall into three categories:

1. Steps we were taking as part of our long term modernization plan, in some cases accelerated.
2. Additional, and costly, enhancements to our force posture.
3. Steps we were considering to enhance our readiness and capabilities in conjunction with the move to sanctions at the UN.

This last set were the items the President was considering in the Oval office when former President Carter called to say the North Koreans were prepared to resume their negotiations and freeze their program during that negotiating period.

These force enhancements were important because the NK had stated that it would consider UN sanctions an act of war.

We cannot forget that NK has a 1.1 million man army, more than half forward deployed within 60 miles of the border, as well as massive amounts of long-range artillery and rockets within striking distance of Seoul.

They had threatened to turn Seoul into a "sea of flames."

DRAFT

In the first category -- part of our long term plan, but in some cases accelerated -- were such systems as Patriot Missiles, Bradley Fighting Vehicles to replace the older M113's, 36 AH-64 Apaches to replace the two squadrons of Cobra helicopters, upgraded firefinder radars, increased close air support -- A-10's, etc.

In second category -- additional enhancements we had already made -- improvements to our intelligence assessment and collection and units to speed up receiving reinforcements and supplies and an increased naval presence in the region.

In the third category -- enhancements we were considering -- were a range of options.

They included everything from minor force deployments to a sizeable augmentation.

Let me add that these enhancements would not have been cost free, keeping an extra carrier battle group on station, for example, is an expensive proposition, both in dollars and personnel tempo.

Depending on the forces sent, the incremental costs would have amounted to hundreds of millions of dollars per year.

You are all aware of the costs we have in keeping forces at the ready to monitor Saddam Hussein's activities.

The two operations, Provide Comfort and Southern Watch, together cost 424 million dollars in FY 94 and 579 million dollars in FY 95.

It is hard to calculate precisely the additional costs of an extended sanctions enforcement operation as well as protecting our forces in Korea, but they would have been sizable.

Not only for ourselves, but for South Korea, Japan and other countries.

That is an important factor to keep in mind as we look at the costs of this agreement.

II. That is where we were -- if you look at the very left end of the chart -- in June of 1994 -- milestone zero.

We were moving towards sanctions and President Clinton was prepared to order those deployments to support the sanctions decision, but the North Koreans

agreed with the conditions set for a new round of negotiations and, in discussions with President Carter, agreed to put their program on hold.

It was the character of the freeze that was most important to DoD and the Administration.

President Clinton carefully defined what a freeze meant: The President insisted that a freeze include a commitment not to reload and operate the five megawatt reactor.

This went beyond the commitment obtained by Carter not to reprocess fuel rods or separate plutonium.

III. We then entered negotiations which resulted in the next milestone: the agreement itself.

You are familiar with the key elements of the agreement:

- First, it calls for halting North Korea's graphite-moderated reactor program including three nuclear reactors, facilities for separating weapons-grade plutonium, and all other nuclear fuel-related facilities;
- Second, it requires the DPRK to return to full compliance with its obligations under the NPT and IAEA safeguards agreement;
- Third, it provides alternate energy in the form of annual shipments of heavy fuel oil to compensate for the 255 MW(e) of electrical power and thermal heat lost through shutdown of the three reactors;
- Fourth, it calls for the formation of an international consortium to provide two proliferation-resistant Light Water Reactors to replace the more dangerous graphite-moderated facilities;
- Fifth, it neutralizes the threat posed by the spent nuclear fuel already in North Korea by first treating and canning the fuel so that it can be held in indefinite storage without reprocessing, and then removing it from the DPRK for disposal in a third country;
- Sixth, it requires dismantlement of the DPRK's graphite-moderated reactors and related facilities
- Seventh, it begins the process of normalizing diplomatic and trade relations between the DPRK and the rest of the world through small steps, taken as the Agreed Framework is implemented, to exchange diplomatic offices and relax trade and investment restrictions; and,
- Eighth, it encourages the restoration of dialogue between North and South Korea with the objective of denuclearizing the Korean Peninsula and, ultimately, establishing a more permanent mechanism of peace on the peninsula.]

IV. Since the agreement North Korea has moved to fulfill its part -- to meet the first milestone on the agreement:

- It has refrained from refueling and restarting the 5MW(e) reactor from which the spent fuel was unloaded this spring. This reactor, run at a rate comparable to last year's, could produce enough plutonium for one bomb annually. This reactor is being inspected by the IAEA.

