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Folder Title:

North Korea, January 1995 [5]

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Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Ambassador Gallucci to Misnister Kang (1 page)	01/20/1995	P1/b(1)
002. notes	re Summary of Conclusions for NSC Principals (2 pages)	01/20/1995	P1/b(1)
003a. fax	cover, Rasmussen to Poneman et al [partial] (1 page)	01/27/1995	P3/b(3)
003b. paper	re issues (4 pages)	01/27/1995	P1/b(1)
003c. memo	Daniel Tarullo to Mr Tarnoff re License (4 pages)	01/27/1995	P1/b(1)
004. cable	re Korean Energy Development Organization (KEDO) (7 pages)	02/01/1995	P1/b(1)
005a. note	handwritten, re Kang letter (1 page)	02/00/1995	P1/b(1)
005b. email	Poneman to Berger re rewritten sentence (1 page)	02/14/1995	P1/b(1)
005c. draft	letter, Ambassador Gallucci to Minister Kang (1 page)	02/09/1995	P1/b(1)
005d. letter	Minister Kang to Ambassador Gallucci (2 pages)	01/30/1995	P1/b(1)
006. fax	cover, State Department to Poneman et al [partial] (1 page)	02/03/1995	P3/b(3)

COLLECTION:

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

FOLDER TITLE:

North Korea, January 1995 [5]

2009-0528-F

kc1577

RESTRICTION CODES

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

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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20076

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

January 19, 1995

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: NICHOLAS BURNS/ALEXANDER VERSHBOW/DAN PONEMAN

FROM: JOHN BEYRLE

SUBJECT: Principals Meeting, January 20, 1995

Attached at Tab A is the agenda for the Principals Meeting to be held on January 20, 1995, covered by a memorandum to agencies.

Concurrence by: Don Kerrick, Steve Aoki

RECOMMENDATION

That you authorize Will Itoh to sign the memorandum to agencies at Tab I.

Approve _____ Disapprove _____

Attachments

Tab I Memorandum to Agencies
Tab A Agenda

DECLASSIFIED E.O. 13526
White House Guidelines,
September 11, 2006
By MA NARA, Date 07/30/15
2009-0528-F

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

20076

MEMORANDUM FOR

MR. LEON FUERTH
Assistant to the Vice
President for National
Security Affairs

LEON E. PANETTA
Chief of Staff to the
President of the
United States

MR KENNETH C. BRILL
Executive Secretary
Department of State

MR. DOUGLAS F. GARTHOFF
Executive Secretary
Central Intelligence Agency

COL. ROBERT P. MCALEER
Executive Secretary
Department of Defense

COL. T.R. PATRICK
Secretary
Joint Chiefs of Staff

AMBASSADOR RICK INDERFURTH
Office of the Representative
of the U.S. to the UN

MS. BARBARA STARR
Executive Secretary
Arms Control and Disarmament
Agency

MR. ANTHONY A. DAS
Executive Secretary
Department of Commerce

DR. GORDON M. ADAMS
Associate Director for
Office of Management and
Budget

SUBJECT: Principals Committee Meeting (S)

A Principals Committee Meeting on Russia/Chechnya, Bosnia and North Korea has been scheduled for Friday, January 20, from 2:30 - 4:00 pm in the White House Situation Room. Attendance will be Principals only. Principals from DOE, ACDA and OMB will join the meeting for discussion of agenda item III. The agenda is attached at Tab A.

William H. Itoh
Executive Secretary

Attachment
Tab A

Agenda

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Declassify on: OADR

DECLASSIFIED E.O. 13526
White House Guidelines,
September 11, 2006

By (M) NARA, Date 07/30/15
2009-0528-F

Tab A

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20076

PRINCIPALS COMMITTEE MEETING

DATE: January 20, 1995
LOCATION: White House Situation Room
TIME: 2:30 - 4:00 p.m.

AGENDA

- I. Chechnya Update
 - A. Conflict: Status/Prospects CIA
 - B. Christopher-Kozyrev meeting State
 - C. Next Steps/Public Strategy..... NSC/State
- II. Bosnia
 - A. Negotiations: Status/Prospects State
 - B. Response to Tudjman Decision on UNPROFOR State
 - C. Congressional/Public Affairs Strategy:
Progress/Next Steps NSC/State
- III. North Korea
 - A. International Support for KEDO State
 - B. LWR Supply Talks with DPRK State
 - C. Congressional/Public Diplomacy Strategy State

DECLASSIFIED E.O. 13526

White House Guidelines,

September 11, 2006

By W NARA, Date 07/30/15

2009-0528-F

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CONTINGENCY PRESS GUIDANCE

NORTH KOREA

Q. What is your reaction to reports that North Korea is diverting the U.S.-supplied fuel oil to a steel mill where they make munitions?

A.-- We've seen these reports and are concerned about them.

-- The Agreed Framework provides that the oil we supply will be used exclusively for heating and electrical power generation.

-- We have raised ^{our concerns} [these reports] with the North Koreans and asked them to clarify what use is being made of the heavy fuel oil.

OFFICE OF AMBASSADOR AT-LARGE
ROBERT L. GALLUCCI

(S/AL)

2201 "C" STREET, N.W., ROOM 6313
WASHINGTON, D.C. 20520

UNCLASSIFIED

WOLIN
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AOKI
ROTH

Date Sent: 1/20

Pages transmitted (including
cover): 2

TO: Sandy Berger NSC
(Name) (Office)

FAX #: 456-6292 / 757-2678

TEL #: 456-9481

FROM: Robert L. Gallucci

FAX #: (202) 647-1838

TEL#: 647-1829

SUBJECT: Per our conversation

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Ambassador Gallucci to Misnister Kang (1 page)	01/20/1995	P1/b(1)

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National Security Council
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20086

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

January 20, 1995

ACTION

MEMORANDUM FOR ANTHONY LAKE

THROUGH: DANIEL PONEMAN *SDg*
FROM: STEVEN AOKI *SD*
SUBJECT: Summary of Conclusions of the Principals'
Committee Meeting on North Korea

Attached at Tab I is the Summary of Conclusions of the
Principals' meeting held on January 20, 1995.

Concurrence: Stanley Roth *NR*

RECOMMENDATION

That you authorize William Itoh to file the Summary attached at
Tab I for record purposes.

Approve _____ Disapprove _____

Attachment
Tab I Summary of Conclusions

DECLASSIFIED E.O. 13526
White House Guidelines,
September 11, 2006

By *W* NARA, Date 07/30/15
2009-0528-F

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**Oral Statement
for
Charles B. Curtis
Under Secretary of Energy
before
Energy and Natural Resources Committee
January 19, 1995**

Thank you, Mr. Chairman and members of the committee for the opportunity to appear before you today to discuss the Department of Energy's role in implementing the Agreed Framework between the United States and North Korea.

I. The Framework Agreement

Before turning to the implementation issues, i.e., the specific tasks and fiscal responsibilities of the Department of Energy under the Agreed Framework, I would like to offer a few comments on what the Department believes to be the essential value of this arrangement with the North Koreans.

In the mid 80's -- when it was first learned that the North Koreans had undertaken the construction of a research reactor -- there was great international concern about the purpose and direction of the North Korean nuclear program. That pressure resulted in North Korea becoming a signatory nation to the Non-Proliferation Treaty. But it took almost six years before North Korea was persuaded to enter into a safeguards agreement with the International Atomic Energy Agency (IAEA) to provide for regular inspections of North Korean facilities. By that time, the North Korean nuclear program was known to have grown to include, in addition to the 5 MWe research reactor, a 50 MWe facility under construction also at Nyongbyon and a 200 MWe facility under construction at Taechon. These facilities which were both gas cooled-graphite moderated reactors best suited to plutonium production rather than energy production were generally and appropriately regarded as a threat to world peace.

Under the Agreed Framework, that program has been stopped in its tracks.

The President, Ambassador Gallucci, and others on behalf of the Administration describing the arrangements with North Korea have emphasized these points. The arrangements negotiated with the North Koreans

- stop the North Korean nuclear weapon program by freezing its component parts.
- prohibit further separation of weapon-grade plutonium in North Korea.
- provide for the containerizing of the plutonium-laden spent fuel from the 5 MWe research reactor.

- require the shipment of the roughly 8,000 research reactor fuel rods out of North Korea.
- prevent the further construction or operation of two plutonium producing graphite reactors of 50 and 200 MWe.
- require the dismantling of the North Korean nuclear weapons infrastructure.
- do not rely on trust -- compliance is monitored by the U.S. and the IAEA.
- require North Korea to meet standards higher than those contained in the Non-Proliferation Treaty.

I would like to make a few comments to put into context why the Administration puts such a heavy emphasis on the elements of the Agreed Framework having to do with the immediate freeze of the North Korean nuclear program and the obligations assumed by the North Koreans to go beyond the requirements of the Non-Proliferation Treaty.

