

## EU-NORTH KOREAN RELATIONS: NO EFFORT WITHOUT REASON\*

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The article reviews the achievements in economic and political relations between the EU and the DPRK so far. It analyzes the interests of both sides, pinpoints controversial and inconsistent issues and provides an outlook on possible future developments and implications. The European engagement in (North) Korea is quantified by using a comparative perspective based on data on the North Korean activities of South Korea and international organizations, leading to an explanation for the pace and scope of Europe's involvement. In particular, aid and humanitarian assistance, trade and political exchange are analyzed. It becomes obvious - and this is the major finding of the paper - that there is a strong contrast between private European activities, which do not appear to be above average, and state-coordinated and state activities. The latter are remarkably

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substantial if compared to other countries and the overall European interest in (North) Korea. This contradiction can partially be explained by a dominance of internal over external concerns in current EU policy on one hand and the latter's role in a global tripartite partnership with the USA and Japan on the other.

### **Introduction**

Even though the "triad" (USA, Europe, Asia) clearly dominates geostrategic considerations of the late 20th and early 21st centuries, attention is mostly paid to either transatlantic or transpacific relations. Asia-Europe affairs, the "third leg of the triad" (JACQUET 1996), remain mostly undervalued, if not ignored completely, which is especially true for political efforts going beyond trade and investment.

The Korean peninsula is doubtlessly one of the hotspots of international relations. In addition to the very existence of one of the last pseudo-communist states, there is the unresolved question of a peace treaty that would formally end the Korean War (1950-1953), the pending issue of rapprochement and an eventual unification of North and South Korea. There are also the recently reemerging serious concerns about a possible nuclear weapons capability on the part of North Korea. All this creates a tremendous degree of different dynamics in the region, since all neighbors are heavily involved and have strong interests in one or some development of these events in Korea. In addition, the world's only remaining superpower, the United States, is committed to Korea in connection with overall North East Asian security as well as the balance-of-power considerations of the policy-makers in Washington. Furthermore, the United States is directly engaged with the presence of 37,000 troops in South Korea and repeated policy initiatives towards P'yòngyang.

Therefore, it is no surprise that Europe, though neither a regional power nor a global hegemony, pays some diplomatic attention to the peninsula. In addition, the EU and its member countries have solid, yet not overly crucial economic ties to South Korea, of both trade and FDI, which adds to a certain concern about security in the region.

However, the events of the last few years created a remarkable political interest of the EU in Korea, especially in the Northern part, in an engagement that goes well beyond what could have been expected from the rather general set of interests as outlined above. The DPRK, too, has embarked on a powerful and unprecedented diplomatic offensive that has recently been supported by what appears to be economic reforms and a desperate dedication to seeking economic cooperation with the outside world. A glance at some numbers will show that the strength and nature of both side's motivation to engage in this relationship are substantially different and, in the EU's case, not consistent and even sometimes contradictory.

This article reviews the achievements in economic and political terms so far, analyzes the interests of the EU and North Korea, pinpoints some controversial and inconsistent issues and provides an outlook on possible future developments and implications. It will try to quantify the European engagement in (North) Korea by using a comparative perspective, and to find an explanation for the pace and scope of this involvement. The EU in this context will be understood as a supranational institution, not necessarily as the aggregate of the individual actions of its single members (with the exception of trade), even though such an approach would surely wield interesting results. This is particularly true for the political side of the relationship and also for technical and humanitarian assistance.

## History of EU-North Korean Relations

In International Relations, things that do NOT happen are sometimes as important as actual events. Concerning the relations between Europe and North Korea, a great asset is the absence of any unpleasant past like Colonialism or War, which do substantially - though qualitatively and quantitatively differently - shape the present relations between both parts of Korea with Japan on one side and with the United States on the other. On the contrary: Among the less well-known chapters of history is the economically and psychologically significant support Eastern European countries rendered towards North Korea during and after the Korean War. This includes the reconstruction of the totally destroyed city of Hamhùng, provincial capital of South Hamgyòng and center of chemical industry, by Eastern Germany between 1965 and 1972 (see FRANK 1996), and similar, though smaller projects by Poland, Czechoslovakia, and Hungary. If we go back in history even further, there are Paul Georg von Moellendorff who served as a Vice Minister to King Kojong from 1882-1885; Antoinette Sontag who advised the King on Western ceremonial matters and etiquette; Franz Eckert, who composed the first official National Anthem of Korea in 1902; and Richard Wunsch who served as court physician and treated poor patients for free from 1901 to 1905, to mention only the German citizens who were involved with Korea in the past (LEUTERITZ 1990).

The actual relevance of these and other singular and partially forgotten encounters is surely debatable; however, we could think of worse legacies. Considering the fact that with the Irish vote in October 2002, the Eastern expansion of the EU according to the Nice Treaty finally was ratified by all 15 EU members, the past ties between Eastern Europe and the DPRK will to a certain degree have potential to shape future EU-DPRK relations.

### ***Aid and other assistance***

Of much more and direct significance for the latter's current and future development are the events after the signing of the 1994 Agreed Framework and especially the diplomatic normalization that started with a political dialogue meeting in December 1998. The EU has been providing humanitarian support to the DPRK since the floods in 1995 and the subsequent North Korean appeal for international aid. By 2000, 38 million Euros had been provided mainly for medicines, water, sanitation, winter clothes and hygiene. Food aid began in 1997, initially centered on delivering food but increasingly becoming oriented towards agricultural rehabilitation and production. Assistance has been provided bilaterally (106.7 million Euro), via the WFP (50 million Euro) and via European NGOs<sup>1</sup> (11 million Euro), amounting to approximately 168 million Euro between 1997 and 2001 (EU 2002b: 13-14). In the latest instance of aid so far, the European Commission has provided 300,000 Euros in flood relief on September 27, 2002 (EU 2002c).