- It has stopped construction of two large new reactors with capacities of 50 MW(e) and 200 MW(e). These reactors, when completed in 1995 and 1996 respectively, would have a capability to produce plutonium for a significant number of bombs annually.
- It has sealed the reprocessing facility, including an additional reprocessing line that would double the reprocessing rate.
- It has permitted IAEA inspectors to remain permanently at Yongbyon to implement the freeze, and verify and monitor, on a daily basis, that the freeze remains in effect. The Director General of the IAEA reports good cooperation and compliance with the freeze by the DPRK. IAEA inspectors will remain in North Korea for the duration of the framework implementation.
- It has kept the 8000 fuel rods in storage, instead of reprocessing them to extract the plutonium for some 5-6 bombs. In the three months since the Agreement was signed these rods could have been run through the reprocessing facility.

It has permitted a U.S. technical team to visit Yongbyon to do a survey of measures necessary to stabilize the spent fuel so it can be stored until removed from North Korea, as required by the agreement. Removal will start when delivery of the first significant nuclear components for the LWRs begins.

The critical initial stage of compliance has been accomplished -- a verified halt of the North Korean nuclear program.

V. The next step on the chart -- above the line -- is the action we must take in response -- delivery of the first tranche of oil supplies. This heavy fuel oil is being made available as alternate energy for the loss of electrical power and thermal heat from the DPRK's reactors. The U.S. agreed to arrange for shipments of heavy residual fuel oil in amounts equal to the potential electrical output of the three nuclear reactors, a total of 255MW(e), or 3.5% of North Korea's present electrical generation capacity.

[Very little high-fraction fuel, such as gasoline, diesel, and kerosene, can be extracted from heavy residual fuel oil (HFO), compared to crude and other refined petroleum products.]

Commonly called 'Bunker C', heavy residual fuel oil can be used to fire boilers, but it cannot be used as motor fuel for vehicles or military hardware. It is like tar.]

The Department of Defense agreed to arrange and pay for delivery of the first tranche under license to meet the ninety-day deadline and provide incentive for DPRK compliance with the nuclear non-proliferation incentives of the framework.

The total cost to DoD will be approximately \$5M, including delivery. The fuel will be paid for under long-established statutory authority in the annual DoD Appropriations Act for DoD use funds, up to a specific limit for emergency and extraordinary expenses.

[Congress has been informed of the overall terms of the deal and of the specific obligations to provide fuel, and of the other details of delivery and payment, in a letter from the Deputy Secretary of Defense.]

We have just completed that delivery.

The sequence -- their action, then our action -- underscores a key nature of the agreement -- it does not rely on trust, but on reciprocal actions.

Additional shipments of oil are called for until the first Light Water Reactor (LWR) is on line and providing electricity, but in the future these shipments will be paid for by the multinational consortium.

[Moving on through the first year, some of the political aspects of the agreement are to go forward.

The North-South dialogue is supposed to resume and we expect to open liaison offices.

As Secretary Christopher noted, the KEDO consortium has to be put together -- a process which will result in a contract with a prime contractor.

The IAEA will then resume ad-hoc and routine inspections.

The first purchases of major light water reactor components will begin late in the first year, but construction and delivery of components will not begin until about year four.]

VI. When we reach milestone two the DPRK nuclear program will have been halted for about five years.

At milestone two, there are again reciprocal actions: Special inspections will begin and we will resolve the mystery of past DPRK nuclear activity. This will begin to bring them into NPT compliance.

In turn we will be completing the plant deliveries.

At about year seven transfer out of the country of the spent fuel from the old reactor will begin. During the meantime it has been stored and not reprocessed.

At the same time we will begin delivery of the nuclear components for the plant.

Completion of the first LWR plant structure and delivery of nuclear components will be when the DPRK is in full IAEA safeguards compliance.

The expatriation of the fuel will be completed at the same time the LWR is completed.

That is milestone three.

After the first LWR is completed, the dismantlement of the graphite moderated reactors (GMRs) begins.

The LWR becomes operational about year eleven.

About year thirteen the dismantling of the GMRs is completed and the second LWR is finished.

From the chart you can see that we are just a fraction of the way down this timeline.

But you can also see that each step down the road continues to lock into place the halt in the program and requires reciprocal steps from each side.

If they try to restart the program at any point we have the option of pulling out of the deal and moving to sanctions -- with the same options and risks -- but we will have gained a number of year.

In addition, if they renege, there will be a significant world reaction.

At every stage we are better off than when we began, and the North Koreans stand to lose major benefits if they renege on the deal.