First, on the Non-Proliferation Treaty: nothing in the Non-Proliferation Treaty prohibits a signatory nation that observes the Safeguards Agreement from building reactors most suitable for the production of weapons-grade plutonium, nor from reprocessing and separation of the plutonium. Had the North Korean nuclear program which evolved over the 80's and early 90's been allowed to continue unabated, it would have a potential plutonium production capability sufficient to produce enough separated plutonium to make between 60 to 100 nuclear weapons (depending on one's assumptions) by the Year 2000, a year I should point out that is three years in advance of the first fuel shipment expected to occur for the initial light water reactor called for in the Agreed Framework. For each year this agreement remains in place and effective, it avoids a circumstance in which North Korea might equip itself with plutonium of weapons-grade quality. In fact, if the arrangements with North Korea hold fast and we all recognize that is a big "if," for each year the arrangements remain in place, the threat from North Korea's nuclear program is diminished from that the Non-Proliferation Treaty would have tolerated.

Yes, it could be argued that this threatening accumulation of plutonium would all be safeguarded if full compliance with the Non-Proliferation Treaty could be assured. But the risk of safeguard compliance is qualitatively different when one is talking about separated plutonium in a hostile state. Under the Agreed Framework with North Korea negotiated by the Administration, the risk is not taken. Plutonium production is arrested, separation of plutonium prohibited, and ultimately the facilities that North Korea developed over the last eight years -- facilities that have so threatened and destabilized the region - those facilities will be dismantled. Taken as a whole, these benefits are persuasive of the essential worth of the Agreed Framework.

II. The Department's Role

The primary role of the Department of Energy in implementing this agreement will be to treat and stabilize the water in the basin containing the irradiated fuel discharged from the 5 MWe reactor at Nyongbyon last Spring, and to repackage, or 'can,' this spent fuel for safe and secure storage.

(a) November 1994 Trip to North Korea: Beginning Implementation of Cooperation on Spent Fuel

As a first step in implementing this activity, a U.S. delegation of technical experts visited North Korea in mid November in an effort to identify and resolve issues related to the spent fuel.

During the November meetings, the United States delegation was allowed to make an unprecedented trip to the nuclear complex at Nyongbyon to observe and assess the spent fuel storage building, basin, and associated equipment. North Korea provided detailed, in-depth technical information including drawings of the facilities and fuel elements. They also allowed the U.S. delegation to take photographs. The visit confirmed the urgency of the steps required to safely store the fuel.

Agreement was reached on the outlines of a plan to: treat the water in the storage basin; remove the suspended matter which now prevents viewing of the fuel; and perform additional treatment to slow the corrosion of the fuel until it can be placed in sealed containers. The North Koreans also agreed that canning of the fuel is necessary to minimize radiation hazards and fuel corrosion.

(b) The Near Term: Arresting Corrosion of the Spent Fuel

The North Korean spent fuel is a type of fuel known generically as Magnox. Once the fuel is used it is stored in water for a period of weeks to months to reduce radiation and heat levels of the fuel assembly. But since the magnesium cladding corrodes rapidly in water, such rods cannot be safely stored for sustained periods in this manner.

North Korea did build a fuel storage system. But there are elements of water treatment that they have not mastered. Consequently, they have not stabilized the chemical conditions in the basin and the fuel is corroding in murky, untreated water.

Corrosion of the fuel is not in our interest for the following reasons:

- First, extensive corrosion of the fuel could allow highly radioactive fission products to be dissolved in the basin water. This would make inspection

and transportation of the fuel out of the country more hazardous and costly.

- Second, if the fuel severely corrodes, it will become virtually impossible to verify the number and condition of the rods in the basin, leaving questions about possible diversions of fuel unresolved.
- Third, canning the fuel will make it more difficult to reprocess.
- Fourth, canning the fuel places it in a form ready for shipment out of the country.

There are approximately 500 cubic meters of water in the basin. Clarifying the water once the necessary treatment system is installed and operating is estimated to take approximately three weeks.

The Department's personnel are also participating in a second technical visit to North Korea which is occurring this week. Our engineers are measuring the properties of the water in the basin, and using an underwater video system which will allow the fuel to be viewed and inspected for the first time since the Summer of 1994. Such information will help us to put the finishing touches on the design of a suitable water treatment system.

(c) Next Steps: Canning the Spent Fuel

We want to accomplish the canning of the North Korean irradiated fuel as soon as possible. It is anticipated that the fuel will need to remain in cans for a period of four to seven years, depending on the timing and sequencing of construction of the light-water reactors slated to be built in North Korea.

Canning the North Korean fuel will serve several objectives:

- First, it will limit corrosion and prevent radioactive materials from dissolving in the basin;
- Second, it will lay the groundwork for strengthening international safeguards of the spent fuel by packing it so that the International Atomic Energy Agency can tag and seal the cans; and
- Third, it will enable the material to be shipped out of North Korea in the future according to the terms of the agreement.

III. Financing DOE Spent Fuel Responsibilities

After careful assessment of the technical and other requirements of treating the spent fuel pool and canning the fuel, the Department of Energy has estimated that it will cost \$10.2 million in FY 1995.

The funding required for water treatment in FY 1995 is expected to be about \$1.4 million. The cost of canning all of the spent fuel is expected to be \$6.3 million. Technical, analytical and supervisory costs for the Department and National Laboratories will cost approximately \$2.5 million in FY 1995.

The water treatment and fuel canning costs have been very carefully estimated and checked by DOE contract personnel. However, we cannot eliminate the unknowns that stem from working with as unfamiliar a counter-part as North Korea.

To date, the Department of Energy has spent \$200,000 from FY 1995 funds budgeted for regional arms control and nonproliferation activities related to the denuclearization of the Korean peninsula. These funds have been obligated for the purchase of equipment to measure water properties, provide underwater viewing of the fuel, and also for designing the water treatment system. To date, no funds have been obligated for the fuel canning.

We will be relying on the North Koreans to transport our equipment from the port of entry to the site and to provide some of the labor that will be required during fuel canning. We will need their cooperation to provide access to the site, lodging near the site, local transportation, communications, emergency medical treatment, and other basic services. One of the objectives of the team now in North Korea is to reach agreement on such details.

The \$10 million required for the spent fuel activities was not included in the FY 95 DOE budget request. The Department has submitted to the Congress a request that \$10 million be reprogrammed to allow these activities to commence at the earliest possible date. It is anticipated that all activities related to putting the spent fuel in North Korea into safe, secure storage will be completed using contracts funded in FY 1995.

The treatment and canning of the North Korean spent fuel are considered high priorities by the Administration. It is the desire of the Department that this reprogramming request can be acted on by the Congress at the earliest possible date following the Administration's presentation and explanation of the Framework Agreement during the hearing process this month.

Once the fuel is safely stored in the cans where it can be safeguarded by the International Atomic Energy Agency, the level of effort for DOE will decline dramatically. However, there will be a low level of U.S. activity required to assure that the temporary storage is safe.

Potential activities to be concluded after FY 1995 include:

- Site visits to verify the fuel storage cans are not leaking.
- Maintaining basin clarity so that the water remains clear enough to safeguard the fuel.
- Maintaining the temperature of the fuel storage basin within operating limits.
- Dealing with any fuel can leakage.

In sum, the Framework Agreement is in the U.S. interest, and North Korea's interest. Cooperation on the spent fuel provides an excellent opportunity for both parties to begin the work together to benefit international security in implementing the Agreement. Results to date have been promising. The need for and benefits of action on spent fuel make it among the most challenging part of the agreement to implement during 1995.

**Testimony
for
Charles B. Curtis
Under Secretary of Energy
before
Energy and Natural Resources Committee
U.S. Senate
January 19, 1995**

Thank you Mr. Chairman and members of the committee for the opportunity to appear before you today to discuss the Department of Energy's role in implementing the Agreed Framework between the United States and North Korea. This agreement will help to reduce significantly the nuclear danger on the Korean peninsula.

In my testimony I would first like to briefly describe the Department's activities in the context of the overall Agreed Framework.

Second, I will set out the specific tasks and challenges the Department is addressing in implementing its responsibilities concerning North Korean spent fuel.

Third, I will review the anticipated funding requirements for the range of DOE spent fuel implementation responsibilities.

Finally, I will in an appendix briefly address for the record those questions posed by the Committee in its letter of invitation in areas where the Department does not have implementation responsibility.

I. The Framework Agreement

The Agreed Framework between the United States and North Korea was signed on October 21, 1994, to address international concerns -- and those of successive U.S. administrations -- about North Korea's nuclear program.

Ambassador Gallucci, the U.S. negotiator of the agreement, succinctly set out some of the key elements of the Agreed Framework in testimony last month before a Senate Foreign Relations Subcommittee. Without attempting to characterize the entire agreement, I draw upon his remarks to characterize those aspects most relevant to discussion here.

The Agreed Framework prohibits further reprocessing or separation of plutonium in North Korea. It provides that the spent fuel from the 5 megawatt research reactor will be safely stored and eventually shipped out of North Korea. It prohibits the restart of the 5 megawatt research reactor, which could have produced about a bomb's worth of plutonium each year. It seals the plutonium separation facility and subjects it to International Atomic Energy Agency (IAEA) inspection. It freezes construction of the two larger 50 megawatt and 200 megawatt reactors that could have produced perhaps 200 kilograms of plutonium a year. North Korea accepts full-scope IAEA safeguards, including all measures that the IAEA may deem necessary to resolve questions about North Korea's initial plutonium inventory; while implementation of this aspect is not required immediately, it is required before significant benefits flow to North Korea. Moreover, the Agreed Framework is structured so that we can withhold cooperation at any point that we determine that North Korea is not meeting its obligations under the agreement.

