

Leading or Following? The Role of KEDO and the Agreed Framework in Korea Policy

Zachary S. Davis¹
zdavis@crs.loc.gov

And it ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new.

Machiavelli, The Prince, Chapter VI: Concerning New Principalities Which Are Acquired By One's Own Arms And Ability

Introduction

The Korean Peninsula Energy Development Organization (KEDO) emerged from a crisis involving nuclear weapons and large military forces poised for battle. Established in 1994 to implement the Agreed Framework between the United States and Democratic People's Republic of North Korea (DPRK), KEDO became the cutting edge of a policy to redefine relations between bitter enemies that were technically at war. Key U.S. allies, South Korea and Japan, became full partners in KEDO's outreach to the despotic, impoverished, and isolated North Korean regime.² KEDO's mission is to build two light water type nuclear power reactors (LWRs) in North Korea, as envisioned in the Agreed Framework, in exchange for Pyongyang's promise to freeze construction and operation of graphite reactors, plutonium reprocessing, and related facilities which were closely associated with its suspected nuclear weapons program. From the beginning, the question has been: Will it work? Can the Agreed Framework and KEDO reduce the threats that North Korea poses to its neighbors?

KEDO is a unique multilateral institution. Proponents see it as the best hope for reducing threats and improving relations with Pyongyang. From this perspective, KEDO is leading the way to a more secure future by offering North Korea positive incentives for engagement. Cooperation through KEDO, they hope, will spread from the urgent focus on nuclear diplomacy to other areas such as energy, environment, trade, and - ultimately - peaceful reunification. From a different perspective, however, KEDO is seen as a cynical and misguided effort to appease North Korean nuclear and missile threats. Some critics suspect all sides - Washington, Pyongyang, Seoul, and Tokyo - of using the Agreed Framework to stall for time, never really intending to implement the agreement. After six years of implementing the Agreed Framework, the debate continues.

KEDO is still the leading edge of a broad policy initiative that seeks to coax North Korea out of its isolation and to test the Pyongyang's interest in developing more normal state-to-state relations with its neighbors and with the international community. If it works, KEDO will be viewed as a model for engaging other so-called "rogue nations".³ Russia has proposed a KEDO-like arrangement to redirect North Korea's missile program to peaceful purposes and in the past has compared its reactor sales to Iran to KEDO's reactor transfer to the DPRK.⁴ If KEDO fails, questions will be raised about what went wrong; and whether the policy could have worked under different conditions.

¹ Zachary Davis is Specialist in International Nuclear Policy at the Congressional Research Service, Library of Congress. The views expressed are his own.

² The EU joined KEDO's executive board in 1997, but its influence and contributions have not matched those of the other board members. Other nations are KEDO members but are not on the executive board. Non-members have also contributed.

³ On the problems associated with the doctrine of "rogue nations" see Robert Litwak, *Rogue Nations and US Foreign Policy* (Washington: Woodrow Wilson Center Press, 1999)

⁴ Walter Pincus, "Russia Has Offer On Missile Defense," *Washington Post*, April 29, 2000.

Whatever the outcome, KEDO's short history already holds lessons for the role of technical cooperation in addressing security problems. One early lesson from the KEDO experience is that the success or failure of cooperative endeavors between hostile nations depends on the sustained will of participants over time to use cooperation to achieve broader security and foreign policy objectives. Unless cooperative initiatives are mutually supported by a full range of diplomatic, military and economic policy measures, isolated instances of cooperation stand little chance of reversing deeply entrenched hostilities. As discussed below, the history of conflict weighs heavily on KEDO and the Agreed Framework. Cooperation remains shackled by fear until the threat of conflict can be reduced. Although the main parties have calculated that the costs of cooperation through KEDO and the Agreed Framework are justified by the potential benefits, it is for the Koreans to determine the dynamics of their reconciliation process. As reconciliation brings threat reduction, functional cooperation can expand to address North Korea's many problems, such as energy. These and other lessons from the KEDO experience are elaborated below.

Philopoemen, Prince of the Achaeans, among other praises which writers have bestowed on him, is commended because in time of peace he never had anything in his mind but the rules of war; and when he was in the country with friends, he often stopped and reasoned with them: "If the enemy should be upon that hill, and we should find ourselves here with our army, with whom would be the advantage? How should one best advance to meet him, keeping the ranks? If we should wish to retreat, how ought we to set about it? If they should retreat, how ought we to pursue?" And he would set forth to them, as he went, all the chances that could befall an army; he would listen to their opinion and state his, confirming it with reasons, so that by these continual discussions there could never arise, in time of war, any unexpected circumstances that he could deal with.

Chapter XIV That Which Concerns A Prince On The Subject Of The Art Of War

The Difficulty of Escaping the Legacy of the Korean War

From the beginning, KEDO was thrust into a confrontation that many feared was on the brink of war. Its mission to build US- designed nuclear reactors in the North seemed strangely out of step with the continuing climate of hostility stemming from the Korean War. Technically, the Korean War never ended, and no peace treaty was ever signed. Instead, the United Nations polices the armistice that divides the peninsula along the 38th parallel. United Nations forces based in Panmunjom truce village oversee the sometimes bizarre rituals that have become the hallmark of Korea's nose-to-nose standoff. And despite years of meetings, the North-South Military Armistice Commission has not been viewed as a model of cooperation.

