



**US-Korea Relations:
Death of Kim Jong Il**

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South Korean President Lee Myung-bak's state visit to the US was a big event that attested to the strength of the two countries' relationship and the personal ties between Presidents Obama and Lee. The timely passage of the KORUS FTA in the US was the big deliverable for the summit. Final ratification of the FTA in both countries clears one longstanding issue and lays the foundation for greater economic integration and a stronger alliance. Meanwhile, the most shocking news for the final third of the year was the death of North Korean leader Kim Jong Il in late December. His death disrupted US-DPRK bilateral talks as North Korea observed a mourning period for its late leader. The US and South Korea spent the last two weeks of December quietly watching developments in North Korea as the reclusive country accelerated its succession process to swiftly transfer power to the anointed successor, Kim Jong Un.

A visit to the White House like no other

In mid-October, President Lee Myung-bak made a state visit to the US – the first by a South Korean head of state since Kim Dae-jung's 10 years ago. For the US, this was the fifth state visit that President Obama has hosted since he took office in 2009. During his five-day visit, Lee was widely celebrated in Washington, including his visit to the Pentagon, a welcome luncheon hosted by Vice President Joseph Biden and Secretary of State Hillary Clinton, an address to a joint session of Congress, and a state dinner hosted by Obama. The presidents also held a pair of meetings where they discussed their countries' approach toward North Korea and the road ahead for the Six-Party Talks. After his day at the White House and the Congress, on Oct. 14, Lee also attended a foreign policy breakfast at the Blair House hosted by CSIS and Korea Economic Institute with CSIS Trustee members and former senior US officials including Steve Hadley, Jim Jones, Jim Schlesinger, Rich Armitage, Susan Schwab, and Jim Steinberg.

The state visit was a very successful event. It was a grand ceremony to celebrate the renaissance of the two countries' relations, a stronger US-ROK alliance, and reflected growing trust between the Obama and Lee administrations. After North Korean provocations in 2009 and 2010 and the unexpected turns in US strategy toward Japan and China, South Korea has emerged as the most important Asian ally of the US in the region. Close cooperation between Presidents Obama and Lee on a range of global issues has brought the two countries together as global partners, elevating US-ROK relations to one of its highest points, if not the highest in the history of the relationship. Nevertheless, Lee's state visit was substantively about overcoming the stubborn foreign policy issue regarding the ratification of the Korea-US free trade agreement (KORUS FTA) as it came against the backdrop of various efforts within and between Obama and Lee administrations to increase pressure on Congress to ratify the long-stalled FTA. A failure to

achieve ratification as a deliverable would have been an embarrassment for the Obama administration and a major stain on Lee's visit as the House of Representatives Speaker John Boehner would not commit to Lee's addressing a joint session of Congress if the FTA had not been ratified. In the end, the White House was able to achieve an 11th-hour deal that pulled everyone's chestnuts out of the fire, albeit at the expense of many new gray hairs for staffers planning the visit.

One of the highlights of the visit was the unprecedented level of hospitality President Lee received from Obama during his stay. Lee was invited to "The Tank" – a secure conference room at the Pentagon – and given a personal briefing by Secretary of Defense Leon Panetta and other top US military officials. Pentagon spokesman Capt. John Kirby noted that it was "the first time in recent history that a foreign head of state has been briefed by the service chiefs in The Tank." Lee's address to a joint session of Congress received high praise from US lawmakers. In addition, Obama invited Lee to a Korean restaurant for an intimate dinner. The leaders also made a trip to Detroit to visit General Motors assembly plant and touted the KORUS FTA to US auto industry workers. No other head of state has received such warm hospitality from Obama. As *The New York Times* described it, "the carpet does not get any redder than that." Others also chimed in to explain why Obama treated Lee so well and paid such close attention to their bonds and friendship. Certainly, Lee was treated well because South Korea is a reliable US partner in Asia but also because this is one of the closest personal friendships that Obama has struck with any world leader. Obama's personal admiration for Lee and Koreans is evident in the extraordinary number of times the US president refers to Korea in his speeches. These close personal ties have also had a positive impact on the current US-ROK relationship.