A key near term provision of the Agreed Framework is the storage of the spent fuel discharged from the North Korean 5 megawatt research reactor. As Ambassador Gallucci has noted, the spent fuel is believed to contain up to 30 kilograms of plutonium and preventing its separation was one of the central U.S. objectives in negotiating the agreement.

II. The Department's Role

The primary role of the Department of Energy in implementing the Agreed Framework will be to stabilize the chemical condition of the basin containing the irradiated fuel from the 5 megawatt reactor at Nyongbyon last Spring, and to

package, or 'can,' the spent fuel for safe and secure storage. The ability of the United States Government, in cooperation with North Korea, to implement the agreement in this area is of paramount importance.

(a) November 1994 Trip to North Korea: Beginning Implementation of Cooperation on Spent Fuel

The Agreed Framework calls for a series of expert-level meetings for cooperative discussions on how best to store the spent fuel during the period it will remain in North Korea. To begin implementing this requirement, from November 13-19, 1994 a delegation of technical experts from the United States visited North Korea for the purpose of resolving technical issues related to the safe storage and ultimate disposition of the spent fuel from North Korea's 5 megawatt reactor. The delegation discussions occurred in Pyongyang and Nyongbyon.

During the November meetings in Pyongyang, the U.S. delegation agreed to make every effort to ensure that the corrosion of the spent fuel in the fuel storage basin is minimized before placement in temporary storage containers (canning). The fuel cannot be placed in containers until the water in the basin has been clarified.

The November 1994 technical meetings centered on water treatment in the basin at Nyongbyon and the storage of the fuel discharged last Spring from the 5 megawatt reactor. The United States delegation was allowed to make an unprecedented trip to Nyongbyon to observe and photograph the spent fuel storage building, basin, and associated equipment. The North Koreans provided detailed, in-depth technical information including drawings of the facilities and fuel elements. They were extremely cooperative in providing information.

Agreement was reached in Pyongyang on the outlines of a plan to: treat the water in the storage basin; remove the suspended matter which now prevents viewing of the fuel; and perform additional treatment to slow the corrosion of the fuel until it can be placed in sealed containers.

During the meetings, North Korea asked for the United States to supply

instruments to measure and record important qualities of the basin water. They have also asked for a viewing system to allow remote viewing of the fuel, which is currently not visible. It is in the interest of the U.S. to implement the water treatment plan and to provide and install these systems as quickly as possible to forestall reprocessing and contain future U.S. costs.

As a result of the discussions, the North Koreans agreed that canning of the fuel is necessary to minimize radiation hazards and fuel corrosion. Another important accomplishment of our technical experts was the achievement of consensus with the North Koreans on the type of container to be used for canning the fuel.

(b) The Near Term: Arresting Corrosion of the Spent Fuel

The North Korean spent fuel is a variation of a type of fuel known generically as Magnox. Each fuel element is a cylindrical rod of unenriched uranium metal. The rods are clad with a finned outer covering of magnesium metal alloyed with zirconium. In the reactor, the fuel elements are cooled by carbon dioxide gas and the reactor neutrons are moderated, or slowed down, by the use of graphite. In all cases where Magnox fuel is used, it is intended to be promptly reprocessed, as it has been in France and Britain. The normal sequence of operations is that the fuel is stored in water for a period of weeks to months to reduce radiation and heat levels of the fuel assembly. Since the magnesium cladding corrodes rapidly in water, it cannot be safely stored for sustained periods.

The North Koreans built a fuel storage system that should have been more than adequate for the amount of time they intended to leave the fuel in storage. They installed a system of sand filters and ion exchange columns for controlling the quality of the water in the basin. However, there were a few nuances of water treatment that they had not mastered and when they attempted to use their water treatment system, the sand filters rapidly plugged because algae caused by the sunlight coming through south-facing windows was growing in the basin. No provision had been made in their system for the techniques needed to remedy this problem.

Because of the failure of the water treatment system at Nyongbyon, it has not been possible for the North Koreans to stabilize the chemical conditions in the basin to minimize the corrosion of the fuel. Therefore, the fuel is corroding at a difficult-to-predict rate in murky, untreated water.

Corrosion of the fuel is not in our interest:

- First, extensive corrosion of the fuel can allow highly radioactive fission products such as cesium and strontium to be dissolved in the basin water. This would create a radiation hazard for inspectors safeguarding the fuel and any workers who are responsible for removing the fuel in the future.
- Second, if the fuel is severely corroded, it will be virtually impossible to verify the number and condition of the rods in the basin, opening questions about possible undetectable diversions of fuel.
- Third, left untreated, extensive corrosion could create a health-related justification in the minds of the North Koreans for reprocessing the fuel.

The Department of Energy has experience in solving such difficult water treatment problems. While in North Korea, the U.S. technical team formulated and explained to the North Korean engineers a plan for clarifying the water and controlling the concentration of chemicals that promote fuel corrosion. Since then, there have been consultations in Washington, D.C. and in Britain with French and British experts who have experience with similar fuel storage basins. These consultations have validated the soundness of the approach:

1. Kill the algae in the water by passing the water through a chamber where it can be exposed to intense ultraviolet light.
2. Oxidize the biological debris so that it will not remain an unfilterable colloid.

3. Add a flocculating agent to the water to cause the particles of organic matter in the water to clump together, making them easier to filter.
4. Clarify the water by passing it through a disposable cartridge filter.

Clarifying the 500 cubic meters of water in the basin once the necessary treatment system is installed and operating will take approximately three weeks, according to U.S. technical experts.

The Department's personnel are part of an ongoing second visit of the technical delegation North Korea. Our engineers took with them instruments to measure the properties of the water in the basin, as well as an underwater video system which will allow the fuel to be viewed and inspected for the first time since the Summer of 1994. Analysis of such information will help us to put the finishing touches on the design of a suitable water treatment system that we seek to deploy as soon as funding allows.

(c) Next Steps: Canning the Spent Fuel

We seek to accomplish the canning of the North Korean irradiated fuel as soon as possible. North Korea accepted our proposed can design for storage during the November discussions with the U.S. technical delegation. Canning is necessary because it would be impossible to store the fuel in an open basin for this long without severe corrosion of the fuel elements and dispersal of highly radioactive fission products and transuranic actinides into the environment.

It is anticipated that the fuel will need to remain in cans for a period of four to seven years, depending on the timing and sequencing of construction of the light-water reactors slated to be built in North Korea.

We anticipate more insights as a result of the ongoing technical delegation visit to North Korea.

Thus, canning the North Korean fuel will serve several objectives:

- First, it will contain the fuel in a corrosion-limiting, sealed environment so that radioactive materials do not dissolve in the basin;
- Second, it will lay the groundwork for strengthening international safeguards of the spent fuel by packing it so that the International Atomic Energy Agency can verify, tag and seal the cans; and
- Third, it will enable the material to be shipped out of North Korea in the future according to the terms of the agreement.

III. Financing of DOE Spent Fuel Responsibilities

It is essential that we seek to minimize the costs to the taxpayers of implementing this agreement. At the same time, it is equally important that we also state as clearly as possible what we know of the possible range of costs associated with the Department's spent fuel implementation responsibilities in North Korea.

The water treatment and fuel canning costs have been very carefully estimated by companies with directly applicable experience and checked by DOE contract personnel. But we cannot eliminate the unknowns that stem from working with as unfamiliar a counter-part as North Korea, in an isolated environment.

To date, much of the costs of travel and meetings have been absorbed in the Department of Energy's nonproliferation and nuclear energy budgets. An additional \$200,000 from funds budgeted for regional arms control and nonproliferation activities has been allocated to measurement of water properties, installation of an underwater viewing system, and designing the water treatment system. Additional funding will be required before any actual water treatment can commence.

The total funding required for water treatment in 1995 is expected to be about \$1.4 million. The cost of canning all of the spent fuel is expected to be \$6.3 million. Costs for: consulting with BNFL, a British nuclear service company, and COGEMA, a French nuclear service company; project supervision; translation; and travel for DOE personnel and technical experts from the National Laboratories and other organizations during the spent fuel activities will cost approximately \$2.5 million in FY 1995. The Department is requesting of the Congress that \$10 million be reprogrammed to allow these activities to commence at the earliest possible date. Prompt approval of these funds is crucial if we are to build on the progress to date and maintain the good will established in our first visit to North Korea.

It is important to note that we will be relying on the North Koreans to transport our equipment from the port of entry to the site and to provide some of the labor that will be required during fuel canning. We will need the cooperation of the North Koreans in providing access to the site, lodging near the site, local transportation, communications, emergency medical treatment, and other basic services we take for granted in the U.S. One of the objectives of the team now in North Korea is to reach agreement on the details of the logistical understandings which will govern our contractors' work there.

If funding to start the water treatment and fuel canning is delayed, or if there are unexpected delays in our access, costs could increase because the water in the basin will have become more contaminated and the water treatment system will have to deal with larger quantities of highly radioactive fission products and transuranic actinides dispersed into the water. At this point, it does not appear that there will be a significant increase in costs for any delay under one year, but any delay in starting the canning will increase the apprehension on the part of the North Koreans that their fuel has degraded to the point where their ability to handle it is compromised. Prompt performance on arresting the corrosion of the fuel and placing it into safe storage is essential if the spirit of cooperation which was evident during the site visit in November is to continue.

It is anticipated that all activities related to putting the spent fuel in North Korea into safe, secure storage will be completed using contracts funded in FY 1995.