The economic and social development of the two Korea's since 1953 could hardly be more different. Backed by a strong alliance and economic backing from the United States, the Republic of Korea grew from having a per capita GDP in the 1960s comparable to the poorest Third World countries to become a vital democracy whose economy ranks among the world's most productive. South Korea's recovery from the Asian financial crisis of 1997-98 has restored its position as a leader in global trade and technology.⁵ By contrast, North Korea survived as a vassal state of the Soviet Union and China until Moscow and Beijing scaled back their aid to Pyongyang in the early 1990s, leaving North Korea to fend for itself with a failed central command economy and a collectivized agricultural sector that can not provide for the basic human needs of the population. Widespread famine and disease have claimed the lives of hundreds of thousands, perhaps millions, of North Koreans in recent years. GDP has declined steadily with little or no signs of recovery. Despite the desperate plight of its people, the DPRK manages to maintain the world's fifth largest military and a million man army deployed close to the DMZ. Recent arms purchases and stepped up training exercises indicate the military-first priority of Kim Jong Il's regime.⁶

⁵ Raymond Ahearn, South Korea's Economic Prospects, CRS Report for Congress, February 1, 1999.

⁶ Testimony of General Thomas A. Schwartz, Commander in Chief, United Nations Command/Combined Forces Command and Commander, United States Forces Korea, Before the Senate Armed Services Committee, 7 March 2000.

Despite the military confrontation between the North and South, the Korean people share a yearning for reunification. The emotional issue of divided families remains a potent political factor in Korean politics, although the desire to reunite families does not translate into an unqualified willingness in the South to pay the costs of absorbing North Korea's decrepit economic system and its 21 million needy people. Having considered the lessons of German unification, South Korea clearly prefers a soft-landing approach to North Korea's future that stretches a gradual process of reconciliation and reunification over a period of many years.

History also haunts Korea's relations with Japan. Japan's brutal occupation is still remembered on both sides of the DMZ. The treatment of Korean women by Japanese soldiers is a particularly gruesome memory. Nevertheless, relations between Tokyo and Seoul have improved greatly in recent years. Military cooperation between the ROK and Japan has grown in response to mutual concerns about North Korean threats. The North's August 1998 missile launch over Japan and its repeated incursions into South Korean and Japanese territorial waters helped overcome years of mutual resistance to closer military cooperation between Tokyo and Seoul. In terms of Japan's domestic politics, Japan's Korean minority population is an important source of economic support for relatives in North Korea, although stemming the flow of family money has proved difficult. Providing funds for the KEDO reactors has challenged the Japanese government to overcome historical animosity toward both Koreas. Despite recent signs of progress in bilateral relations, Japan remains a frequent target of North Korean threats.

Beyond the Seoul-Pyongyang-Tokyo triangle, Beijing's awkward relationship with its erstwhile ally strongly influences the fate of the Agreed Framework and KEDO. China, along with the former Soviet Union, was a major benefactor of communist North Korea and the source of much of the training and technology that underlies Pyongyang's nuclear and missile programs.⁷ Although China is not a member and does not contribute to KEDO, it provides considerable assistance to North Korea, including food aid and managing refugee flows that effect the overall stability of North Korea.⁸ And, although the Four-Party talks in which China participates have done little to assuage longstanding tensions, China's self interest in restraining North Korea's provocative behavior - exemplified by missile launches that spur US-Japan-ROK defense increases - makes the Pyongyang-Beijing relationship an important aspect of any threat reduction scenario.

These are among the historical legacies that must be overcome if the kind of cooperation envisioned by KEDO and the Agreed Framework is to succeed. Using functional cooperation on technical issues to ease historical animosities has precedent. The European Coal and Steel Community, for example, gave a boost to European reconstruction and unification. However, the multilateral institutions established to rebuild Europe were part of a comprehensive effort to reshape the Continent's political, economic, and military landscape. KEDO and the Agreed Framework have yet to be integrated into a similar process.

Because there is nothing proportionate between the armed and the unarmed; and it is not reasonable that he who is armed should yield obedience willingly to him who is unarmed, or that the unarmed man should be secure among armed servants. Because, there being in the one disdain and in the other suspicion, it is not possible for them to work well together.

Chapter XIV That Which Concerns A Prince On The Subject Of The Art Of War

Cooperation Now, Threat Reduction Later

The premise of the Agreed Framework is that it can facilitate threat reduction for all parties. Top priority for the United States remains reduction of the nuclear threat, but threats from North Korea's missiles, chemical,

⁷ Joseph Bermudez, "Exposing North Korea's Secret Nuclear Infrastructure," Jane's Intelligence Review, Part I, July 1, 1999; Part II, August 1, 1999.

⁸ John Pomfret, "China Returns Refugees to N. Korea After Riot," Washington Post, April 29, 2000.

biological, and conventional weapons would also have to be eased if the Agreed Framework is to achieve its broader objectives.

