

NAPSNet Forum #23 -Future of Agreed Framework



The NAPSNet Policy Forum provides expert analysis of contemporary peace and security issues in Northeast Asia. As always, we invite your responses to this report and hope you will take the opportunity to participate in discussion of the analysis.

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Northeast Asia Peace and Security Network

FUTURE OF AGREED FRAMEWORK

#23D -- November 30, 1998

The is intended to provide expert analysis of contemporary peace and security issues in Northeast Asia, and an opportunity to participate in discussion of the analysis. The Forum is open to all participants of the [Northeast Asia Peace and Security Network \(NAPSNet\)](#) . As always, NAPSNet invites your responses to this report. Please see "[NAPSNet Invites Your Responses,](#)" below, and send your responses to the NAPSNet Coordinator at: napsnet-reply@nautilus.org .

DISCUSSION OF "DEALING WITH NORTH KOREA'S

NUCLEAR WEAPONS PROGRAM"

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[I. Comment by Won-Ki Choi](#)

[II. Comment by Taewhan Han](#)

[III. Editorial Comment by Peter Hayes](#)

[IV. Response by Joel Wit](#)

[V. Comment by Mark Hibbs](#)

[VI. Peter Hayes Response to Hibbs](#)

[VII. Comment by Kim Myong Chol](#)

[VIII. Comment by Roy Kim](#)

[IX. NAPSNet Invites Your Responses](#)

[Go to Essay by Joel Wit](#)

[Go to PFO #23](#)

I. Response to Joel Wit, by Won-Ki Choi

[Ed. note: The author of these comments is a journalist with the ROK newspaper Joongang Ilbo.]

I have covered North Korean issues since 1990. I read the essay written by Mr. Joel wit and agree to the main points of the essay. However, I must add the following three points to give a more balanced view on the North Korea nuclear issue.

1. Fourth Seven Year Economic Plan

I read the two essays by Mr. Joel Wit and Mr. Arnold Kanter. Each paper has very persuasive points. However, they missed the core part of the issue: what is the genuine intention of Kim Jong-il? Without understanding this link we are unable to set up a practical road map and clear picture at all. Who really knows the enigmatic strategy of Kim Jong-Il? However, it is worthwhile to consider Kim's perspective, and not just that of Washington or Seoul. Using the first satellite launch as a political backdrop, Kim came to power this September. Also, he changed the Constitution. However, there is one missing point: the Fourth Seven Year Economic Plan.

North Korea pursued the Third Seven Year Plan in the 1987-1993 period, but it failed. So, to make a debut as real national leader, Kim has to show an economic vision to the people. However, his empty coffers make him unable to do so. To get seed money, Kim invited Mr. Chung Ju-yung, the number one tycoon in South Korea, and opened the "Diamond Mountain" for South Korean tourists. In this context, Kim's nuclear game plan vis-a-vis the United States focused on market access. It probably seemed a very irrational plan in Western eyes; however, it is very clear to Korean eyes like mine. Why don't you take advantage of Kim's strategies to solve the problem?

2. What Seoul Worries About

Like Pyongyang, Seoul is worried about Face and Money. Throughout the 1993-1994 nuclear deal negotiations, Seoul had a very bitter experience: (1) Seoul became the "puppet" of the US, and (2) got an unwanted bill. To make a long story short, Seoul never attended the US-DPRK Geneva negotiations, but we had to pay 70 percent of the US\$4 billion Light-Water reactors. Yes, it is five-year old story, but South Koreans have never forgotten the rip-off. Washington policy maker must take this into account.

3. Power of Sun/Power of Moon

Westerners loves the Sun; Asians loves the Moon. Washington's tactic toward the DPRK nuclear issue reminds me of "Sun diplomacy." It is very powerful, clear, and controlling. Also, it is a win-lose game. Why not use moon diplomacy? Moon diplomacy is controlling too. It seems not-so powerful and clear, but it is suitable for Asian psychology. Also, it is a win-win game.

In more specific terms, Moon diplomacy means using various soft powers (i.e., market access, high-ranking meetings, invitations to Kim Jong-il to international arena, arrangement of a South-North Korea summit) as well as indirect dialogue. Most of all, economic means would be very efficient for solving the problem. Believe me, the US dollar is much strong than the Tomahawk missile!

II. Comment by Taehwan Han

[Ed. note: The author is a professor at the Political Science Department at the University of Hawai'i.]

I have to agree with Mr. Choi's argument that Seoul was excluded in the 1993-4 nuclear negotiations. Washington's "policy mistake" (I think) not only put Seoul into a difficult situation ("a puppet of Washington") but "ripped off" Seoul by sending it a bill of US\$4 billion.

There is one thing I would like to point out. Please correct me if I am wrong. Mr. Choi argued that Washington made Seoul pay for the huge bill. Is it true? Or did Seoul "voluntarily" take over the bill and openly promise to pay for it?

In terms of "sunshine policy" or "moonlight policy," I have two major points to make. Many argue that sunshine (i.e., presumed economic aid or support) can resolve the problem. Mr. Choi said that "the U.S. dollar is much stronger than the Tomahawk missile. But what problem do you want to solve? To me, the problem is not clearly defined. I am very often confused whether Washington and Seoul just want to get rid of Pyongyang's nuclear capabilities, or wish to dismantle the regime. If the two policy goals are separated, how and why those are related or unrelated?

My last question is, "What if Pyongyang does not receive sunshine as sunshine?" Washington and Seoul argue that economic support and aid are part of the "sunshine" policy, while Pyongyang perceives that supports as another "peace offensive" or the "wind" from the imperialist and its puppet. If a scenario like this develops, sunshine or moonlight policy will not be effective to solve any problem.