We will also need to be responsive to the International Atomic Energy Agency (IAEA) which will have representatives at the site safeguarding the fuel. Once the fuel is safely stored in the cans under safeguards by the IAEA, the level of effort for DOE will decline dramatically. However, there will be a low level of activity required to assure that the temporary storage is safe.

Potential activities continued or undertaken after FY 1995 include:

- Visits to the site to verify that the environmental seals on the fuel storage cans are not leaking.
- Continued provision of consumable supplies to keep the water treatment system operating so that the water remains clear enough that the fuel can be safeguarded.
- Providing heat in winter and cooling in summer to keep the temperature of the fuel storage basin within operating limits.
- If leakage occurs, the fuel in the leaking can(s) may need to be unloaded and recanned.

To assure that such activities can proceed on an as-needed basis, the best available estimates suggest that funding of less than \$1 million per year will be required during the estimated 4 to 7 year period starting in FY 1996 during which the fuel will remain in temporary storage in North Korea.

In sum, the Framework Agreement is in the U.S. interest, and North Korea's interest. Cooperation on the spent fuel provides an excellent opportunity for both parties to begin the work together to benefit international security in implementing the Agreement.

IV. Appendix: Some Questions Raised by the Committee

In my testimony above I have sought to address questions of the Committee in regard to the Agreed Framework and the Department of Energy's spent fuel responsibilities. In an effort to be responsive to the Committee's interest in other questions, such as on electrical power grids in North Korea or reactor design, we have drawn upon a range of executive agencies for unclassified answers attached below:

Q. What is the current consumption of electrical power in North Korea?

A. Their generating capacity is approximately 7.3 gigawatts or 7300 megawatts. More detail on actual consumption would be classified.

Q. What is the condition of the electrical power grid in North Korea?

A. The grid equipment is marginally functional and receives inadequate maintenance. It does not incorporate automatic load switching and is not intertied to the extent usually seen in industrialized countries.

To go into detail involves classified information.

Q. Can the North Korean grid handle the baseload from two new 1000 megawatt reactors?

A. Not as it is presently configured.

Q. Will upgrades to the grid be required?

A. Yes.

Q. How much might upgrades cost?

A. It is impossible to know without knowing where the reactors will be sited and how far away their primary loads will be. The cost of upgrading will depend on the extent of modernization. Minimal upgrades without modernization would allow the reactors to operate, but for maximum usefulness, much of the grid would have to be modernized to incorporate automatic switching.

Q. What light water reactor designs are under consideration?

A. The only design under serious consideration is the South Korean standard model, part of the design of which is licensed from Combustion Engineering in the U.S.

Q. Do the designs include U.S.-licensed technology?

A. Yes, the design includes Combustion Engineering System 80 technology.

Q. Is the often-quoted \$4 billion figure an accurate estimate of the anticipated life cycle costs of the proposed reactors?

A. The cost estimate was provided by the South Koreans and is said to include the engineering and plant design, manufacture and delivery of plant components, and construction to the point the plant is ready for commercial operation.

Q. What will be the source of the enriched uranium oxide fuel for the reactors?

A. Fuel supply arrangements are under discussion. The issue will be addressed in the context of the supply contract for the provision of the Light Water Reactor project in the agreement. A decision on an approach has not yet been made.

Q. What will be the fate of the resulting waste?

A. The waste from the spent fuel would result from the operation of the reactors to be provided under the Agreed Framework. North Korea has agreed in principle to the transfer of the lightwater reactor spent fuel out of North Korea for disposition.

Q. What will be the ultimate disposition of the existing North Korean spent fuel?

A. This question refers to the material currently in the spent fuel basin. The Agreed Framework provides the U.S. and North Korea will dispose of the fuel in a safe manner that does not involve reprocessing in North Korea. Several viable options exist. The IAEA and countries other than the U.S. may be involved in devising the options for disposition. More details could be provided in a closed session.

Q. Will the irradiated fuel be reprocessed by the French or British?

A. This is a possibility, especially in light of their extensive experience with Magnox fuel. But no decision has been made at this time. If such reprocessing of the fuel took place, the resulting plutonium would not be returned to North Korea.

Q. Where will the high-level waste from this fuel be disposed?

A. A number of options will be studied. No decision has been made at this time.

Q. Is it possible that North Korean nuclear waste is destined for storage or a future repository in the United States?

A. No decisions have been made about what to do about North Korean waste.

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003a. fax	cover, Rasmussen to Poneman et al [partial] (1 page)	01/27/1995	P3/b(3)

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National Security Council
Steven Aoki (Nonproliferation and Export Controls)
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North Korea, January 1995 [5]

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[003a]

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003b. paper	re issues (4 pages)	01/27/1995	P1/b(1)

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003c. memo	Daniel Tarullo to Mr Tarnoff re License (4 pages)	01/27/1995	P1/b(1)

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Steven Aoki (Nonproliferation and Export Controls)
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North Korea, January 1995 [5]

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KEDO Support Office

9/14

With formal creation of KEDO only a month away, the USG will have to create a support structure within the executive branch for the consortium. In the first weeks or months of KEDO's operations, KEDO will rely almost entirely on the USG for administrative and policy support. Even in advance of hiring a KEDO executive director, we need to create an administrative and policy support office for KEDO within the USG. The office's admin officer(s) would begin to work on identifying office space, developing personnel recruitment policies and regulations, and budget/financial procedures. Experts from the Department of Energy would continue to work on the LWR contract. As the Executive Director is able to hire permanent KEDO staff and contractor support, the need for such support should level off. However, when the LWR project begins to take off, we can expect our need for technical support to grow.

To ensure proper diplomatic coordination with the entire range of U.S. policy on North Korea, the KEDO support office should be located in the Department of State, but it will draw on personnel from other agencies. The office will in essence institutionalize the current interagency process in a single unit to deal with the next phase of activity necessary for implementation of the Agreed Framework.

The staffing pattern for an office of 12 would be as follows:

- | | |
|-----------------------------------|---|
| Office Director &-
Deputy | Provide overall policy guidance and support. |
| (2) Political officers - | Provide diplomatic support to KEDO executive director. One officer should have regional experience and one should have nonproliferation background. |
| (4) LWR Project Officers - | Monitor and report on project progress.
One engineering/design officer
One procurement/contract officer.
-- (possibly an attorney)
One construction officer
One Operations/training/safety officer |
| Spent Fuel/Heavy Fuel Oil officer | |
| (2) Admin Support Officers- | Provide support to KEDO executive director on financial, personnel and admin matters related to KEDO startup. |

Press and Congressional Affair Officer

10/14

Record of Meeting, U.S.-DPRK Expert-Level Meeting on Spent Fuel January 20, 1995

Pending confirmation in Capitals, the two sides agree on the following points regarding the safe storage and ultimate disposition of the spent fuel from the 5 megawatt experimental reactor power plant.

Water Clarification

- The U.S. and the DPRK reviewed the planned activities to characterize the basin water at Nyonghyon. As a result of these discussions, certain mutually agreed modifications were made.
- Several experts from both sides left for Nyonghyon to undertake the activities necessary to characterize the basin water.
- The U.S. and the DPRK recognized that the results of the water characterization efforts would influence the final design of the water clarification system. However, it was generally agreed that this system would need to deal with the pH levels, biological levels, ionic chloride and sulfate concentrations, and gamma radionuclide concentrations.
- The U.S. will transport the water treatment systems and associated supplies to Pyongyang or Nampo, and the DPRK will transport these items from the agreed point to the spent fuel basin site.
- The U.S. agreed to provide a final design of the water clarification system after assessing the results of the water characterization effort.
- The final design of the water clarification system will be agreed upon by both the U.S. and the DPRK.

Storage

- The U.S. and the DPRK agree that the fuel should be placed in sealed, vented containers (cans) which will be stored in the spent fuel basin pending ultimate disposition.
- The U.S. and the DPRK agree that the cans will be designed to meet existing U.S. requirements and fit into an existing licensed shipping cask.
- Extensive discussion took place on whether the sealed containers holding the spent fuel should be filled with a gas mixture or with treated water to minimize corrosion.
- Based upon the best scientific evidence available to it and its own judgment, the U.S. believes that the safest way to deal with storage of this spent fuel is to fill the canisters with treated water.

Record of Meeting, U.S.-DPRK Expert-Level Meeting on Spent Fuel
January 20, 1995 (Continued)

- On the other hand, based upon the best scientific evidence available to it and its own judgment, the DPRK believes that corrosion would be minimized if the canisters were filled with a mixture of gasses.
- The U.S. agreed that they would consider a way to store the fuel in canisters with a gas mixture but reiterated that they would do so because the DPRK felt that such an approach would be safe enough.
- The approach that the U.S. and DPRK agreed to consider for storing the spent fuel in canisters with a gas mixture is as follows:
 - (a) the spent fuel elements would be individually cleaned by use of stationary brushes and a high volume of water;
 - (b) the cleaned elements would then be placed in storage canisters specially prepared for this purpose;
 - (c) after the lid was secured to the canister, the water would be expelled from the canisters using valves affixed to the canisters for that purpose;
 - (d) to expel the water, a mixture of gasses composed of nitrogen and 2-4% oxygen would be used if the radiation levels would not create a risk of nitric acid formation; should there be such a risk, argon would be used instead of nitrogen;
 - (e) to reduce the amount of water in the canisters, the gas mixture would be heated, as would the canister itself;
 - (f) an instrument would be mounted to measure the moisture content of the gasses after they had exited the canisters;
 - (g) after these moisture reduction activities are complete, the canisters would be filled with the mixture of gasses specified in (d) to a pressure of approximately one atmosphere gauge; and
 - (h) one of the first canisters to be filled would be monitored for moisture during the remainder of the canning operation.
- The final design of the storage can will be agreed upon by the U.S. and the DPRK.