Final passage of KORUS FTA

By yearend, the KORUS FTA was ratified by the legislatures of both countries. It took five years to reach this point since being signed by former presidents, George W. Bush and Roh Moo-hyun. Congressional ratification of KORUS is significant for the US because it is the first bilateral FTA that the US signed with a major Asian economy and it's the largest FTA since the North American Free Trade Agreement. It has infused new energy into the US trade agenda and other multilateral trade negotiations like the Trans-Pacific Partnership. As for South Korea, this is the second largest free trade agreement following the Korea-European Union FTA, which came into effect on July 2011.

The ratification of KORUS was long-delayed by a difficult political and economic environment in both countries, but also by the especially thorny issues of autos and US beef. After the global financial crisis and the economic recession hit the US, historic unemployment rates and large trade deficits raised the protectionist bar. When Democrats gained control of both US chambers in 2009, FTAs were pushed aside by other pressing domestic agendas. A turning point came in January 2010 when President Obama in his State of the Union Address touted the KORUS FTA as part of his National Export Initiative that would stimulate the economy by increasing US exports and creating jobs. To resolve all outstanding issues and clear the path for ratification in the US, Obama and Lee administrations renegotiated a supplemental amendment in late 2010.

President Lee's state visit served as a deadline for the White House and Republicans to resolve their lingering differences on the extension of the Trade Adjustment Assistance (TAA). The Senate's passage of the scaled-back version of TAA in September was a breakthrough that enabled finding a middle ground. President Obama then swiftly submitted the three FTAs with South Korea, Colombia, and Panama for congressional approval. The House passed the bill 278-151 and the Senate 83-15.

After both chambers of the US Congress approved KORUS, pressure to ratify the agreement dramatically increased in South Korea. However, the ruling Grand National Party (GNP) and opposition parties could not find a compromise to break their impasse. In particular, the Democratic Party (DP) was locked in a boisterous struggle with the Lee administration. Claiming that the investor-state dispute settlement (ISD) clause of the agreement favors the US, the DP demanded a written agreement with the US to renegotiate ISD prior to ratification by the National Assembly. President Lee offered that the ROK government would raise ISD with the US within three months of ratification, but the DP turned down his offer. With the resulting deadlock, the GNP pushed the agreement through the legislature, exercising its majority. This spectacle of legislators physically fighting over the FTA's passage made Korean democracy look bad in international eyes. But in the end, it was necessary.

The FTA's passage is a critical step in helping Korea out of its current "funk." As the recent Seoul mayoral election showed, Koreans are angry at politics in the country and dismayed at their socioeconomic situation. Slow growth, high commodity prices, high tuition, and high unemployment have created popular disenchantment. While the official unemployment rate is around 3.2 percent, youth unemployment is closer to 20 percent. According to Professor Park Yoon-shik at George Washington University, the work force participation rate for the 15-24 age group in Korea is only 25 percent, which is half the OECD average (48.5 percent). These numbers have fueled DP criticism of the Lee government for failing to deliver. The underlying problem is that the economy is going through a transformation now where traditional manufacturing jobs that fueled Korea's spectacular growth are both less available and less appealing to affluent Koreans. The key area for future growth in employment for Korea is not in manufacturing but in the service sector. What is needed is drastic deregulation of the banking, finance, insurance, medicine, telecommunications, and other high-value sectors.

Implementation of the KORUS FTA will serve as an impetus to deregulate the service sector and shift the Korean economy into the service sector. It will open the Korean domestic market to competition from the US and European, which will benefit consumers as they will have more choices in everything from legal services to overnight delivery services. It will also create new jobs with both foreign and domestic companies in Korea. The KORUS FTA is more than simply a trade agreement or a decorative ornament to hang on the US-Korea alliance tree. It is fundamental to Korea's future as a competitive economy and as a vibrant and confident society. That's why the FTA was approved in the National Assembly, even if the passage was not pretty.