On Sept. 19, 1997, the EU, represented by the European Atomic Energy Community,<sup>2</sup> entered KEDO as an Executive Board Member to join the USA, Japan and South Korea (KEDO 1997). The EU's contribution amounted to 15 million Euro annually, mainly for fuel oil, plus bilateral contributions of EU member states (EU 2002b: 14).

To sum it up, the various kinds of donor assistance of the EU to North Korea from 1995 to 2000 amount to about 280 million Euro:

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1 CESVI, Concern, Children's Aid Direct, Action Contra La Faim, German Agro Action, Medecins Sans Frontières, Triangle.

2 The European Atomic Energy Community is an international organization established in 1958 to form a common European market for the development of peaceful applications of atomic energy. Its membership includes all 15 European Union member countries.

Table 1. Donor Assistance of the EU to the DPRK (1995-2000)

	(Million Euro)
Food Aid	156
Agricultural Rehabilitation	11
Humanitarian Assistance	38
Energy including KEDO	75
TOTAL	280

Source: EU 2002b: 25.

In 2001, the EU's contributions to KEDO increased to 95 million Euro; the latest figure as of September 2002 is an overall amount of 108 million Euro. The future of this project remains unclear after the announcement of a secret North Korean nuclear program in violation of the Agreed Framework in October 2002; however, it is at least planned to provide further 20 million Euro per year until 2005. Food and humanitarian aid for 2001 amounted to 39 million Euro, bringing the total amount of donor assistance of the EU to the DPRK to 359 million Euro from 1995 to 2001 (EU 2002d).

### ***Trade***

Several member states of the EU have a long history of trade with the DPRK. The major export items of the EU to the DPRK are agricultural machinery, cars, steel, electronics and electric supplies, measuring instruments, medical supplies and rough diamonds. The major import items of the EU from the DPRK are clothes, electronic and electric products, jewelry, machinery, plastic products and salt.

Table 2. The EU's Trade with North Korea (1996-2000)

	(1,000 US\$)				
	1996	1997	1998	1999	2000
Import	56,057	108,215	105,117	58,401	111,867
Export	220,168	227,466	245,292	132,860	158,083
TOTAL	276,225	335,681	350,409	191,261	269,950

Source: KIM 2001; NAM 2002.

The EU as an aggregate of its 15 members would occupy third place among North Korea's trading partners:

Table 3. North Korea's Six Major Trading Partners and the EU in 2001

	(1,000 US\$)			
	Export	Import	Total	%
China	166,727	573,131	739,858	32.6
Japan	225,618	249,077	474,695	20.9
India	3,060	154,793	157,853	7.0
Thailand	24,922	109,586	134,508	5.9
Singapore	3,050	112,298	115,348	5.1
Germany	22,756	82,077	104,833	4.6
EU	80,305	231,109	311,414	13.7

Source: NAM 2002.

Within the EU, Germany clearly has the strongest economic ties with the DPRK, distantly followed by France, Spain and the UK.

The major North Korean concerns in economic terms are development of the country's mineral resources, the construction of infrastructure, import of power generating equipment and other machinery, plus, among other things, the improvement of agricultural technology (KIM 2001).

There seems to be a broad international interest in North Korea,

Table 4. EU-DPRK Trade: Eight Major Countries (Year 2000)

	(1,000 US\$)		
	Import	Export	Total
Germany	24,733	53,175	77,908
France	26,323	8,658	34,981
Spain	12,693	15,312	28,005
UK	1,305	25,338	26,643
Netherlands	8,910	10,179	19,089
Austria	1,979	16,454	18,433
Italy	4,576	12,510	17,086
Belgium	5,163	11,018	16,181
<b>TOTAL</b>	<b>85,682</b>	<b>152,644</b>	<b>238,326</b>

Source: KIM 2001.

including such countries as Australia, Singapore, Hong Kong, the USA, the Netherlands, Italy, Russia, Japan and Taiwan. This interest is reflected in the unexpected success of the May 2001 P'yòngyang Foreign Trade Fair, which "has been bombarded with visits from foreign economic missions" (HA 2001). At the center of interest are several IT-related industries. In this respect, the labor-intensive software industry could play the same role that South Korea's textile industry played in the latter country's economic development several decades ago. However, currently textiles are the main source of exports of the DPRK to the EU, hence the importance of a relaxation concerning textile imports from North Korea in 2001. It allows for additional imports of about 7 million Euros, an amount described as "very modest" by the authors of the EU's DPRK Country Strategy Paper (EU 2002b: 19).

### ***Political Dialogue***

Since December 2, 1998, a total of four rounds of political dialogue



with the DPRK at the level of senior officials (Regional Directors) were held: November 24, 1999; November 25-28, 2000; and the last in October 2001 in Pyongyang (JUNG 2001). In two Council Conclusions of October 9 and November 20, 1999, a more coordinated approach towards the Korean peninsula was decided upon. This included the expansion of the EU's assistance efforts in a measured way, linked to North Korea's response to international concerns in regard to progress in inter-Korean reconciliation, non-proliferation issues, respect for human rights and economic structural reform in the DPRK (EU 2002a).