12/14

**Record of Meeting, U.S.-DPRK Expert-Level Meeting on Spent Fuel
January 20, 1995 (Continued)**

- Leakage monitoring of loaded canisters stored in the water basin should be maintained through the use of two monitoring devices.
- The U.S. and the DPRK will make best efforts to initiate the canning operation as soon as possible, and the U.S. will notify its plan to the DPRK at its earliest convenience.
- The attachment contains the division of responsibilities between the U.S. and DPRK for the fuel canning operations to be performed at Nyonghyon.

January 27, 1995

13/14

Next Steps - Congressional Strategy on Framework Agreement

Background

- January 9 Gallucci met with Congressman Kim (new member of HIRC's Asia Subcommittee), Bereuter (new Asia Subcommittee Chair), Hamilton and Berman.
- On January 4, DAS Hubbard and Amb. Laney briefed the HIRC Committee in closed session on the helicopter shoot-down and the Framework Agreement. Well attended, skeptical questions from Republicans. All members concerned about cost.
- On January 6, met with Senate staff to discuss the legalities of the first oil shipment and review current authorities we can use pursuant to the Agreement.
- January 12 Gallucci meets with Cong. Bereuter, new HIRC Asia Subcommittee Chair.
- January 18, Samore appeared in closed session with Admiral Studeman before SSCI on Framework Agreement. Republicans focused on our ability to verify DPRK compliance with the Agreement.
- January 19, Gallucci met with Rep. Hamilton and Rep. Berman (new Ranking member HIRC's Asia Subcommittee).
- January 19, Samore appeared before Murkowski's Energy Committee.
- January 19, Bob Deutch (EB) and Rick Newcomb (Treasury) brief SFRC staff on lifting sanctions.
- January 20, H places calls to House staff to brief on sanctions package.
- January 23, Gallucci met with Senator Feinstein, new member of SFRC.
- January 23, Gallucci briefs SFRC staff.
- January 24, Secretary Christopher and Perry testified before SFRC.
- January 25, SFRC outside panel testifies.
- January 26, Secretary Perry and General Luck testify before the SASC.
- January 27, Gallucci met with Sen. Craig Thomas (R-WY), new SFRC Asia Subcommittee Chair.
- February 16 (tentative), HIRC Asia Subcommittee will hold hearing on the Framework Agreement.
- February 23, Rep. Hamilton host meetings with (1) Freshman Democrats and (2) Democrats from HIRC and HNSC.

14/14

Next Steps

Member advice. Members have advised that the Administration needs to go "door-to-door" and persuade individual members of the merits of the Agreement. (Nunn, Hamilton, Bereuter). In addition, many have asked that DoD and the uniformed military become more directly involved in persuading members to support the Agreement in order to underscore the national security importance of the deal. Finally, many are concerned about costs. We need to say as much as possible about the specific USG amounts required this year, next year and in follow-on years.

High-level briefing teams. The Tarnoff/Slocumb teams briefing on Bosnia have been very successful. We need to establish a similar high level team on the Agreement. DoD should designate one official, State another and JCS another. We (H) will then schedule venues for such a briefings. Wendy Sherman will be calling her counterparts to begin this process.

Meeting with members. Meeting with individual members and groups of members is a high priority. Each agency should schedule meeting with every member of its committee of jurisdiction--and freshman should not be overlooked. Wendy will be calling her counterparts to keep track of how we are coming on the effort.

More Hearings. Now that principals have testified we will ask each Committee of jurisdiction to have more hearings featuring myself and my counterparts. SFRC, HIRC, SASC, HASC, SSCI, HIPSCI and Murkowski's Energy Committee are the targets.

Meetings with Leadership. We need to crack this nut. We need to brief the Leadership of both Parties. Wendy Sherman and the NSC will redouble their efforts on this front.

**OFFICE OF AMBASSADOR AT-LARGE
ROBERT L. GALLUCCI**

(S/AL)

**2201 "C" STREET, N.W., ROOM 6313
WASHINGTON, D.C. 20520**

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TO: Sandy Berger NSC
(Name) (Office)

FAX #: 456-6292 / 757-2678

TEL #: 456-9481

FROM: Robert L. Gallucci

FAX #: (202) 647-1838

TEL#: 647-1829

SUBJECT: Per our conversation

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.

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, $200,000 \text{ KW} \times 7,200 \text{ hours} = 1,440,000,000 \text{ KW/hour}$
 $1,440,000,000 \times 290\text{g} = 417,160 \text{ tons}$

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: Abriivation of Wireless Communications at the Coast; HMK

- 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.

U.S. DEPARTMENT OF STATE
Office of the Spokesman

For Immediate Release

January 20, 1995

Easing Sanctions against North Korea

To implement the October 21, 1994 U.S.-DPRK Agreed Framework, we will take the steps listed below to ease economic sanctions against North Korea. These initial steps are in response to North Korea's decision to freeze its nuclear program and facilities and cooperate with the U.S. and IAEA to verify the freeze and ensure safe storage of spent nuclear fuel. Further relaxation of economic sanctions against North Korea will depend on further verified progress on the nuclear issue as well as progress in other areas of concern.

1. Telecommunications and Information: Authorize transactions related to telephone and telecommunications connections between North Korea and the United States, credit card use in connection with personal travel and other travel-related transactions, and the opening of offices by journalists.
2. Financial Transactions: Authorize the DPRK to use the U.S. banking system to clear transactions not originating or terminating in the United States. Unblock frozen assets where there is no DPRK government interest.
3. Other Trade: Authorize imports from the DPRK of magnesite, a refractory material used in the U.S. steel industry. North Korea and the People's Republic of China are the primary sources of natural magnesia and magnesite in the world market.
4. Other Steps to Implement the Agreed Framework: Authorize transactions related to the future establishment and operation of liaison offices in Washington and Pyongyang. Consider, on a case-by-case basis, participation by U.S. firms in the North Korean Light Water Reactor project, the supply of alternative energy, and disposition of spent nuclear fuel, as provided by the Agreed Framework, in a manner consistent with applicable laws.



STATEMENT BY
SECRETARY OF STATE
WARREN CHRISTOPHER
BEFORE THE
SENATE FOREIGN RELATIONS
COMMITTEE

TUESDAY
JANUARY 24, 1995

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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 thirty 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

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with concern as North Korea pursued its nuclear program, its 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 potential 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 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

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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 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. 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 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. To ensure smooth implementation of the Framework, we will open a liaison office in Pyongyang, and

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look forward to

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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 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 counter any hostile 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 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 existing 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

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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.

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 in North Korea monitoring the freeze and has 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

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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 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 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

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role in KEDO and our vital interest in implementation of the 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. We will accordingly seek to reprogram funds in FY 1995, and 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 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 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

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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 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.

WASHFAX RECEIPT
DEPARTMENT OF STATE

95 JAN 33 P4:52

B

S/S #

C

MESSAGE NO. 017054 CLASSIFICATION Confidential No. Pages 7
FROM: Joel Wit S/AL 202-647-1866 6313
(Officer name) (Office symbol) (Extension) (Room number)
MESSAGE DESCRIPTION Cable: Re Korean Energy Development Organization
(KEDO)

<u>O: (Agency)</u>	<u>DELIVER TO:</u>	<u>Extension</u>	<u>Room No.</u>
<u>NSC</u>	<u>Dan Poneman</u>	<u>202-456-9181</u>	<u>382</u>
<u>OSD</u>	<u>Capt. Steve Loeffler</u>	<u>703-695-6565</u>	<u>4E830</u>
<u>JCS</u>	<u>MAJ Lloyd Miles</u>	<u>703-695-8134</u>	<u>NEOB 2E1000</u>
<u>DOE</u>	<u>Ken Luongo</u>	<u>202-586-2102</u>	<u>4C014</u>
<u>OMB</u>	<u>Jim Nix</u>	<u>202-395-3859</u>	<u>NEOB -10026</u>
<u>Treasury</u>	<u>Lisa Roberts</u>	<u>202-622-1983</u>	<u>2013</u>

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Please call Joel Wit Re: Clearances - 202-647-1866 by
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
004. cable	re Korean Energy Development Organization (KEDO) (7 pages)	02/01/1995	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 [5]

2009-0528-F
kc1577

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005a. note	handwritten, re Kang letter (1 page)	02/00/1995	P1/b(1)

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005b. email	Poneman to Berger re rewritten sentence (1 page)	02/14/1995	P1/b(1)

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FOLDER TITLE:

North Korea, January 1995 [5]

2009-0528-F
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
005c. draft	letter, Ambassador Gallucci to Minister Kang (1 page)	02/09/1995	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 [5]

2009-0528-F
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RESTRICTION CODES

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005d. letter	Minister Kang to Ambassador Gallucci (2 pages)	01/30/1995	P1/b(1)

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006. fax	cover, State Department to Poneman et al [partial] (1 page)	02/03/1995	P3/b(3)
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Steven Aoki (Nonproliferation and Export Controls)
OA/Box Number: 711

FOLDER TITLE:

North Korea, January 1995 [5]

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United States Department of State

Washington, D.C. 20520

February 3, 1995

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MEMORANDUM

TO: SSK Distribution

FROM: S/AL - Robert L. Gallucci *kef*

SUBJECT: U.S.-DPRK Agreed Framework White Paper

Attached for your information is the final version of the U.S.-DPRK Agreed Framework White Paper and Executive Summary. It will be distributed to Congress by State's Legislative Affairs Office and will also be given to State's Public Affairs Office for distribution purposes.