North Korea agreed to freeze its declared nuclear operations and dismantle them when KEDO delivers the promised new reactors. From the outset, the freeze capped a nuclear program that was on track to produce a significant nuclear arsenal. Despite heading off this emerging threat, the Agreed Framework delays the elimination of Pyongyang's previously established nuclear capabilities until the reactor construction part of the agreement is assured. Thus, North Korea can maintain its existing plutonium stocks until the first reactor is nearly completed. Those stocks probably consist of enough separated plutonium for one or two bombs and enough plutonium in spent fuel for about five more.⁹ The ultimate disposition of those fuel rods has not been decided, but presumably they will be removed from North Korea. The wisdom of this trade-off has been hotly debated in Congress, especially in view of the benefits realized by North Korea in the interim.¹⁰ There is also concern that after the new reactors are operating, North Korea could once again reject the NPT and the Agreed Framework and decide to reprocess spent fuel from the new LWRs.¹¹ However, such a decision would require North Korea to build new reprocessing equipment to replace the Yongbyon reprocessing plant that is slated for dismantlement under the Agreed Framework.

Implementation of the Agreed Framework by KEDO faces several significant obstacles. One major obstacle is that the IAEA probably will not begin to verify the completeness and accuracy of North Korea's nuclear inventory declaration until critical components for the first reactor are ready for delivery, which is still several years away. Moreover, the IAEA will require unfettered access to all sites, including those that North Korea still claims are off limits. Talks between the IAEA and North Korea on the resumption of inspections have gone nowhere.¹² Answering questions about past nuclear activity, including operation of the 25mw reactor and disposal of reprocessing wastes, will require reconstructing evidence of past nuclear activities. This task has been made much more difficult due to North Korea's efforts to obscure and destroy evidence. Creating a coherent and credible account of North Korea's nuclear program could take years and cause implementation of the Agreed Framework to be delayed until the IAEA can verify North Korea's compliance with its obligations under the Nonproliferation Treaty. It will be important for all parties to the Agreed Framework and the IAEA to agree as soon as possible on an acceptable range of uncertainty regarding verification of Pyongyang's nuclear inventory, because total certainty is probably not technically possible, and any remaining uncertainty is likely to feed suspicion that North Korea retains some covert nuclear capability. The IAEA's experiences in verifying inventories in South Africa and Iraq, both of which had nuclear weapons programs, and the Agency's Strengthened Safeguards System will help reduce uncertainties about North Korea's nuclear inventory.

Once the IAEA assures compliance, completion of the reactors and start-up can proceed. Despite progress on negotiating protocols for reactor construction, further clarification will probably be required regarding legal liabilities, training of North Korean technicians, regulatory responsibilities, workers rights, and access at the Sinpo site. Workers at the construction site are already on strike demanding higher wages.¹³ There are also many problems associated with connecting the new reactors to North Korea's electrical transmission

⁹ Most unclassified estimates of undeclared plutonium reprocessing are in the range of about 10-20 kilograms. An additional 25-30 kilograms could be recovered from spent fuel unloaded from the 25mw reactor in 1994, but that irradiated fuel has been canned in accordance with the Agreed Framework.; David Albright, Frans Berkhout and William Walker, *Plutonium and Highly Enriched Uranium 1996 World Inventories, Capabilities and Policies*, Chapter 10, "North Korea," (Oxford: Oxford University Press/SIPRI, 1997); Larry Nicksch, *North Korea Nuclear Weapons Program*, CRS Issue Brief, April 7, 2000

¹⁰ For Congressional criticism of KEDO and the Agreed Framework, see the Speaker of the House of Representative's North Korea Advisory Group (NKAG), Report to the Speaker of the House, November 3, 1999. The report is available on the web site of the House International Relations Committee, < http://www.house.gov/international_relations/>

¹¹ Remarks of Congressman Christopher Cox before a House International Relations Committee hearing on the Agreed Framework, October 13, 1999, and a response by David Albright, president of the Institute for Science and International Security, "Light Water Reactors and Nuclear Weapons in North Korea: Let's Be Fair with Our Comparisons," October 27, 1999.

¹² Statement by Mohamed ElBaradei, Director General of the IAEA, "N.Korea Nuke Plant Progress Hinges on Disclosure," Reuters, December 21, 1999.

¹³ Cha Byung-hak, "North Korean KEDO Workers On Strike," Chosun Ilbo, April 28, 2000. Distributed in NAPSNET Daily Report, April 29, 2000.

grid. In light of the serious obstacles still to be overcome, confirming Pyongyang's compliance with the NPT and the terms of the Agreed Framework could take several years, further delaying start-up of the reactors.

Missiles, Chemical and Biological Weapons, and Conventional Forces

Several other security issues complicate implementation of the Agreed Framework. The Agreed Framework does not offer a solution to North Korea's missile research, development, testing, deployment, and sales, which are the subject of separate negotiations.¹⁴ An informal moratorium on missile tests has deferred indefinitely resolution of the missile issue. Yet concerns about North Korean missiles strongly influence the debate in the United States about national missile defenses (NMD), particularly in light of Pyongyang's emerging capability to reach the U.S. with long-range missiles possibly carrying chemical or biological warheads.¹⁵ The August 1998 launch of a Taepo-Dong missile over Japan sparked renewed interest in Tokyo in cooperating with the US on missile defense, as well as inspiring Japan's new satellite reconnaissance programs. In this regard, North Korea has created a self-fulfilling prophesy by justifying increased defense expenditures to counter their own actions. China and Russia have also expressed concerns that North Korea's missiles have created an unwelcome backlash in the form of increased support for U.S. military presence throughout the region, including growing interest in missile defenses.

