

CTR *Plus*

PREPARING FOR PEACE: POLITICAL AND FINANCING CONSIDERATIONS FOR COOPERATIVE THREAT REDUCTION PLUS WITH THE DPRK

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Preparing for Peace: Political and Financing Considerations for Cooperative Threat Reduction Plus with the DPRK

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Executive Summary

Experience shows that opportunities for engagement with the Democratic People's Republic of Korea (DPRK) tend to be brief and can be easily squandered. Once political conditions on the Korean Peninsula improve, well-considered policy initiatives are needed to facilitate constructive engagement.

This paper assesses how to build political and financial support for Cooperative Threat Reduction Plus (CTR Plus) with DPRK – a multisectoral energy, public health, agriculture and development program based on the Nunn-Lugar CTR program. It explores what type of funding arrangement would be best suited to the program – highlighting establishing a World Bank-managed trust fund model – and how to generate political support considering the domestic politics of the main stakeholders involved in the Korean Peninsula.

Despite the challenges to engagement with the DPRK, there are positive signs and opportunities: the newly inaugurated President of the Republic of Korea (ROK) has indicated the possibility of economic support and cooperation with the DPRK. The United States has experience of working on similar collaborative initiatives. China is experienced in economic cooperation and development projects in the DPRK. Japanese experts, civil society representatives and the political opposition remain supportive of cooperative denuclearisation efforts. This paper assesses these opportunities and challenges and offers recommendations for policymakers to act when the window of opportunity arises.

Introduction

The security situation on the Korean Peninsula tends to follow a cyclical pattern — from cooperation to stalemate, from stalemate to confrontation, and back around again. All indications suggest a return to confrontation. In the first months of 2022, the Democratic People’s Republic of Korea (DPRK) launched more missiles than the previous four years combined. With heightened concerns over a possible nuclear test in the coming months, there seems to be little cause for optimism.¹

This report takes stock of current political dynamics impacting the Korean Peninsula and relations with the DPRK, looking beyond the current cyclical phase to offer recommendations for the next opportunity for engagement. In doing so, it aims to provide an “off-the-shelf” policy option that can be used once political conditions are more propitious.²

One promising policy option for engagement is based on the Cooperative Threat Reduction (CTR) program implemented between the United States and post-Soviet states after the end of the Cold War. The CTR program, also known as the Nunn-Lugar program, fostered working level cooperation between the United States, Russia, and the post-Soviet states, and successfully removed or dismantled nuclear weapons stationed on the soil of Belarus, Kazakhstan, and Ukraine. The program also provided alternative employment for the nuclear and biological weapons workforce, and dismantled chemical weapons.

APLN previously assessed the potential to adapt the original CTR program to the unique circumstances in the DPRK in the form of “CTR Plus,” where the “plus” refers to broader, multisectoral engagement, beyond nuclear weapons and weapons of mass destruction (WMD). A series of workshops were held in late 2021, exploring engagement within areas such as energy, public health, and space cooperation, with the analysis published in a series of reports in December 2021.³

This report draws on the themes discussed during a follow-up conference in March 2022.⁴ The discussions centered around two questions:

- How can political support be built and sustained for CTR Plus?
- What financial arrangements would be suitable to support CTR Plus?

¹ Justin McCurry, ‘North Korea Fires Suspected ICBM amid Signs of Preparation for Nuclear Test’, The Guardian, 25 May 2022, sec. World news, <https://www.theguardian.com/world/2022/may/24/north-korea-fires-ballistic-missile-off-its-east-coast-says-seoul>.

² The case for CTR Plus assumes that sanctions against the DPRK would be eased or lifted. As sanctions lifting has been extensively covered in other works on CTR Plus, we do not discuss the topic further here.

³ ‘Cooperative Threat Reduction Plus: Breaking the Stalemate with the DPRK’, (Asia-Pacific Leadership Network, 21 December 2021), <https://www.apln.network/projects/ctrplus/cooperative-threat-reduction-plus-breaking-the-stalemate-with-the-dprk>.

⁴ The conference was held online under Chatham House rules, with participants from the ROK, the United States, China, Japan, and Europe.

The report is divided into two sections that address each question.

In summary, a trust fund arrangement under the World Bank is promising as a financing option, but major shifts in domestic policies, and bilateral and multilateral relationships are required to implement a CTR Plus initiative with the DPRK.

Advancing the agenda also includes:

- The United States and the DPRK engaging in leader-level or at least senior-level dialogue on threat reduction or activities related to WMD-reduction and arms control.
- China leading on activities separate from WMD and arms-control related work, offering expertise in implementing development projects in the DPRK, as well as providing a significant contribution to the World Bank DPRK Trust Fund.
- The United States taking the initiative to establish – but not necessarily provide funds to – a World Bank DPRK Trust Fund.
- China and the United States holding coordinating dialogues to serve to build trust and coordinate CTR and Plus activities.
- The Republic of Korea (ROK) and Japan building on proposed initiatives to improve bilateral relations and discussing what types of projects each can contribute under CTR Plus.

