



**CTR *Plus***

# **Potential Institutional Arrangements for Funding a Cooperative Threat Reduction *Plus* Program with the DPRK**

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*The Asia-Pacific Leadership Network for Nuclear Non-Proliferation and Disarmament (APLN) is a network of political, military, and diplomatic leaders from sixteen countries across the Asia-Pacific tackling security and defence challenges with a particular focus on addressing and eliminating nuclear weapon risks.*

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## Executive Summary

To be successful, a possible Cooperative Threat Reduction *Plus* (CTR *Plus*) program designed for the DPRK must draw on the lessons from the Nunn-Lugar inspired CTR programs for countries of the former Soviet Union and relate meaningfully to the specific circumstances of the DPRK today. This applies not only to the collaborative framework for weapons of mass destruction (WMD) threat reduction, but also to the selection and modalities for funding and implementing projects to provide social, economic, scientific, and environmental benefits to the DPRK. This paper aims to address issues and considerations for adopting potential institutional arrangements to mobilize funds and manage the planning, administration, and oversight for their use, in coordination. It also evaluates progress made in the implementation of the threat reduction side of the CTR *Plus* program. It assesses the application of lessons from other CTR experiences to the DPRK to reinforce incentives to make progress on threat reduction and achieve win-win outcomes. The paper also discusses relevant considerations from the status of the DPRK economy and its management, external economic and political relations, national interests, and domestic political economy.



The paper then evaluates three potential institutional arrangements for funding a CTR *Plus* program: a new multilateral organization drawing on the lessons of experience of the Korean Peninsula Energy Development Organization (KEDO), a specially designed Trust Fund managed by the World Bank modeled on the Palestinian Partnership for Infrastructure Trust Fund, and an expanded and strengthened Greater Tumen Initiative (GTI). All would require significant investment in organizational strengthening and governance arrangements to effectively mobilize funds and deliver operational results in collaboration with DPRK counterparts. All arrangements would also require political coordination among participating stakeholders to provide the underpinnings of support for funding and management of related sanctions relief measures. Obtaining and maintaining DPRK commitment to extended cooperation would be a major challenge in any institutional arrangement.

There are pros and cons in each of the arrangements assessed. The advantages of a new organization modelled on KEDO and lessons from its experiences include ease of coordination with the management of the CTR program and the familiarity of the DPRK with positive aspects of the operational relationship. But efforts would be needed to dispel disappointments from the KEDO experience and to build new operational capabilities for project support. The advantages of the Trust Fund approach are that the operational capabilities and multilateral coordination mechanisms are well established in international practice and would be a stepping stone for eventual integration of the DPRK with the norms of international economic cooperation. The challenges would be to establish an effective working relationship with DPRK counterparts who have little experience with these norms and to ensure effective coordination with the evolution of experience with the CTR program being managed in a different and unfamiliar institutional environment. The advantage of the GTI is that it is a well-established regional economic cooperation organization in which the DPRK was a member before withdrawing in 2009. To be effective as part of a CTR *Plus* program, the GTI would need to expand members and have support of both Japan and the US, play a role in regional security cooperation to be integrated with a CTR *Plus* program, and develop increased operational capacities and funding.

The paper also concludes that, while each of these institutional arrangements has pros and cons, they need not be mutually exclusive. Depending on their comparative advantages and political will of stakeholder countries and funders, they could work in parallel on different components of a CTR *Plus* program under a coordinating consultative framework anchored in application of a security community's approach to cooperative threat reduction in the DPRK context. A robust multilaterally anchored and funded approach would be an important aspect of any approach taken, along with well-planned management of sanctions relief, to demonstrate broad support from the international community not dominated by any single bilateral relationship,

recognizing that all partners have their own national interests but also a shared commitment to the CTR *Plus* program.

In light of the considerable political and practical challenges in pursuing a CTR *Plus* program, any meaningful path forward would require strategic choices for both the DPRK and the international community to embrace collaboration rather than confrontation anchored in security guarantees and reliable deterrence over an extended period of years. The human security and economic crises facing the DPRK at the outset of 2022 in the face of maximum pressure caused by sanctions and COVID-19 provide a moment of truth and potential opening for serious consideration of the need for strategic reorientation and a new path forward.

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## **Key Lessons from the Nunn-Lugar CTR Experiences and their Application to a DPRK CTR *Plus* Program**

While most projects funded under the CTR programs with Russia and other former Soviet Union countries were focused on securing and eliminating WMD, some projects involved building the infrastructure needed to underpin these activities and others involved providing conversion and transition support for former Soviet troops, scientists, and industry, and expanding exchange programs with other countries<sup>1</sup> These complementary activities that were important for success of the core focus of the CTR program also required cooperative planning, funding, and implementation that would in other contexts be managed under methods adopted for economic development projects. In the case of the early years of the Russian program, the infrastructure projects were not fully implemented, resulting in the return of \$329 million to the US Treasury. A lesson for a potential CTR *Plus* for the DPRK is that these elements of the program should be planned and implemented under institutional arrangements that incorporate best practices that have evolved in the international economic development community and applied to the special circumstances of the DPRK.

In constructing a CTR *Plus* organizational arrangement for the DPRK, a dividing line will need to be drawn between those activities managed by the entity managing the WMD part of the program and the entity or entities entrusted to manage both complementary cooperative activities and those included to provide win-win incentives for the DPRK to stay the course on a longer-term process of threat reduction. Once these lines are drawn, policies will be needed to ensure compliance with coordinated timing and sequencing of progress on the WMD threat reduction program with expansion of the associated development and transition cooperation

programs. An oversight coordination mechanism such as a special consultative group of concerned stakeholders and funders should be considered.

Another important lesson from the experience of earlier CTR programs is the role and impact of the US Congress on the funding and management of the program. Political and legislative restrictions on funding and activities inhibited timely and cost-efficient CTR implementation and made CTR program managers weary of Congressional limitations.<sup>2</sup> The experience of KEDO during the latter years of the 1990's in implementing the Agreed Framework negotiated with DPRK was very similar to the CTR programs, and the impact on KEDO's working relationship and credibility of commitments made by the US government will be an important aspect of the DPRK's response to an overture to establish a CTR *Plus* program. Addressing up-front the support of the US Congress and legislative conditions for a CTR *Plus* program will be important for establishing a foundation of trust with the DPRK and with partners. The inclusion of linked institutional arrangements and funding for the activities that would complement and support the CTR program make this concern even more important, especially for activities funded by other partners and managed in different arrangements than the WMD components of the program.

Paul Walker in his assessment of CTR program experiences also identifies key lessons as:<sup>3</sup>

- *The importance of inspired leadership.* Gaining the confidence of DPRK leaders and counterpart managers, earning the respect of foreign partners, and maintaining sustained morale of staff are likely to be especially critical in the DPRK context. The added complexity of multiple coordinated institutional arrangements for diverse activities and partners also means that management across these boundaries and visibility in the international public arena will require diplomatic as well as technocratic competencies.
- *Adequate and timely funding.* Over and above the issues related to US Congressional funding, the complexities of multilateral funding in the earlier CTR programs after creation of the Global Partnership against the Spread of Weapons and Materials of Mass Destruction added considerably to the challenges of coordinating initiatives across different bilateral relationships. This led to increased use of transfers of funds from smaller donors to larger partners and creating the legal and administrative frameworks to accomplish jointly funded program activities. KEDO also was designed to receive funds from multilateral resources and partner participation in governance as a membership organization. Even so, KEDO also encountered coordination challenges among its members, which required considerable diplomacy among members as well as with the DPRK. In the Six Party Talks following the dissolution of KEDO, the challenges of negotiating and delivering the distributed financial support to agreements with the DPRK

proved even more difficult, contributing to weakening of its effectiveness and ultimate demise.

- *Sustained project coordination.* Having a central coordinating manager to implement specific projects was an important feature of successful CTR experience. With funds from different donors, delegation of specific project tasks to subcontractors with centralized coordinated systems for managing many simultaneous tasks, and regular project meetings with contractors and stakeholders, all contributed to efficiency and effectiveness. For a CTR *Plus* program for the DPRK with diverse funders, activities, and stakeholders, this lesson is important and is common for complex economic development projects and programs. It should be integral to any of the institutional arrangements considered for the CTR *Plus* program.
- *Communication.* Sustained and inclusive communications among those involved in program and project funding and implementation is also critical for efficiency and problem solving as issues arise. Public outreach is also important to promote civic understanding, involvement, and trust-building. For a DPRK CTR *Plus* program, public support-building internally and internationally will be particularly important for sustaining achievements and motivation to proceed in a phased manner over an extended period of time.
- *A holistic vision.* Maintaining a bold big-picture vision of the purposes and win-win benefits of a CTR program is critical for program success and support. This will be especially critical in view of the decades of effort to overcome the atmosphere of hostility and challenges of the DPRK's weapons programs and economic difficulties without obtaining satisfactory outcomes for either the DPRK or the international community.