Six-Party Talks

The unfortunate timing of Kim Jong Il's sudden death (discussed below) struck a major blow to diplomatic efforts by the US to resume the Six-Party Talks. In mid-December, the US and DPRK

officials held another round of talks in Beijing. Substantial progress was made as North Korea reportedly agreed to take initial steps to denuclearize, including a temporary freeze of its uranium enrichment program in return for food aid. This breakthrough agreement, pending final negotiation of technical details, appeared to set the stage for a resumption of the Six-Party Talks. But, with the sudden death of Kim, all talks with North Korea were put on hold, and it now remains unclear how North Korea's transition will factor in the country's position on the resumption of the Six-Party Talks.

The North Korean leader's death set off a flurry of meetings among the six-party member countries at the end of the year. South Korea immediately dispatched its new special representative for Korean Peninsula peace and security affairs, Lim Sung-nam, to Beijing and Washington. In Beijing, Lim met counterpart Wu Dawei and had a "useful discussion" on North Korea's transition following Kim Jong Il's death and agreed to renew efforts to resume the Six-Party Talks. In Washington, Lim and Glyn Davies, the new US envoy for North Korea, discussed the two countries' next steps in dealing with North Korea. Seoul and Washington agreed to maintain their current wait-and-watch approach, while making it clear to North Korea that both the US and South Korea are open to talks with the North when the country is ready. The ball is now in Pyongyang's court. All countries are hopeful that the new regime will reaffirm the DPRK's agreement to suspend its uranium enrichment program and its commitment to denuclearization before they return to the denuclearization talks.

The king is dead, long live the kid?*

North Korea surprised the world with the announcement of its leader Kim Jong Il's death. On Dec. 19, the country's state media reported that he had died two days earlier of a massive heart attack caused by stress and overwork and declared a 10-day mourning period. The breaking news spurred immediate responses from China. Beijing immediately expressed its official condolences over the death of Kim Jong Il, recognized his not-yet-30-year-old son, Kim Jong Un as the new leader, and extended an invitation for the young Kim to visit Beijing. The Chinese Foreign Ministry reportedly summoned ambassadors from the US, ROK, Japan, Russia, and others in Beijing to caution them against any undesirable behavior toward the North and to assure them that the power transition was proceeding well. In South Korea, the ROK military went to a moderately higher level of alert. President Obama released a joint statement with President Lee, reaffirming a strong commitment to the stability of the Korean Peninsula and the security of South Korea. In her press briefing with Japanese Foreign Minister Gamba Korchiro, Secretary of State Hillary Clinton made it clear that the common US-Japan interest lies in a "peaceful and stable transition in North Korea as well as ensuring regional peace and stability." To avoid inflaming tensions with North Korea during its mourning period, Seoul softened its stance toward Pyongyang and canceled a scheduled Christmas tree lighting near the DMZ, which was deemed by North Korea as propaganda to arouse public unrest.

* An earlier version of this section was published for CNN's Fareed Zakaria Global Public Square <http://globalpublicsquare.blogs.cnn.com/2011/12/27/cha-north-koreas-moment-of-truth/?iref=allsearch> as "North Korea's Moment of Truth," by Victor Cha.

It would be wrong to interpret from the funeral proceedings that all in Pyongyang is back to normal. Many analysts have watched the speed with which Kim Jong Un has been adorned with titles (“Great Successor”) and deduced that the North Koreans are carrying out their succession plan with precision. Nothing could be further from the truth.

First, a well-choreographed funeral procession is something the North Koreans did in July 1994 when Kim Il Sung died. In a society where carefully choreographed displays of nationalism are the norm, managers dust off the playbook and carry out the task with the same precision. However, if anyone thinks that the North Koreans had a well-laid plan for succession before Kim’s death, they have been reading too many Cold War spy novels.

Just think about it – in North Korean society, do you think any leader could have said, “Hey, let’s come up with a succession plan for when Kim Jong Il dies”? This is a place where an undusted portrait of Kim Jong Il could get you thrown into a gulag. The only time when the topic was broached was in the aftermath of Kim Jong Il’s stroke in August 2008. Yet, even then, when Kim Jong Un was anointed and the party propaganda machine started churning out tales of the young son to build his cult of personality, these preparations were suddenly stopped, most likely by the father who did not want anyone starting to write him off. No, this succession has not been planned. They are improvising each day.