Political Considerations

Implementing CTR Plus requires political will from the DPRK, the United States, and the ROK, as well as from China, Japan, and Russia. This section outlines political dynamics and challenges and discusses what type of financial arrangements have worked in the past (where applicable) in each country. The section also identifies potential opportunities for future engagement.

United States

Even before the Russia-Ukraine war began, it was clear that the Biden administration had placed diplomacy with the DPRK on the backburner. Following the months long DPRK policy review, Press Secretary Jen Psaki stated that the Biden administration intends to adopt a “calibrated, practical approach,” a classic middle ground policy option that does not display the political will needed to address the DPRK nuclear issue. The full review was never published. Only two senior officials – Deputy Secretary of State Wendy Sherman and Special Representative for the DPRK Sung Kim – have had direct experience engaging with the DPRK. Although Ambassador Kim stated that the DPRK has declined multiple offers for

dialogue with the United States,⁵ the administration's limited political will on tackling the DPRK nuclear challenge is apparent – Sung Kim is first and foremost the US Ambassador to Indonesia, and as of April 2022, the administration has yet to even nominate a US ambassador to the ROK.

Although President Biden expressed willingness for strategic dialogue with China and Russia, the administration's lukewarm approach is not conducive to a CTR Plus initiative. Moving the US Congress to support CTR Plus will be difficult given the long-standing hostility between the United States and the DPRK. However, Congressional funding does not have to be large. The initiative can rely on other parties to provide additional funding, for instance through a trust fund model, as described below. If the United States demonstrates the political will to meaningfully engage with the DPRK, and plays a leadership role in the initiative, financial support could be provided by other countries.

There is precedent. Beginning in 1996, the US Department of Defense (DoD) in charge of implementing the Nunn-Lugar program was prohibited by Congress from conducting infrastructure building projects in Russia and reached out to other governments for help. For a CTR Plus initiative, the DoD could concentrate on WMD threat reduction efforts, and other governments could focus on the “Plus” aspects, such as cooperation in the energy and health sectors.

Another important element is the mutual threat reduction aspect of the original CTR. CTR was conceived alongside the START I treaty – a bilateral arms control treaty that mandated reduction to equal nuclear warhead and delivery vehicle levels for both the United States and the Soviet Union, later Russia. CTR Plus for the DPRK must consider and clarify what threat reduction entails for both the DPRK and the United States in 2022 and beyond. Especially as parity of nuclear forces is out of the question for the United States. However, The United States could – after consultations with regional allies – commit to not deploying nuclear weapons in the Korean peninsula. In return there would be appropriate reciprocal monitoring and verification measures on both sides of the Korean Demilitarized Zone (DMZ). President Yoon has previously said that he would scrap the 2018 inter-Korean military agreement that seeks to suspend military activities near the inter-Korean border, his defense minister nominee Lee Jong-sup more recently stated that he is “not of the position that the Sept. 19 [2018 inter-Korean] military agreement should be discarded.”⁶ For the United States or the ROK to consider troop reductions, the DPRK would have to commit to substantial threat reduction measures, that go – at least – beyond the recently broken moratorium on ICBM testing.

⁵ ‘Briefing with Special Representative for the Democratic People’s Republic of Korea Sung Kim on Recent Developments in the DPRK and U.S. Efforts to Advance Denuclearization on the Korean Peninsula’, United States Department of State, 6 April 2022, <https://www.state.gov/briefing-with-special-representative-for-the-democratic-peoples-republic-of-korea-sung-kim-on-recent-developments-in-the-dprk-and-u-s-efforts-to-advance-denuclearization-on-the-korean-penins/>.

⁶ Jeongmin Kim, ‘Yoon’s Defense Minister Nominee Will Not Scrap Kim and Moon’s 2018 Military Deal’, NKNews, 21 April 2022, <https://www.nknews.org/2022/04/yoons-defense-minister-nominee-will-not-scrap-kim-and-moons-2018-military-deal/>.

DPRK

Political conditions in the DPRK are the least conducive to engagement since the nuclear and ICBM tests in 2017. After four years of stalemate, the DPRK has conducted thirteen rounds of missile tests – including hypersonic missiles – and attempted to launch at least one ICBM during the first months of 2022. There are also indications that the nuclear test site at Punggye-ri, which had been formally shut down in 2018, is being prepared for a new test.⁷ Yet, amidst rising tensions, the DPRK continues to show no interest in engagement or dialogue while continuing to expand its nuclear weapon capabilities and delivery systems.⁸

In addition to military activities, the DPRK has demolished a hotel and golf resort near Mount Kumgang that it once ran together with the ROK, a clear signal that it is not seeking inter-Korean cooperation at this time. The ROK Ministry of Unification demanded an explanation from Pyongyang via the inter-Korean hotline but has yet to receive a formal reply.

