

# EU Cooperation with the Democratic People's Republic of Korea (DPRK)

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In the aftermath of the Summit between the leaders of North and South Korea in June 2000, the EU needs to reflect on its role with regard to the Korean Peninsula and with the DPRK in particular. The start of an inter-Korean dialogue and intensified contacts between the DPRK and a number of other nations have created a momentum that should not be missed, lest the EU be marginalized. This is the time to intensify the EU-DPRK political dialogue and to break new ground for cooperation between the EU and North Korea aimed at the latter's economic recovery and development and its integration into the international community.

## Procedure and follow up

The aim of this paper is to outline a possible EU plan of action including an enhanced political dialogue. Its modalities would need to be elaborated in the EU framework. On the basis of the outcome of a first round of discussion in the Council, the Commission would be invited to formulate a more operational proposal for EU action.

The Council Conclusions of October 2000 concerning the Korean Peninsula have underlined the idea, endorsed by a possible EU action plan for North Korea, of possible actions of medium term "technical assistance" in the priority sectors of DPRK. Rehabilitation of energy sectors of North Korea is definitely one of the most important social needs and it requires technical assistance from the EU countries.

## Political background

### *Results of the inter-Korean summit*

The inter-Korean Summit of June 13-15 has set the overall tone for the normalization between the North and the South. Although the final outcome of the dialogue and its pace remain uncertain, some substantial results of the Summit can already be seen:

- the agreement of the parties on a scale of priorities, foreseeing "reconciliation" to be followed by "co-operation" and eventually by "reunification";
- the consideration of possible CSBM, to be discussed in future bilateral contacts;
- the tackling of the problem of family reunions, through an important (though largely symbolic) meeting between separated families on August 15;
- the co-operation between the North and the South in various fields, ranging from economy to culture.

Parallel with the Summit, other important developments took place in a broader framework:

- the continuation of the US-DPRK dialogue, with at least two important interrelated results: the softening of sanctions against Pyongyang, and a public confirmation by the DPRK of its moratorium on missile testing;
- the DPRK request to accede to the Asean Regional Forum: a step of potential significance, provided the DPRK accepts the ARF acquis.

### *Progress to date*

There are encouraging signs that both North and South Korea are translating their commitments concerning family reunification and repatriation of non-converted political prisoners into action.

By definition the inter-Korean Summit did not solve all problems existing between the DPRK and the international community. For example, issues such as the presence of US troops in the ROK or the DPRK nuclear and ballistic missile programs were not mentioned in the Joint Declaration. Normalization talks with the United States and Japan are progressing slowly and the Four Party Talks in Geneva have been at a stalemate for the last few years. Even between the two Koreas there are still a large number of problems outstanding, and security-related incidents possibly leading to military confrontation can still not be ruled out. The normalization process is not irreversible. Nonetheless, the attitude of the international community

towards the DPRK has been changing rapidly even before the recent breakthrough in the inter-Korean dialogue.

## **Need for enhanced EU role**

There are three main reasons for EU engagement with North Korea.

- (i) the need to promote peace and stability on the Korean Peninsula, as well as security in the region. After half a century the state of war must end. So must North Korea threats to the region and beyond. Isolation will only lead to further radicalisation of the regime and more human misery in the country. Promoting regional and international security is also consistent with the EU policies of the recent past.
- (ii) North Korea urgently needs assistance with its social and economic development. We cannot afford to look the other way even if we may be dismayed by some of the regime's policies and its human rights record.
- (iii) the EU has an interest in taking a stake in the development of the North Korean economy, which would only be enhanced after unification, with a combined population of approximately 70 million. The economic vibrancy of the region as a whole should also be taken in to consideration.

Now that North and South Korea are publicly committed to reconciliation through dialogue and concrete cooperative programs and that many countries are seeking to normalize their relations with Pyongyang, the EU policy towards the DPRK should move beyond its present scope, which is limited to a political dialogue, annual financial contributions to the Korean Peninsula Energy Development Organization (KEDO) and humanitarian assistance, especially food aid.

By extending the dialogue into engagement through cooperation the EU would fall into step with and strengthen the engagement policies of its partners in KEDO, thereby reinforcing international policy objectives such as DPRK accession to non-proliferation regimes and its continued moratorium on missile testing. The EU should also co-ordinate closely with other countries that have a political leverage on the DPRK and that have shown a readiness to support it economically, such as China and Russia. Involving regional countries in an action plan for North Korea's economic rehabilitation could serve as an important regional confidence-building approach which could induce Pyongyang to adopt the necessary policies.