North Korea's missiles also create instability in South Asia and the Middle East. Transfers to Iran, Egypt, Pakistan, and Syria undermine efforts to defuse tensions and avoid conflict. While asserting its right to sell missiles, North Korea has also hinted that it might curtail its missile sales for the right price.¹⁶ It is hard to imagine smooth implementation of the Agreed Framework without significant progress on the missile front. To further complicate matters, Pyongyang's chemical and biological weapons will also have to be addressed.¹⁷

Finally, North Korea's conventional military forces represent the most immediate threat of conflict and would have to be addressed by any comprehensive threat reduction arrangement. Despite its economic problems, North Korea maintains the world's third largest army. In addition to its 500 SCUD missiles, medium range No Dong and Taepo Dong missiles, Pyongyang deploys nearly a million troops, 8,000 artillery systems, and 2,000 tanks on war footing close to the DMZ. North Korea is also known to have significant special operations forces ready to move south utilizing tunnels, boats, and other covert infiltration methods.¹⁸ That said, it is also true that North Korea's conventional forces are deteriorating. Easing of the conventional threat would be a fundamental requirement for true threat reduction.

From Pyongyang's perspective, US and South Korean military forces are stronger than ever and the US-ROK alliance shows no signs of weakening.¹⁹ The removal of U.S. troops from Korea remains a constant preoccupation of North Korean diplomacy, but the approximately 37,000 US troops stationed in South Korea will remain for the foreseeable future. Likewise, the US-Japan alliance remains strong. Efforts to split these alliances have failed, leaving North Korea more isolated than ever. Meanwhile, Pyongyang's own forces are in decline. North Korea will not see a significant reduction in the forces arrayed against it without reciprocal actions on its part.

Despite the Cold War atmosphere, there has been willingness to adjust military postures to signal threat reduction. The Bush Administration unilaterally removed nuclear weapons from the Korean peninsula in 1992, and the US and ROK have periodically cancelled military exercises as a gesture to North Korea. But significant mutual threat reduction will not come without substantial progress toward resolving fundamental differences. Pyongyang's diplomatic outreach efforts will not succeed in driving a wedge between Washington

¹⁴ Joseph S. Bermudez Jr., *A History of Ballistic Missile Development in the DPRK*, Monterey Institute of International Studies, Occasional Paper No. 2, November 1999.

¹⁵ Director of the Central Intelligence Agency George Tenet, Testimony before the Senate Foreign Relations Committee, March 21, 2000.

¹⁶ Shin Yong-bae, "Israel To Aid N.K's Farm Industry In Return For Halting Missile Exports," *Korea Herald*, February 2, 2000

¹⁷ Central Intelligence Agency, *Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 January Through June 1999*. North Korea signed the Biological Weapons Convention but not the Chemical Weapons Convention.

¹⁸ General Schwartz testimony before the Senate Armed Services Committee, *ibid.*

¹⁹ Schwartz testimony, *ibid.*

and Seoul, although the fate of the U.S.-ROK military alliance after Korean reunification is hard to predict. In the meantime, the Agreed Framework and other detente efforts move forward under the shadow of mutually assured destruction.

North Korea's behavior in several other areas compounds perceptions that it is a "rogue state" that does not abide by accepted norms of international behavior. Certainly the North's steady output of vitriolic anti-ROK, anti-Japan, and anti-US rhetoric does not help the situation. One hopes such statements do not reflect official thinking.²⁰ Reports of North Korean counterfeiting, smuggling of everything from drugs to elephant ivory, and assistance to brutal military groups in Africa do not build confidence.²¹ One bright spot in this otherwise gloomy scenario is the possible resolution of longstanding concerns about North Korea's sponsorship of terrorism and harboring of terrorists.²²

It is not surprising that deeply rooted threat perceptions and the lack of progress in reducing those threats have slowed the pace scope of cooperation. The hope is that cooperation will expand as threats contract.

For it is the nature of men to be bound by the benefits they confer as much as by those they receive.

Chapter X Concerning The Way In Which The Strength Of All Principalities Ought To Be Measured

Costs and Benefits of the Agreed Framework: A Balance Sheet

The diplomatic challenge of engaging North Korea is daunting, but not impossible. And while relations with North Korea are unusual in some ways, in other ways they are consistent with time-honored traditions of statecraft. Officials who have negotiated with North Korea and scholars who have studied North Korean negotiating behavior argue that self interest, pragmatism and reciprocity are as relevant to Pyongyang as to any other country.²³ Ambassador Robert Gallucci negotiated the Agreed Framework shortly after former President Jimmy Carter struck a deal with "Great Leader" Kim Il Sung. His son, "Dear Leader" Kim Jong Il, has continued his father's basic agenda.