The report of the Nuclear Threat Initiative (NTI) Working Group on Cooperative Threat Reduction with North Korea also draws lessons from the CTR programs' experience with other countries and makes the case for an expanded CTR *Plus* program.<sup>4</sup> The following are key lessons for constructing an institutional framework that is suitable for the DPRK situation.

- *Recognize that unlike Russia, which retained an overt nuclear weapons program under CTR, the ultimate objective for the DPRK is complete dismantlement. The design of a CTR program must take into account uncertainty about DPRK's long-term intentions, gaps in knowledge about its WMD and missile programs, and need to mitigate against risks and consequences of efforts to maintain or resuscitate covert programs.* These uncertainties and risks imply that the benefits that the DPRK receives from participating faithfully in the program need to be calibrated as rewards for progress to the extent possible. The

challenge of trust-building coupled with the need to hedge against these risks will require careful design of policies to guide coordination of cooperative projects to provide benefits and positive motivators to the DPRK, with benchmarks of achievement on the staged path of threat reduction. It will also require careful design of cooperative projects that can deliver discrete benefits in packages that can be “released for implementation” that are linked to these benchmarks. In economic development cooperation there is an inherent implication that the intention is to help the country succeed in achieving the planned results of the cooperation. A pause in the cooperation due to problems arising on the threat reduction front can have potentially damaging impacts on the cooperative working relationship, unless the roadmap and its benchmarks are well-understood and accepted by the participating partners.

- *The DPRK, unlike Russia where threats were perceived as mutual, may take the view that the only threat requiring reduction is from the US and its military alliances with the ROK. Thus, the term CTR might need to be avoided in the construction of institutional arrangements to pursue cooperative programs across the spectrum of security, economic, social, and scientific activities that are bound together under a linked framework.* This terminology issue is important and needs careful consideration in considering institutional options. If multiple institutional cooperation platforms are adopted, then there is also a question of “loose-tight fit.” Some platforms could be tightly tied to the WMD threat reduction risk mitigation concerns and mechanisms, while others are only loosely tied because their benefits could be win-win regardless of the progress on the WMD front.
- *Involvement of regional and other concerned countries and international organizations should be promoted in a CTR Plus effort with the DPRK.* Multilateral collaboration has significant implications for the construction of the institutional arrangements for funding, implementation of activities, oversight, and policy coordination. The configuration of partners for different parts of an overall program could overlap but have differences if there are several platforms. The coordination of bilateral engagement with multilateral engagement in the same areas would also need attention to ensure conflicting or inefficient overlaps are avoided and coordination of support for shared interests and policy objectives.

Another question relates to the leadership of the CTR *Plus* program. To be successful, DPRK views on the design of the program will need to be incorporated during the negotiation process and trust will need to be established that their legitimate interests will be respected throughout the implementation process. The mistrust of the US currently embedded in DPRK perspectives based on past experiences will need to be overcome or accommodated in whatever leadership

arrangement is eventually established. The model of a US-led CTR program with support from the global partnership would not likely be the most practical arrangement. The DPRK and broadened participation of regional partners can be expected to be more comfortable with leadership provided through a multilateral institutional framework with US participation and support along with other countries willing to cooperate to advance their own national interests and shared commitment to the goals and financial and administrative requirements for success.

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## Considerations from Past Experience and Current Conditions in the DPRK

*Past Experience.* As in the mid-1990s, the DPRK is facing an economic crisis while also engaged in nuclear program development and (hopefully) diplomacy. The existential challenges that the DPRK faced during the famine and those that it faces today are dissimilar since the contexts have changed. However, there are lessons that can be learned from the responses to the crisis of the 1990s that are pertinent to shaping a CTR *Plus* program in today's context. The most important lesson from this era is that expectations or hopes of regime collapse did not come to pass. With the changes inside the DPRK and its external relations in the past 25 years, it is even less likely today that waiting for regime collapse is a policy option. Indeed, it is an integral if implicit interest of a CTR *Plus* program that regime stability be nurtured.

In the 1990s the economic crisis was primarily due to a trade shock induced by the collapse of the former Soviet Union, China's hesitancy to intervene, and adverse weather conditions affecting agricultural production. Weaknesses in the economic system led to the collapse of the public distribution system and subsequent humanitarian crisis. In this situation, the DPRK appealed to the international community for humanitarian assistance and at the same time negotiated the Agreed Framework and engaged in the Four Party Peace Talks. The institutional arrangements adopted at that time were not integrated or coordinated in a coherent way. The US led the implementation of the Agreed Framework and the associated activities of KEDO with alliance partners and the European Union, but without participation of China or Russia. The Four Party Talks included the two Koreas, China and the US. Humanitarian assistance was provided by UN agencies, the European Union, and a variety of bilateral donor programs and international NGOs. A loose information-sharing and coordinating mechanism was created among these donors on the ground in the DPRK, and the DPRK government established a central coordinating organization under the Ministry of Foreign Affairs. The establishment of the Tumen River Area Development Program in 1995 did bring together for regional cooperation on



economic relations the two Koreas, China, Russia, and Mongolia, but with only limited funding for projects that were not directly linked to the DPRK economic crisis nor to security issues. The absence of the US and Japan in this institutional arrangement limited its potential for supporting economic development in the DPRK despite the willingness of the DPRK to experiment with reforms in the Rason region.

The lack of coherence in the various institutional arrangements adopted to engage with the DPRK in meeting the challenges of the 1900s did not provide a roadmap to overcoming WMD security threats, nor did it put the DPRK on a path to integration in the international community, despite the achievement of normalizing relations with most of Europe, Australia, and Canada. Humanitarian assistance mostly dried up after the collapse of the Agreed Framework in 2002. Over the years, trade migrated to the dominance of China in external economic relations. In the current situation of the DPRK experiencing priority challenges in health and food security, trade shock induced economic decline and instability, changing internal political economic conditions, and almost complete isolation, there is opportunity for a fresh start in reformulating cooperative engagement with the international community.

*DPRK Security Interests Today.* A CTR *Plus* program will need to respond meaningfully to the current configuration of security interests from the perspective of the DPRK. These fall broadly into three categories: regime security through national defense and deterrence, economic security, and human security. Kim Jong Un's speeches at the 4<sup>th</sup> Plenum of the 8<sup>th</sup> Central Committee of the Korean Workers Party on December 27-31, 2021, reflected his assessment of these interests in the current situation of the DPRK and his leadership, and it framed priorities for the coming years that focus primarily on the human security challenges facing the citizens of the DPRK.<sup>5</sup>

Until the adoption of the Byongjin policy in 2013, the priority given by the DPRK regime was on security provided by national defense and deterrence, first under the military-first politics of the Kim Jong Il era and then by the need to ensure a peaceful transition to the leadership of Kim Jong Un in 2012. The Byongjin policy elevated economic development to the same level of priority as security provided through the DPRK nuclear and missile programs<sup>6</sup> and was reinforced in the 2016 Party Congress with the adoption of a five-year economic development strategy and increased authority given to the Cabinet to guide economic planning and management. In recent years there has been an ongoing debate internally on the question of the allocation of budget between military and general economy needs.<sup>7</sup> In light of the trade shock induced by the combination of economic sanctions and closure of the border with China in response to COVID-19, the 2021 budget was dramatically reduced along with trade leading to the present crisis and policy of bolstering self-reliance through import substitution and belt tightening. Finding ways to restore economic stability and establish conditions for longer-term economic development and security are fundamental challenges for the DPRK. The current



COVID-19 induced efforts to embrace isolation, emphasize self-reliance, and rely on State-guided socialist economic policies, while an accommodation to short-term realities that are reflected in Kim Jong Un's end-2021 speeches, will not succeed in meeting these challenges.