The present circumstances make engagement difficult, but former officials and experts with extensive experience of working-level interactions with DPRK officials agree that there is a great respect for, and willingness to learn from, international development agencies, at least among lower-level officials.⁹ According to an ROK economist with deep insight into the DPRK economy, this willingness to cooperate is balanced by a desire to not be perceived as receiving “handouts.” The DPRK does not want to become over-reliant on foreign assistance but is more receptive to sustainable programs or projects that can increase its economic productivity and independence. Such programs on the local level could include training for workers and agricultural development, which the DPRK pursued with international organizations in the early 2000s.¹⁰ The DPRK’s recent publication (in 2021) of the Voluntary National Review (VNR) on the implementation of the 2030 Agenda for Sustainable Development is a promising sign in this regard.¹¹

However, DPRK leader Kim Jong Un needs to take personal initiative before such international cooperation and working level relationships can form. As APLN argued in a previous report:

⁷ Yoon-hwan Chae, ‘Continued Restoration Work Spotted at N. Korea’s Nuclear Test Site: Report’, Yonhap News Agency, 29 April 2022, <https://en.yna.co.kr/view/AEN20220429004000325>.

⁸ Han-ju Kim, ‘North Korean FM Rules out Possibility of Contact with U.S.’, Yonhap News Agency, 23 June 2021, <https://en.yna.co.kr/view/AEN20210623010000320>.

⁹ DPRK officials’ eagerness to cooperate was noted by several participants of the online APLN conference.

¹⁰ Jong-Woon Lee and Hyungsoo Zang, ‘Future Development Assistance to North Korea Through the Establishment of Multi-Donor Trust Funds’, North Korean Review 9, no. 2 (2013): 43–58.

¹¹ ‘Democratic People’s Republic of Korea: Voluntary National Review on the Implementation of the 2030 Agenda’ (Government of the Democratic People’s Republic of Korea, June 2021), https://sustainabledevelopment.un.org/content/documents/282482021_VNR_Report_DPRK.pdf

Any sustained engagement with the DPRK requires the approval of Kim Jong Un, who is unlikely to cooperate unless he believes that doing so reduces threats to the DPRK's security.¹²

DPRK's involvement in any long-term engagement initiative such as CTR Plus would likely be contingent on the partial lifting of sanctions. The considerations for sanctions relief have been discussed elsewhere, but simply addressing the DPRK's threat perceptions may not be enough to encourage engagement.¹³ Some have argued that recent tests of short-range missiles and focus in DPRK propaganda on tactical nuclear weapons represents a change in the regime's nuclear posture, that the DPRK will consider using its weapons not just to limit US or ROK behavior, but to shape that behavior through nuclear compellence.¹⁴ If the DPRK pursues this dangerous offensive shift into nuclear brinkmanship, this would sharply reduce the prospects of other relevant governments engaging in CTR Plus.

ROK

The recent change of government in Seoul has important implications for engagement with the DPRK and a future CTR Plus initiative. Writing in Foreign Affairs, then-Presidential candidate Yoon Suk-yeol argued that the ROK must increase its military readiness, conduct more exercises with the United States and that:

Pyongyang's sincere and complete declaration of its existing nuclear programs would be the first step milestone in restoring trust. Sanctions against North Korea might then be eased in line with verifiable and irreversible steps Pyongyang must take toward denuclearization.¹⁵

In his inauguration speech, he left the "door to dialogue" open, and promised "an audacious plan that will vastly strengthen [the DPRK]'s economy and improve the quality of life for its people" if the DPRK "genuinely embarks on a process to complete denuclearization."¹⁶ The fact that Yoon considers the possibility of economic support and cooperation implies that he is not as hawkish on the DPRK as the general wisdom regarding ROK conservatives would suggest. Yoon's Defense Minister nominee has also expressed that he is prepared to uphold the ROK's end of the 2018 Inter-Korean Military Agreement, contradicting Yoon's earlier claim that he would scrap it.¹⁷

¹² 'Cooperative Threat Reduction Plus: Breaking the Stalemate with the DPRK', 15.

¹³ The lifting of sanctions is a highly contentious issue. For a discussion of partial sanctions relief as a condition for CTR Plus, see the 'Cooperative Threat Reduction Plus: Breaking the Stalemate with the DPRK', 15.