Lately, we have seen Chang Song Taek, junior Kim’s uncle and regent in the power transition, donning a military uniform to show he is in charge. We have seen footage of Kim Jong Un in a leadership role. Yet these are not signs that the leadership transition is well underway; they are signs of a desperate rush to establish leadership when none really exists. The efforts now to show images of the young Kim and his uncle manifest insecurity and the anxiety to show all is under control when it is not. Unlike the funeral, there is no playbook for running the country after the Dear Leader’s death. They are making it up as they go.

For the US, there is only one thing worse than a nuclear North Korea – a leaderless regime without clear control of its nuclear arsenal. Denuclearization has been the cornerstone of US policy for 25 years. If the regime cannot hold itself together, policymakers need to have a plan for a “loose nukes” disaster. This may sound alarmist, but only until we hear the first rumors in the coming weeks and months that things are amiss in Pyongyang – factional struggles, rogue military units, Kim family squabbles. Then, such admonitions will be deadly sober.

Can we negotiate with the post-Kim Jong Il leadership? Maybe offer them a once-in-a-lifetime opportunity to get out of their current mess? Analysts surmise that the young Kim’s brief period of secondary schooling in Switzerland – where he reportedly took courses on democratic political systems and US elections – might make him a more enlightened leader. Here’s the problem: First, we don’t know who the leader of North Korea is yet. Reaching out to Pyongyang now could poison the hand we touch in the dark dynasty’s palace politics and create more instability in a country where “Juche” or “self-reliance” laced with a heavy dose of anti-Americanism is the ruling ideology. Second, watershed change requires strong and visionary leadership – like Deng Xiaoping’s modernization reforms or Mikhail Gorbachev’s *perestroika*. The Chinese will go “all-in” with North Korea to prevent a

premature collapse of its communist brother on its northeastern flank. But no matter what Beijing does, it cannot turn the 20-something-year-old boy we see weeping at his father's wake into North Korea's Deng Xiaoping.

North Korea's post-Kim Jong Il transition is likely to feature increased roles by the party vanguard and the military. These two groups are not likely to pursue an ideology that opens up to the outside world. On the contrary, the defining moments that this generation of North Korean leaders has seen were the near-collapse of the Chinese communist party in 1989, the fall of the Berlin Wall, and the Arab Spring. Moreover, breathing down their necks is a spectacularly successful South Korea. Insecure regimes like this in the middle of a power transition tend to get tougher, not more liberal. The emerging ideology built for Kim Jong Un is more hard line and more conservative than his father's – what we describe as “neo-Juche conservatism.”

The ultimate irony is that this new hardline ideology will not succeed under Kim Jong Un because of an unintended legacy left by his father. Kim Jong Il not only bequeathed nuclear weapons to his country, but he also gave them markets. Driving the economy into the ground and abandoning the government ration system in 2002, Kim Jong Il let the starving North Koreans fend for themselves, which led to the creation of markets where people bought and sold goods to survive. Even after the government reinstated rations, it could not squelch the markets which went underground. Defectors today report that people obtain nearly 60 percent of their livelihood from the market.

This is the future of North Korea: A market-based mentality that is creating an independence of thought from the government and a weak, inexperienced leadership that is taking a more orthodox communist stance to cover up its own failings. This system cannot hold, and rather than hoping that the leadership transition will not impede US desires to return to another unfruitful cycle of denuclearization talks, they should all be ready when the moment of truth for this dark kingdom's dictatorship arrives.

Chronology of US-South Korea Relations* **September-December 2011**

Sept. 1, 2011: ROK rival parties agree to begin the ratification process for the Korea-US Free Trade Agreement (KORUS FTA) at the same pace with the US Congress.

Sept. 5, 2011: President Lee names Yu Woo-ik as the new unification minister and Hyun In-taek as special presidential advisor for unification policy.

Sept. 7-9, 2011: ROK's Special Representative for Korean Peninsula Peace and Security Affairs Wi Sung-lac visits the US for consultations on the resumption of the Six-Party Talks.