Human security has resurfaced as a critical challenge for DPRK society for the first time since the 1990s. Vulnerabilities due to weaknesses in the health system and absence of humanitarian support have compromised efforts to combat COVID-19. Strengthening resiliency to manage future outbreaks will require investments in health infrastructure, access to vaccines and imported medical equipment, and public health cooperation across borders. Similarly, despite Kim Jong Un's call for priority focus on rural development with reliance on innovations in science and technology and commitment to socialist principles, food security cannot be assured without trade that can supply inputs needed for agricultural production, processing, and distribution, despite efforts to improve land management and socialist-inspired measures to improve agricultural productivity. Sanctions relief and re-opening border trade are needed, but these alone will not be sufficient to ensure sustainable food security, which will require an underpinning of economic development and exports to provide the foreign exchange needed to obtain essential imports such as oil and fertilizer. Human security is also a major human rights concern raised by the UN Special Rapporteur in his October 8, 2021, report to the General Assembly.<sup>8</sup> International efforts to address human rights in the DPRK should take this into consideration, as funding for a CTR *Plus* program would be easier to mobilize, especially from the US Congress, if human rights engagement and improvements were able to move in parallel with reduction in security threats.

Other security interests that are linked to these core requirements are energy security, environmental security, and access to knowledge and technology from outside the country that can be applied or adapted to meet the needs of the DPRK. This is particularly valuable for scientific collaboration, and in the case of a CTR program, for helping the transition of scientists and military personnel from employment on WMD programs to activities that have economic, environment, and social value.

*Political Economy and Evolving Relationship of the State to the People.* Internal dynamics of change cannot be ignored in planning a CTR *Plus* program for the DPRK. The growth of markets, decentralization of enterprise management, and role of private entrepreneurs have all had significant influence on the way the socioeconomic conditions evolved before the impact of sanctions adopted in 2017 and COVID-19. Similarly, Kim Jong Un has made increased use of Party organs of the Central Committee, Politburo, Supreme People's Assembly, Cabinet, and State Administration Council in reframing practice of governance at the national level. In pursuing reforms in the political system, the military, and economic management, he has succeeded in branding himself as a leader willing to acknowledge deficiencies and realities and to seek innovations for the future. In the current environment of crisis and ongoing dynamics of

internal changes, a CTR *Plus* program should have impacts on these changes and be managed in ways that are seen as helpful to the leadership and beneficial to the people in order to obtain and keep political and public support.

*Recognizing Signals of Willingness to Collaborate from the DPRK.* Despite the ongoing stalemate in security-oriented negotiations with the DPRK, in recent months the DPRK has sent several signals on areas where it is willing and interested in collaboration with the international community. Specifically, in July 2021 the DPRK provided the UN with a report on its progress in meeting its own targets with regard to Sustainable Development Goals and participated in a review of that report. Among the key messages was a statement that it was essential to promote partnership with other countries and international organizations.<sup>9</sup> In a September speech to the General Assembly, the DPRK ambassador spoke of their concerns about climate change and desire to participate international environmental collaboration. A delegation also attended the Climate Summit in Glasgow. In November, the Foreign Ministry issued a statement saying it seeks close foreign cooperation in women's rights and health. In framing possible components for collaboration within a CTR *Plus* program, it will be important to listen to DPRK views on priorities and modalities for cooperation from their perspectives.

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## How Sanctions Relief can be Managed to Support a CTR *Plus* Program

The scale, scope, and complexity of sanctions currently applied to the DPRK by the UN Security Council, the United States, Japan, and Europe in particular, represent a formidable challenge to the design and implementation of a CTR *Plus* program. This also has implications for the institutional arrangements for mobilizing funds and management of the projects and activities included in the program. In this situation it would be a critical first step to build consensus among the major stakeholder countries in the sanctions regime on policies and the legal and administrative steps required for coordinated incremental lifting of sanctions linked to a CTR *Plus* program. Sanctions relief will be needed to gain commitment from the DPRK to staying the course in a CTR *Plus* program and provide an environment of support for the funding and management of the program so that sanctions do not become an impediment in meeting program goals.

In a paper published by the APLN in December 2020, sanctions experts Tomas Biersteker and David Lanz outlined important considerations in designing an effective sanctions relief strategy

to accompany a denuclearization process.<sup>10</sup> First, there are four different types of sanctions relief measures that could be adopted in various configurations tailored to the objectives and practical needs of phases of negotiation and the specific projects and activities that would be undertaken collaboratively. These include: voluntary relaxation of implementation, adjustments, suspension, and termination. A detailed analysis would need to be made of how best to design a relaxation strategy that meets the essential needs of a CTR *Plus* program to maintain incentives for the DPRK to agree to participate in the program along with disincentives to fail to live up to its obligations once accepted, to enable timely implementation of projects and activities undertaken by the DPRK and various partners, and to help ensure required funding is mobilized and efficiently delivered and managed. Some sanctions relief, such as a banking channel and relaxation of visa restrictions for both DPRK officials and partners, would need to apply broadly in any design of a CTR *Plus* program, while others could be carefully tailored to specific projects and activities. For example, a robust effort to help build sustainable food security would need to include measures required for humanitarian assistance, capacity building, priority investments in agricultural infrastructure, imports of key agricultural inputs such as oil and fertilizer, and the ability to finance needed imports through trade rather than aid. In preparing concrete proposals for inclusion in a CTR *Plus* program, sanctions evaluation and recommendations for specific relief measures should be an integral part of the planning process. Establishing a technical support group should be considered to assist the planning of sanctions relief options and their implications.

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## Conceptual Alternatives to Constructing Effective Institutional Arrangements

This paper explores three potential approaches to constructing institutional arrangements for projects and programs to support and provide complementary benefits to the DPRK in a CTR *Plus* program where activities to reduce WMD threats would be funded and managed in a parallel framework. A major challenge is how to most effectively integrate in practical ways the different international relations modalities and expertise that have evolved in the spheres of WMD threat reduction separately from those involving economic, social, and environmental cooperation. Especially in the DPRK context, there is a need to find a workable balance between the political desire to hedge against potential backsliding in the WMD part of the program with the maintenance of trust and cooperation on delivery of tangible benefits in other parts of the program. All possible approaches would need to incorporate to the extent possible the lessons of

earlier CTR programs, previous experiences in international engagement with the DPRK, and the current situation on the Korean Peninsula.

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## **A New Multilateral Organization Modelled on the Lessons of Experience of KEDO**

A re-imagined multilateral organization drawing from the KEDO experience is one possible approach. As an international organization funded and managed by its members, and designed to be closely coordinated politically and financially with the denuclearization activities under the Agreed Framework, a KEDO-type organization would be familiar to the countries who participated in that engagement framework. While KEDO ceased operations in 2006, the underlying legal and institutional infrastructure has been preserved and could relatively easily be resurrected and revised to accommodate a broader membership and strengthened governance and operational arrangements.<sup>11</sup> The protocols negotiated on practical implementation matters such as transport, immigration, customs, etc., were also a significant achievement that could form an initial foundation for further development for operational purposes and working relationships.

A major change needed would be to have an expanded membership beyond the US, South Korea, Japan, and the European Union. As a minimum, this should include China and Russia. Potentially other countries such as Australia, Canada, the UK, and some individual EU countries might wish to join. A related change would be to revise the composition, responsibilities, and chairperson arrangement of the Executive Board, and the criteria for appointment of the executive director, to reflect the broadened multilateralism. Expanded membership would also raise the question of the location of its headquarters. As an American inspired and led organization, KEDO was headquartered in New York, but with broadened multilateralism and for operational purposes, it might be more appropriate to place the headquarters in the region.

Another critical change would be the scope and procedures for undertaking and adapting when needed the projects and activities that would be funded and supervised by the organization. KEDO was charged with delivering the two light-water reactors and shipments of heavy fuel oil as promised in the Agreed Framework. However, the scope of responsibility assigned to a successor organization would be expected to be more diverse than energy-related projects and activities, potentially covering other economic, environmental, and scientific areas for cooperation. Related to this would be more flexible arrangements for executing projects and activities. A new organization could be the executing agency, as was the case for KEDO, but it

should also be able to assign executing authority to other organized forms of management under project-specific arrangements and agreements while providing funding and supervision of its implementation. This could include DPRK-managed projects or sub-projects. Creating the legal, policy, and procedural infrastructure for this more flexible approach to operations of the new organization would require significant effort and new internal organizational arrangements.