¹⁴ Andrew Salmon, 'Ukraine War Fortifies North Korea's Urge to Arm', Asia Times, 21 March 2022, <https://asiatimes.com/2022/03/ukraine-war-fortifies-north-koreas-urge-to-arm/>.

¹⁵ Suk-yeol Yoon, 'South Korea Needs to Step Up', 6 April 2022, <https://www.foreignaffairs.com/articles/south-korea/2022-02-08/south-korea-needs-step>.

¹⁶ Kyung-don Joo, 'Full Text of President Yoon's Inaugural Address', Yonhap News Agency, 10 May 2022, <https://en.yna.co.kr/view/AEN20220510005900315>.

¹⁷ Jeongmin Kim, 'Yoon's Defense Minister Nominee Will Not Scrap Kim and Moon's 2018 Military Deal', NKNews, 21 April 2022, <https://www.nknews.org/2022/04/yoons-defense-minister-nominee-will-not-scrap-kim-and-moons-2018-military-deal/>.

Additionally, ROK progressives remain firmly in control of the ROK National Assembly until at least 2024. Although the National Assembly's influence over foreign policy is relatively small, progressive lawmakers generally tend to be more sympathetic towards engagement with the DPRK, and some have expressed support for CTR Plus. Under the Moon administration, the ROK Ministry of Unification has also accumulated institutional knowledge of CTR Plus, which could be an asset to the ROK's foreign policy under President Yoon. Yoon's Unification Minister nominee Kwon Young-se has called for a united "bipartisan North Korean policy," urging for a "break from the old dichotomy that conservatives are anti-North Korea and progressives are pro-North Korea."¹⁸

Still, the ROK under President Yoon is unlikely to prioritise inter-Korean relations or work proactively towards engagement with the DPRK. Instead, the initiative should come from the United States, with which Yoon has vowed to strengthen the alliance. He might therefore be willing to accept the premise of CTR Plus if Washington urged him to do so, and the benefit to the ROK was convincingly apparent.

Finally, there is a good case to be made for further provision of medical assistance *without* preconditions on reductions of the DPRK nuclear and missile program.¹⁹ In this regard, it is a positive development that the new ROK government has offered vaccines to the DPRK to handle its ongoing COVID-19 outbreak.

Japan

Recent efforts by the United States, the ROK and Japan to strengthen their trilateral relationship present both opportunities and challenges. At the trilateral summit of high-ranking defense officials, the three countries committed to "close trilateral cooperation to achieve complete denuclearization and lasting peace on the Korean Peninsula."²⁰ To the extent that trilateral cooperation can improve policy coordination on the DPRK issue, it is a welcome development; recent years of strained relations between Seoul and Tokyo have not been conducive to multilateral initiatives or willingness to compromise on conflicting priorities towards the DPRK. An organization like the Korean Peninsula Energy Development Organization (KEDO), which enabled the United States, the ROK, and Japan to coordinate their economic policies towards Japan could be a useful model for the three countries to explore again.

However, policy coordination is not worth much for CTR Plus, if the policymakers doing the coordination are hostile towards engagement with the DPRK in the first place. The ruling Liberal Democratic Party (LDP) is gaining support, by taking a hardline stance against the

¹⁸ Lee Hae-ah 'Unification Minister Nominee Calls for Bipartisan N.K. Policy', Yonhap News Agency, 22 April 2022, <https://en.yna.co.kr/view/AEN20220422010600315>.

¹⁹ 'North Korea Sees a Virus Explosion. Its Missiles Won't Help.', Washington Post, 13 May 2022, <https://www.washingtonpost.com/opinions/2022/05/13/north-korea-sees-virus-explosion-its-missiles-wont-help/>

²⁰ "Joint Statement on the U.S.-Japan-Republic of Korea Trilateral Ministerial Meeting," United States Department of State, accessed 14 April 2022, <https://www.state.gov/joint-statement-on-the-u-s-japan-republic-of-korea-trilateral-ministerial-meeting/>.

DPRK and China, in a similar fashion to the new government in Seoul. Recent discussions within the LDP about Japan developing “enemy base strike capability” are case in point.²¹ The political opposition views cooperation more favorably, emphasizing diplomacy, including disarmament diplomacy, dialogue and relationship building. A CTR Plus initiative with the DPRK would need the support of Japanese politicians who share these sentiments, but the long-incumbent LDP is unlikely to leave power any time soon.