Before his death, Kim Il Sung had signaled willingness to hold a North-South summit and had agreed to a Korean de-nuclearization deal that went much further than the Agreed Framework²⁴. Regardless of whether Kim Jong Il is sincere about implementing the Agreed Framework, the deal has sparked an expanding array of talks, contacts, meetings, and negotiations.

²⁰ See the DPRK official web site at <<http://www.kcna.co.jp/>>

²¹ David Kaplan, "The Wiseguy Regime: North Korea Has Embarked on a Global Crime Spree," US News and World Report, February 15, 1999; London Sunday Telegraph, "Alarm Over North Korea's Secret Deal for Congo Uranium," January 16, 2000; North Korea Advisory Group, Report to the Speaker of the House of Representatives, *ibid*, p. 38.

²² Neil King Jr., "U.S. May Remove North Korea From List of Terrorism Sponsors," Wall Street Journal, May 1, 2000. There was not enough progress on outstanding issues to remove North Korea from the annual terrorism report for 2000.

²³ Former KEDO official Mitchell Reiss, Testimony before the House International Relations Committee, March 16, 2000. Scott Snyder, *Negotiating on the Edge: North Korea Negotiating Behavior* (Washington DC: US Institute of Peace, 2000); Yong-Sup Han, "North Korean Behavior in Nuclear Negotiations," *Nonproliferation Review*, Spring 2000, volume 7, number 1; Joel Wit, "Clinton and North Korea: Past, Present and Future," Nautilus Institute, March 1, 2000.

²⁴ On the North-South nuclear negotiations with North Korea see Mitchell Reiss, *Bridled Ambition* (Washington DC: Woodrow Wilson Center Press, 1995); Michael Mazarr, *North Korea and the Bomb* (London: Macmillan Press, 1995); Leon Sigal, *Disarming Strangers: Nuclear Diplomacy With North Korea* (Princeton: Princeton University Press, 1998); James Clay Moltz and Alexandre Mansourov, eds, *The North Korean Nuclear Program: Security, Strategy, and New Perspectives from Russia* (New York: Routledge, 2000)

Some observers remain hopeful that increasing engagement will eventually build confidence and lead to real progress in reconciling the two Koreas. Others view North Korean diplomacy as a ruse for their true intentions to extract concessions without reciprocal actions on their part. But few would say that negotiations are fruitless. Despite setbacks and continuing misgivings, negotiations are producing sufficient results to justify the costs. Even critics stop short of calling for abandoning the Agreed Framework. Some of the costs and benefits for Washington, Seoul, Tokyo and Pyongyang are outlined below.

Costs and Benefits for the United States

Former Secretary of Defense William Perry completed a congressionally mandated review of US North Korea policy in October 1999.²⁵ The Perry report outlined costs and benefits of the Agreed Framework and proposed a two-track strategy for continuing implementation.²⁶ Several other expert panels made similar recommendations; all concluded that the benefits of continued implementation far outweigh the costs of abandoning the Agreed Framework.²⁷ Nevertheless, the costs are considerable, both in material and policy terms.

The United States is not required to pay for the reactors, although President Clinton committed his administration to oversee delivery of the reactors.²⁸ The U.S. agreed to provide 500,000 barrels of heavy fuel oil to North Korea annually until the reactors begin operating. The total cost for the fuel oil by the end of 1999 was \$222 million, \$153.5 million of which came from the United States.²⁹ The oil is ostensibly to compensate for electricity that theoretically could have been produced by the graphite reactors that North Korea agreed to scrap. In addition to oil, the United States paid for the canning of plutonium laden fuel rods to prevent them from being reprocessed, which cost about \$26 million. Washington provided food and other aid totaling \$645 million from 1994 to 1999.³⁰ When the reactors are near completion, U.S. firms would be needed to provide sensitive components to complete the reactors, but at no expense to the United States Government and only after the IAEA is satisfied that it has accounted for all of North Korea's past and current nuclear activities. Congressional requirements could also delay implementation, especially provision of U.S. nuclear technology required to complete the LWRs.³¹

On the plus side, the Agreed Framework helped defuse a confrontation that many believed was headed for war. While military victory over North Korea would be certain, the human costs would be horrific, even without resort to mass destruction weapons. Bringing North Korea into compliance with the NPT would bolster the credibility of the treaty, the IAEA's inspection system, and the nonproliferation regime. Halting missile transfers to the Middle East and South Asia could help slow arms races and possibly reduce the risk of North Korean missiles triggering or being used in war -- possibly one involving WMD.

Capping and rolling back North Korea's nuclear weapons program benefits the United States in many ways, not least of which is to lessen the need to bolster U.S. military forces to counter North Korea's nuclear

²⁵ In October 1998, Congress required the President to appoint a senior envoy to review North Korea policy as a condition for further funding of KEDO.

²⁶ Review of United States Policy Toward North Korea: Findings and Recommendations, Unclassified Report by Dr. William J. Perry, U.S. North Korea Policy Coordinator and Special Advisor to the President and the Secretary of State, Washington, DC, October 12, 1999.

