

Axel Berkofsky

The European Union in North Korea: Player or only Payer?

The EU is not part of the so-called 6-Party Talks in Beijing where the US, Japan, South Korea and China are seeking to convince North Korea to give up its nuclear ambitions verifiably.

The 6-Party Talks were established in 2003 after US reconnaissance satellites in October 2002 detected a clandestine North Korean nuclear producing nuclear weapons-grade highly enriched uranium. The talks gained additional relevance when Pyongyang conducted its first nuclear test in October 2006 and declared itself a "nuclear state". The talks continued despite the nuclear crisis eventually leading to the so-called *February 2007 Agreement* which codified the provision of generous economic, financial and energy aid for North Korea in return for the verifiable and sustainable end of Pyongyang's nuclear programs (and eventually dismantlement of all North Korean facilities).

Brussels absence from the 6-Party talks de-facto excludes the EU from having a role in security and nuclear issues on the Korean Peninsula limiting the EU's current engagement in North Korea to the occasional (and by EU standards very modest) provision of humanitarian and food aid.

The EU's current relative inactivity on the Korean Peninsula somehow stands in contrast to the Union's economic and political engagement policies towards North Korea of the early 2000s. In May 2001, the EU established diplomatic relations with Pyongyang and many EU Member States followed the EU example in 2001 and 2002. Today, 26 out of 27 EU Member States (except France which cites North Korea's human rights situation as obstacle to the establishment of diplomatic relations with Pyongyang) maintain bilateral diplomatic relations with Pyongyang.

While seven EU Member States (Germany, Bulgaria, Sweden, Romania, Great Britain, Poland and Hungary) maintain embassies in Pyongyang, the other Member States have themselves represented by either their embassies in Seoul or Beijing. The EU itself does not maintain an embassy in Pyongyang and is (depending on the issue and the political circumstances) represented by its ambassador in Seoul.

Back in 2001 there was a lot of optimism on the EU's diplomatic record and it was hoped that the EU's engagement course could make a difference in rebuilding North Korea's

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Abstract

The EU's North Korea policies do not hit the headlines. That is mainly due to the fact that Brussels is not part of the so-called 6-Party Talks, a multilateral forum established in 2003 to convince Pyongyang to give up its nuclear ambitions verifiably and for good.

Due to reasons explained in this Policy Brief, the participants of the 6-Party Talks, the US, Japan, Russia, China, South Korea and North Korea have not encouraged the EU to join the 6-Party Talks de-facto excluding the EU from having a role in security and nuclear issues on the Korean Peninsula. The EU is seemingly satisfied with this non-role in security and nuclear issues in North Korea limiting itself to offer verbal "political support" for the 6-Party Talks.

Brussels' reluctance to get involved in security and nuclear issues on the Korean Peninsula, this author argues, undermines Brussels' credibility and impact as global security actor in general, and in Asia in particular.

Leaving hard security issues aside, Brussels remains engaged in North Korea through (albeit currently very limited) food and humanitarian and sporadic institutional exchanges facilitated by the establishment of bilateral diplomatic relations in 2001.

Due to the lack of resources and more importantly support from EU Member States, however, it remains unlikely that Brussels will resume the ambitious and comprehensive economic engagement course and policies formulated and partly implemented in the early 2000s.

Axel Berkofsky is Adjunct Professor at the University of Milan and Co-Head of the Research Unit 'Chinese investments in Europe', Centre of Advanced Studies on Contemporary China (CASCC), Turin.

collapsing economy and opening up the country to economic and social reform with EU help.

The establishment of diplomatic relations led amongst others to the adoption of the EU's 2002 so-called North Korea Country Strategy Paper (CSP) through which the EU assigned 35 million Euro to economic engagement policies and projects in North Korea.

Today, however, the establishment of diplomatic relations and the adoption of the 2002 CSP look like distant highlights of EU-North Korea relations. Diplomatic relations and sporadic institutional contacts between Brussels and Pyongyang over the years have not led to an increased EU influence on politics and security in North Korea and Brussels suspended (and eventually terminated indefinitely in 2006) its economic engagement policies after the outbreak of the nuclear crisis in 2002.