Please feel free to distribute this.

Attachment: As stated.

The U.S.-DPRK Agreed Framework: Executive Summary

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On October 21, 1994, representatives of the United States and the DPRK signed an Agreed Framework that addresses all of our concerns about North Korea's nuclear weapons program: past, present and future. It upholds the integrity of the international nonproliferation regime and, if fully implemented, will lead ultimately to complete dismantlement of North Korea's nuclear capability. In short, it stops the North Korean nuclear weapons program in its tracks. The Agreed Framework also sets the stage for reduced tension in the region and dialogue between the DPRK and ROK to resolve their differences. As progress is made in resolving other issues of concern to the U.S., the Framework will lead to more normal relations between the U.S. and the DPRK.

The United States and its allies achieved this successful outcome by pursuing a consistent set of policy objectives, backed by a position of evident military strength and readiness on the ground. From the outset, we made clear to North Korea that we were prepared to attain our objectives through negotiation if possible, but that we were equally prepared to pursue our objectives through UN Security Council sanctions if necessary. Throughout the negotiating process, we emphasized that our commitment to the security of our treaty allies in the Republic of Korea and Japan was unshakeable. We took steps to modernize and strengthen our forces in the Far East to ensure that they were prepared to deal with anything that might happen. The North Koreans understood how strong and determined we were. As a result, we negotiated in Geneva from a position of strength and reached an agreement that protects U.S. interests.

The nonproliferation and security benefits to the United States of this Agreed Framework are already apparent. The Framework requires North Korea to freeze operation of its 5 MW(e) reactor and to halt construction at its 50 MW(e) and 200 MW(e) reactors. If this agreement were not in place, within a few short years, these facilities would have been capable of producing enough plutonium for dozens of nuclear weapons each year. The Agreed Framework also requires North Korea to cease operations at its reprocessing facility, the laboratory which reprocesses plutonium out of spent nuclear fuel, and to seal that facility. The International Atomic Energy Agency (IAEA) has confirmed that North Korea has taken all of these steps to freeze their program and is now working with North Korea to settle on specific measures needed to monitor that freeze. Indeed, IAEA inspectors are maintaining a continuous presence at the Yongbyon nuclear facility. This agreement does not depend on trust. We know the DPRK's past history. We deliberately structured the deal such that they take the first steps and that we are able to verify their compliance every step of the way. If they cheat, we will know it -- very likely in real time. Any other kind of agreement would have been foolhardy.

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Over time, all of the facilities that are frozen will be dismantled. In addition, the 8,000 spent fuel rods now sitting in a cooling pond at the Yongbyon nuclear facility must eventually be shipped out of North Korea. Those rods contained enough plutonium to make 5-6 bombs. U.S. officials have already visited Yongbyon to work with the North Koreans on technical measures to ensure that the rods are stored safely pending their ultimate shipment out of the DPRK.

With respect to the past, under the Agreed Framework, the DPRK is committed to accept full-scope IAEA safeguards, including all measures that the IAEA may deem necessary to resolve questions about how much plutonium it may already hold. Implementation of this commitment to special inspections is not required immediately, but must take place before any significant nuclear components are provided to North Korea. In short, if North Korea has any nuclear material or nuclear weapons, they are required to declare it and submit the material to IAEA safeguards. If they fail to satisfy completely the IAEA in this regard, the effort to provide North Korea with the important nuclear components of light water reactors will not move ahead. The DPRK will have gained little.

These steps by the North Koreans go well beyond their commitments under the NPT and their safeguards obligations. They could have kept this very dangerous technology and operated it under IAEA safeguards. However, that outcome would have threatened us and our allies because North Korea would have retained the capability to produce and stockpile large amounts of plutonium. The U.S., in close consultation with the ROK and Japan, concluded that the DPRK's willingness to go well beyond its NPT obligations and dismantle its existing nuclear facilities was in our shared national security interests. Accordingly, we agreed to lead an international consortium to provide the DPRK with two 1,000 MW(e) light water reactors (LWRs) and to make arrangements for the delivery of heavy fuel oil to the DPRK in the period until the LWRs are constructed.

The Republic of Korea has agreed to play the central role in building and financing the LWRs. Japan will play a significant financial role in the project. Together, those two countries will bear the lion's share of the financial burden. As for the United States, we have already spent some \$5 million to provide the first shipment of heavy fuel oil to the DPRK. In fiscal year 1995, we will seek to reprogram some funds (up to \$10 million from the Department of Energy budget) to ensure the safe storage of the spent fuel rods that will ultimately be shipped from North Korea, as well as some money (up to \$5 million) to help the KEDO international consortium begin operations. We are also planning to include some funding for KEDO activities in the President's 1996 budget request. We anticipate that that request will be between \$20 and \$30 million. In subsequent budget years, we may seek additional funds from Congress for KEDO implementation, probably of the same order of magnitude.

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To put this U.S. role in perspective, it is helpful to focus on two points. First, the U.S. share of the overall burden will be small when compared to that borne by our allies. Given that their security is most directly enhanced by a resolution of the North Korean nuclear threat, that is entirely appropriate. Second, it is useful to remember that a sanctions resolution would have led us to take military steps to improve our defense posture that would cost hundreds of millions of dollars in 1995 and beyond. We were fully prepared to take those steps if they were needed to stop the DPRK nuclear program, but they would not have come cheap.

The Road Ahead

Looking to the future, the Agreed Framework offers the possibility that North Korea might begin to emerge from its dangerous isolation. While early indications are that the DPRK is living up to its commitments, we cannot predict their behavior in the future. Improvement in our relations with the DPRK requires that the North Koreans engage in real dialogue with the ROK to resolve their differences, as the Agreed Framework requires. It is clear that implementation of the Agreed Framework offers the DPRK a path to join the community of nations. If they choose not to live up to their commitments, or if they try to cheat, we are prepared to go back to the UN Security Council and seek sanctions.

The Agreed Framework offers us the chance to oversee the rollback of a significant threat to our national security. It also offers us the chance to engage with the DPRK on other issues that deeply concern us. Performance in the nuclear area will not be enough. At the very top of our agenda in this regard are the questions of DPRK ballistic missile development and sales, their threatening conventional force deployments, and their efforts to resolve the POW/MIA issue. While some have criticized us for not addressing these issues in the Agreed Framework, we take the opposite view. We now have a vehicle for addressing these issues. No such venue existed before. The Framework also gives us some degree of leverage, which can be used to our advantage as we take up these other important issues.

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The U.S.-DPRK Agreed Framework: A White Paper

On October 21, 1994, representatives of the United States and the DPRK signed an Agreed Framework that addresses all of our concerns about North Korea's nuclear weapons program: past, present and future. It upholds the integrity of the international nonproliferation regime and, if fully implemented, will lead ultimately to complete dismantlement of North Korea's nuclear capability. In short, it stops the North Korean nuclear weapons program in its tracks. The Agreed Framework also sets the stage for reduced tension in the region and dialogue between the DPRK and ROK to resolve their differences. As progress is made in resolving other issues of concern to the U.S., the Framework will lead to more normal relations between the U.S. and the DPRK.

North Korea in Perspective

The Agreed Framework between the United States and the DPRK marks an important departure from the state of unremitting hostility that has existed between our two countries and on the Korean peninsula generally for over forty years. While the Republic of Korea made impressive progress toward democracy and prosperity during that time, the DPRK has remained locked behind a wall of paranoia and secrecy. North Korea engaged in acts of aggression and terrorism. In the 1960s, it seized and detained the USS Pueblo and staged an attack on the South Korean president's residence. In the 1970s, North Korea perpetrated intermittent acts of violence along the DMZ, including the infamous ax murder incident in 1977. In the 1980s, Pyongyang orchestrated a bombing attack on the South Korean cabinet during a state visit to Burma and the blowing up of a South Korean airliner in 1987.

Tensions with North Korea have been compounded by a very unstable military situation on the peninsula. North Korea has a 1.1 million man army, much of it aggressively deployed in forward positions along the DMZ. Seoul, the political and economic nerve center of South Korea, lies within artillery range of North Korea and would be vulnerable in the event of a North Korean attack. The 37,000 American troops serving in South Korea play a vital role in deterring North Korean aggression and would fight side by side with Republic of Korea troops in the event of a conflict. The recent helicopter shootdown provides a reminder of just how tense the military situation on the peninsula remains.

It was against this backdrop that successive administrations watched with growing concern as North Korea began to develop a nuclear weapons capability and the means to deliver those weapons.