There has been some support in the Japanese policy community for a “Nuclear Threat Reduction Program” where Japan, alongside the United States and the ROK, would be taking a central role in providing financial and technical support for the management/disposal of North Korean nuclear facilities and materials. This proposal, published by the Sasakawa Peace Foundation, also includes support for Japan’s role in the potential transition of North Korean nuclear weapons researchers and engineers into non-military fields.²²

China

To the extent that China would be willing to participate in CTR Plus, it would not do so unless it gets a significant say in how to set the terms of the engagement. China’s official position is to “play a constructive role in promoting the resolution of the nuclear issue on the Korean Peninsula.”²³ It is clear that China and the United States hold very different perceptions of what a “constructive role” entails, as China continues to oppose further sanctions resolutions that the United States puts forward in the UN and has repeatedly called for some sanctions to be lifted or implemented in a more “prudent” way.²⁴

Sanctions notwithstanding, China remains the DPRK’s largest trading partner and has long experience in providing aid for development projects in the DPRK. The Chinese institutional knowledge and expertise in interacting with the DPRK would be a valuable asset to CTR Plus; not just the Chinese government, but Chinese companies could make considerable contributions to DPRK infrastructure. Before the pandemic, there seems to have been some mutual interest between China and the DPRK of cooperating under China’s Belt and Road Initiative (BRI).

In principle, China would not oppose such cooperation, as it favors a “dual-track” approach to the Korean Peninsula that keeps nuclear and economic issues separate. In practice,

²¹ ‘LDP to Propose Enemy Base Strike Capability as Part of Japan Security Review,’ The Japan Times, 12 April 2022, <https://www.japantimes.co.jp/news/2022/04/12/national/ldp-enemy-base-review/>.

²² ‘Proposals to the Japanese Government Concerning the Denuclearization of North Korea’ (Sasakawa Peace Foundation, February 2020), https://www.spf.org/en/global-data/user33/Proposal_NorthKorea_English.pdf.

²³ ‘US Called on to Match Its Words with Action in Ties,’ People’s Daily Online, 23 February 2022, <http://en.people.cn/n3/2022/0223/c90000-9961673.html>.

²⁴ ‘Chinese Envoy Urges UN Security Council to Take Prudent, Responsible Approach to Sanctions,’ People’s Daily Online, 8 February 2022, <http://en.people.cn/n3/2022/0208/c90000-9954511.html>.

however, the Asia Infrastructure Investment Bank, which is designed to fund BRI projects, may be wary of the political risks involved.²⁵

The poor state of US-China relations also creates political risks. Chinese media has spread unfounded rumors that the US Defense Threat Reduction Agency maintains secret bioweapons facilities in Ukraine.²⁶ Such conspiracy theories are not conducive to Chinese participation in CTR Plus, but appear to be believed by the Chinese public, and perhaps decisionmakers as well, underscoring the divide in perceptions between the United States and China on basic facts.²⁷ Moreover, the Chinese UN ambassador has also linked the nuclear issue on the Korean Peninsula to the AUKUS deal, stating that it "ignore[s] the concerns of the international community" and "poses a serious risk of nuclear proliferation."²⁸ Overall, China has great potential to be a productive contributor to CTR Plus, but any contribution would have to be the result of mutual efforts to reduce misperceptions between China and the United States.

Russia

During the discussions at the APLN CTR Plus conference in March 2022, concerns were raised that the Russian invasion of Ukraine blemished CTR's record. It also negatively affects the potential to introduce CTR Plus with the DPRK because Ukraine was invaded in spite of security assurances from Russia, the United States and United Kingdom in exchange for denuclearization and adherence to the NPT. There is a widespread misperception that if Ukraine had retained the nuclear weapons stationed on its soil, it would have been able to deter a Russian invasion. In the view of some analysts, Ukraine has joined Libya and Iraq as cautionary examples that giving up nuclear weapons will be detrimental to national security. However, Ukraine never had operational control over those nuclear weapons and the radioactive isotopes would have decayed within a decade.²⁹ The political impact of this argument cannot be underestimated and should be addressed by denuclearization supporters.

This perception has also fed public discussions in both Japan and the ROK that each should consider acquiring nuclear weapons. The former Six Party participants are also split on the

²⁵ The Chair and President of the Asia Infrastructure Investment Bank (AIIB), Jin Liqun, has said that AIIB would only be willing to invest in the DPRK provided that there was a deal in principle on denuclearisation between the United States and the DPRK: Kim Jin-bang, 'Song Young-gil "New S. Korean policy towards the North: China's BRI ... let's make a supergrid" (송영길 "韓新북방정책-中일대일로 연계 가능...슈퍼그리드 잇자")', Yonhap News, 14 April 2018, <https://www.yna.co.kr/view/AKR20180414039900083>.

²⁶ 'Sinister Motives Behind US Bioweapons Research Development in Ukraine (美国在乌克兰开展生物武器研究用心险恶)', Sina.com, 22 March 2022, <https://news.sina.com.cn/c/2022-03-22/doc-imcwiwss7513212.shtml>.