Table 5. Highlights of EU-DPRK Relations

1963, July	diplomatic relations with ROK established
1989, Nov.	establishment of EU delegation to Seoul
1995	w humanitarian support starts (floods)
1996, Oct.	Framework Agreement on Trade and Cooperation between EU and ROK signed
1997	◆ food aid starts
1997, Sept.	◆ EU enters KEDO 's Executive Board
1998, Dec. 02	◆ 1st round of political dialogue
1998, Dec. 07-12	◆ 1st delegation of EU parliament visits North Korea
1999, Jan. 22-25	◆ 2nd delegation of EU parliament visits North Korea
1999, Oct. 09 + Nov. 20	◆ Council Conclusions on cooperation with North Korea
1999, Nov. 24	◆ 2nd round of political dialogue
2000, Oct. 31 - Nov. 04	◆ 3rd delegation of EU parliament visits North Korea
2000, Nov. 25-28	◆ 3rd round of political dialogue
2001, Feb. 06-20	◆ 4th delegation of EU parliament visits North Korea
2001, March 23-24	◆ Stockholm European Council ◆ enhances the role of the EU on the Korean Peninsula
2001, April	Framework Agreement on Trade and Co-Operation between EU and ROK enters into force

2001, May 02-04	◆ Top-Level EU delegation to North Korea (Persson, Patten, Solana)
2001, May 14	◆ EU decides to establish diplomatic relations with the DPRK
2001, June 13	◆ explanatory talks on human rights
2001, Oct. 27-30	◆ 4th round of political dialogue
2002, March 04-16	◆ North Korean delegation headed by Foreign Trade Minister Ri Gwan Gun visits Brussels, Rome, Stockholm and London ◆ goal: study European economic policy models
2002, Sept. 22-24	◆ 4th ASEM summit in Copenhagen ◆ Political Declaration on Peace for the Korean Peninsula

EU-ROK Relations in Italics.

Delegations of the European Parliament visited North Korea from December 7-12, 1998; January 22-25, 1999; October 31 - November 4, 2000; and February 6-20, 2001 (JUNG 2001). The latter case is particularly remarkable, since it covers the birthday of Chairman Kim Jong-il (Feb. 16th), a date official delegations from the West usually try to circumvent in order to avoid a certain type of media coverage in the DPRK (the same is true for April 15, late President Kim Il-sung's birthday, and to a lesser extent for October 10, founding day of the Korean Workers Party). It can not be excluded that the time for the fourth EP visit was chosen deliberately to show some good will to the North Korean side, indicating a certain level of development in the bilateral relations.

The basic approach of the EU is to provide (1) technical assistance and (2) additional market access possibilities to the DPRK (EU 2002b: 18). The future of the third pillar of cooperation, KEDO, remains unclear after the revelations about another secret nuclear program on October 16, 2002. The Stockholm European Council of March 23-24,

2001, agreed to enhance the role of the EU in support of peace, security, and freedom on the Korean Peninsula by deciding on what can be seen as the indisputable highlight of EU-DPRK relations so far: The visit of a high-ranking EU delegation to P'yòngyang from May 02-04, 2001, including Prime Minister Persson, Commissioner Patten and HR Solana. This took place at a time when the U.S. was still in the process of formulating their position towards the DPRK and can be interpreted as a sign of an independent EU foreign policy.

The European Commission, in consultation with Member States, had decided on May 14, 2001, to establish diplomatic relations with the DPRK "to facilitate the European Community's efforts in support of reconciliation on the Korean Peninsula, and in particular in support of economic reform and easing of the acute food and health problems in the DPRK" (EU 2002a). Subsequently, the first explanatory talks between the DPRK and the EU on human rights started on June 13, 2001. In the latest official political document, the participants of the Fourth Asia-Europe-Meeting (ASEM) on their summit in Copenhagen from September 22 to 24 adopted a Political Declaration for Peace on the Korean Peninsula,<sup>3</sup> supporting a second inter-Korean summit, and welcoming the progress in the railway-project and Japanese PM Koizumi's visit.

This is an impressive record, especially for the last years. If we look at the EU's relations with South Korea, after the establishment of diplomatic relations in July 1963, about 20 years passed, until in March 1983 the first regular annual Ministerial meeting took place as the first major bilateral event. It took until November 1989 for the establishment of the Delegation of the European Commission in Seoul (EU 2002e). As late as in October 1996, one year after the first EU humanitarian support to North Korea and one year before the EU's KEDO membership and the first food aid, the Framework Agreement on

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3 For the full text, see [http://europa.eu.int/comm/external\\_relations/asem/asem\\_summits/asem4/3.htm](http://europa.eu.int/comm/external_relations/asem/asem_summits/asem4/3.htm).

Trade and Co-Operation between the EU and the Republic of Korea was signed<sup>4</sup>; it entered into force in April 2001. Against this background, not only some cautiousness should be called upon concerning the anticipated pace of further developments; it also appears that diplomatic cooperation between the EU and South Korea was connected to the North Korean question and gained momentum as the latter started receiving some interest in Europe. Another possible interpretation is that EU-Korean relations as a whole are in an early stage of development. In this context, cooperation with North Korea has to be seen at least in a larger Korean, if not North East Asian context.