The implications for staffing the organization are several. There should be expanded and professionally qualified staff drawn from member countries. Unlike KEDO, staff should not be drawn largely from foreign ministries and should have not only technical qualifications but also personal qualities and experiences that would enable effective working relationships with counterparts in the DPRK and other partners in specific projects. Recruiting and managing such as staff would be more complex and demanding than was the case for KEDO.

The counterpart relationship with the DPRK would also need to be structured differently than with KEDO. Because the focus of KEDO was on nuclear energy, the counterpart relationship was centered in the DPRK nuclear, energy, and foreign affairs establishment. For the different kinds of projects and activities envisaged for a CTR *Plus* program, a more diversified counterpart arrangement is likely to be needed, especially with the Cabinet, along with an internal coordinating arrangement within the DPRK government that can integrate their security, economic and scientific management, and foreign relations establishments for the purposes of the CTR *Plus* program as a whole. Negotiating a counterpart framework that can function effectively both internally and the CTR *Plus* program management externally is likely to be a major issue in negotiating an overall program agreement. This will require both political and diplomatic skill and hard-nosed pragmatism.

Finally, a major issue in establishing a new organization is the name itself. If scope of the CTR *Plus* program would be broader than energy, then a different name would be needed. A simple formulation could be Korea Economic Development Organization, but that might also not cover the scope of projects and activities funded and managed by the organization or conjure memories of the disappointments of the Agreed Framework that could undermine the trust-building needed for the new organization. If even the term “cooperative threat reduction” becomes a stumbling block in negotiations with the DPRK, a more neutral approach might be considered along the lines of a multiple dimensional “collaborative futures” concept.

## Experience of KEDO and Implications for a New Organization

An assessment of lessons learned from the KEDO experience of relevance for the future multilateral engagement efforts was undertaken by the Stanley Foundation and Weatherhead Institute for East Asia at Columbia University in 2006.<sup>12</sup> The major lessons included:

1. The mission of a technical organization charged with implementing a diplomatic agreement must be backed by sustained, high-level political leadership. Inevitable problems with complicated agreements can sometimes be solved by bureaucrats, but they often require political intervention. Without that intervention, the agreements can suffer and perhaps even collapse.
2. Be clear-eyed about the trade-offs in giving the organization more or less independence. On the one hand, sustained involvement by the key countries involved in an organization will be important in calling on political intervention. However, too much meddling or micromanagement can hamstring an organization.
3. Technical problems can, and very often will, become political problems, creating mistrust and slowing implementation. Any complicated agreement is likely to be implemented in phases. The phases, schedules, and facets will rarely be in perfect alignment; a major disruption or delay in any of the three will have significant consequences. This was certainly the case with KEDO where the multibillion-dollar project was subject to delays, giving rise to DPRK charges that the United States was not serious about implementation.
4. It is important not to underestimate the organizational difficulties of implementation. Diplomats reach agreements but often underestimate the tremendous practical difficulties of implementation. These problems can be especially pronounced during the start-up phase, precisely when, under ideal circumstances, implementation should get off to a running start.
5. A KEDO-like organization can produce important positive externalities. While the organization's work may be primarily technical, it can produce a range of positive externalities. In the case of KEDO, that meant providing a forum for the United States, Japan, the ROK, and others to speak with one voice regarding the DPRK, serving as a vehicle to engage the European Union on the Korean peninsula and demonstrating that multilateralism could work in Northeast Asia.



Another report published in 2012 authored by Charles Kartman, Robert Carlin, and Joel Wit provides a comprehensive history of KEDO and assessment of what could be learned and done differently in terms of organization and implementation.<sup>13</sup> Key observations and their implications include the following:

1. The degree of commitment politically and financially varied significantly and over time among the members. An implication is that up-front planning and demonstration of these commitments and ability to follow through on them would be important not only for negotiations with the DPRK but also relations among the members during the implementation of approved projects and activities.
2. Quality of leadership and internal consensus on mission among staff is important for organizational effectiveness that should be taken into account in appointing the executive director and staff recruitment and orientation. In a more multilateral arrangement, leadership should not be dominated by one nationality as was the case in KEDO where all delegations were headed by an American.
3. A future KEDO-type organization should focus on technical and operational matters and not be expected to be involved in policy matters. These should be addressed at a higher level of governance and coordination among the member states and the government of the DPRK. It would be useful to consider a formal consultative group arrangement to also coordinate linkages with the cooperative threat reduction progress and activities and determine appropriate phasing in the projects and activities undertaken by the new KEDO-type organization.
4. Short-term appointments of staff of two years were problematic for KEDO due to constant staff turnover. Longer-term appointments and ability develop institutional memory should be considered.
5. The liability issue that KEDO encountered in seeking agreements on provision of nuclear reactor technology contributed to the implementation challenges of the light-water reactor (LWR) project. Commercial involvement in projects should be carefully planned and legal and liability issues should be addressed during project planning and not come as a surprise that undermines the credibility of the organization and its management. Similarly, the lack of attention to the underlying issues in the DPRK power grid contributed to perceptions of the lack of economic rationality of the LWR project that potentially could have undermined its political achievements. Project planning should be based on economic as well as technical and political feasibility.



## Potential Benefits and Drawbacks of a New Organization

Applying these lessons from KEDO experience along with those from earlier CTR programs in the current DPRK context has both potential benefits and drawbacks. The principal benefits are the underlying infrastructure that was created for KEDO, and its ability to coordinate with a CTR program on WMD threats implemented by competent organs in the non-proliferation establishments of partner countries. Another benefit is its accomplishments in developing a working relationship on practical implementation with DPRK counterparts despite the challenges faced by both sides. The fact that KEDO was created under the bilaterally negotiated Agreed Framework that other partners were not directly involved with, and thus led by the US during the implementation phase, is a potential drawback that would need to be adjusted to allow for more multilateral involvement from the outset and require a different leadership and financing formula. Another potential drawback is the history of disappointments associated with KEDO experienced by the DPRK in delays and credibility issues derived from weaknesses in political support and financial contributions from the US.

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## A Special Trust Fund Model

An alternative institutional arrangement would be to apply modalities that have evolved in the sphere of international development and the experience of the international financial institutions and the specialized agencies of the United Nations, working cooperatively with the international community of governments, private sector, and NGOs. As development needs have intersected with challenging security conditions, these modalities have been adapted to countries in conflict situations and human insecurity. In the World Bank, many Special Trust Funds have been established to supplement the Bank's loan, credit, and grant financial operations designed for both country-specific and sector-specific programs that are focused on priority issues and are funded largely by grants supplied by donors committed to supporting the trust fund. The legal framing of these trust funds is flexible and tailored to the purposes and conditions determined for the administration and oversight of the fund.

For the international financial institutions, there is precedent for the establishment of Special Trust Funds for situations where a country is not a member state, but where there are circumstances that warrant providing multilaterally supported assistance to the local governing authorities. Examples are East Timor and Bosnia and Herzegovina after their independence and the Palestinian Authority. In such cases the Boards of Executive Directors adopted a resolution that it is in the interest of member states that the international institution provide assistance to

meet priority needs for these governing authorities. This applies to use of their staff and administration of Special Trust Funds. In the case of the DPRK, such a resolution would be needed and supported by the countries with the majority of voting power, which includes the US, Japan, and European States. The DPRK would also need to demonstrate its desire to receive such assistance and abide by the terms of the trust fund.

## **Key Features and Experience of the Palestinian Partnership for Infrastructure Development Multi-Donor Trust Fund**

Since 2008, the World Bank has provided assistance to the Palestinian Authority for the West Bank and Gaza using the Special Trust Fund mechanism. The Palestinian Partnership for Infrastructure Multi-Donor Trust Fund (PID MDTF) was established in June 2012 and provides a good model for what might be possible to replicate in some appropriate fashion for the DPRK in the context of a CTR *Plus* program.

The objectives and modalities of this trust fund include the following:<sup>14</sup>

“The development objective of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (PID MDTF) is to improve the coverage, quality, and sustainability of infrastructure in the West Bank and Gaza (WB&G) through financial and technical assistance (TA) to the Palestinian Authority (PA) for infrastructure development, related capacity building, and institutional development in the water, urban development, and energy sectors. The design of the program is intended to support the core principles of sustainability, partnership, client-driven ownership, harmonization, and knowledge building.