²⁷ US-China Perception Monitor, 'Chinese Public Opinion on the War in Ukraine', U.S.-China Perception Monitor (blog), 19 April 2022, <https://uscnpm.org/2022/04/19/chinese-public-opinion-war-in-ukraine/>.

²⁸ 'China Calls for Restraint Regarding Nuclear Issue on Korean Peninsula', People's Daily Online, 3 March 2022, <http://en.people.cn/n3/2022/0327/c90000-10076352.html>.

²⁹ Vitaly L. Kataev, 'Ukraine Could not Have Kept the Nuclear Warheads Even if it Wanted to', 16 September 1994, Archive Box 13, Folder 26, National Security Archive, <https://nsarchive.gwu.edu/document/22540-05-ukraine-could-not-have-kept-nuclear>.

Ukraine issue: ROK (somewhat reluctantly) joined the sanctions on Russia, while the invasion has again highlighted Japan's territorial dispute with Russia, and stalled progress towards formalizing a WWII peace treaty. China, on the other hand, has supported Russia, by condemning NATO expansion, and the DPRK voted against the condemnation of Russia in the UN.

It does not seem likely that Russia will become a member of any multilateral project in the short term, as it is subject to US, ROK, and Japanese sanctions. The war in Ukraine has split the important actors around the Korean Peninsula into two sides, and further confounded cooperation. The issue of lifting sanctions against the DPRK now becomes entangled with lifting of sanctions against Russia, complicating negotiating positions.

Financial Support

The implementation of CTR Plus will require significant financial support. Brad Babson, former World Bank official, proposed three institutional arrangements to fund and manage a CTR Plus program with the DPRK.³⁰ One financing approach is a re-imagined multilateral organization drawing from the experiences of the political benefits of a trust fund-based funding approach.

Special Trust Fund Model

A special trust fund modeled on past examples – such as the Palestinian Partnership for Infrastructure Development Multi-Donor Trust Fund (PID) – could have significant benefits for overcoming difficult political issues, compared to alternative financing models. It has an administrative structure that allows for flexibility in project implementation and independent supervision and use of funds. In addition, it has an oversight group, chaired by the World Bank and comprising of all donors and the recipient country's executive financial body, that provides the core consultative function.³¹

A 2017 report found that the PID has proven successful in several areas: it is efficient at pooling donor resources and coordinating processes; its preparation processes follow World Bank standard; its structure enables the design of bigger projects and more meaningful results; its financial accountability system is rigorous and transparent; and its management costs are low.³²

³⁰ Brad Babson, 'Potential Institutional Arrangements for Funding a Cooperative Threat Reduction Plus Program with the DPRK' (Asia-Pacific Leadership Network, 7 April 2022), <https://www.apln.network/projects/ctrplus/special-report-funding-a-cooperative-engagement-with-the-dprk>.

³¹ Babson, 20-21.

³² Arab World Research and Development, Mid-Term Independent Evaluation Report, June 2017, [https://um.fi/documents/384998/0/Multi-donor Trust Fund Palestine MTE%2BTOR 2017.pdf/5ee386b5-41f5-d1e7-acdb-0da174b35323](https://um.fi/documents/384998/0/Multi-donor+Trust+Fund+Palestine+MTE%2BTOR+2017.pdf/5ee386b5-41f5-d1e7-acdb-0da174b35323).

A trust fund model can be adapted to a diverse set of purposes. It has an administrative structure that allows for flexibility in project implementation and independent supervision and use of funds. A trust fund can also be implemented swiftly to take advantage of a small window in the cooperation-stalemate-confrontation cycle.

All potential partners except the DPRK are members of the World Bank. This provides an opportunity for engagement with the DPRK. By working with the World Bank trust fund, DPRK officials would be able to build a working-level relationship with World Bank staff and other development partner organizations.³³ This learning and trust-building effort could lead to greater cooperation in the future.

A trust fund would make it easier to coordinate with a wide range of donors and partners. While the US Congress would support DoD funding for WMD-related reductions and eliminations, most funds for the *Plus* aspect would need to come from other donor governments/international organizations.³⁴ An efficient donor coordination process, which a special trust fund model can provide, is necessary.

The United States exercises significant influence over the World Bank. This fact has positive and negative implications for CTR Plus and the trust fund model. Political support from the US President (who appoints the Bank's executive) as well as the US Congress (which has significant influence over the Bank's policy), would show that the United States is seriously committed to engagement, and induce confidence in the DPRK. Although the US influence over the World Bank means that a trust fund would need to have American support, the United States does not need to be a direct donor to the trust fund. Just as the United States has not participated in the PID it could allow the creation of one or several DPRK trust funds to finance CTR Plus activities with the help of other donors. This arrangement may reduce potential congressional opposition. The indirect nature of US involvement could also allow China to assume a greater role as a donor.