### ***Technical Assistance and Pilot Projects***

A first fact-finding mission was sent to North Korea in February 2001 “to assess technical assistance needs and identify areas in which the Commission could ... launch pilot projects” (EU 2002b: 20). It presented its results at a meeting of donors consisting of EU Member-states, International Financial Institutions, the USA, Japan, South Korea and others in Brussels in March 2001 with participation of officials from North Korea. As a result, it appeared that the EU would be “the only substantial donor of technical assistance to the DPRK for the time being” (ibid., p. 21). North Korea’s priority needs were defined as (1) training in regard to institutional building, (2) basic technical advice on the energy system, (3) rural development, and (4) transport (EU 2002b: 21).

The first two points are considered to be essential. Efforts are being made to initiate a training program for officials from key ministries, such as Foreign Affairs, Finance, and Foreign Trade. A North Korean delegation headed by Foreign Trade Minister Ri Gwan Gun visited Brussels, Rome, Stockholm and London between March 4 to 16, 2002,

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4 For the full text of the Agreement, see [http://europa.eu.int/eur-lex/pri/en/oj/dat/2001/1\\_090/1\\_09020010330en00460058.pdf](http://europa.eu.int/eur-lex/pri/en/oj/dat/2001/1_090/1_09020010330en00460058.pdf).

with the declared goal of becoming acquainted with EU economic policy models.<sup>5</sup> It is attributable to this and similar missions, that North Korea could define its priority needs for preferred training areas and identify the following:

Table 6. Training Needs as Expressed by DPRK Authorities (selection)

Suggesting Institutions	Summary of Suggested Training Subjects	
<ul style="list-style-type: none"> <li>• Ministry of Foreign Affairs</li> <li>• Ministry of Finance</li> <li>• Ministry of Foreign Trade</li> <li>• Foreign Trade Bank</li> <li>• University of National Economy</li> <li>• Kim Il Sung University, Faculty of Political Economy</li> </ul>	<ul style="list-style-type: none"> <li>• principles of international trade</li> <li>• settlement of trade disputes</li> <li>• multi- and bilateral treaties</li> <li>• economic and social structures of EU economies</li> <li>• international financial institutions</li> <li>• free market economy principles</li> <li>• international accounting standards</li> <li>• international debt management</li> <li>• corporate management training</li> <li>• trade information research</li> <li>• loans, credits and clearing systems</li> <li>• sovereign credit rating</li> <li>• sovereign risk management</li> <li>• insurance and re-insurance</li> <li>• relationship between government and private sector</li> </ul>	<ul style="list-style-type: none"> <li>• international law</li> <li>• EU institutions</li> <li>• FDI promotion</li> <li>• marketing</li> <li>• commercial contacts</li> <li>• intellectual property</li> <li>• standards</li> <li>• finance</li> <li>• export credit insurance</li> <li>• letters of credit</li> <li>• fx dealing</li> <li>• e-commerce</li> <li>• principles of taxation</li> <li>• corporate governance</li> <li>• stock market operations</li> <li>• double entry bookkeeping</li> </ul>

Base data compiled from various consulting reports, internal EU documents.

The overall available budget for such cooperation (points 1 through 4) is, however, very limited and amounts to 5 million Euro per year, including a pilot project with a budget of 1 million Euro. A pilot project of the same size is proposed for the energy sector and natural resources

5 For details of the visit, see KIM SANG-SIK (2002). The South Korean trade and investment promotion agency's (KOTRA) website [www.kotra.or.kr](http://www.kotra.or.kr) is one of the most remarkable sources of factual information about North Korea, especially on its economy.

management. At the core of the latter stands fact-finding (EU 2002b: 22), reflecting the basic problem in dealing with North Korea - a lack of reliable data.

In addition to a Food Security project (EuropeAid/111423/C/S/KP) covering the supply of agricultural machinery, tools and inputs including spare parts (EUROPEAID 2000), there are currently two projects being planned by EuropeAid<sup>6</sup> for North Korea. The first is a one-year Pilot Project in Training Institutional Support (EuropeAid/113411/C/SV/KP) with a proposed budget of 940,000 Euro starting in February 2003. According to the contract specification, the project will provide institutional support and capacity building in key government ministries and other agencies through a series of training courses to be held in the DPRK. In broad terms, the training activities will focus on international trade and market economy principles. The exact content of the training will be determined on the basis of a diagnostic appraisal/training needs analysis of institutions and staff at the start of the project. The contract also covers the organization of a study tour to the EU for a small number of selected officials towards the end of the project, as well as assistance in the identification and preparation of a possible EC-financed follow-up project (EUROPEAID 2002b). Overall, training for about 150-200 North Korean government officials, academics and other policy-makers will be provided.

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6 The EuropeAid Co-operation Office was formally set up on January 1, 2001. Its mission is to implement the external aid instruments of the European Commission, which are funded by the European Community budget and the European Development Fund. The Office is responsible for all phases of the project cycle (identification and appraisal of projects and programs, preparation of financing decisions, implementation and monitoring, evaluation of projects and programs), which ensures the achievement of the objectives of the programs established by the Directorates-General for External Relations and Development and approved by the Commission. It is also involved in initiatives to improve programming systems and their content, to establish policy evaluation programs and to develop mechanisms for feeding back evaluation results (EUROPEAID 2002a).

Further, there is a Pilot Project in the Energy Sector with a proposed budget of 876,100 Euro (EuropeAid/113562/C/SV/KP). For the latter, the tender procedure had been cancelled “due to substantial modifications in the budget and Terms of Reference” (EUROPEAID 2002c) and renewed under the reference number EuropeAid/114457/C/SV/KP (EUROPEAID 2002d).