VII. Finally, let me just note that this agreement enhances both our own security position on the peninsula, but also the security of the ROK.

The USG coordinated its position in the negotiations with the ROK and the Japanese and both countries quickly endorsed the agreement.

We were united in the actions we took prior to the agreement. We were united on the need to go to sanctions.

And we are united about the benefits of the agreement.

SUMMARY

The Department of Defense fully supports the Agreed Framework and the importance of implementing it in a timely fashion.

As this last chart indicates (*alternatives chart*) the agreement takes us in steps to our goal of finding a peaceful way to halt and eventually dismantle the DPRK's nuclear program and ensure for the long run a nuclear-free Korean peninsula.

It improves the security of our forces and of our ROK allies.

Without the agreement, we would face an entirely different, and less desirable security situation.

I would be happy to answer any questions you may have, particularly on the Department's contribution to implementing the agreement or our security relationship with the ROK.

*Need comments
by COB or first thing
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NSC

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202-647-9943

MESSAGE: _____

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STATEMENT OF SECRETARY CHRISTOPHER
BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE

January 24, 1995

Thank you, Mr. Chairman. It gives me great pleasure to appear for the first time before the Senate Foreign Relations Committee of the 104th Congress. I look forward in the coming year to working closely with the Committee to advance our vital national interests, beginning with our discussion today of implementation of the Agreed Framework between the United States and North Korea.

Before taking your questions, allow me to review this Administration's strategy for resolving the North Korea nuclear issue, how it advances our interests in Asia, and how it supports our overall efforts to stop the spread of weapons of mass destruction. As I said in my speech last week outlining this Administration's foreign policy, curbing the proliferation of weapons of mass destruction is among the most vital security challenges facing the United States today.

The Agreed Framework is the product of months of determined diplomacy and firm negotiation. It attains all our strategic objectives. It safeguards our allies South Korea and Japan. It lifts the specter of a nuclear arms race from Northeast Asia. It bolsters a nonproliferation regime essential to global stability. And it provides the basis for a potential reduction of tensions in the region. I am pleased to report that implementation of the Framework is proceeding smoothly.

Mr. Chairman, the United States has an enduring interest in

a stable, non-nuclear Korean peninsula. Thirty-seven thousand American troops stand ready to defend that interest on what is now the world's most fortified frontier. They carry on a commitment to South Korea's freedom and prosperity that was first sealed by the lives of more than fifty thousand brave Americans almost half a century ago. As President Clinton said before South Korea's National Assembly, "that sacrifice affirmed some old truths: vulnerability invites aggression; peace depends on deterrence." We came to the Framework negotiations with those cardinal principles foremost in mind.

We are also under no illusions about the Democratic People's Republic of Korea. North Korea remains an isolated, totalitarian regime. In the past, it has regularly engaged in aggression and terrorism, from the seizure of the USS Pueblo in 1968 to the attack on South Korean cabinet members in Burma in 1983, and the bombing of a South Korean airliner in 1987.

The recent shootdown of an unarmed American helicopter reminds us that tensions on the peninsula remain high. North Korea fields a 1.1 million man army, much of it deployed along the DMZ. Its artillery threatens the capital of South Korea. Its ballistic missiles under development can reach the coast of Japan. And its sales of missile systems to the Middle East undermine peace and security. Beyond its internal repression, North Korea's past behavior toward its neighbors and the world has often placed it at odds with the international community.

Over the last decade, successive administrations watched with concern as North Korea pursued its nuclear program, its

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development of ballistic missiles, and its build-up of forces. In 1987, during the Reagan Administration, North Korea's 5 megawatt reactor became operational. And in 1989, during the Bush Administration, North Korea unloaded an unknown amount of spent fuel that may have been reprocessed into plutonium.

When North Korea sought to remove its nuclear program from the constraint of international safeguards, President Clinton moved quickly to meet the potentially global threat posed by its nuclear ambitions. Left unchecked, North Korea would soon have been in a position to produce hundreds of kilograms of plutonium for nuclear weapons--and to provoke a destabilizing nuclear arms race in Northeast Asia. It would also have been able to sell nuclear material or nuclear weapons to rogue states in the Middle East--just as it has sold them ballistic missiles in recent years.

Our goal in crafting the Framework was thus three-fold: to stop the North's existing nuclear program; to devise a larger strategy that would address the threat posed by the North's missile program and conventional build-up; and to reduce tensions in the region by bringing North Korea out of its international isolation into the broader community of nations.