The multi-donor programmatic Trust Fund (TF) aims to improve aid efficiency by consolidation under a single fund using the WB’s standardized set of financial and project management tools and procedures. The TF provides a fiduciary instrument to streamline financing by Development Partners (DPs) of projects and programs defined within the context of the Bank’s Assistance Strategy (AS) for WB&G. As such, the PID is open, programmatic, and multi-donor. The TF co-finances ongoing activities in the water, urban, and energy sectors and supports both recipient-executed and Bank-executed activities.

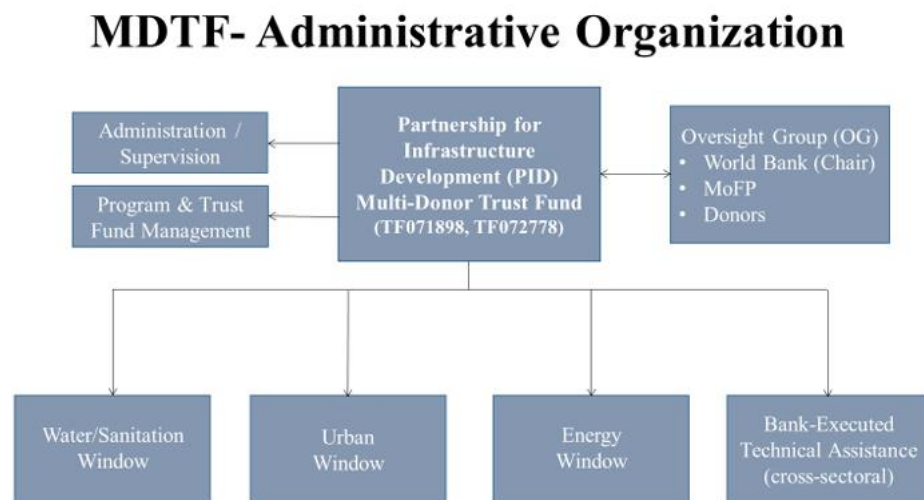
The TF provides financing for infrastructure projects and programs and Advisory Services and Analytics (ASA) activities that the World Bank is supporting in the mentioned sectors.

The PID MDTF predominantly provides co-financing to investment operations implemented by the PA. A small share of the available funding is being allocated for TA and analytical work implemented by the World Bank to underpin and strengthen the ongoing sector policy dialogue. The TF structure reflects these priorities.

The main fund (‘Trustee Fund’[1]) comprises three sectoral windows for co-financing and TA activities in the water, energy, and urban development sectors (‘parent funds’). Disbursing ‘child funds’ are established for each discrete activity supported under the sector windows. The World Bank signs Grant Agreements (GAs) with the PA for the financing provided through the child funds and supervises disbursements along with implementation progress (IP) for these individual activities. In addition, the PID MDTF comprises a window for the World Bank supervision of recipient-executed projects and a window for program and TF management.”

Current contributors as of April 2021 to the multi-donor trust fund are Australia, Croatia, Denmark, Finland, France, Italy, Netherlands, Norway, Portugal, Sweden, and the United Kingdom. It is noteworthy that neither the US nor any Asian countries other than Australia are participating partners.

Administrative and governance arrangements established for this trust fund are structured in this organization chart:



Noteworthy features of this structure are the separate windows for different areas of project investments, separate units for overall management and administration and for administration and supervision, and an overall Oversight Group. This structure allows for different project planning and implementation relationships under the different windows, and independent supervision of use of funds and progress of project implementation. The Oversight Group

functions as a consultative group chaired the World Bank with participation of all donors and the Palestinian Authority but with additional executive authorities from consultative groups established for member states that borrow or receive grants from the World Bank.

An independent mid-term evaluation of the PID MDTF was carried out in 2017 by the Arab World Research and Development.<sup>15</sup> The report provided detailed assessments of operational experience that would be valuable in establishing a Special Trust Fund for the DPRK. Major lessons learned include:

1. *The PID MDTF has been quite successful in pooling donor resources.* The PID MDTF has had a six-fold increase in 3.5 years, reaching US\$108 million by end December 2015 with eight contributing donors. Altogether, donors see the pooling of resources into the PID MDTF as an effective way to manage their bilateral assistance in the three PID MDTF infrastructure sectors. Donors trust, and show respect for, the rigor of the World Bank's procedures, in particular on procurement. There is also recognition of the improvements in partners' implementation capacity thanks to the World Bank's diligence during project supervision mission in guiding implementation agencies in strong technical, financial, and administrative management practices.
2. *The PID MDTF donor coordination processes are seen as efficient in addressing project issues.* World Bank Task Team Leaders have also strived to connect to their mission donors who are not contributors to the PID MDTF but who are significant players in the same sectors and can undertake complementary activities. Recipients interviewed also expressed their satisfaction from what they have gained from their interactions with the World Bank and the PID MDTF. The main gain is seen in the harmonization of procedures with the use of World Bank procedures, regardless of the source of funds into the MDTF, as compared to potentially dealing with nine sets of procedures (eight donors plus the World Bank).
3. *The allocation of PID MDTF grants is supported by standard World Bank preparation processes. Disbursement rates are generally aligned with projected disbursements.* Some donors expressed their concern that disbursements were slow, particularly for the emergency response projects in Gaza, but others acknowledged that the preparation time required to launch quality small scale infrastructure projects, which involve significant rehabilitation or reconstruction work, is extensive and also that many of the implementation impediments are externally driven.
4. *The PID MDTF enables the design of bigger and more relevant projects to achieve more significant results in a shorter time.* The PID MDTF also has the flexibility to adjust

project development objectives and/or design during implementation. When new needs emerge during implementation, in-line with standard World Bank restructuring rules, funds can be reallocated to new activities within the same project if they are within the scope of the original project development objectives.

5. *The PID MDTF financial accountability system for recipient-executed grants is quite rigorous and transparent.* In all the projects in the Evaluation sample, financial accountability is rated satisfactory: financial and accounting systems are in place, reporting is timely, and audit reports are unqualified.
6. *The management of the PID MDTF is definitely cost effective, from the perspective of the World Bank, of the donors, and of the recipients.* Management costs so far are well below 1% of total project costs, which compares very favorably with the costs of other MDTF's operating in Palestine. This does not, however, reflect the real costs of administering the program. Most of the management and administrative costs have been absorbed into the regular budget of the World Bank for project appraisal, supervision, and analytical and advisory activities.
7. *A more dynamic governance structure would help engage the PA and donors on strategic policy and programmatic decisions.* The Governance structure of the PID MDTF is very simple, and fine in principle, but the current Governance arrangements of the PID MDTF do not fully respond to donors' expectations. The shortcomings identified relate to the conduct, frequency, and content of the meetings. All donors feel that the PA is not sufficiently engaged, and that its ownership of the PID MDTF is not visible.
8. *The PID MDTF continues to face major risks, which may affect the long-term viability of the mechanism as well as the sustainability of the projects it finances.* These risks include the lack of PA engagement and the lack of leverage on Israel. The PID MDTF donors, even collectively through a mechanism like PID MDTF, have little leverage on Israel. In order to have leverage, you need a partner who has a stake in the partnership. You need a partner who wants to cooperate. Other risks include the uncertain financial sustainability of the investments due to lack of economic recovery to reach full cost recovery for services and the lack of civic engagement to pay the bills for services.

These lessons demonstrate the value of well-established disciplines in funding, planning, implementing, and supervising infrastructure projects, which has been a long-standing comparative advantage of the International Development Banks. For the special circumstances of the Palestinian Authority, the lessons related to need for more dynamic governance arrangements and committed involvement of all partners are especially relevant if this model

were to be applied to the DPRK context. It is also noteworthy that the Trust Fund exists alongside bilateral infrastructure assistance programs and has helped facilitate coordination among all donors involved including those not partners in the Trust Fund.

## Implications for Design of a DPRK CTR *Plus* Trust Fund

A Special Trust Fund approach for a CTR *Plus* program would require particular attention to the issue of coordination of development projects managed under modalities that are common in the international development community but largely disconnected from the modalities employed by the WMD non-proliferation community. This would need to be addressed both in defining the objectives and structuring of projects to be managed by the Trust Fund and the governance arrangements for the Trust Fund with an overarching coordination mechanism with the WMD CTR management and governance. The flexibility of the Trust Fund approach would allow different arrangements for different windows of funding from the Trust Fund, which could be tailored to the specific priorities for projects and activities to be included in the CTR *Plus* program. The Trust Fund could also encompass different arrangements for project execution, such as those executed by the DPRK, those executed by the Trust Fund itself, and those executed by contractual delegation, whether to a competent organization or a consortium. Another important consideration would be obtaining the political and financial commitments from partners and donor countries up-front so that securing funds for approved projects and activities does not threaten the effectiveness of the CTR *Plus* program in meeting its objectives. Appointment of the Trust Fund manager and members of the Oversight Coordination Group would need to be carefully handled among partners and with the DPRK. Consideration could be given to rotating the chair of the Oversight Coordination Group among the partners providing the largest shares of financing for the CTR *Plus* program.