That the DPRK is not a member of the World Bank could also be an obstacle – unfamiliarity with institutions can exacerbate distrust and misunderstanding. However, the DPRK has expressed willingness to participate in international development projects, as demonstrated by the release of its 2021 Development Report, an unusually frank assessment of development challenges in the country.³⁵ Engagement through the World Bank could help build trust and create a foundation for greater engagement in the future. An arrangement that is not burdened by previous issues, such as KEDO or the Greater Tumen Initiative, offers the chance for a 'clean start.'

³³ Babson, 22-23.

³⁴ Susan J. Koch, 'Political Mobilization for CTR Plus: Lessons Learned From CTR' (Asia-Pacific Leadership Network, 3 May 2022), <https://www.apln.network/projects/ctrplus/political-mobilization-for-ctr-plus-lessons-learned-from-ctr>, 4.

³⁵ 'Democratic People's Republic of Korea: Voluntary National Review on the Implementation of the 2030 Agenda' (Government of the Democratic People's Republic of Korea, June 2021), https://sustainabledevelopment.un.org/content/documents/282482021_VNR_Report_DPRK.pdf.

Conclusion and Recommendations

Moving forward with CTR Plus will be a difficult task. The original CTR program in the 1990s also faced challenging circumstances with strong skepticism from within the US Congress, but eventually produced tangible results. It required hard work and political bravery from decisionmakers in the United States and Russia, but the program eventually successfully dismantled many WMDs and removed nuclear weapons and material from Belarus, Kazakhstan and Ukraine. As Susan Koch argues, “success breeds success”:

... in Summer 1995, after three years of cooperation, the Russian Ministry of Defense requested assistance to enhance the security of nuclear warhead storage sites. That extremely sensitive work would not have been possible without the habits of trust and cooperation that had built up over the previous three years. It was also essential that the proposal came from Russia rather than from the United States.³⁶

In the current unfavorable political environment, policymakers in countries surrounding the DPRK – chiefly the United States, China, the ROK, and Japan – should focus on actions that each country can influence. They should avoid hawkish rhetoric, build bipartisan and domestic support for CTR Plus, and carefully evaluate their ability to participate in the trust fund arrangement outlined above.

To construct a politically viable funding framework for CTR Plus, it needs to be clear how each country can gain from the arrangement, and what they can contribute to it. The **United States** and the **DPRK** should engage in leader-level or at least senior-level dialogue on threat reduction. This dialogue would set the stage for a high-level political commitment to CTR Plus, and activities related to WMD-reduction and arms control. Funding for these activities is more likely to be approved by the US Congress.

China should take a prominent role on the “Plus” side. That is, the activities that take place separate from WMD and arms-control activities. This would involve offering its expertise in implementing development projects in the DPRK, as well as sizeable contributions to the World Bank DPRK Trust Fund. As securing US Congressional support for funding Plus activities would be politically difficult, at least for the time being, the **United States** should take the initiative to *create but not provide (politically sensitive) funds* to the World Bank DPRK Trust Fund and encourage regional partners like **Japan** and the **ROK** to play an active role in the trust fund’s consultative oversight group. In parallel, the **ROK** and the **DPRK** could also pursue inter-Korean projects. The experience of **European** countries from the PID would also be valuable in this regard. Considering its historical role in DPRK diplomacy, the door should be kept open for **Russia** to join. However, its involvement in the arrangement seems unlikely at the current juncture.

³⁶ Koch, 9.

China and the **United States** should also hold a coordinating dialogue to build mutual trust and coordinate CTR and Plus activities. Given the current state of US-China relations, this dialogue should be ancillary to broader efforts towards reducing strategic tensions. An outline of this arrangement is depicted in Figure 1.