The Threat to American Interests

While any development of nuclear facilities in North Korea would have caused us concern, we were especially troubled by

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the particular nuclear technology that the North was pursuing. It was clear that their program was designed to produce plutonium for nuclear weapons, not simply to serve as a source of energy for an electricity-starved developing country. The North initially built a 5 megawatt electric research reactor and a facility to separate plutonium from spent fuel for use in nuclear weapons. The DPRK also began to construct two larger reactors (50 MWe and 200 MWe) to increase even further their ability to produce plutonium. These reactors are obsolete as electricity producers but their gas graphite technology is excellent for producing weapons grade plutonium. We also concluded that they have the other technical capabilities needed to design and fabricate a nuclear explosive device.

Successive administrations well understood the threat these developments posed to U.S. security interests and those of our allies. A North Korean nuclear arsenal would make an already dangerous military situation in NE Asia even more unstable. Nuclear weapons in the hands of the DPRK would directly threaten vital interests of the United States and its regional allies, Japan and the Republic of Korea. We also saw a North Korean program in place to develop extended range ballistic missiles. With potential ranges as high as thousands of kilometers, that program posed a clear offensive threat. We understood that the missiles under development were not particularly accurate, indicating that they were intended to deliver weapons of mass destruction, rather than conventional explosives. If the nuclear weapons program and extended range ballistic missile were successfully combined, the DPRK nuclear program could threaten most of East Asia. It could lead to a regional arms race and prompt other nations in the region to develop nuclear weapons.

Nuclear Exports? Our concern was heightened even further by the prospect of plutonium or nuclear weapons exports to other regions of concern, particularly the Middle East. North Korea has shown that it is willing to transfer ballistic missiles to states of concern in the Middle East. We could only assume that they would do the same if they ever developed a significant number of nuclear weapons. In short, the prospect of a North Korea producing large numbers of nuclear weapons (and the means to deliver them) posed a grave threat to vital U.S. interests and those of our friends and allies, both in Asia and in the rest of the world.

The U.S. Response to the Threat

The Clinton Administration's direct involvement with North Korea over the nuclear issue began in 1993 after North Korea refused to comply with its safeguards obligations under the Nuclear Nonproliferation Treaty and announced its intention to withdraw from the Treaty. This situation came about in 1992 -- the first year of IAEA inspections under the NPT agreement, when the IAEA found an "anomaly" in its analysis of inspection results. The IAEA then wanted to conduct special inspections at two nuclear waste storage sites in order to resolve the

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anomaly and shed more light on the question of how much plutonium the North had produced in its reactor and separated during the period from 1989-1992. The IAEA had reason to believe that the North's claims that it had separated only small amounts of plutonium (gram quantities) were not accurate. The IAEA's technical analysis suggested that it was more likely that the DPRK had separated larger quantities of plutonium. It was the DPRK's rejection of these special inspections (the question of the "past") and the IAEA's finding of DPRK non-compliance with its safeguards agreement that brought the issue to the United Nations Security Council.

After the IAEA reported the impasse to the Security Council, the Council invited member states to take up the matter bilaterally with the DPRK. From the outset of our talks with the North Koreans, we had two fundamental goals: a non-nuclear Korean peninsula and a strong global nonproliferation regime. To secure those objectives, we wanted to make sure that the North Koreans did three things. First, we wanted to bring North Korea back into the NPT. Second, they needed to accept full scope IAEA safeguards, including special inspections. Third, we wanted to convince the North to implement the North-South Declaration on Denuclearization, which they had negotiated bilaterally with South Korea in 1992. That declaration would ensure a non-nuclear Korean peninsula by requiring that they give up any reprocessing capability and accept a bilateral inspection regime. We also 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 underway.

After meeting with DPRK representatives twice in the summer of 1993, talks broke off for almost an entire year because of the North's refusal to allow the IAEA to conduct the kinds of inspections necessary to ensure the continuity of IAEA safeguards. When it finally appeared that talks were going to get back on track in June of this year, the North again took a step (unloading the fuel from the 5 MW reactor in a way that prevented the IAEA from determining the reactor's operating history) to undermine the basis for a negotiated solution to the problem.

Preparations for Sanctions. When the North took this step, we began the process of consulting with our allies and UNSC partners about a sanctions resolution. We had told the DPRK that we would turn to the UN for sanctions if our attempts at dialogue proved fruitless and in June we began to do just that.

Because of our concern over the nuclear issue, we had advanced our plans for modernization of our forces during the early months of 1994. We did not take at face value North Korean statements about sanctions being an act of war, but we were determined to take steps to improve our deterrent posture and to ensure that we were ready for anything that might follow

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from a sanctions vote. Accordingly, we implemented a number of equipment upgrades for U.S. forces in Korea. Bradley fighting vehicles, Apache helicopters, Patriot air defense batteries and counterbattery radar systems were all deployed to the peninsula in the first half of 1994. At the time a sanctions resolution was about to be presented to the UNSC, we were in as strong a military position as we had been at any time since the Korean War. We were also prepared at that time to take additional military steps to bolster our forces on the peninsula.

President Carter's Trip to Pyongyang. It was during this period that former President Carter visited Pyongyang. President Carter convinced the DPRK to commit to the idea of a freeze in their nuclear program while talks were underway. But it was President Clinton who defined precisely what would be meant by a freeze, that is, what the North would have to agree to if talks were to resume. The President set a new, higher standard for maintaining dialogue with the DPRK by insisting that a freeze include a commitment not to reload and operate the 5 MW reactor. This went beyond their 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.

Our willingness to resume talks was linked directly to North Korean agreement to our definition of a freeze on their program. We believe that Pyongyang was willing to make this concession because the North Korean leadership understood that we were prepared in both political and military terms to pursue sanctions. They had seen the work we had done at the UN to ready a sanctions resolution and the military steps that we had taken to prepare ourselves for that possibility. They understood that the United States was fully prepared to go another route if negotiations failed. The North Koreans seized the opportunity offered by the Carter visit to accept a path to a solution that was favorable to the U.S. In short, when we went back to the negotiating table in mid-summer, it was on our terms.

New and Expanded Objectives. In the year that passed between the second round of talks and the beginning of the third round, we had expanded our objectives considerably. While we were still focused on bringing the DPRK back into compliance with its safeguards obligations, the DPRK's interest in acquiring LWRs suggested that they might be willing to give up their entire system of gas graphite fuel cycle nuclear reactors, their plutonium separation plant and their fuel fabrication facilities, as well as the existing spent fuel from their 5 MW reactor. This went well beyond their safeguards and NPT treaty obligations. It was our view that even under IAEA safeguards, these facilities posed a potential threat to U.S. security and we therefore made it a priority objective to reach an agreement that provided for their dismantlement.

Thus, as we went back to the table in Geneva we were clear in our own minds that any resolution of the nuclear issue must contain two elements. First, it must demonstrate the the U.S.

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will not walk away from a material violation of the NPT and international safeguards. There would be no settlement that did not include a return to North Korea's full compliance with its NPT obligations. Second, and even more urgent, the United States would not allow North Korea to accumulate significant amounts of plutonium, potentially usable in nuclear weapons, even under IAEA safeguards. There would be no settlement of the issue that left intact the North Korean capability to produce and possibly export large quantities of weapons grade material. We succeeded in securing both objectives.

Elements of the Agreed Framework

The Agreed Framework addresses all of our concerns about the North Korean nuclear program -- past, present and future. It more than meets the objectives that we had set for ourselves 18 months ago when we first met with DPRK representatives. Indeed, it achieves more than we thought possible when the talks began in the summer of 1993.

The Present. With respect to the present, the Agreed Framework prohibits any additional reprocessing or separation of plutonium. The spent fuel rods that were unloaded in June from the 5 MW reactor will remain safely stored in the cooling pond for now and will eventually be shipped out of North Korea. The plutonium in those spent fuel rods would have been enough to produce 5 nuclear weapons. The Agreed Framework also prohibits the restart of the 5 MW reactor, which, if operating, could have produced approximately one bomb's worth of plutonium each year. The Framework also requires that the DPRK cease operations at the so-called radiochemistry laboratory, seal the facility and subject it to IAEA inspections to verify its status. This is the facility that the North used to separate plutonium.

The Future. With respect to the future, the Agreed Framework requires that the North freeze construction on the two larger reactors that were underway. If operating, these two new reactors (50 MWe and 200 MWe) could have produced more than 150 kilograms of plutonium each year. That is enough for a substantial stockpile of nuclear weapons, perhaps as much as 30 weapons a year. Most importantly, the Agreed Framework provides for the eventual dismantlement of all facilities related to North Korea's current gas-graphite nuclear program.

The Past. With respect to the past, under the Agreed Framework the DPRK is committed to accept full-scope IAEA safeguards, including all measures that the IAEA may deem necessary to resolve questions about its initial plutonium inventory. Implementation of that commitment is not required immediately under the Agreed Framework, but it is required before any significant nuclear components are provided to North Korea.

In return for taking the steps outlined above, North Korea

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will receive some significant benefits. The United States has agreed to lead an international effort to provide North Korea with more proliferation-resistant light water reactors (LWRs) over the next ten years. North Korea will also receive shipments of heavy fuel oil as an interim energy source until the LWRs come on line early in the next century. Funding for these projects will come almost entirely from non-USG sources. Under the terms of the Agreed Framework, work on the LWR project will begin, but there will be absolutely no delivery of controlled nuclear components until the DPRK is in full compliance with all of its safeguards obligations. Put another way, the North Koreans will not receive any of the critical equipment or technology for LWRs unless and until the IAEA is completely satisfied that questions about past North Korean behavior in the nuclear area are resolved. Lastly, under the terms of the Agreed Framework, the U.S. will over time move toward more normal political and economic relations with North Korea, beginning with the establishment of liaison offices in Washington and Pyongyang.