The Clinton Administration's direct involvement with the nuclear issue began in March 1993, when North Korea announced its intention to withdraw from the Nuclear Nonproliferation Treaty (NPT). That declaration--coming after the International Atomic Energy Agency (IAEA) was unable to resolve discrepancies in the way the North accounted for its plutonium stocks--raised

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international alarm about North Korea's nuclear program.

After the IAEA reported its findings to the Security Council and the North announced its withdrawal, the Council invited member states to take up the matter with North Korea. When the United States first began to do so, we had two objectives. First, we wanted North Korea to remain in the NPT and accept full-scope IAEA safeguards, including special inspections. This would ensure the integrity of the NPT as the linchpin of global non-proliferation. Second, we wanted the North to implement the North-South Declaration on Denuclearization, which it had negotiated with South Korea in 1991. That declaration would help ensure a non-nuclear Korean peninsula by requiring abandonment of any reprocessing capability and acceptance of a bilateral inspection regime.

In the first two rounds of negotiation in June and July of 1993, we made it clear to the North Koreans that we could only engage in dialogue so long as they accepted safeguards to assure non-diversion of nuclear material, refrained from separating any more plutonium and remained in the NPT. If they violated any of these conditions, we would turn to the Security Council for sanctions. We were determined not to lose any ground while talks were under way.

To ensure the success of our approach, the United States conducted intensive consultations with our allies South Korea and Japan, and other Security Council members. And to ensure the security of South Korea in a period of heightened tension, we also accelerated modernization of our military forces

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there. We negotiated from a position of strength.

When North Korea took the unacceptable step of unloading fuel from its 5 megawatt reactor last spring, we were prepared to pursue a sanctions resolution in the Security Council, and to respond to any hostile DPRK reaction. And the North Koreans knew it.

After Kim Il Sung made a commitment to freeze North Korea's nuclear program if the United States would agree to resume talks, President Clinton responded immediately by defining what an acceptable freeze would mean--that is, what North Korea would have to agree to if talks were to resume. The President set a new, higher standard for maintaining dialogue with the North by insisting that a freeze include a commitment not to reload and operate its 5 megawatt reactor--not to produce any more plutonium. This went beyond the North's previous commitment not to undertake any reprocessing or separation of plutonium. The North quickly accepted these terms--our terms--and we moved to a new round of talks in Geneva.

The North Korean leadership made this decision because it understood that if it did not, the United States would pursue sanctions and was prepared to deal with the consequences. We had achieved a position of advantage--which we would carry into the negotiations when they resumed--because a consistent policy had been supported by successful diplomacy at the United Nations and evident military readiness on the ground.

Our determined diplomacy also enabled us to expand our

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objectives. When the third and final round of negotiations opened last fall, we still wanted to bring North Korea back into compliance with its IAEA safeguard obligations. But the North's interest in light-water reactors (LWRs) opened the door to a more far-reaching solution: dismantlement of its indigenous nuclear facilities. Even under IAEA safeguards, these facilities posed a threat by enabling the North to continue accumulating weapons-grade plutonium, and to do so at an accelerating rate.

We went back to the table in Geneva determined that any resolution of the nuclear issue must show that the United States would not walk away from a material violation of the NPT and international safeguards. There would be no settlement that did not include full NPT compliance. Beyond that, the United States would not stand by while North Korea accumulated significant amounts of weapons-grade plutonium, even under IAEA safeguards. There could be no settlement that left intact the North Korean capability to produce and possibly export large quantities of weapons grade material. We succeeded in securing both of these objectives.

In close consultation with our allies South Korea and Japan, we ultimately concluded an Agreed Framework that addresses all our concerns about the North Korean nuclear program. Let me outline what it requires.

First, the Agreed Framework immediately froze the North Korean nuclear program. The North agreed not to restart its 5 megawatt reactor. It agreed to seal its reprocessing facility

and eventually dismantle it. It agreed to cooperate with the United States to store safely the spent fuel from the 5 megawatt reactor--rather than reprocess it--and eventually ship it out of the country. In short, North Korea's capacity to separate or produce plutonium was ended. All these steps are now taking place under the careful scrutiny of the IAEA.

Second, the North agreed to freeze construction of its 50 and 200 megawatt reactors and ultimately dismantle them. Absent this agreement, the two reactors would have been capable of producing enough plutonium for dozens of bombs each year. Absent this agreement, we could have faced the greatest threat to our security since the Cuban missile crisis.