Table 7. Activities to be carried out under the EU-DPRK Pilot Project in the Energy Sector

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- The creation of an energy plan for the country, including the outline for a national energy balance and, to the extent possible, potential energy savings per sector
  - An assessment of the energy supply systems (production, transport, distribution), including the obstacles for efficient operation, with an estimate of the costs of rehabilitation
  - The creation of a centralized data network based National Energy Information System within the MEPCI so as to include the coal sector
  - A feasibility study to rehabilitate a mining site (most likely Chick Dong coal mine) and establishment of a program to implement a few initial rehabilitation actions. This includes the preparation of the technical specifications and the procurement of material/equipment for coal mines according to EC rules, as well as the supervision of its installation in the DPRK
  - The organization of seminars and training sessions focusing mostly on short-term efficiency gains in the transmission and use of energy
  - The organization of a study tour to the EU for a small number of selected officials towards the end of the project
  - The provision of assistance in the identification and preparation of a possible EC-financed follow-up project
  - Subject to this remaining a priority (to be decided at the inception report stage): a review of the local conditions for setting up micro/mini power stations based on the use of indigenous energy resources, and the connection of such stations to the national electricity grid
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It will very much depend on the performance of these and similar projects whether the EU will expand and, if we look at the relatively mediocre amounts, extend its related measures. There are a number of problems that need to be solved; first, it will be difficult to find people to run these projects since European universities have largely failed to produce a sufficient number of experts on Modern Korea, not to speak of North Korea. Further, as the history of past bilateral relations with the DPRK tells us, one needs to apply a long-term perspective with enough “political liquidity” to survive periods of draught in cooperation. The success of the above mentioned projects would be highly desirable, but it is far away from being secure given the unstable external political situation and resulting repercussions. The obviously very cautious approach the EU is currently undertaking can be interpreted as a reflection of an awareness of these factors.

### **North Korea: What do they want?**

In lieu of detailed information about the policy objectives beyond the few official statements, we have to rely strongly on deduction here. Naturally, political interests are at the core of North Korea’s preferences since the country, contrary to Europe which is at least divided into state and private actors, can be seen as a single player on the international scene which incorporates all kinds of interests. Among these, the most prominent is regime security. The latter is perceived to be threatened externally by the USA and internally by a too strong deterioration of living conditions. Hence, there is a strong interest in both diplomatic and economic ties with Europe.

Trade is not the only issue. Even though neither the global term “technology transfer” nor the South-Korean catchword “knowledge-based society” is used explicitly, an initiative in IT and software development seems to be the cure the DPRK leadership envisions for the



Table 8. EU-DPRK Trade and its Relevance for North Korea

	(1,000 US\$)				
	1996	1997	1998	1999	2000
Import	56,057	108,215	105,117	58,401	111,867
Export	220,168	227,466	245,292	132,860	158,083
TOTAL	276,225	335,681	350,409	191,261	269,950
Total North Korean trade	1,976,000 (14%)	2,177,000 (15.4%)	1,442,000 (24.3%)	1,480,000 (12.9%)	1,972,000 (13.7%)

Data from KIM 2001; NAM 2002; EUROSTAT 2001; calculations R. Frank.

country's economic stalemate. There is an increasing interest by North Korea to learn from the experience of other countries concerning their economic development and economic policies. The mentioned pilot projects and the respective requests by North Korean institutions (Table 6) strongly support this notion, as do several official statements by Kim Jong-il and editorials in the *Rodong Sinmun*. As noted in a report on economic missions to and from North Korea, the number of such visits has significantly increased in 2001 if compared to 2000 (HA 2001). The EU's activities have to be seen in this broader context.

### Europe: Really interested?

Following the basic notions of (neo) realism, actions of states as power-maximizers are determined by a unique set of interests and the determination to behave in a rational manner to achieve these objectives. As Dent (1999: 5f.) suggests, this is to a certain extent true both for the relationship between the EU and the DPRK, but also for the power struggle or inter-state bargaining within the EU which substantially shapes the direction of the Union's foreign and economic policy. The participation of the EU in international forums and organizations to

deal with Asia can be seen from a neo-liberal, institutionalist perspective, reflecting the increased need for transnational and transgovernmental thinking and action.

A simple and surely not always accurate way to measure the relative value of an abstract good is determining the specific player's readiness to pay for it. From this perspective the EU, with a donor assistance input of about 280 million Euro between 1995 and 2000 (see Table 1) appears to be seriously interested in developing its relations with North Korea. If compared to South Korea's official data for governmental (379.6 million US\$) and private (97 million US\$) assistance to the DPRK of about 476.6 million US\$ during the same period, the record is not unimpressive, even though South Korea's KEDO contributions of 288.8 million US\$ as of December 2000 are not included.

Table 9. South Korean Aid to North Korea 1995-2000

	government	private	government + private
1995	232.00	0.25	232.25
1996	3.05	1.55	4.6
1997	26.67	20.56	47.23
1998	11.00	20.85	31.85
1999	28.25	18.63	46.88
2000	78.63	35.13	113.76
Total	379.6	96.97	476.57

Source: MOU 2002.

The intense political dialogue and the various programs of technical assistance add to this assessment. The EU's trade volume with North Korea in 2000 stood at about 270 million Euro, not small if compared to intra-Korean trade which in the same year amounted to about 427 million US\$ (KOTRA 2002). These are striking facts if we again consider that the EU is neither geographically nor strategically bound to North

East Asia. From this point of view, it is truly remarkable that taxpayer's money is used in such a remote and obviously economically and politically place of less importance.