The KEDO Consortium. The U.S. role in this project will be to organize the creation of an international consortium, the Korea Energy Development Organization (KEDO), to deliver the LWRs and supplies of alternate energy to North Korea if it lives up to its obligations under the Agreed Framework. The U.S., South Korea and Japan are taking the lead in creating the KEDO consortium and in encouraging wide international participation in the effort. South Korea has stated that it will play a central role in both the financing and construction of the LWRs while Japan has indicated that it is prepared to play a significant role in financing that project.

Perhaps the most important point to be made about the Agreed Framework is that it requires the North Koreans to go well beyond their NPT obligations. If the DPRK had simply chosen to return to the NPT and accept full scope IAEA safeguards, they could have continued building new production reactors and separating plutonium, albeit under IAEA safeguards. They could have produced and separated many thousands of kilograms of plutonium and still been in complete compliance with their NPT obligations. That outcome might have been appealing to some since it would have appeared to maintain the formal integrity of international nonproliferation regimes. However, it would have left intact an enormous nuclear weapons infrastructure that threatened U.S., South Korean and Japanese interests. We were determined to prevent that from happening.

The Structure of the Deal

As we negotiated with North Korea, we made a determined effort to structure the Agreed Framework such that:

- The burden of up-front performance falls on North Korea, not on the U.S.

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- We can monitor effectively North Korean compliance or non-compliance.
- We are not disadvantaged in any significant way if the DPRK reneges on its commitments -- at any time.
- We place highest priority on the elements of the DPRK program that most acutely threaten U.S. security.

Who Goes First? On the first point, implementation of the Agreed Framework provides for immediate and verifiable North Korean performance on the things that matter most to us. They are required to freeze immediately all construction of the 50 and 200 MW reactors. They are required to refrain from starting up the 5 MW reactor or from taking any steps to reprocess spent fuel and separate plutonium.

The steps that we are taking in the early stages of implementation are modest by comparison. We are moving to provide in January 50,000 tons of heavy oil to North Korea, worth less than \$5 million at current market prices. We will assist them in safely storing the spent fuel pending its ultimate shipment out of the DPRK. We are also moving very selectively to ease some sanctions on North Korea in the commercial area. We are also talking with the North Koreans about the technical issues associated with opening liaison offices in the two capitals. The most significant benefits that North Korea will receive will come several years down the line, when we have had a great deal of time to judge North Korean intentions and performance. Indeed, the most important benefit that the DPRK will receive under the Agreed Framework, the sensitive nuclear components for LWRs, cannot and will not be provided unless and until the DPRK is in full compliance with its safeguards obligations. Even then, the DPRK will remain dependent on foreign fuel supply since it does not have the capability to produce enriched uranium (the fuel for LWRs) itself.

Verifying North Korea's Compliance. We are looking to the IAEA to monitor and verify that a freeze is in place on the nuclear program. This is not an agreement that relies on trust. We hold no illusions about past North Korean behavior and we do not take their promises at face value. The IAEA is now on the ground in North Korea monitoring the freeze and has thus far received an unprecedented level of cooperation from the North Koreans. IAEA representatives have also held very productive discussions with the DPRK about how the agency can expand its presence so that the international community can have full confidence that the DPRK is living up to its commitments. Beyond this, we have our own national technical means to provide us with additional information about North Korean compliance. In short, we have a very high degree of confidence in our ability to determine if the DPRK is cheating. Given the DPRK's history, we would be foolish to enter into any agreement that could not be continuously monitored and verified.

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What if North Korea Reneges? Thirdly, the agreement is structured so that we are not disadvantaged (relative to our position before the Agreed Framework was concluded) if at any point the DPRK fails to comply. If at any point in the next several years, the North backs out of the deal, it will have gained very little except for some relatively insignificant amounts of heavy fuel oil and some technical help in ensuring the safe storage of spent fuel. Even if the North reneges at the point when it is required to submit to special inspections if the IAEA deems it necessary, they will not have gained much of significance. A great deal of civil engineering work will have been done, but the DPRK will not have acquired anything of real value. Quite literally, they will own the empty shells of two LWRs. Even if that happens, we will still have benefitted substantially because the DPRK's nuclear program will have been frozen in place for that entire time. If at that point we have to return to the United Nations to seek sanctions against North Korea, we will be able to make a powerful argument that we have gone the extra mile to seek a peaceful outcome. Blame for failure will rest entirely with North Korea.

Prioritizing Our Objectives and the Question of Special Inspections. Lastly, on the question of prioritizing our objectives, we made a conscious effort to target most urgently those elements of the program that posed the greatest threat to our security interests. For example, we insisted that the Agreed Framework provide for the removal of spent fuel from North Korea without being reprocessed. That fuel (about 5 bomb's worth of plutonium) would be a direct threat to us if it were ever reprocessed. We also insisted that the North absolutely commit itself to no additional reprocessing or construction of gas graphite fuel cycle reactors. This would ensure that no additional plutonium is either produced or separated.

The one area in which we showed some flexibility was on the timing -- though not the principle -- of special inspections. In our view, it was vital to secure in the Agreed Framework an unambiguous DPRK commitment to special inspections. From a national security perspective, the timing of those inspections was less critical. The information to be obtained from those inspections is not perishable. We certainly would have liked to have gained North Korean commitment to immediate special inspections, but the gain would not have been worth offsetting delays in achieving our more urgent national security priorities involving current and future plutonium production.

Who Will Pay?

The Republic of Korea has stated that it will assume the central role in funding construction of the light water reactor project. Japan will play a significant financial role in ensuring the success of the LWR project, and will contribute funds to other KEDO activities as well. We are approaching other interested governments to discuss how they may best be able to contribute to the KEDO enterprise.

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As for the United States, we have already expended approximately \$5 million to provide the initial tranche of heavy fuel oil to the North Koreans. We expect to seek some reprogramming of FY 1995 funds to cover additional implementation activities this year, primarily to ensure the safe storage of the spent fuel rods that will remain in the cooling pond until they are eventually shipped out of North Korea. We are also at this time planning to include some funding for KEDO activities in the President's 1996 budget request. While we do not yet have a final figure for that request, we anticipate that the request will be between \$20 million and \$30 million. In subsequent budget years, we may seek additional funds from the Congress for KEDO implementation, probably of the same order of magnitude.

To put the U.S. role in supporting KEDO's activities into proper perspective, it is helpful to focus on two points. The U.S. share of the financial burden will be relatively small, particularly when compared with that borne by some of our allies. That is appropriate since those states' security is directly enhanced by the Agreed Framework. It is also useful to remember that a sanctions resolution would have led us to take military steps to improve our defense posture that would have cost hundreds of millions of dollars this year and next. We were fully prepared to do that if necessary to stop the DPRK nuclear program, but it would not have come cheap. Finally, it is quite likely that U.S. industry will receive contracts worth over \$100 million for their role in the \$4 billion LWR project.

The Road Ahead

The road to an agreement with North Korea on the nuclear issue is a success story of U.S. constancy, strength and resolve. We identified the North Korean nuclear program as a serious threat to our interests and set out to negotiate a solution to the problem. At the same time, we prepared ourselves to take stronger steps to deal with the problem if negotiations failed to produce an acceptable outcome. When talks broke down because of North Korean intransigence, we took the steps needed to prepare for UN sanctions and for anything that might result. Both friend and foe alike understood that we were ready and willing to go down that path. When we did return to the negotiating table, it was on our terms. After the Carter mission to Pyongyang, we were able to negotiate from a position of strength. As a result, we were able to secure an agreement that achieved our priority objectives.

Looking to the future, the Agreed Framework with North Korea offers the possibility that relations between North Korea and the rest of the world might improve. While early indications are that the DPRK is living up to its commitments, we would not want to predict their behavior in the future. The recent helicopter shootdown, which resulted in the death of one U.S. pilot and an unacceptable delay in the return of the

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other, reveals that we are still dealing with a very tense situation on the peninsula. We also understand that our efforts to improve relations with North Korea cannot and should not go very far until they engage in real dialogue with the ROK to resolve their differences. The North must make moves to re-establish dialogue with the South. However, it is clear that implementation of the Agreed Framework offers the DPRK a path out of its self-imposed international isolation. For us, it offers a chance to oversee the rollback of a significant threat to our security.

The Agreed Framework also offers us the opportunity to engage with the DPRK on other important issues. We have made it very clear to the North Koreans that improved relations with the U.S. can only result if they address our concerns on a range of issues. Performance in the nuclear area will not be enough. At the very top of our agenda in this regard are the questions of North Korean ballistic missile development and sales, their threatening deployments of conventional forces along the DMZ, and their efforts to resolve the question of POW/MIAs from the Korean War. While some have criticized us for not addressing these issues in the Agreed Framework, we take the opposite view. The Agreed Framework provides a vehicle for bringing these issues onto the agenda with North Korea. No such vehicle existed before. We also believe that the Framework gives us some degree of leverage over North Korea, which can be used to our advantage as we take up these other important issues.