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## Potential Benefits and Drawbacks

A significant benefit of a Special Trust Fund approach would be the relative ease in creating the legal, financial, and operational infrastructure to establish and manage the Trust Fund. Core staffing could be obtained from the World Bank and/or other development and partner organizations through secondment or direct hire. A related benefit would be familiarizing DPRK officials with the World Bank's operational methods and requirements and building a relationship at the working level, both of which would be beneficial if the DPRK eventually moves towards membership status. Communication with partners through World Bank



established mechanisms would also be relatively easy because all potential partners are member States except the DPRK. This would require internal coordination by member States between their financial agencies, which are the primary point of contact with the World Bank, and their foreign affairs and WMD security agencies. These needs for internal coordination are also a potential drawback of the Trust Fund approach compared with the KEDO-type approach. Similarly, in the US, obtaining the understanding and support from the US Congress for the adoption this option is likely to be challenging and involve coordination across various committees.

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## **An Expanded and Strengthened Greater Tumen Initiative**

A third institutional framework for a CTR *Plus* program could build on the existing regional multilateral organization, the Greater Tumen Initiative (GTI), which undertakes cooperative activities for the development of economic and environmental relations among the participating countries. Current members are China, Russia, Republic of Korea, and Mongolia. The GTI is an outgrowth of the Tumen River Area Development Program (TRADP) established under the Agreement on the Establishment of the Tumen River Area Development Coordinating Committee signed by China, Russia, and the Republic of Korea as originating member states on December 6, 1995.<sup>16</sup> Mongolia and the DPRK subsequently joined the TRADP and the program served as a valuable mechanism for constructive engagement with the DPRK during the late 1990s when it was facing severe economic challenges. A notable feature of TRADP as a regional organization was the absence of Japan, although it participated in meetings as an observer. The US was not engaged in this initiative, which was supported mainly by the UNDP.

In 2005 member countries extended the 1995 Agreements for the next phase with commitment to greater member ownership and a vision for an enhanced and expanded self-reliant intergovernmental economic cooperation mechanism. TRADP was renamed as the GTI with an expanded geographic coverage to the Greater Tumen Region, and the five priority sectors (transport, tourism, energy, investment, and environment) were identified for future cooperation. In 2009 the DPRK resigned from the GTI as international sanctions impacted its external economic relations.

The GTI today has a secretariate based in Beijing and continues to seek meaningful ways to pursue constructive cooperation in Northeast Asia (NEA):



“Committing to the vision of building a great partnership for common prosperity between neighbors, the GTI has become an effective platform for regional economic cooperation, expanding policy dialogue, improving business environments, and contributing to peace and stability in NEA. In addition, the GTI works closely with important international partners to jointly promote the region and hosts both the NEA EXIM Banks Association as a regional development financing mechanism and the Local Cooperation Committee in support of cooperation initiatives among local governments in NEA.

With its skilled and low-cost labor pool, the Greater Tumen Region possesses enormous potential for investment and economic growth. The Tumen River ties this region together at the crossroads of vital trade, transport, and energy routes. Rich in gas, oil, and minerals, the region has easy access to affluent markets in NEA, representing millions of consumers. This potential can only be fully harnessed through dynamic cooperation among neighbors in the region.

The core decision-making institution of the GTI is the Consultative Commission, which is composed of Vice-Ministers from the GTI member governments. The Commission’s role is to foster support for regional cooperation and development and promote mutual understanding. It convenes annually to discuss key policy issues and cooperation projects among the GTI members and hosts joint sessions with strategic partners as well as local governments.

Today, the GTI continues to strengthen regional cooperation through policy dialogue and the implementation of priority projects. It has established strong partnerships with regional governments, international organizations, and the private sector to jointly promote cooperative activities in NEA. Increased regional cooperation has not only led to economic prosperity and sustainable development but also significantly contributed to regional solidarity and stability.<sup>17</sup>

Current priorities from the Strategic Action Plan for 2021-2024<sup>18</sup> are:

1. Promote the resumption of constructing cross-border transportation infrastructure and establishment of major transportation hubs to support economic cooperation and development between and across member states.
2. Increase the efficiency and effectiveness of the administrative procedures that transpire across the borders of the member states for smooth transit of goods and passengers.
3. Encourage cooperation in the agricultural sector towards sustainable development within the corresponding sector and gain food security in the region.

4. Create favorable conditions for trade and investment by private sectors in the region and enhance access to international financial institutions for investment in both public and private sectors.
5. Promote the GTR as a globally attractive tourist destination and increase the flows of cross-border tourists in Northeast Asia.
6. Establish an effective institutional mechanism for cooperation in energy policies and eliminate barriers to energy trade.
7. Explore methodologies to ensure environmental sustainability with pursuit of profits by economic activities.
8. Enhance the level of cooperation across the Export-Import banks (EXIM) of respective member states and develop new channels of cooperation with other financial institutions in the region to mobilize financial resources for projects that aim regional cooperation.
9. Encourage cooperation with Research Institution Network (RIN) to establish scientific grounds to stimulate economic growth of member states.
10. Strengthen the partnership with Japan and induce the Democratic People's Republic of Korea's participation in GTI framework for cooperation and common prosperity across the Northeast Asia Raise operational capabilities of the GTI for implementation of hard projects and synchronization of the policies related to regional and sectoral development pursued by each member state.
11. Develop a proposal to establish a project office under the framework of the GTI and other related platforms to organize a multilateral consultation process regarding projects and agendas that carry high importance.
12. Raise operational capabilities of the GTI for implementation of hard projects and synchronization of the policies related to regional and sectoral development pursued by each member state.
13. Enhance the capacity of the GTI as a center of economic and political partnership in Northeast Asia not only in the context of the legal transition of the platform but also raising international recognition of GTI's performance.
14. Strengthen the partnership with other international organizations/institutions.
15. Strive to advance negotiations in a constructive manner to transform GTI into an effective, result-oriented, member-driven intergovernmental economic cooperation institution and make further efforts to reach consensus on the pending issues.

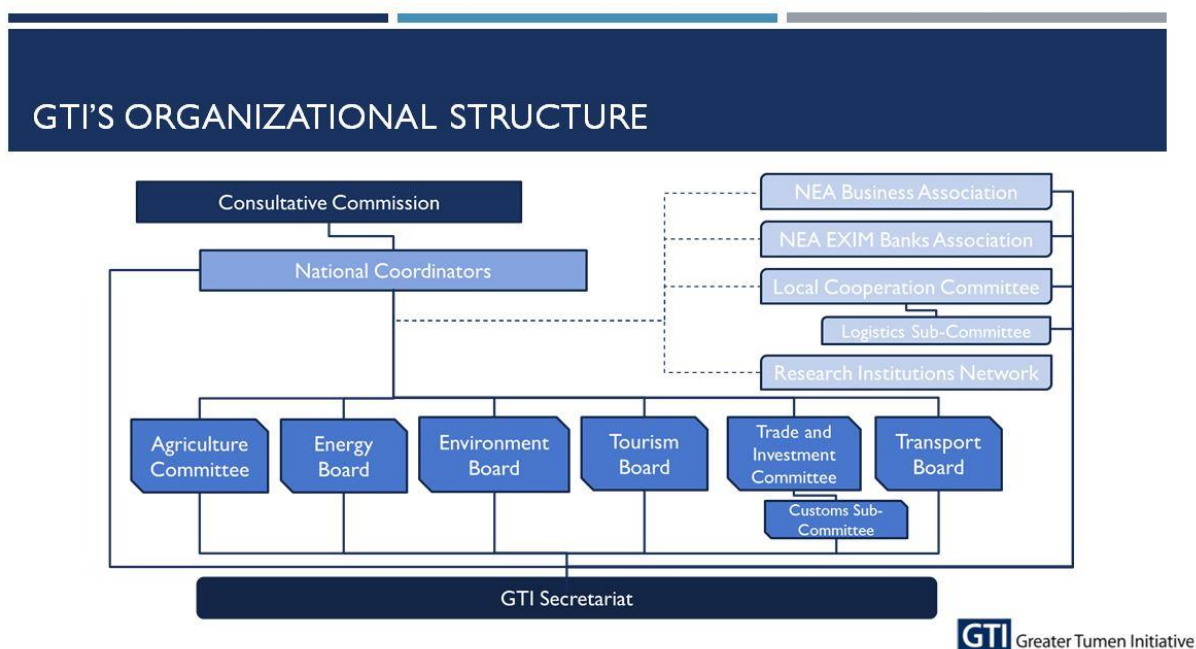
This Strategic Plan clearly hopes to expand multilateral engagement and cooperative participation by Japan and the DPRK. While UNDP has been the principal international organization partner, discussions have recently taken place with the Asian Infrastructure Investment Bank (AIIB), which could potentially significantly increase resources for capital investment projects. The plan also recognizes the importance of public-private partnerships and value of local government participation and networks that deepen prospects and sustainability of mutually beneficial engagement in regional development.

