



## **Sharing Non-Proliferation Costs in Korea**

by David G. Brown

Serious funding problems facing the Korea Peninsula Energy Development Organization (KEDO) jeopardize important U.S. interests and risk reopening the North Korean nuclear issue.

U.S. non-proliferation policy has been remarkably successful with respect to North Korea. The Agreed Framework of October 1994 moved the Peninsula, and the U.S. back from the brink of conflict. The proliferation-prone reactor and related facilities at Nyongbyon remain shut down under IAEA monitoring. The irradiated fuel from the reactor, except for debris in the spent fuel pond, has been placed in canisters pending eventual shipment out of North Korea. Pyongyang has abided by these crucial commitments. The North Korean challenge to the global non-proliferation regime has been contained.

KEDO's negotiations with Pyongyang and its preparatory work for the construction of light water reactors (LWR) in North Korea have created a promising new mechanism for contact and cooperation between North and South Korea. Some 100 South Korean technicians have been working on the project in North Korea for over half a year. Once construction begins that number will swell to over a thousand, and North Korean technicians will come to South Korea for training, making the LWR project the most significant inter-Korean endeavor.

However, these accomplishments and the potential for reduced tension and cooperation are now at risk because of KEDO's two inter-related funding problems. The main KEDO parties, the U.S. South Korea and Japan, have not yet fully resolved how to pay for the LWR construction. However, it is the relatively small sums (\$60-65 million) needed annually to provide heavy fuel oil to North Korea pending completion of the reactors that is moving Korea back toward crisis.

In May, North Korea went public with its complaints about KEDO's failure to maintain the regular supply of fuel oil. Pyongyang threatened that it reserved the right and had the capability to resume its nuclear program if the U.S. did not meet its commitments. To underline the point, Pyongyang took the modest step of halting further work on cleaning up the spent fuel debris. North Korean officials also made vague comments about reopening the reactor. The tone did not seem that of past North Korean brinkmanship, but rather of a wake-up call to an inattentive political leadership in Washington.

The Agreed Framework was negotiated by the U.S. and the U.S. undertook, in a presidential letter to Kim Jung Il, to ensure its implementation, with the usual caveat about acting in accord with our constitutional procedures. Since the Agreed Framework benefits not just the U.S. but the region, it

is only reasonable that the costs be shared. That sharing was agreed in 1994, but clearly needs to be reconfirmed.

When President Kim Dae-Jung visits Washington next week, he is expected to confirm, and it is important that he do so clearly, South Korea's intention, despite its current financial difficulties, to fund 70 percent, or \$3.5 billion of the currently estimated \$5.2 billion LWR costs. Japan has said that it will provide \$1 billion toward LWR costs. Although Japan also committed to help with heavy fuel oil costs, its only contribution has been a \$19 million loan, which Tokyo now wants returned. The key U.S. financial undertaking was responsibility for arranging the heavy fuel funding.

Congress has gradually increased the U.S. contribution so that the U.S. is covering about \$30 million of the annual heavy fuel oil costs. The EU is providing about \$16 million; Australia, Canada, New Zealand and other, about \$5 million. This leaves the program still under funded as well as in debt to the tune of \$48 million at the end of last year for earlier shipments.

If Seoul and Tokyo confirm their willingness to take on the much larger LWR costs, Washington should step up to the plate and offer to increase its heavy fuel oil contribution sufficiently to ensure the program is fully funded each year and that the back debt is paid off. Rather than take this responsible position, differences between the Administration and Congress have reduced Washington to urging Seoul and Tokyo not only to shoulder the larger LWR costs but to share in paying for heavy fuel oil. This nickel and dime approach to a crucial foreign policy interest is inappropriate for a great power; it is putting at risk the benefits won through laudable American leadership.

The U.S. has a major stake in stability on the Korean Peninsula and in containing the North Korean nuclear program and the challenge it represents to the non-proliferation regime. The costs of the collapse of the Agreed Framework, which would run to billions spent on military responses to increased tensions in Korea, dwarf the few millions needed to meet the U.S. fuel oil commitment. At the time of KEDO's inception in 1994, the U.S. ran a \$150 billion budget deficit. Today with an anticipated budget surplus, we can afford the sums needed to keep this successful policy on track. It is time for Congress and the Administration to put aside differences, live up to our responsibilities as a great power, and commit adequate resources. We have difficulty persuading others to contribute to KEDO in part because our own contributions have not been commensurate with the interests we have correctly argued are at stake.

Looking further ahead, U.S. interests also warrant a contribution to the LWR project. Congress has consistently resisted this, but there are signs congressional opinion may be shifting toward support for a modest annual contribution of

perhaps \$10 million for safety related aspects of the project. This would be a positive step. Experts estimate that U.S. firms are likely to get at least \$200-300 million in contracts and royalties from the project. Contributing less than that will leave the U.S. looking as though it is profiting from other peoples' funding of a deal negotiated by the U.S.

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