EU Not Sitting at the Negotiation Table

«The EU has never been formally asked to be part of the 6-Party Talks and it is not clear why. Participants in bilateral meetings always blamed others for not inviting the EU», an EU Commission official tells this author in an interview.

That might be true, but Brussels has never publicly requested a seat at the negotiation table in Beijing and has until the present day essentially limited itself to offering verbal "political support" for the 6-Party Talks.

In a speech at the European Parliament on 11 October 2006, the EU's Commissioner for External Relations Benita Ferrero-Waldner announced that the EU is offering political support for the 6-Party Talks. However, Ferrero-Waldner (like other EU policymakers after her) failed to quantify and qualify what kind of "political support" the EU is willing and able to offer to a forum and a negotiation process it is (and will never be) part of.

Leaving aside that Ferrero-Waldner's last official statement on North Korea was made 2.5 years ago, this lack of details and explanations of what "political support" translates into in the "real" world is what will continue to undermine the credibility of Brussels' North Korea policies. Then again not being invited to Beijing is not necessarily a disadvantage according to Robert Carlin, visiting fellow at the Center for International Security and Cooperation (CISAC) at Stanford University and former senior policy advisor at the Korean Peninsula Energy Development Organization (KE-DO – 2002-2006): «The 6-Party Talks were always going to be a dead end, and it never made any sense to me why the Europeans would want to tie themselves to the mast of a ship that was so clearly doomed».

«The talks – Carlin adds in an interview with this author – were based on the entirely false premise that the 1994 Agreed Framework (a bilateral deal between the US and North Korea by which Washington offered energy

and aid in return for Pyongyang foregoing its nuclear ambitions) had failed because it was a bilateral arrangement, and the way to hem the North Koreans in was to surround them at the negotiating table with five other parties. It was also conceived (at least in Washington) as a way to avoid having to deal directly with Pyongyang».

No Say No Pay?

After Pyongyang agreed in Beijing in February 2007 to disable and dismantle its plutonium-producing reactors in return for the provision of energy and financial aid, Javier Solana, the EU's High Representative for the EU's Common Foreign and Security Policy (CFSP) announced through his spokesperson that the EU would from now on request to be a "player" as opposed to only "payer" in a post-nuclear North Korea. Glyn Ford, Member of the European Parliament and frequent visitor to North Korea calls this a newly developed EU "No-say-no-pay" approach towards North Korea Brussels in his 2008 book *North Korea on the Brink-Struggle for Survival*.

The EU and Solana, Ford argues in his book, were planning to take North Korea's (at least on paper) willingness to make progress with its denuclearization process as an opportunity to define and formulate a new and possibly expanded EU role in a post-nuclear North Korea. Unlike in the past a role that would not be confined to providing North Korea with funds and aid

without having a say (together with other relevant actors such as China, the US and South Korea) on politics and security on the Korean Peninsula.

However, these plans (if there ever were such plans) have not yet materialized and the EU Council and Solana have so far failed to follow up on the February 2007 statement offering additional details on what two years ago sounded like a “new” EU policy approach towards North Korea.

Talking to Washington and Tokyo

Since 2004 and 2005 respectively, the EU is discussing East Asian security issues with the US and Japan on an institutionalized level. These exchanges are the so-called *EU-US and EU-Japan Strategic Dialogues on East Asian Security* taking place every six months.

The North Korean nuclear crisis and the 6-Party Talks are part of these dialogues, but the relevance of these dialogues for the resolution of the nuclear crisis on the Korean Peninsula has realistically been very limited. Although the dialogues have led to a few joint EU-US/EU-Japan declarations on the North Korean nuclear program in previous years, they did not result in any joint EU-US/EU-Japan North Korea policies or policy initiatives until the present day.

Instead, the “real” motive for Washington and Tokyo to start discussing East Asian security issues with the EU on

a regular basis was to de-facto “institutionalize” pressure on the EU not to lift the weapons embargo imposed on China in 1989 – successfully as it turned out as the embargo is still in place and not anywhere near the top of the EU’s China agenda. Back then Washington and Tokyo were alarmed by Brussels’ alleged plans to lift the weapons embargo and activated all available track I (official level) and track II (non-official level such as think and university seminars) channels to convince and urge the EU not to touch the embargo.