However, following the same logic, there is some other evidence showing that Korea as a whole and North Korea in particular are of lesser importance to Europe. South Korea accounted for only 1.8% of the EU's overall foreign trade in 2001. For North Korea, the proportion is even smaller: only 0.015% in 2000. The relatively high country risk for both parts of Korea as a result of the still very tense security situation could probably be made partially, though not exclusively responsible for this.

Naturally, given the different sizes of the affected economies, EU-DPRK trade is of much greater relevance for P'yongyang than for its European partners - roughly 1000 times higher based on trade volume (see Table 10).

Table 10. The Relevance of the EU-DPRK Trade

	(1,000 US\$)	
	1998	2000
Total trade EU-DPRK	350,409	269,950
Total North Korean trade percentage of EU-DPRK trade (A)	1,442,000 (24.3%)	1,972,000 (13.7%)
Total EU trade percentage of EU-DPRK trade (B)	1,615,200,000 (0.022%)	1,811,000,000 (0.015%)
Relative importance for North Korea (A : B)	1105 (times)	913 (times)

calculations: R. Frank, data: KIM 2001; NAM 2002; EUROSTAT 2001.

Returning to donor assistance, it appears that only official contributions are in fact substantial. The total of 205 million Euro (see Table 1, less KEDO contributions) breaks down to a yearly average of 34.2 million from 1995 to 2000. If compared to the 2001 EU budget, this

yearly figure represents 3.8% of the total expenditure on Food Aid and Humanitarian Aid (subsection B7-2), which was 928 million Euro in 2001 and 896.8 million Euro in 2002 (EU 2002f: 8). However, according to statistics of ECHO, the European Union Humanitarian Aid Office coordinating private assistance, North Korea is just one out of many countries to which the EU extends help:

Table 11. ECHO Contracts 1999 (selection)

country	contracts (in ECU)
Azerbaijan	3,900,000
Burundi	3,865,195
Indonesia	6,880,000
North Korea	(0.49%) 3,950,000
Nicaragua	5,500,000
Sudan	12,875,000
Tajikistan	18,555,000
all ECHO Contracts	812,911,000

ECHO 2000.

The year 1999 is, other than 1997, no exception. In general, ECHO assistance to the DPRK has been well below 1% of total.

Table 12. ECHO Contracts to North Korea 1995-1999

1995	290,000 ECU (0.04%)
1996	500,000 ECU (0.08%)
1997	19,827,703 ECU (4.49%)
1998	4,545,000 ECU (0.88%)
1999	3,950,000 ECU (0.49%)

ECHO 1999a-d.

This seems to be an international trend. The United Nations International Development Organization (UNIDO) has started financing

projects in North Korea in 1986 with three projects worth 751,551 US\$ (Furniture Plant), 961,837 US\$ (Transformer Production) and 823,778 US\$ (Electrical Power Distribution). Between 1986 and 1999, 36 projects worth 11,660,857 US\$ were completed, resulting in an average spending of 0.83 million US\$ per year. Between 1995 and 1999, 15 UNIDO projects worth 3,706,617 were completed in North Korea (UNIDO 2002). This means an average spending of 0.74 million US\$ per year or about 0.84% of total annual spending of UNIDO on similar projects.

Finally, even though the EU is an Executive Board Member of KEDO, its contributions amount to only 2%. These stand in contrast to 90% of the total finance of about 5.0 billion US\$ covered by South Korea and Japan, as well as 55 million US\$ in regular annual contributions by the USA (EU 2002b: 14).

To sum these numbers up, we receive the following list of obviously contradictory evidence:

Table 13. Contradictory Evidence on EU-DPRK Relations

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- EU is Executive Board Member of KEDO together with USA, Japan and South Korea.
  - EU contributes (only) 2% of total KEDO financing.
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- Technical assistance is given top priority in the EU policy towards the DPRK.
  - (only) 1 million Euro assigned for each of the two EuropeAid pilot projects.
- 
- the yearly average of EU aid and humanitarian assistance to NK amounts to 3.8%.
  - ECHO contracts with NK are usually less than 1% of total.
  - EU's trade with NK accounts for 0.015% of total for 2000.
  - UNIDO's contracts for North Korea are below 1% of total.
- 

What becomes evident is a gap between European *state* interests, which are mostly of a political nature, and European *private* interests, tending to be more economically shaped. At this point, it appears fair to say that in spite of the many possible arguments in favor of a strong European business commitment in North Korea, including cheap and

well-trained labor, rich natural resources etc., the firms are rather reluctant to explore these possibilities. This might be in part due to security considerations, but also simply to the existence of better alternatives. The perceived need for humanitarian assistance in North Korea by private European donor organizations is not much above their average; it is rather below, reflecting the natural inclination to act in geographically closer locations. This also corresponds with international donor behavior. Even the state actors seem to be hesitant, if we look at the small amounts poured into the above-mentioned pilot projects.

What remains is the commitment itself, the KEDO membership and the substantial amount of official EU aid if compared to South Korea and to the total respective EU budget position. There is, quite obviously, some serious official political reason behind the EU's engagement in North Korea, even though private and economic interests fall far behind. The question now is: What political interest could the EU have in this country? Here are some hypotheses:

One possible solution to this puzzle would be the assumption of a more independent international policy of the EU as a reaction to growing concerns about U.S. unilateralism, especially, but not exclusively, after September 11. There were some serious disagreements in the past concerning environmental issues and the treatment of war criminals, not to mention the regular trade conflicts. After the fading of the Soviet Union the international balance of power is seriously shaken and requires a new lineup to return to stability. Many observers argue that the only available natural challenger of the USA so far is Europe, acknowledging the fact that China still needs more time to consolidate its position.