²⁷ Council on Foreign Relations, Independent Task Force Report, "US Policy Toward North Korea: A Second Look," October 1999; United States Institute of Peace, Special Report, "Mistrust and the Korean Peninsula: Dangers of Miscalculation," October 1998; Ralph Cossa, "The US-DPRK Agreed Framework: Is it Still Viable? Is it Enough?" Pacific Forum/CSIS Occasional Paper, April 1999.

²⁸ Agreed Framework, Section I (1) states: "The U.S. will organize under its leadership an international consortium to finance and supply the LWR project to be provided to the DPRK."

²⁹ General Accounting Office, Status of Heavy Fuel Oil Delivered to North Korea Under the Agreed Framework, September 1999; Larry Nicksch, North Korea's Nuclear Weapons Program, CRS Issue Brief, April 7, 2000.

³⁰ U.S. State Department, Fact Sheet, "US Food Aid to North Korea 1997-1998" undated; North Korea Advisory Group Report, *ibid.*, p. 6.

³¹ An amendment to the Foreign Relations Authorization for 2000, Public Law 106-133, requires the President to certify that North Korea is complying with the terms of the Agreed Framework before any nuclear transfers are authorized. A bill passed by the House in May 2000, H.R. 4251, would put additional restrictions on U.S. nuclear technology transfers to North Korea.

capabilities. Preparing for war with North Korea is a major component of the U.S. two-war scenario that underlies U.S. defense planning. Thus, removing one of the two major regional conflict scenarios would ease overall U.S. defense requirements and make possible significant savings and/or shifting of resources to other priorities. Although not required by the Agreed Framework, the 1999 suspension of missile testing slows development of long-range missiles capable of carrying WMD payloads to the continental United States. Elimination of North Korea's WMD capable missiles would remove a primary rationale for U.S. theater and national missile defense programs.

Peaceful reunification of the Korean Peninsula could also reinforce democratic, free market forces in Asia by expanding South Korea's already impressive economic and technological accomplishments. A democratic, reunified Korea could enhance regional stability and prosperity. In addition to such strategic and economic benefits, improved relations with North Korea has already produced breakthroughs in accounting for U.S. soldiers that were missing in action (MIA) in the Korean War. When compared to the alternatives, the ends of the Agreed Framework/KEDO approach to North Korea justify the means.

Costs and Benefits for the ROK

South Korea has the most at stake, and therefore bears the lion's share of the costs of the Agreed Framework and KEDO. In addition to paying \$3.2 billion of the estimated reactor construction costs of about \$ 4.6 billion a figure that is sure to increase -- Seoul provides most of the economic assistance that supports implementation of the Agreed Framework. The Korea Electric Power Corporation (KEPCO) is the prime contractor for the reactor project. KEPCO employees who live and work at the reactor construction site at Sinpo are the guinea pigs of the KEDO experiment. South Korean industrial giants such as Hyundai are also cautiously investing in North Korea. Initiatives such as the Mount Kumgang tourism venture, in which a limited number of South Korean tourists are allowed limited access to visit a nature preserve in North Korea, cost South Korea but are long-term investments aimed at breaking down barriers to normal relations.³² These initial economic outreach efforts could lay the groundwork for easing reunification pressures by providing needed jobs, income, and training for North Korean workers. The economic costs of President Kim Dae Jung's Sunshine Policy towards the North, however, may be easier to manage than the political risks for his government. Critics of his engagement policy toward North Korea have warned that the Sunshine policy is unlikely to be reciprocated by the North and only help to strengthen the North Korean regime. Thus, setbacks in the Agreed Framework often have sharp political repercussions for South Korea's leaders.

The potential benefits of reduced North-South tension permeate every aspect of South Korean society, from divided families to defense planning. In the near term, the Agreed Framework supports peaceful coexistence that provides South Korea with breathing space to prepare for eventual reunification. In the long term, if the Agreed Framework continues on track, one can imagine expanding cooperation and integration that leads to a soft landing for North Korea and a peaceful reunification process. One possible mutual benefit of the Agreed Framework would be for North Korea to sell electricity generated from the KEDO reactors to the South. After reunification, the KEDO reactors could provide needed electrical generating capacity to a growing Korean economy. Excess generating capacity might also be sold to neighbors such as China. Moreover, the KEDO reactors would be South Korea's first export of a complete nuclear power plant, and are viewed by some as practice for future nuclear exports.

Costs and Benefits for Japan

Tokyo committed to pay \$1 billion for KEDO reactor construction. Japan is also a major contributor of food and other aid to North Korea. The resumption of normalization talks between Japan and North Korea in April 2000 as part of the Perry process reopened discussions of a compensation package for Pyongyang comparable to the one paid to South Korea when Tokyo and Seoul normalized relations in 1965. The value of the compensation package has been estimated at \$5-10 billion.³³ The costs of increased military and intelligence

³² Howard French, "North Korea Shyly Courts Capitalism," *New York Times*, April 30, 2000; David Jones, "South Korea Looks To Invest in North," *Washington Times*, May 9, 2000.