As it turned out (not least in view of the absence of joint US-EU or Japan-EU policies towards North Korea), the US and Japan were never planning to coordinate their respective North Korea policies with the EU even if the official record of their bilateral dialogues on East Asian security might have suggested otherwise.

North Korea featured on the agenda of those bilateral dialogues, but was realistically an “also-ran” as opposed to “real” issue on it.

US willingness to include Brussels into its policies and policy approaches towards North Korea will continue to remain limited, says Ralph Cossa, President of the Pacific Forum CSIS in Honolulu, Hawaii; «the more Washington negotiates directly with Pyongyang, as Bush started doing and Obama is likely to continue doing, the less role there is for others».

However, others like Robert Carlin disagree. Carlin argues that Washington under the

Obama administration could be more willing to consider joint US-EU policies towards North Korea. «For the past eight years, it was impossible to craft any serious joint EU-US policies on the North Korean nuclear issue because there was, frankly, no serious US policy. If there develops a better considered, more sober US policy that looks at the totality of the North Korean problem and sees it in more than just the nuclear context, then I would assume there will be much more room – in fact, much more need – for US-EU cooperation on North Korea», he tells this author in an interview.

Feeding North Korea, Sporadically

In the meantime Brussels’ political decision-makers in the EU Commission and EU Council seem satisfied with the EU’s role and engagement on the Korean Peninsula which is essentially mainly limited to providing North Korea with humanitarian and food aid.

Through the so-called EU Food Security program the EU is funding NGO projects over the period 2007-2010 out of a 35 million Euro budget set aside for the DPRK in 2002.

From 1995 until 2005, the EU has provided North Korea with humanitarian aid worth roughly Euro 370 million even if the EU’s most recent notable provision of food aid for North Korea dates back to November 2006. What’s more, transport costs to and distribution costs in North Korea are usually included in

the overall amount provided for humanitarian aid which significantly reduces the funds available for actual food and humanitarian aid such as medicines and medical supplies.

While only a few years ago, Brussels was by far the biggest donor of humanitarian and food aid in North Korea, it has recently been overtaken by South Korea and China.

For the time being the EU has no plans to provide North Korea with additional humanitarian and food aid maintaining that North Korea's current humanitarian and food situation does not require additional large-scale food aid.

The World Food Program (WFP) operating in the North Korea does not share such an assessment and maintains that North Korea's 2008 harvest is the worst in a decade. Malnutrition amongst infants, children and women is still and as ever above 30% and more than 50% of North Korea's population, the WFP writes in a recent report on North Korea, does not have access to basic medical services and supplies.

EU Economic Engagement Policies of the Past

As formulated in the EU's 2002 North Korea Country Strategy Paper (CSP) a total of Euro 35 million had been set aside for EU technical assistance projects until 2006. The CSP-together with the EU's National Indicative Program (NIP) for North Korea-set out the framework and objectives for technical

assistance projects in North Korea.

At the time, this made the EU the only substantial donor of technical assistance to North Korea and the CSP and NIP were to provide for training in market economic principles and projects designed to support and promote sustainable management and the efficient use of natural resources and energy in the DPRK, as well as institutional support and capacity-building.

The Country Strategy Paper (2002) foresaw the following priority areas of co-operation:

- institutional support and capacity building;
- sustainable development and use of natural resources including access to sustainable energy sources;
- reliable and sustainable transport sector and rural development.

Basis for the aid and projects formulated in the CSP was the EU's assessment that support for North Korea's industrial sector (coal, steel and others) as opposed to support for the agricultural sector is crucial for a possible economic recovery in North Korea. Back then Brussels concluded that the structure of North Korea's economy is similar to the structure of many Eastern European economies of the 1990s (as opposed to the structure of fellow Asian economies with and large and developed agricultural sectors.) Consequently, EU aid and technical assistance in 2002 focussed on North Korea's industrial sector such as coal and heavy industry.

Initially, North Korea seemed willing not only to accept EU economic and financial aid but also to learn from Europe how to run and manage an economy in need of economic and structural reforms. Amongst others, Pyongyang dispatched a group of senior officials to Europe in 2002 to learn about EU economic policies and models and welcomed the EU Parliament's initiative to establish (quasi)-institutional and by North Korean standards regular exchanges.