The geographical distance of the EU from Northeast Asia makes it an acceptable, useful and welcome non-regional partner in an evolving multilateral process.

## **Future EU action**

### *Continued support for KEDO*

As recalled above, the EU Council announced in 1999 that the EU would limit itself to supporting international efforts. In spite of the encouraging outcome of the inter Korean summit, there seems to be no overriding reasons at this stage for the EU to change this multilateral approach. Efficiency is more important than visibility.

Continued financial support for KEDO activities is an obvious first option for providing EU assistance to the North Korea. Euratom membership since 1997 has been highly appreciated by the other three members of the KEDO Executive Board, the US, South Korea and Japan. The EU Council is likely to extend the EU contribution to KEDO for 2001-2006 at a level of almost half the US annual contribution of USD 35 million.

The Agreed Framework and KEDO have been essential in averting a crisis and initiating cooperation with North Korea. But they don't provide a framework for EU policy. Hence the need to look beyond. If current political trends persist, KEDO need not remain the sole avenue to co-operation with North Korea.

### *EU Action Plan*

In addition to provide continued support to KEDO, the EU should consider throwing in its economic weight in order to strengthen South Korea and international efforts towards integration of the DPRK in the international community.

Given the economic situation in the DPRK and taking Pyongyang's own priorities - power, agriculture and infrastructure – as a starting point, EU support in one or more of these sectors seems natural. Among these options a strong case can be made here for the rehabilitation of the power sector, especially for the rehabilitation of the DPRK electrical power grid, rural energy systems, renewables and/or assistance in the field of energy efficiency and saving.

There are two reasons for this preference. First, power is rightly viewed as a DPRK priority. The North Korea economy badly needs to upgrade its national electrical power grid in order to be able to attract foreign investment as well as for domestic needs. With around 5000 megawatt, annual power generation in North Korea is down to less than 25 % as compared with ten years ago. Lack of reliable power has brought down economic development and accounts for social disruption.

A no less important reason is the need for continuity and consistency. The rehabilitation of the power sector in the power sector would complement the USD 4,6 billion investment in North Korea's energy sector through the KEDO Light Water Reactor project, to which the EU has contributed 75 MEURO since 1996. The Action Plan would thus reinforce the effect of funds provided to the DPRK by the EU and its KEDO partners. Interaction between two activities within one sector e.g. the power sector will add value to both. Beyond being a welcome downstream complement of the KEDO LWR project, to upgrade the electrical power grid in North Korea is also technically necessary for the successful completion of the LWR, as both reactors will need to be duly tested before their ownership can be handed over to the DPRK.

*The circular pipeline gas option*

If a transnational pipeline is extended from China and Russia to North Korea, it will guarantee the North a handsome transit royalty of gas from the trans-national pipeline and will open the door for constructing a number of power plants along it. As coal is the main energy source in North Korea, repowering of the existing coal power plants will be an ideal way to develop a balanced energy supply structure in North Korea.

The pipeline gas introduction option will provide the North with another incentive to improve the relationship with its neighbouring countries.

The concept of greater circular pipeline in Northeast Asia can be divided into two sub-circular pipelines: Circular Pipeline of East China Sea and Circular Pipeline of East Sea/Japan Sea. Korean peninsula is set to play a pivotal role in developing two sub-circular pipelines (see Fig. 1).