Third, under the Agreed Framework, North Korea will remain a party to the NPT. As such, it must fully disclose its past nuclear activities. North Korea is obligated to cooperate with whatever measures the IAEA deems necessary--including special inspections--to resolve questions about its nuclear program.

Let me stress that as a result of the Framework, North Korea actually must fulfill additional obligations beyond its NPT requirements. These include an end to plutonium separation, the shipment of spent fuel containing plutonium out of the country, and dismantlement of the gas graphite reactor system.

In return for these steps, North Korea will receive some benefits. We will lead an international effort to provide North Korea with proliferation-resistant, light-water reactors.

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It will also receive heavy fuel oil shipments as an interim energy source until the light water reactors come on line early in the next century. Almost all funding for the LWRs will come from others, primarily South Korea and Japan. We expect the heavy fuel oil to be financed by the United States and other concerned countries.

Under the Agreed Framework, initial work on the LWR project will begin, but there will be absolutely no delivery of any significant nuclear components for the reactors until North Korea complies fully with its safeguards obligations. Put another way, the North Koreans will not receive critical equipment or technology for LWRs until the IAEA is satisfied that questions about past North Korean nuclear activity are resolved.

Also under the terms of the Agreed Framework, the North has agreed to resume its dialogue with the Republic of Korea. This was a critical provision for South Korea and the United States if the Framework was to stand the test of time. Finally, under the Framework, the United States will move toward more normal relations with North Korea, beginning with the establishment of liaison offices in Washington and Pyongyang. To ensure smooth implementation of the Framework, we will open a liaison office in Pyongyang, and North Korea will open a liaison office here. But full normalization is explicitly linked to the North's willingness to resolve many issues of concern to us. We have made clear to the North Koreans that our agenda begins with their ballistic missile development and export activities, and their destabilizing conventional force deployment.

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We designed the structure of the Agreed Framework to maximize the benefits and minimize the risks to the United States, South Korea and Japan. Let me explain how:

First, the burden of up-front performance falls on North Korea, not the United States. The North had to freeze immediately all construction of its 50 and 200 megawatt reactors. It had to refrain from refueling and restarting the 5 megawatt reactor and from taking any steps to reprocess existing spent fuel and to separate plutonium.

The steps we are taking in response are responsible. Last week, we provided 50,000 tons of heavy oil to North Korea, equivalent to less than one-half of one percent of its annual electrical energy production capability, and worth less than \$5 million at current market prices. We are helping it safely store spent fuel until it is shipped out of the North. As an alternative to reprocessing, this is profoundly in our interest. We also have moved very selectively to ease commercial sanctions on North Korea. And we are moving ahead with the North Koreans to resolve issues related to establishing liaison offices.

The most significant benefits for North Korea will come several years later, after we have had time to judge North Korean performance and intentions. As I noted earlier, the most important benefit that the North will receive under the Agreed Framework, the sensitive nuclear components for LWRs, will not be provided until the North fully complies with its safeguards obligations, which includes accounting for its past

activities.

Second, the structure of the Framework enables us to monitor closely North Korean compliance. This is not an arrangement that relies on trust. The IAEA is now in North Korea monitoring the freeze and has thus far received excellent cooperation. Beyond this, we have our own national technical means to verify the North's compliance. In short, we are confident about our ability to determine if the North is cheating.

Third, the Framework is also structured so that we are not disadvantaged in any significant way if the DPRK reneges on its commitments--at any time. The path to full implementation has defined checkpoints. If at any checkpoint, North Korea fails to fulfill its obligations, it will lose the benefits of compliance that it so clearly desires. If the North backs out of the deal in the next several years, for example, it will have gained little except modest amounts of heavy oil and some technical help in ensuring the safe storage of spent fuel. Should the North renege when it is required to submit to IAEA special inspections, Pyongyang will still be left with only the empty shells of two LWRs. Even if that happens, we will still have benefitted greatly. Why? Because the North's entire nuclear program will have been frozen for years.

Fourth, the Framework places highest priority on the elements of the North's program that most acutely threaten U.S. security. That means the accumulation of plutonium. For example, we insisted that the Agreed Framework provide for the

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removal of spent fuel from North Korea without being reprocessed. That fuel (enough to build about five bombs) was a direct threat to our allies if it were ever reprocessed.