Precondition for the successful implementation of European aid and technical assistance programs was Pyongyang's willingness and efforts to implement economic and structural reforms. Initially, North Korea's political leadership seemed prepared to implement fairly and (by North Korean standards) wide-ranging economic reforms – until in 2003 and 2004 economic reforms “threatened” from Pyongyang's perspective to challenge the leadership's absolute power over politics and economics in North Korea (for details see below).

The outbreak of the nuclear crisis at the end of 2002 put an end to the implementation process of the EU's North Korea CSP. The suspension of these programs in 2002 (and the definite end in 2006) means that Brussels would de-facto have to start from scratch engaging North Korea economically should the Commission one day decide to resume these programs. That however is yet far from certain.

Whereas until recently (essentially until the indefinite

termination of the CSP in 2006) the EU Commission offered the prospects of resuming economic engagement projects as formulated in the CSP, there are currently no indications that Brussels is planning to draft and adopt a new North Korea Country Strategy Paper as the basis and framework for an economic engagement course.

That, however, does not mean that Brussels has suspended all economic assistance and engagement activities towards North Korea. In 2004, 2005 and 2007 e.g. EU Commission delegations visited North Korea to hold seminars on EU-North Korea relations and economic reforms in North Korea. In 2008, however, none of these other seminars have taken place which is not least due to the fact that many of Pyongyang's economic reforms have been interrupted and (at least for now) terminated indefinitely as Leonid Petrov, Research Associate at the Australian National University in Canberra, argues: «In 2004, North Korean government officials and the Army were told that market liberalism was a temporary phenomenon and would not be tolerated in the future. The economic policy of partial liberalization started in July 2002 was gradually abandoned and old patterns of central economic planning, public distribution system, and strictly controlled market activity were being reintroduced».

Recent personnel changes in North Korea, Petrov argues, could be turning the interruption of economic reforms into permanent ones.

«In 2007, Kim Jong-il's brother in law, Chang Sun-taek, was promoted to the newly created post of First Vice-Director of the ruling Korean Workers' Party. He visited the border area with China to "clean up" smuggling and speculation, and issued an order to tighten regulations concerning the maintenance of free markets in the country».

Trading very little

The EU-North Korea trade volume is negligible and given its very small volume it does not even feature on the website of the Commission's Directorate-General for External Trade (DG Trade). The most recent data of bilateral trade available on EU Commission websites dates back to 2002 (!).

According to more up to date (non-EU) sources the bilateral EU-North Korea trade volume between 1995 and 2005 fluctuated between \$200 and 400 million annually representing an almost irrelevant share of the EU's overall external trade.

In fact, in terms of trade volume, EU-North Korea trade is roughly 1,000 times as relevant for the DPRK than it is for the EU, Korea scholar Rüdiger Frank calculated back in 2003. This calculation is still valid today even if North Korea's overall external trade volume – mainly thanks to its booming bilateral with China – has increased in recent years. Today, China is by far North Korea's biggest trading partner (followed by South Korea and Japan) accounting for more than 40% of

Pyongyang's overall external trade (\$1.2. billion in 2008).

The modest bilateral trade volume, nuclear crisis and the interruption of economic reforms notwithstanding, European business does not shun North Korea completely. A European Business Association Pyongyang (EBA) was founded in 2004 and recent European-North Korean business cooperation include the PyongSu pharmaceutical joint venture (JV) (which produces generics like aspirin for the North Korean domestic market) a Polish-North Korean shipping joint venture and a partnership in IT services between the Korea Computer Centre (KCC) and a German partner company.

The most successful joint ventures, however, are tobacco and beer. The British American Tobacco (BAT) plant close to Pyongyang is reportedly operating profitably and the North Korean Taedonggang Brewery shipped stock and barrel from Trowbridge in the UK to North Korea to open up a brewery in Pyongyang.

The Latest Bad News

Recent events in and around North Korea indicate that Brussels' role and engagement on the Korean Peninsula is very likely to remain unchanged in the months ahead.

Currently, the US and North Korea differ on the terms of the verification of Pyongyang's nuclear program and sites agreed in the above mentioned *February 2007 Agreement*, de-facto meaning

the interruption of Pyongyang's denuclearization.