Also important are the principles of cooperation adopted for the Strategic Plan:

1. Make decisions based upon rules of consensus via consultation and collaboration with principles of reciprocity and fairness.
2. Take coordinated actions to address the agendas in regard to regional development and cooperation in accordance with conditions of respective member states.
3. Respect the laws of each member state, observe international regulations where applicable and codes that govern the sectors of development and cooperation.
4. Develop 'fast-track projects' to enable seamless cooperation across two or more member states.

These principles of cooperation are significant as the GTI functions in practice more like a weak ASEAN in Northeast Asia, but it does not have linkage to the security cooperation dialogue that has been established by ASEAN in the Asia Regional Forum. An expansion of GTI membership to include at least Japan and the DPRK, and engagement with a meaningful security cooperation mechanism, could significantly strengthen multilateral cooperation in Northeast Asia and help advance long-term stability in the region.

The current organizational structure of the GTI provides the operational underpinning for the various operational programs currently being undertaken:



The governance and management structure along with the program structure and network of regional partners provides an infrastructure for practical win-win beneficial collaboration in

areas that with strengthening could contribute effectively to the objectives of a CTR *Plus* program politically and operationally.

## Lessons from the Experience of TRADP and GTI

The major accomplishments of TRADP and GTI have been the credible establishment of programs having positive impact and progress in relationship building among stakeholders in the Greater Tumen Area in governmental, private sector, and academic communities. While largely outside the interest of the international community beyond the region, it has demonstrated staying power among the participating governments despite the great power political and security dynamics that dominate regional politics and global interests. Nevertheless, a review of TRADP experience in 2009 made the following observations about the challenges facing this multilateral collaboration effort:<sup>19</sup>

“In short, although a less successful growth triangle like the Tumen River Area Development Programme may fail to achieve its ambitious goals at the moment; it has provided opportunities for the contiguous states that used to cut off any possible working relationships with each other. However, unless the growth triangle itself has “grown up” to a certain degree, such cooperation can hardly become a force strong enough in promoting regional integration. Nevertheless, the question of how to speed up the progress of the Tumen River Area Development Programme remains a dilemma. As previously mentioned, the micro-region has always been way far underdeveloped as compared to other areas in East Asia. It takes lots of governmental efforts to establish infrastructure and build up a convenient environment to attract foreign investment. Yet, lack of funds to implement the programme has been the greatest problem for the authorities involved. As China and Russia have no longer carried out central-planned economic system, the local governments have to bear more responsibility to raise funds for the programme.”

These challenges remain today despite the commitment of the member states of the GTI to continue active support for regional economic integration. The departure of the DPRK from the GTI was a major setback, as access to the warm water port in Ranjin has from the start been a major interest of land locked areas of Eastern China and Mongolia, and by Russia because of year-long operations at the port. Both China and Russia continued to advance their interests bilaterally through agreements with the DPRK outside the GTI to rent piers at the port and provide the road and rail connecting infrastructure. Prior to the impact of UNSC sanctions adopted in 2017, joint ventures and cross-border trade grew significantly in the Rason and Sinuiju areas of the DPRK.

## Implications for GTI Organizational Development for a CTR *Plus* Program

While the GTI has a well-established legal and operational capability to pursue programs in multiple sectors simultaneously in ways that involve all the member states and participating partners from local governments, the private sector, and civil society, to effectively become an institution capable of contributing to the execution of a CTR *Plus* program would require additional member states and significant strengthening.

GTI membership would need to expand to include both the DPRK and Japan at a minimum, with related adjustments in management and staffing arrangements. Other concerned states, including the US and potentially others from Asia and Europe, would also need to be integrated in a governance arrangement that would at least cover the parts of a GTI program that are integrated with the CTR *Plus* program. This might be accomplished by the creation of a special consultative mechanism with oversight and executive powers as would also be the case with the Special Trust Fund approach.

The GTI would be well-positioned to undertake scaled-up projects not only in the current priority areas of agriculture, energy, transport, trade, and the environment, but also regional public health cooperation in light of the need to improve planning and management of pandemics coming out of the COVID-19 experience.

If execution of large-scale investment programs were to be included, contracting or co-financing with development finance banks could also be considered to supplement the existing operational capacities of the GTI.

In addition to these institutional strengthening measures, a higher level of political commitment and financial support would be needed from member states than exists at present.

New counterpart organizational arrangements with the DPRK must also be negotiated depending on the projects and activities to be undertaken in connection with the CTR *Plus* program.

## Potential Benefits and Drawbacks

The most important benefit of an expanded, strengthened, and politically supported GTI would be the significant escalation of capacity, impact on multilateral regional cooperation in Northeast

Asia, and more fully involving the DPRK in the ongoing regional integration process. If linked to regional security through association with the CTR *Plus* process, this would serve global as well as regional long-term interests in conflict reduction, and win-win economic, environmental, and social benefits among the partners. GTI's network of local governments, private sector, academic, and civil society engagement in its activities is a strength that neither a KEDO-type or Special Trust Fund approach could easily replicate. The main drawbacks of the GTI for a CTR *Plus* program are the lack of previous US interest in engaging TRADP or GTI in any political or tangible way, the limited financing of GTI programs, the limited capacity to manage significant investment projects, and the DPRK's decision to leave GTI, which would require a political shift internally.

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## Applying the Concept of Security Communities to a CTR *Plus* Program

In 2010, Admiral Dennis Blair and John Hanley published an article in *The Washington Quarterly* making the case for applying the niche concept of Security Communities in international relations theory to the Asia region and the security challenges of the 21<sup>st</sup> century.<sup>20</sup>

“The prevalent way of thinking about international relations throughout the Asia-Pacific region is in balance-of-power terms. Leaders in China, India, Russia, and other states talk of a multipolar world where major states are rivals, continually maneuvering to create balances. This is the world of Bismarck and nineteenth-century Europe.

An alternative approach, offering the prospect of a brighter future in Asia and better suited to the concerns of the twenty-first century, is one in which states cooperate in areas of shared interest such as peaceful development, diplomacy promotion, and use of negotiation to resolve disagreements. In essence, it would be preferable to promote "security communities." Karl Deutsch coined the term "security community" in 1957 to mean a group of states whose members "share dependable expectations of peaceful change" in their mutual relations and rule out the use of force as a means of resolving their differences.”

This appeal seems particularly well-suited for application to the present context of Northeast Asia and prospects for a successful CTR *Plus* program with the DPRK. If a CTR *Plus* program is



designed to include as partners all concerned countries in Northeast Asia, then a broader concept of “collaborative futures” could encompass both those cooperative projects and activities included in the CTR *Plus* program and other areas and frameworks for cooperation that would be seen as valuable for strengthening international relations in the region. Together these could form networks of governments, private sector, international organizations, and civil society in varying configurations that would be anchored in mutual benefits among stakeholders and reinforce incentives to embrace sustainable peace and security. From this perspective, the CTR *Plus* program could be selective in those projects and activities that are tightly tied to the incentives for the DPRK to stay the course on the sequenced stages of meeting the goals of the WMD threat reduction program, while being supportive of parallel engagement by appropriate partners on other areas of collaboration not directly tied to the CTR *Plus* program. In particular, human rights concerns are widely shared in the international community in addition to security concerns, and this reality could impact funding decisions for a CTR *Plus* program, especially by the US Congress. Finding a way to establish cooperative engagement on human rights issues by trusted partners under a parallel process could significantly enhance funding prospects for a CTR *Plus* program.