³³ Mark Manyin, *North Korea-Japan Relations: The Normalization Talks and the Compensation/Reparations Issue*, CRS Report, April 21, 2000.

expenditures to guard against North Korean threats must also be considered. Another unquantifiable cost for Japan is the political capital that must be expended by Japan's leaders to provide billions in aid to North Korea in spite of provocations such as missile launches over Japan, incursions into Japanese waters, harboring of Japanese terrorists, and Pyongyang's inflammatory rhetoric.

The main benefit of the Agreed Framework and KEDO for Japan is the easing of the North Korean nuclear/missile threats. Even if Japan were not a likely target of a North Korean attack, it would inevitably be dragged into a Korean conflict involving the United States, so lowering the risk of conflict helps keep Japan out of harms way. Easing the North Korean threat could relax the urgency of Japan's pursuit of missile defense and other military expenditures, although in the long run Japan will probably increase its military preparedness, even without North Korea to worry about. Good relations with a unified Korea would hold many benefits for Tokyo's security and economic outlook, although not without some concern for Korea's potential as a peer competitor. Nevertheless, easing and eventually eliminating North Korea's military threat to Japan justifies Tokyo's support for the Agreed Framework.

Costs and Benefits for North Korea

When calculating costs and benefits for North Korea, it is important to distinguish between the ruling regime and the North Korean people. Things that benefit the regime do not necessarily benefit the North Korean people, whose day-to-day circumstances are among the worst in the world. In fact, to the extent that material benefits provided to the DPRK prolong the current government in power, one could argue that the Agreed Framework is prolonging the misery of the North Korean people. Indeed, a top priority for Kim Jong Il's government appears to be avoiding opening the totalitarian system to external influences. And the biggest risk for the North Korean regime is a loss of control that could lead to a rapid, Romania-type fall from power. Preventing a rapid, uncontrolled collapse, however, is a paramount goal of all the parties.

North Korea is receiving billions of dollars in cash, technology, investment, food, development assistance, and fuel. This assistance provides life support to Kim Jong Il's regime and perpetuates the ruse that Pyongyang can provide food and shelter to its people. Leading humanitarian organizations have pulled out of North Korea to protest the lack of accountability and diversions of food to the military.³⁴ In terms of the nuclear portion of the Agreed Framework, many details of reactor construction remain unsettled, liability insurance, who will provide nuclear fuel for the new reactors, and who will dispose of spent fuel from the reactors. One major unresolved issue is the need to upgrade North Korea's electrical transmission grid to distribute power from the new reactors. Pyongyang is negotiating for all of these benefits.

Money remains a primary goal of North Korean diplomacy. North Korea has intensified its demands for compensation from the U.S., Japan, and the ROK for damages from the Korean War. In 1999, North Korea sought a reported billion dollar payment for inspections of a suspicious underground facility at Kumchangri, but settled for \$400, 000 in food aid through the UN World Food Program in return for visits to the site, which turned out not to be nuclear related. North Korean officials have hinted that Pyongyang would curb its missile exports for the right price. In March 1999 North Korea reportedly offered not to export missiles for a price of \$3 billion.³⁵ In addition to food and money, the United States has lifted some sanctions and is considering taking North Korea off its official terrorist list to encourage progress on implementing the Agreed Framework.³⁶ Japan, Italy, and Australia are also discussing lifting sanctions and considering additional aid. These benefits are not strictly conditioned on reciprocal actions by North Korea, but are intended to encourage an improved

³⁴ On April 4, 2000 CARE became the latest relief organization to withdraw from North Korea. It cited a lack of "access, transparency and accountability," and because "the operational environment in North Korea has not progressed to a point where CARE feels it is possible to implement effective rehabilitation programs." Also, North Korea Advisory Group Report, *ibid.*, p. 50.

³⁵ Larry Niksch, North Korea's Nuclear Weapons Program, *ibid.*, p. 5.

³⁶ U.S. State Department Fact Sheet, Further Easing of Sanctions Against North Korea, September 17, 1999. The U.S. did not remove North Korea from its annual terrorism list in May 2000, but reiterated willingness to remove Pyongyang from the list if departs Red Army terrorists and resolves kidnaping cases. Secretary of State Madeleine K. Albright and Michael Sheehan, Counter-Terrorism Coordinator, Briefing on the 1999 Annual "Patterns of Global Terrorism" Report Washington, DC, May 1, 2000.

diplomatic atmosphere. Pyongyang's recent outreach efforts to Europe, Asia, and Africa may be motivated more by its desire to secure additional sources of free food and money than by any genuine desire to change its domestic or international behavior. All of these benefits pale, however, in comparison with the benefits that could be realized if North Korea reduces tensions and responds positively to Kim Dae Jung's Sunshine policy.³⁷

North Korea dangles the prospect of cooperation to manipulate South Korean politics. It was no accident that the announcement of a breakthrough on the June North-South Summit coincided with an election that could have brought down Kim Dae Jung's ruling party coalition and his Sunshine policy with it. Korean leaders understand the political salience of North-South relations and wield cooperation to maximize material and political benefits. While it is much harder for North Korea to manipulate U.S. domestic politics to their advantage, KEDO and the Agreed Framework are controversial in the U.S. Congress and could be a campaign issue in upcoming elections. A more conservative U.S. administration might be less inclined to continue providing benefits without tangible signs of changes in North Korea behavior. If nothing else, North Korea's missiles have become the most often cited justification for U.S. national missile defense and theater missile defense initiatives, which are prominent campaign issues.