North Korea is refusing to allow international nuclear inspectors into the country and while Washington wants inspectors to take samples of atomic material for examination, Pyongyang argues (falsely) that this was not part of the *February 2007 Agreement*.

The 6-Party Talks have yet to resume – the last session was scheduled for December 2008 but was unilaterally cancelled by Pyongyang – and it is becoming increasingly clear that Pyongyang is not willing to honor the provision of the *February 2007 Agreement* without asking for amendments and further “Western” economic and financial incentives to do so.

What's more, Pyongyang earlier in January nullified a 1991 agreement with Seoul on reconciliation, non-aggression and co-operation. It says it will no longer honor the western maritime boundary between the two countries, known as the northern limit line. Pyongyang's space agency has announced to launch a communications satellite. South Korea, Japan and the US, however, believe that it is not a satellite that could about to be launched but Pyongyang's Taepodong-2 missile, the first ballistic missile that North Korea has built which is capable of striking Alaska and perhaps the West Coast of the US.

Conclusions

EU “soft power” in forms of technical assistance, generous

economic, humanitarian and financial aid, it was hoped in Brussels policymaking circles in the early 2000s, would equip Brussels with the policy instruments and leverage to help convincing Pyongyang to give up its missile and nuclear programs.

That was the theory, but as was shown above, the reality of EU-North Korea relations and EU economic and political engagement policies towards North Korea turned out to be very different.

For the time being, Leonid Petrov argues, the EU will have to remain in a wait-and-see mode waiting for North Korea to denuclearize verifiably and for good. «North Koreans see Europe as a valuable alternative to the US in politics, trade, and security. The EU can play a very positive role in helping North Korea through economic cooperation and training programs, but for this to happen the nuclear issue has to be solved and the economic sanctions lifted», Petrov says.

Like it or not, in a realist security environment like Northeast Asia the EU's decision not to get involved in “hard security” issues like the North Korean missile and nuclear crisis undermines the credibility of Brussels' global foreign and security policy vision to play a role in security issues outside Europe, including in Asia.

If the EU wants to be taken seriously as political and security actor on the Korean Peninsula, it is advised to specify what role it seeks to assume in North Korea in the

future, i.e. after the resolution of the nuclear crisis.

So far, very little (if anything) is publicly known about the possible nature of EU engagement in a post-nuclear North Korea, inevitably giving the impression that Brussels does not have or does currently not see the need to develop a North Korea strategy. If that is the case, Brussels' and European policymakers would not (at least not in Asia) live up to the spirit and goals of the December 2003 European Security Strategy (ESS) through which the EU assigned itself a global role in international security, including in Asia, including in North Korea.

If the EU (above all the EU Commission) is really interested in having a role in the (at least potential) recovery of North Korea's economy, it should continue to promote and advocate economic reform in North Korea through the existing institutional links and exchanges (especially those between Pyongyang and the European Parliament).

To be sure, as elaborated above, the current political priorities in North Korea do not favor economic and social reforms in North Korea and Europe will inevitably continue to find itself investing time and resources in vain.

The EU Member States' interest in and commitment towards intensifying EU aid, technical assistance in North Korea will continue to remain limited jeopardizing the EU Commission's ability to assign additional funds to its work on and activities in North Korea.

Despite the ongoing nuclear crisis, North Korea will continue to be nowhere near the top of the EU's external relations agenda. Consequently, the EU Commission is very unlikely to increase the existing limited resources dedicated to deal with and work on North Korea – unless there emerges an inner-European political consensus to increase the EU's economic and political engagement after the resolution of the nuclear crisis.

As regards humanitarian and food aid, Brussels is advised to continue separating humanitarian from security and nuclear issues and provide North Korea with additional and badly-needed humanitarian and food aid.

The World Programm's assessment on North Korea's humanitarian situation is certainly bad "enough" to justify the provision of additional and comprehensive EU humanitarian aid for a chronically starving North Korean population.

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ISPI
Palazzo Clerici
Via Clerici, 5
I - 20121 Milano
www.ispionline.it

Per informazioni:
ispi.policybrief@ispionline.it
ispi.policybrief1@ispionline.it

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