Sept. 15, 2011: ROK sends a shipment of flood aid (200,000 packets of baby food) to DPRK.

* Compiled by Barbra Kim

Sept. 16, 2011: ROK ruling party presents KORUS FTA to a parliamentary committee as a first step toward its ratification.

Sept. 20, 2011: ROK Defense Minister Kim Kwan-jin states that Seoul and Washington are discussing a revision of restrictions on the range of South Korean missiles.

Sept. 21, 2011: ROK Special Representative Wi Sung-Lac and DPRK Vice Minister of Foreign Affairs Ri Yong Ho meet for a second round of talks aimed at restarting the Six-Party Talks.

Sept. 21, 2011: President Obama warns that DPRK will face “greater pressure and isolation” if it continues its nuclear weapons program and hostile actions against ROK.

Sept. 28, 2011: US government issues an apology for the rape of a Korean girl by a US soldier stationed in South Korea.

Oct. 3, 2011: President Obama submits three pending free trade agreements with South Korea, Panama and Colombia to Congress for approval.

Oct. 6, 2011: Lim Sung-nam becomes South Korea’s special representative for peace and security affairs on the peninsula, which entails serving as ROK envoy to the Six-Party Talks.

Oct. 12, 2011: US Congress approves long-delayed KORUS FTA.

Oct. 13-14, 2011: President Lee Myung-bak makes state visit to the US, meets President Obama, delivers a speech before a joint session of Congress, and visits a GM plant in Michigan.

Oct. 13, 2011: ROK’s ruling party officials vow to approve KORUS FTA within the month even in the face of strong opposition from opposition parties.

Oct. 17-21, 2011: UN Humanitarian Chief Valerie Amos visits the DPRK to assess the chronic food shortage situation.

Oct. 18, 2011: US and DPRK begin talks in Bangkok on resuming efforts to recover the remains of US soldiers killed during the Korean War.

Oct. 19, 2011: Members of the ROK Democratic Party storm the committee room at the National Assembly to prevent deliberations and a vote on the KORUS FTA bill.

Oct. 20, 2011: State Department announces that current US Special Representative for North Korea policy Stephen Bosworth will be replaced by Glyn Davies.

Oct. 24-25, 2011: Representatives from the US and North Korea meet in Geneva for what is described as a “continuation of the exploratory meetings.”

Oct. 26-27, 2011: US Defense Secretary Leon Panetta visits Seoul to attend the 43rd Security Consultative Meeting.

Oct. 27, 2011: Assistant Secretary Campbell visits Seoul to debrief ROK officials on the outcome of the US-DPRK talks in Geneva.

Oct. 28, 2011: ROK military conducts large-scale military exercise as US and ROK agree to complete joint operational plan against DPRK this year.

Nov. 2-7, 2011: ROK Unification Minister Yu Woo-Ik visits the US and meets Deputy Secretary Burns and Sen. Joe Lieberman in an effort to strengthen coordination on North Korean affairs.

Nov. 4, 2011: About 1,000 people hold a candlelight vigil in Seoul to protest the KORUS FTA.

Nov. 8, 2011: ROK agrees to resume sending medical aid to DPRK through the World Health Organization.

Nov. 10, 2011: ROK Special Representative Lim Sung-nam visits Vienna and meets US Special Representative for North Korea Policy Glyn Davies.

Nov. 13, 2011: President Lee attends the APEC forum held in Hawaii.

Nov. 15, 2011: President Lee promises to renegotiate the investor-state dispute (ISD) settlement provision with the US within three months after KORUS FTA passes in the National Assembly.

Nov. 16, 2011: ROK's main opposition party the Democratic Party rejects President Lee's offer to demand renegotiations with the US on KORUS FTA after ratification.

Nov. 17, 2011: South Korea, Japan, and the US hold trilateral talks on the resumption of the stalled Six-Party Talks, at the East Asia Summit in Bali.

Nov. 20, 2011: US Undersecretary of State for Political Affairs Wendy Sherman meets senior ROK officials in Seoul to discuss US-ROK alliance issues.

Nov. 22, 2011: KORUS FTA passes the ROK National Assembly with the ruling Grand National Party pushing a surprise floor vote.