A review of the costs and benefits of the Agreed Framework and KEDO suggests that North Korea reaps substantial material and political benefits with few reciprocal obligations. Pyongyang traded its old graphite reactors and reprocessing equipment for new reactors and free fuel, but retains its plutonium until the deal is complete. Meanwhile, it receives food and money for allowing inspections and attending talks on missiles and other issues, but continues its provocative acts and constant invective against those who provide the benefits. It has pledged not to test missiles, but continues to develop, deploy and export them. Pyongyang refuses to reform its decrepit economic system or soften its inhumane treatment of its citizens.

The costs of cooperative engagement with the DPRK may be justified in the long term, but justifying such one-sided benefits will continue to challenge political leaders who expect such cooperation to eventually bring threat reduction for Korea and its neighbors. The Agreed Framework and KEDO represent a step in the right direction, but such steps forward have often been followed by reversals of fortune.

Never let any Government imagine that it can choose perfectly safe courses; rather let it expect to have to take very doubtful ones, because it is found in ordinary affairs that one never seeks to avoid one trouble without running into another; but prudence consists in knowing how to distinguish the character of troubles, and for choice to take the lesser evil.

Chapter XXI How A Prince Should Conduct Himself So As To Gain Renown

Lessons From KEDO and the Agreed Framework: Connecting Ends and Means

With so much at stake for so many, one might expect the KEDO members to put the full weight of their governments behind the Agreed Framework. Yet support has often been half-hearted and conditional on various foreign and domestic political developments. What started out as a bold initiative to break through old patterns of behavior gradually succumbed to business-as-usual. What began as a comprehensive Korea policy became a tactical nonproliferation policy. And experience shows that the most effective nonproliferation efforts apply a full array of political, military, and economic inducements to decrease interest in acquiring weapons of mass destruction. KEDO is no longer on the cutting edge; it has been bogged down by history, burdened by

³⁷ President Kim outlined his "Grand Bargain" for North Korea in his speech to Free University of Berlin, March 9, 2000. Drawing lessons from German reunification, Kim discussed rebuilding North Korea's entire infrastructure, including roads, railways, harbors, communications, and electrical grid. See also Robert Manning, "Kim Dae Jung's Grand Bargain," Korea Times, May 18, 2000.

the lack of progress in threat reduction, and adrift without a broad Korea strategy to guide it. Nevertheless, the Agreed Framework and KEDO have created opportunities to test North Korea's intentions.

The lessons outlined below should guide implementation of the Agreed Framework as North Korea reaches out to the international community, but are also relevant to the application of the Agreed Framework/KEDO model to other situations.

- Only the Koreans can reconcile the problems of their divided peninsula. Outside assistance is important, but it must support inter-Korean dialog. The June summit may signal the Koreanization of the process, which should be welcomed.
- The concept of "rogue," or "outlaw" nations incorrectly assumes that the fundamental tools of statecraft, diplomacy, and deterrence are not valid with respect to particular nations such as North Korea. Relations with North Korea, including the experience of the Agreed Framework and KEDO disprove the "rogue nation" thesis.
- Bold policy experiments such as the Agreed Framework and KEDO require consistent high-level support and strong political leadership to sustain them, especially in democracies that must justify the risks and costs of cooperating with a hostile adversary. The lack of clear objectives and an exit strategy is similar to the challenge of mustering support for interventions in Iraq, Bosnia, or Kosovo. A corollary also applies: Bureaucracies lack the authority to make high-level decisions that are necessary to break old patterns of behavior.
- Delaying and deferring WMD program development while seeking long-term resolution of underlying security issues is a worthwhile objective that has worked in other cases. Moreover, a nonproliferation victory in Korea would bolster regional and global nonproliferation efforts.
- Functional cooperation alone cannot reconcile clashing security interests, but must be embedded in a broad strategic program that addresses the vital national, regional and global security interests at stake. So-called "soft power" methods build on the bedrock of hard power.

Therefore, it is necessary to be a fox to discover the snares and a lion to terrify the wolves. Those who rely simply on the lion do not understand what they are about.

Chapter XVIII Concerning The Way In Which Princes Should Keep Faith

Conclusion

It may be years before we know if the June inter-Korean summit represents a breakthrough or is merely a tactical maneuver by Kim Jong Il. While a true detente would be preferable, even a tactical engagement of such proportions represents a significant step. The combination of the Agreed Framework, Kim Dae Jung's Sunshine Policy, strong security alliances, and North Korea's growing desperation creates strong incentives for Pyongyang to cooperate especially if Kim Jong Il's regime finds it possible to cooperate and still retain its grip on power. If peace is in sight, and reconciliation leads to reunification, KEDO may have its most productive days ahead of it. Multilateral institutions such as KEDO may play their biggest role in the next phase of Korean history, when threats have diminished and attention turns to reconstruction and development. KEDO's role in leading a diplomatic rapprochement with North Korea may have lapsed, but its project to reshape the energy future for Korea -- and perhaps the region -- may be just beginning. If KEDO did not already exist, it would be necessary to create it.