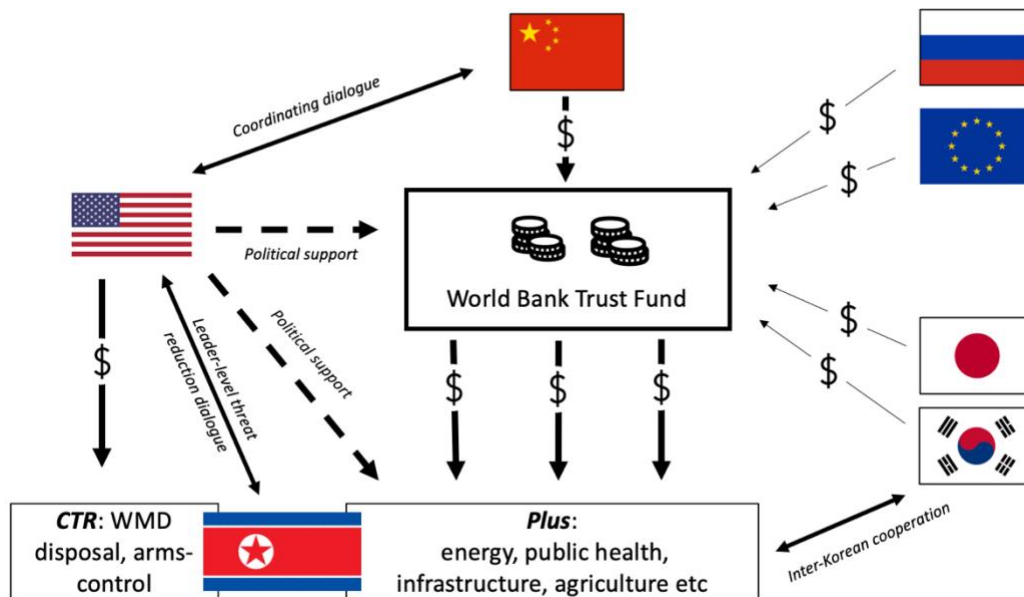


Figure 1: The roles of various stakeholders in a World Bank trust fund-based financing model for CTR Plus with the DPRK.

From the DPRK perspective, the Trust Fund would provide a way to interact and learn from the international community in a cooperative manner, strengthening the potential for economic growth. From the US side, the arrangement would allow for more constructive engagement with the DPRK, improving diplomatic relations and paving the way for nuclear threat reduction efforts. At a time of difficult relations with China, it could be a means of constructive US-China engagement towards the goal of reducing tensions on the Korean Peninsula. For China, the arrangement is compatible with its two-track approach and allows it to stabilize the DPRK economy.³⁷ Additionally, China’s role as a stakeholder within the World Bank would be strengthened.³⁸ Potential US concerns over China’s increased role would be offset by the participation of Japan (the second largest shareholder in the World Bank), and the ROK.

European countries, several of whom historically have pursued engagement with DPRK, could provide extra funds as well as personnel and institutional experience of running a

³⁷ Young Bang Chan, ‘The US Needs China’s Support to Denuclearize North Korea’, *The Diplomat*, 23 April 2021, <https://thediplomat.com/2021/04/the-us-needs-chinas-support-to-denuclearize-north-korea/>.

³⁸ Scott Morris, Rowan Rockafellow, and Sarah Rose, ‘Mapping China’s Multilateralism: A Data Survey of China’s Participation in Multilateral Development Institutions and Funds’ (Center for Global Development, 2021), <https://www.cgdev.org/sites/default/files/mapping-chinas-multilateralism-data-survey.pdf>.

trust fund.³⁹ The arrangement would not exclude bilateral deals between the DPRK and countries that fall outside of the arrangement. For example, the incremental confidence-building effect of the CTR Plus program would create an environment that is more conducive to inter-Korean cooperation

The groundwork for CTR Plus must be prepared now, to become a credible ‘off-the-shelf’ policy option when the opportunity arises. Major breakthroughs or changes to the status quo may provide only a brief window of opportunity, so developing *ad hoc* policies from scratch is not sufficient. However, major breakthroughs for CTR Plus can only happen within the broader context of a top-level political agreement between the United States and the DPRK.⁴⁰

The political environment in Northeast Asia is not conducive to cooperation under the best of circumstances, but even failing the ambitious arrangements outlined here, other measures could be taken. APLN has previously discussed how to build on cooperation based on the existing ecosystem of bilateral and multilateral initiatives in the region.⁴¹

Although President Yoon indicated that inter-Korean cooperation will be less of a priority, he also spoke about “an audacious plan” to strengthen the DPRK economy in his inauguration speech. CTR Plus proposals could be considered as part of this effort.

The DPRK is not currently a policy priority for the Biden Administration, but the United States should still make efforts through informal backchannels and explore the possibility of engagement through the CTR Plus model, laying the groundwork for future diplomacy and denuclearization efforts.

With persistence, preparation and a willingness to look to the future, whilst adopting lessons from the past, the cycle of confrontation on the Korean Peninsula can be broken.

³⁹ China currently only participates in one multi-donor trust fund: the South-South Experience Exchange Facility, but its contributions are modest. See ‘South-South Facility’, <https://www.southsouthfacility.org/>.

⁴⁰ This point was made by several participants at APLN’s CTR Plus conference.

⁴¹ ‘Policymakers and Experts Endorse Recommendations for Security Cooperation’, Asia-Pacific Leadership Network, 24 March 2022, <https://www.apln.network/projects/northeast-asian-security-architecture/policymakers-and-experts-endorse-recommendations-for-security-cooperation>.