Nov. 23, 2011: US and ROK agree to seek improvements to the Status of Forces Agreement following a series of crimes committed by US service personnel in Korea.

Nov. 28, 2011: President Lee signs 14 bills linked to the implementation of KORUS FTA.

Nov. 29, 2011: US Secretary of State Hillary Clinton visits South Korea to attend the Fourth High-Level Forum on Aid Effectiveness held in Busan.

Nov. 30, 2011: Opposition parties in South Korea vows to continue their campaign against implementation of the KORUS FTA.

Nov. 30, 2011: US House Subcommittee on Asia and the Pacific unanimously passes a resolution that calls on North Korea to disclose the whereabouts of and repatriate all those kidnapped during the Korean War.

Dec. 5-6, 2011: US State Department Advisor for Nonproliferation and Arms Control Robert Einhorn visits Seoul to encourage the ROK to participate in mutual sanctions against Iran and to review the US-ROK Civil Nuclear Cooperation Agreement.

Dec. 8, 2011: US Special Representative Davies and Clifford Hart, US envoy and chief representative to the Six-Party Talks, visit Seoul to meet ROK foreign minister, unification minister and national security adviser to discuss DPRK nuclear issues.

Dec. 8, 2011: Derek Mitchell, US special envoy to Burma, visits Seoul to brief ROK government officials on the background of Secretary Clinton's visit to the country.

Dec. 13, 2011: ROK Foreign Minister Kim Sung-hwan says KORUS FTA could be delayed until after Jan. 1, as further consultations with the US may be needed.

Dec. 14, 2011: ROK Trade Minister Kim Jong-hoon says that KORUS FTA could be delayed until next February.

Dec. 14-15, 2011: US Special Envoy for North Korean Human rights Issues Robert King and senior USAID official Jon Brause meet DPRK Director General for American Affairs Ri Gun in Beijing to discuss food aid.

Dec. 16, 2011: ROK imposes new sanctions on Iran, limiting financial deals with 99 Iranian groups and six individuals from the Middle Eastern country.

Dec. 17, 2011: *Yonhap* reports that the US has agreed to provide up to 240,000 tons of food aid to North Korea based on North Korea's pledge to implement initial measures of denuclearization that include a suspension of its uranium enrichment program.

Dec. 19, 2011: North Korean media report that DPRK leader Kim Jong Il died on Dec. 17.

Dec. 20, 2011: ROK government expresses sympathy to the people of DPRK over the death of Kim Jong Il, but decides not to send an official condolence delegation to the communist nation.

Dec. 20, 2011: Secretary Clinton offers prayers to the people of DPRK while urging the country's new leadership to follow "path of peace" following the death of Kim Jong Il.

Dec. 22, 2011: The US says that it is willing to continue talks with the DPRK on possible food aid and the resumption of the Six-Party Talks after the death of Kim Jong Il.

Dec. 22, 2011: Special Representative for Korean Peninsula Peace and Security Affairs Lim Sung-nam meets Chinese counterpart Wu Dawei to discuss North Korea in the aftermath of Kim Jong Il's death and ways to revive the Six-Party talks.

Dec. 22, 2011: President Lee says that the ROK does not want to show hostility to the DPRK and that it is willing to soften its official stance toward the DPRK as much as possible.

Dec. 26, 2011: DPRK's *Rodong Sinmun* calls Kim Jung Un head of the Worker's Party's Central Military Commission.

Dec. 27, 2011: ROK National Assembly's Foreign Affairs Committee adopts a resolution demanding renegotiation of KORUS FTA, especially for the modification, reversing or abolition of the Investor-State Dispute settlement clause.

Dec. 28, 2011: DPRK leader Kim Jong Il's funeral ceremony is held in Pyongyang.

Dec. 28, 2011: Lim Sung-nam, ROK's chief negotiator to the Six-Party Talks, visits Washington and meets Special Representatives Davies and King to discuss next steps on North Korea.

Dec. 29, 2011: DPRK holds a massive memorial service for Kim Jong Il and declares Kim Jong Un as the North's "supreme leader."