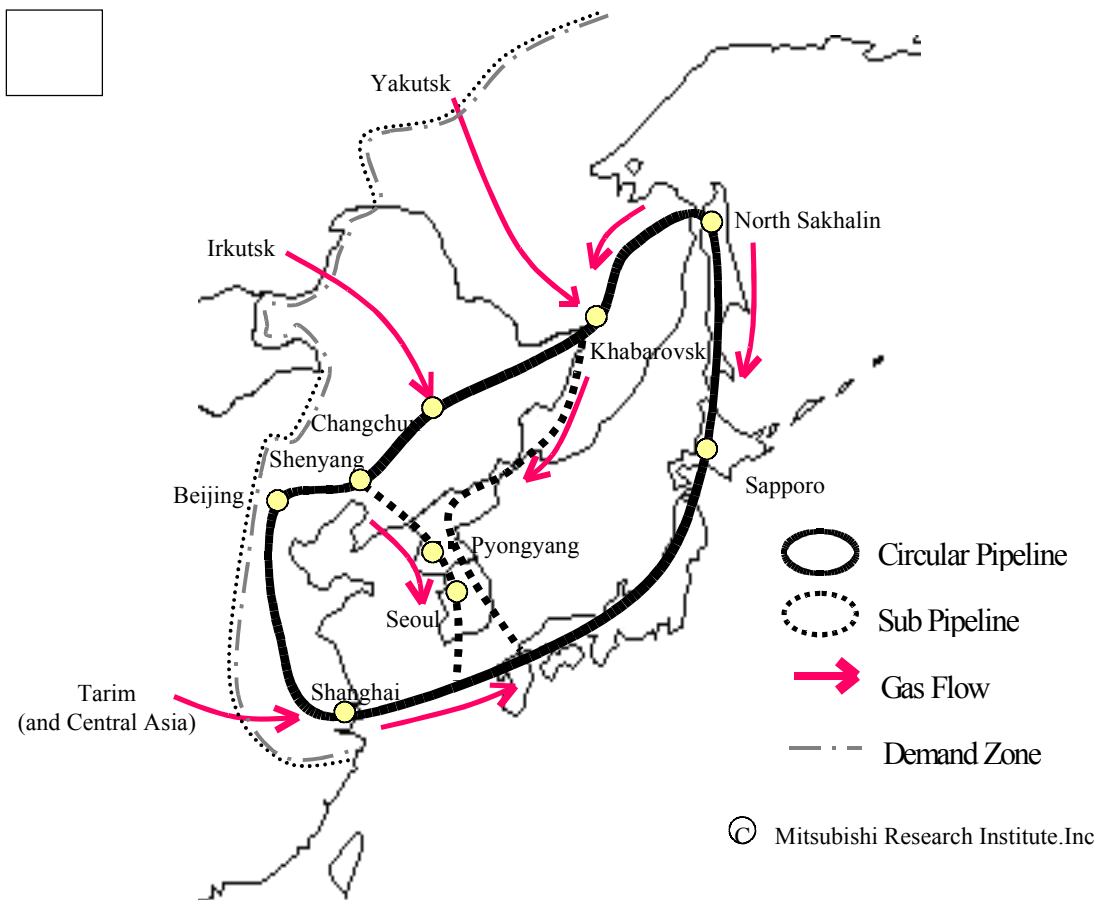


Fig. 1 Greater Circular Pipeline in Northeast Asia

Source: Kengo Asakura, *Trans-Korean gas pipeline could help Asia energy security, environmental problems*, Oil & Gas Journal, May 15<sup>th</sup>, 2000, p. 75.

A trans-national pipeline network development has all the components to establish a Northeast Asian Energy Treaty (NAET) as the supervisor of region's energy security issues and problems. The EU can contribute to reach a consensus to set up a legally binding regime among China, Russia, Mongolia, North and South Korea and Japan. The NAET can modelled like a KEDO-type institution.

The trans-Korean pipeline introduction will help not only bilateral cooperation between the two Korea but also multilateral cooperation among the countries in Northeast Asia.

### **Political conditions**

To enable fruitful cooperation, the EU should develop its own relationship with North Korea. The political dialogue should be developed into an instrument for cooperation rather than being an objective per se. It should refocus on co-operation instead of on preconditions for co-operation. Establishment of liaison offices in Pyongyang and Brussels should be viewed in the same light and a practical solution should be found not involving formal recognition.

As indicated above, the EU Action Plan for North Korea would be part and parcel of the political dialogue between the EU and the DPRK. This implies that the assistance would be provided under political conditions. These would need to include the successful development of the North-South dialogue and of normalization talks with countries like the US, Japan and the EU itself. Continued commitment to the implementation of the Agreed Framework and KEDO must also be guaranteed by the DPRK, as well as progress in the human rights field.

### **Cost and international coordination**

Funding and implementation of future EU action could be elaborated later. As we see it, funding need not be an inordinately high burden. The cost of the rehabilitation of the North Korean electrical power grid has been estimated at between USD 500 million and USD 2 billion, depending on how far the power lines should reach. Cooperation in the field of energy efficiency would be less costly.

Co-ordination with KEDO and other countries involved should be sought.

International Financing Institutions should be involved. A political and perhaps operational role of countries like China and Russia not currently participating in KEDO would also be worth pursuing.

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