Let me now address the question of when the North would account for its past activities. It was vital to secure an unambiguous commitment from the North to accept whatever measures the IAEA deemed necessary--including special inspections--to account for its past nuclear activities. From a national security perspective, when those inspections were conducted was less critical. The information to be obtained is not perishable. We encourage the North to accept those inspections even before they are required to under the Framework. But the more pressing security imperative was to stop plutonium production and secure an agreement to dismantle North Korea's nuclear program.

We are cautious but hopeful about the continued smooth implementation of the Framework's terms. The North has frozen its nuclear program and is moving forward in discussions with the IAEA to enact additional verification measures. It is cooperating with American experts to ensure safe storage of the spent fuel at its Yongbyon nuclear plant--cooperation which has included the first visit by American technicians to Yongbyon.

At the same time, we have made important progress toward establishing the Korean Energy Development Organization (KEDO), the international consortium that will have a key role in implementing the Agreed Framework. It is KEDO that will ensure the provision of light-water reactors to North Korea, the heavy

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oil shipments, the safe storage of the spent fuel and its eventual shipment out of North Korea. While the United States, South Korea and Japan are the consortium leaders, the South will play a central role, and Japan will play a significant role, in the financing and construction of the LWR project. Both countries strongly support the Framework as in their national interest, and have demonstrated that support with their significant commitment to finance its implementation.

After several productive meetings with the Republic of Korea and Japan on KEDO, we have also begun to approach other potential members of KEDO in Asia and Europe. We hope to hold the first KEDO meeting next month in the United States.

The United States is spending some \$5 million to pay for the first shipment of heavy fuel oil and relatively modest additional funds for placing the North's spent fuel in safe storage for eventual shipment. In keeping with our central role in KEDO and our vital interest in implementation of the Agreed Framework, this Administration believes we should supplement the significant financial contributions that will be made by the Republic of Korea and Japan over the next decade. Accordingly, we will seek to reprogram funds in FY 1995 and will seek new funds in the 1996 budget to contribute to KEDO and its projects.

Specifically, in Fiscal Year 1995, up to ten million dollars will be allocated by the Department of Energy to finance safe storage of North Korea's spent fuel. That will forestall any reprocessing and allow its eventual shipment out

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of the country. Up to 5.4 million dollars of reprogrammed State Department funds will be spent on establishing KEDO, which all three partners agree will be a small organization with a staff of about 35.

We anticipate that budget requests to support this enterprise in 1996 and subsequent years will be on the order of tens of millions of dollars, a modest contribution in comparison to the billions of dollars our KEDO partners will contribute. They represent a wise investment in regional security and prosperity.

Regional security and prosperity, ultimately, are what the Agreed Framework is designed to protect. The North's efforts to develop nuclear weapons and the means to deliver them have been a clear and immediate threat to our allies South Korea and Japan. Continuing tensions on the Korean peninsula in turn have been a threat to security and prosperity throughout Asia, the world's most dynamic economic region.

The Agreed Framework not only stops North Korea's nuclear program in its tracks. It provides a basis for reducing tensions in the region by opening the way for the establishment of more normal political and economic relationships between the United States and North Korea, and prospectively between North and South Korea. As part of the Framework, North Korea has pledged to resume dialogue with South Korea on matters affecting peace and security on the peninsula. We have made clear that resuming North-South dialogue is essential to the success of the Framework--so important that we were prepared to

walk away from the Framework if North Korea had not been willing to meet that condition.

We are determined to use our own engagement with North Korea to address other troubling aspects of its behavior, including its conventional force posture, ballistic missile activities, and past support for terrorism. But development of more normal relations between North Korea and the United States will not affect our close ties with the Republic of Korea. That relationship, built on a rock-solid alliance, shared democratic values, and thriving economic ties, will remain unshakeable.

The benefits of the Framework also extend well beyond our interests in Asia. The Framework supports our overarching goal of a strong global nonproliferation regime. It maintains the integrity of the Nuclear Non-Proliferation Treaty. It prevents future North Korean sales of nuclear weapons or materials to the Middle East. And it gives us an opportunity to curb North Korean sales of missile technology to those same countries.

These two goals--peace and security in Asia and effective global nonproliferation--have always commanded strong bipartisan support. And I believe that by furthering these goals in a manner consistent with the national interest, the U.S.-DPRK Agreed Framework is worthy of that same bipartisan support.

Our negotiations with North Korea have reflected constancy and resolve. We saw a threat to our interests. We took

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diplomatic and military steps to confront that threat. And then we negotiated from a position of strength to secure an accord that removed that threat and advanced our interests.

Thank you very much, Mr. Chairman. I look forward to answering your questions.