In that case, we could regard Korea as a test field for a Europe that would plan to assume a more active role in international politics. There is some evidence supporting this hypothesis. As a recent survey by The German Marshall Fund of the United States and The Chicago Council on Foreign Relations indicates, 65% of Europeans believe the EU

should become a superpower like the United States, with only 14% in favor of the latter remaining as the only superpower.

Table 14. Roles of the U.S. and Europe as Superpowers

	UK	FR	GER	NL	IT	PL	Europe	USA
USA should remain the only superpower	20%	3%	22%	11%	7%	12%	14%	52%
EU should become a superpower like USA	56%	91%	48%	59%	76%	63%	65%	33%

Source: The German Marshal Fund of the United States and The Chicago Council on Foreign Relations, in: *Worldviews 2002*.

However, there is other evidence, too. Quite obviously, even though the distribution of commitment among the member states is surely not even, in general the EU is neither ready nor willing to challenge the U.S. as the global hegemon. This is understandable since the EU is heavily concerned with internal matters. These include the integration of 10 new member states by 2004, the adaptation or even recreation of the institutional structure of the EU, including a European Constitution. For the latter, a number of different proposals are on the table, the recent one introduced by the European Convention on October 28, 2002, under the presidency of France's Valéry Giscard d'Estaing (EUROPEAN CONVENTION 2002). A Common Foreign and Security Policy is virtually nonexistent, as the hesitant action in former Yugoslavia and the recent debate around the upcoming war in Iraq have shown. A brief glance at the EU's budget for 2002 shows that the Common Foreign and Security Policy (subsection B8) plays a minor role. Out of the total budget of about 98.6 billion Euro, the mediocre amount of 30 million Euro or 0.03% are appropriated for this purpose, even 6 million Euro less than in 2001 (EU 2002f: 12). The reason for this lack of readiness to work on a distinctive external profile is most

probably the current need for more coherence within the Union. The admission of the new members will add to the already overwhelming number of minor and major problems concerning technical matters and more basic issues, like the proper organization of the EU's institutions, the democratic legitimization of their actions, the overall balance of power within the Union, the agricultural policy and so forth. Even though it can not be excluded in the long run, by now challenging the U.S. by attempting to develop an independent foreign policy to vital regions and subjects is very unlikely to be the motivation for the strong political commitment of the EU in Korea. It is certainly not the time to start such a policy, and Korea probably not the place. The latter would be a region which is closer to Europe and therefore more vital to its interests.

A second hypothesis, based on the assumption that the EU's formation is far from being over and that the pursuit of a Common Foreign and Security Policy is problematic, is that the interests of single countries dominate the EU's actions. This could be the case either due to the absolute strength of some countries within the EU or due to the uneven distribution of interest in Korea among the member states, resulting in a relatively higher weight of those states with a clearly defined Korea policy. Strong candidates for the first option would be the UK, France and Germany. In fact, as the trade data suggest, Germany takes a leading role in this respect. However, there is no evidence showing an extraordinary political interest in Korea, except for an affinity based on the common history as divided nations. In a policy paper of the German Foreign Ministry on the country's foreign policy objectives in East Asia, Korea plays a minor role (AUSWAERTIGES AMT 2002). And since memories of the recent history are still very much alive in Europe, it would be highly risky for Germany to impose its own political concepts on other EU members. Table 14 shows the relative reluctance of Germans to take over more international responsibility. France is much more in favor of an independent Europe on the international



scene, but, according to sources from the EU, among the most reluctant members when it comes to improving relations with the DPRK unless humanitarian issues are resolved. This is the reason why France so far has not established bilateral diplomatic relations with P'yongyang. The UK shows stronger signs of a willingness to integrate itself into the EU than ever before, but nevertheless, there is the "special relationship" between London and Washington which would effectively prevent any support, not to speak of an initiative, of a European political challenge of the USA. Other countries are not likely to possess the weight to exert a significant influence on the Union's foreign policy. An alliance of member states probably could do so, but so far, nothing is known about such a group. Single country domination as the reason for the EU's political engagement in North Korea can therefore also be excluded.

It appears that neither a European initiative to elevate its role in international relations nor the ambition of single members stand behind the phenomenon. In combination with the facts that no immediate EU interests are touched and given the relatively low economic significance of Korea for Europe, we may even exclude the existence of any direct European interest in Korea whatsoever. What, then, is the reason for the shown engagement?

The answer lies outside of Europe and leads us back to the very beginning of this article: The U.S.-Japan-Europe triad. Without much doubt, North Korea touches the interests of Japan and the United States. If we now see the EU with Western Europe as its core as a part of a global fire insurance company, everything suddenly makes sense. Remember: In medieval European cities, fires were a common plague and usually hit unexpectedly, but rarely destroyed the whole city. Citizens decided that it would be a good choice to share the risk and preferred to lose a limited, calculable amount of money instead of being hit by a total loss in case the fire affected their own houses. This is how the idea of an insurance was born, with premiums based on

experience and the idea of mutually beneficial risk-sharing in a community. What happens in today's world is not very much different from this example. Fires break out, and it often goes beyond the capacity of a single country to extinguish them. The First Gulf War, the former Yugoslavia, the Asian Financial Crisis, and the stabilization of Central and Eastern Europe were such fires. It can be argued that there is a certain agreement between the triad members that each can be called upon in case of need. As long as this arrangement is mutually beneficial and balanced, it will work and in fact help stabilize global relations.