Adopting the Security Communities approach to future engagement with the DPRK would require two major strategic shifts from the underlying strategic policies that have underpinned the experiences of the past 30 years. One would be for the DPRK to embrace a process of becoming a fully accepted member of the international community and moderate its self-reliance doctrine, which politically and economically has always been domestically ideological, not a practical anchor of foreign policy, and not realistic in today’s world. Another strategic shift would be for the international community and the UNSC in particular to rely more on positive than negative incentives to obtain DPRK cooperation for a WMD threat reduction program. This would have to involve willingness to integrate meaningful sanctions relief with activities and relationships intended to help DPRK succeed and not fail in the transitions required to achieve human security, economic security, and regime security in tandem with the transition in military security tied to the CTR program.

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## Overall Assessment of Institutional Options and Recommendations

The three potential approaches for establishing institutional arrangements for implementing projects and activities to induce the DPRK to participate in a CTR *Plus* program all have positive features and drawbacks. While all have underlying capacities and operational experience that can



serve as a starting point for adaption to a CTR program, all would also need considerable organizational strengthening and governance changes to become effectively integrated with management of the WMD threat reduction part of the program. In all cases, lessons from the experiences of earlier CTR programs would need to be addressed, especially in the political support needed among partner governments, provision of timely and adequate financing, and selection of key leaders and staff. A robust multilaterally anchored and funded approach would be an important aspect of any approach taken, along with well-planned management of sanctions relief, to demonstrate broad support from the international community not dominated by any single bilateral relationship and recognizing that all partners have their own national interests but also a shared commitment to the CTR *Plus* program. Obtaining and maintaining DPRK commitment to extended cooperation would be a major challenge in any institutional arrangement.

The advantages of a new organization modelled on KEDO and lessons from its experiences would be ease of coordination with the management of the CTR program and the familiarity of the DPRK with positive aspects of the operational relationship. But efforts would be needed to dispel disappointments from the KEDO experience and to build new operational capabilities needed for the projects to be supported. The advantages of the Trust Fund approach are that the operational capabilities and multilateral coordination mechanisms are well established in international practice and would be a stepping stone for eventual integration of the DPRK with the norms of international economic cooperation. The challenges would be to establish an effective working relationship with DPRK counterparts who have little experience with these norms and to ensure effective coordination with the evolution of experience with the CTR program being managed in a different and unfamiliar institutional environment. The advantage of the GTI is that it is a well-established regional economic cooperation organization in which the DPRK was a member before withdrawing in 2009. To be effective as part of a CTR *Plus* program, the GTI would need to expand members and have support of both Japan and the US, be given a role in regional security cooperation to be integrated with a CTR *Plus* program, and develop increased operational capacities and funding.

A choice among the three institutional approaches would be influenced significantly by the decisions on what projects and activities would be included in the CTR *Plus* program and how tightly their financing and implementation would be tethered to progress in implementation of the WMD threat reduction part of the program. One way to address this would be to pick a preferred institutional arrangement and select projects and activities that could most easily be accommodated. Another would be to select the priority projects and to then choose the institutional arrangement that would be most capable to deliver them. In this case, multiple institutional arrangements could be selected to manage different projects within a more broadly

governed CTR *Plus* program with appropriate consultative arrangements. This, however, would be more complicated and costly than other choices.

If a security communities-based “collaborative futures” strategic approach were to be supported by the major stakeholder countries, the CTR *Plus* program could be more narrowly defined to include only those projects and activities directly related to the transformative success of the threat reduction program. Projects such as redeployment of scientific and military personnel, scientific exchanges, and outer space collaboration, could be managed under a KEDO-type framework; while economic projects in energy, food security, transport, and health infrastructure could be managed under a Special Trust Fund arrangement; and deepening regional cooperation on environment, public health, and trade facilitation could be managed under an expanded and strengthened GTI arrangement. Pre-membership involvement of the IMF and international development banks could also help pave a path towards cooperative economic and financial system reforms as sanctions policies evolve and lead to eventual full integration in the international community. Parallel progress on human rights concerns would improve the political motivation to provide funding for a CTR *Plus* program. The key question is whether the DPRK and international community are able to take the first transformative steps in shifts of underlying strategic policies for engagement and future relations.

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## Strategic Choices and Pathway Forward

There are high political and practical challenges to any prospect of the DPRK and the international community choosing to pursue a CTR *Plus* relationship that would last many years. Strategic choices would need to be made that the costs and risks of continuing escalating confrontation are untenable and that a shift to multidimensional cooperative engagement would be a better path to pursue, especially if anchored in security guarantees and reliable deterrence capabilities as the CTR *Plus* program evolved. The intensified circumstances at the outset of 2022 present both the challenge and opportunity for serious consideration of major strategic shifts, both for the DPRK and the international community, especially the US and its allies.

The DPRK is now experiencing its most severe humanitarian and economic crises since the 1990s. Two years of closed borders in response to the COVID-19 threat, on top of the expanded sanctions regime imposed since 2017, have achieved the maximum pressure that sanctions alone were not able to accomplish. Unlike the mid-1990s, the DPRK has not appealed for humanitarian aid from the international community nor is it participating in nuclear and peace cooperative engagement with the US as it did in the latter years of the Clinton Administration. Kim Jong

Un's response has been to escalate tension through missile tests and remain closed to most humanitarian aid. DPRK society and political economy are also very different today than in the 1990s due to significant expansion of the role of markets and private initiatives that have been tolerated if not fully embraced by the military and ideologically socialist political elites. The risk of popular disenchantment with the performance of the regime is higher today than then, and domestic challenges dominated the December 2021 Korean Workers' Party meetings, notably prioritizing agriculture and food security in rural areas. The DPRK's strategic posture today is to double down on isolation, promote innovative self-reliance, and demonstrate reminders of its evolving military deterrence capabilities, not engagement with the international community. However, the domestic price and political risks for Kim Jong Un have reached a critical moment where strategic reconsideration is potentially possible.

For the advocates of maximum pressure, the current moment is the also a moment of truth. If the objective of maximum pressure is capitulation or regime collapse, sanctions alone have so far not accomplished their objective. With the additional human security and economic impacts of the border closure and trade shock due to COVID-19, it is hard to believe that pressures on the DPRK could be much worse than they already are. In fact, these could begin to recede if border trade with China begins to recover and China and Russia resist further sanctions, of which there are already indications. US policy has been to be available to meet without preconditions to discuss phased negotiations on the DPRK WMD programs and is supporting exemptions to UN sanctions for humanitarian assistance, but it also is insisting on retaining and recently adding sanctions. So far, this policy has not resulted in the capitulation of the DPRK, and there are increasing calls for a strategic reorientation before the leverage of the moment dissipates.

At this juncture, any consideration of the political and practical benefits and challenges of pursuing a CTR *Plus* path based on cooperation rather than confrontation would need to be frankly and exploratively discussed between the US and DPRK and among major stakeholder countries. This would best be accomplished informally to begin with through back-channel or track two mechanisms. It would be essential that hardline views and concerns be addressed in these conversations to build the foundations for internal coherence among the partner countries for any pragmatic and public path forward. 

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<sup>2</sup> Ibid. Page 120.

<sup>3</sup> Ibid. Pages 124-127.

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- <sup>10</sup> Thomas J. Biersteker and David Lanz, "Negotiated Settlement through Sanctions Relief: Options for the Korean Peninsula." APLN Policy Brief No. 75. December 24, 2020. <https://www.apln.network/analysis/policy-briefs/negotiated-settlement-through-sanctions-relief-options-for-the-korean-peninsula>
- <sup>11</sup> In fact, the KEDO website is still functional and contains copies of the foundational Agreements and Protocols. [http://www.kedo.org/ap\\_main.asp](http://www.kedo.org/ap_main.asp)
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- <sup>13</sup> Charles Kartman, Robert Carlin, and Joel Wit, "A History of KEDO 1994-2006." Center for International Security and Cooperation, *Stanford University*, (2012): 51-67. [https://cisac.fsi.stanford.edu/publications/a\\_history\\_of\\_kedo\\_19942006](https://cisac.fsi.stanford.edu/publications/a_history_of_kedo_19942006)
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