If this assumption is true and the EU's engagement in North Korea has to be seen in the context of a global alliance between the USA, Japan and the EU, the implications are manifold. First, the case would prove the opposite of the first hypothesis (challenge of the U.S.). It rather shows that the EU is indeed ready to play its role in a cooperative alliance with Washington, even under the current extraordinary conditions. It could further be interpreted as a will for close political cooperation with Japan. In fact, it is not necessarily the case that the three bilateral relationships within the triad are equally strong and constant over time and issue. The United States under President Clinton had a much different attitude towards Korea if compared to the Bush administration. This will shape the triad relationship with respect to the Korean peninsula quantitatively, giving more weight to the ties between Japan and Europe, but will most likely not affect the arrangement itself. We could even think of the EU's role as a hidden trump card for American foreign policy, the carrot in the presence of a strong stick, and a factor granting an enormous degree of flexibility to a foreign policy that otherwise seems to be greatly stuck with its hard-line attitude.

As a side effect to this greater picture, Korea, as was indicated in several off-the-record talks the writer had with EU officials, could be a good testing ground for a European Common Foreign and Security

Policy (CFSP), a much-touted but less practiced catchword. Here, as it has happened so often in Korea's history, the country might again serve as an end to a means that is not whatsoever linked to Korea itself. The consequences will surely not be as grave as the colonization or the Korean War; however, it should be clear for policy makers in South and North Korea that Europe can be counted upon on the micro-level of specific projects and in the very general sphere of supporting initiatives to maintain peace, to improve human rights and to relieve hardships created by natural and other disasters. What the EU will not be able to show, at least in the short- and mid-term, is a strong commitment to creative, far-reaching and radical policies in Korea. It will rather cautiously support existing strategies than to create new ones. From this perspective, engagement in Korea would at least partially aim at curing a European disease, not solving the Korea question.

### **The Future of EU-DPRK Relations**

First and foremost, the EU is already very much concerned with internal matters, which substantially reduces the Union's overall foreign activities. These include agricultural subsidies, the conflict between Greece and Turkey, and all the technical and other internal issues mentioned before. The catch-22 provided by the demand for quasi-governmental action from Brussels and the reality of independent nation-states results in a slow process of decision-making and usually ends up reaching the smallest common denominator. This is not an environment that is prepared to produce timely decisions and a strong policy concerning such a controversial spot like North Korea. To make matters worse, the already highly complicated administrative structure of the EU will be substantially worsened - some observers say it might be overstretched and break - after ten new members from Eastern and Central Europe join the EU in 2004. As of October 2002, 20

proposals for a new EU constitution are on the table (CAP 2002). They will be refined, integrated etc. to serve as a base for a discussion that could last for a very long time, without any positive result being necessarily within reach.

Currently, due to the apparently low priority of the Korea question for most EU member states and their representatives to Brussels or the Commission meetings, the number of involved interest groups is small, as is the number of interests to be harmonized. However, as soon as - due to the success of this policy - the Korean peninsula would come to the attention of a larger group within Europe, progress would be much more difficult to achieve. Therefore, if the basic institutional problems of the EU are not solved, further success in its Korea policy may, quite ironically become a source of the same policy's failure.

This will surely shape North Korea's approach towards the EU. As the very persistence of this country against an enormous amount of odds proves, at least a part of its leadership seems to possess a fairly realistic picture of international relations. Policymakers in P'yongyang will not overestimate the role that Europe can play. They will tend to extract as much support from the EU as possible, from time to time also trying to play Europe against other Western power groups like the USA, but all this on an ad-hoc basis and without expecting too much success. The EU would be well advised to create as much interdependence as possible to induce a long-term commitment by the DPRK. This requires a well-planned policy with strong support from the relevant EU institutions. Examples would be technical assistance and an eventual choice of European technical standards in key industries by North Korea, stronger real trade (as opposed to aid) and an according outline of the export industry towards the needs of their European partners - something hard to reverse without greater losses.

Things tend to be dynamic in a dynamic world; changes to these assessments will have to be made after the EU has finalized its expansion, consolidated its structure and succeeded in the process of political

integration. Simultaneously, the future direction of the U.S. foreign policy will play a significant, if not decisive role in either forcing the EU to adapt its own strategies or allowing it to continue and further develop a close alliance. In this respect, it will be interesting to see whether and how long the current signs of unilateralism prevail, which results this policy will create and to which extent other major players will (re)emerge and act on the international scene. The three candidates for the latter - China, Russia and Japan - do have direct interests in Korea and would substantially reshape the current balance of interests and power.

Finally, among the few things Korea can learn from the German case is the lesson that events can be set into unstoppable motion, ending up in radical changes within a brief period of time. As a consequence, it remains to be seen how the undisputable economic reforms in North Korea will be accompanied or followed by others, eventually leading to changes in the ideology and politics, and whether these events will remain under control by their initiators. A dramatically dynamic development in the DPRK would render most thoughts as presented in this and other papers useless; however, it would be premature to give up any hope for chance of a balanced and gradual pace of change on the Korean peninsula. Europe can definitely contribute its share, even though its role will most probably be limited and driven by indirect global motives.

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