III. Editorial Comment by Dr. Peter Hayes

[Ed. note: The author is co-Executive Director of the Nautilus Institute.]

The Korean Peninsula Energy Development Organization funding for the light-water reactors is in fact a concessional loan, a standard financing technique for nuclear reactors, which the DPRK side will pay back once the reactor starts to operate. If by some happenstance, the DPRK disappears, then the primary loan holder--ROK--will likely inherit and operate the asset. Thus, the risk aspect of the deal to the ROK is pretty much zero. The economic benefits of the deal in terms of the economic costs of war, high tension, additional military spending avoided, etc, are much bigger than the concessional fraction of the loan.

IV. Response by Joel Wit

I guess I should not be surprised that after five years, there still seems to be some bitterness about the Agreed Framework among some of our South Korean friends and particularly the fact that the South will pay for the lion's share of the project. Nevertheless, I would like to set the record straight.. First, on paying for the KEDO reactors, South Korea was not forced to pay 70% of the costs. Rather, Seoul probably calculated as the talks were going on, that if the U.S.-North Korean negotiations were going to result in an agreement, it wanted to be at the very center of that outcome. By staking out its role as both the main provider of technology and financing for the project, Seoul guaranteed its central role and control over implementation of the Agreed Framework. There were other alternatives--for example Russian reactors--but I would be disingenuous if I did not admit they were long shots and Seoul understood that it would come under pressure to participate in a meaningful way once the other options failed.

Also, the South Korean commitment of about \$ 4 billion is not as bad as it might seem. Aside from the fact that the commitment is stretched over an almost ten year period, almost all of that money will stay at home. Out of the \$5 billion reactor project, only \$1 billion can potentially go to foreign companies. The rest is reserved for South Korean firms.

Finally, I think Peter Hayes is correct when he notes that South Korea might eventually end up inheriting the reactors. Indeed, many countries refused to contribute funding to KEDO because they did not want to finance reactors for South Korea.

V. Comment by Mark Hibbs

[Ed. note: The author is European Editor of Nucleonics Week.]

I wish to correct for the record a frequently encountered misunderstanding about the Agreed Framework which is found in Joel Wit's statement.

South Korea is NOT providing the DPRK the reactor technology under the Agreed Framework.

If the deal is implemented, South Korean industry will provide much of the hardware and infrastructure (some will be provided by industry in the US and Japan, and, pending further agreements, perhaps Europe). The technology, however, is US technology, not Korean. The reactor to be built is essentially the same as the Ulchin-3 and -4 PWR units built in South Korea. But that technology is identical with the System-80 PWR designed by ABB-Combustion Engineering in Windsor, Connecticut. ABB-CE owns that technology. The company has a licensing agreement giving Korean firms, including Korea Electric Power Corp. (Kepco) and its subsidiaries, including Korea Heavy Equipment and Industry Corp. (KHIC), circumscribed rights to use it.

This may be a small point but it is very important. Because the technology is U.S. technology, these reactors in the DPRK cannot be built unless there is a US-DPRK nuclear cooperation agreement in place. Right now, there isn't one. And there cannot be one under US law until the International Atomic Energy Agency (IAEA) verifies the DPRK's fissile material inventory under Infcirc-403, the DPRK's safeguards agreement, which went into force in 1992. Infcirc-403 is still in force, and is unverified. Since 1994, the DPRK has been cited by the UN Security Council as being in formal non-compliance with Infcirc-403. That will not change until the IAEA can say it is satisfied that all the fissile material in the DPRK, every gram of plutonium, is accounted for.

ABB-CE applied to the US Nuclear Regulatory Commission for a license for the reactor transfer to the DPRK a year ago. After it was informed of the problems involved in moving US-origin technology

to the DPRK, however, it withdrew its request as "premature."

VI. Response by Peter Hayes to Hibbs

KEDO is responsible for arranging the transfer under the Agreed Framework; but the manufacture and delivery of the hardware is primarily coming from the ROK and financed by the ROK as well; the hardware embodies the technology, including that licensed from US firms. When the ROK re-exports the technology, it has to obtain US Government permission first (not corporate permission), but it has already paid for the Light-Water Reactor (LWR) technology via its licensing deals with US firms as described accurately by Mark. Thus, it is the ROK that is exporting the hardware and embodied technology, not the US firm. This is the case even for those few items which will be manufactured in the United States by US firms under sub-contract to KEPCO; it is KEPCO, and thus the ROK, which will be exporting these items to the DPRK. (Of course, these US exports to the DPRK via the ROK must also obtain US export licenses; but they differ from the ROK-manufactured LWR hardware in that they are not embodied technology under US license, requiring US re-export license).

Mark is confusing the LWR hardware and embodied technology export from the ROK to the DPRK via KEDO under the Agreed Framework with the fact that the ROK Government has agreed to obtain US Government permission before it exports this embodied technology to anyone, including the DPRK. The former is conducted via KEDO under the Agreed Framework, as stated by Joel Wit; the latter is a legal dimension of implementation which is bilateral (ROK-US) and has no direct connection with the Agreed Framework nor KEDO. As a result of all these arrangements, there is an additional legal onus on the United States as described by Mark, which is necessary before US Government permission to the ROK to re-export the licensed LWR technology or to US exporters to the DPRK via the ROK can be given, namely, that the US and the DPRK have to conclude a nuclear cooperation agreement. In that, Mark is entirely correct. Overall, it is essential to recognize the political, legal and physical reality that the LWRs bound for the DPRK under KEDO and the Agreed Framework are made in the ROK by KEPCO and ROK firms. The fact that most (although not all) of the LWR technology being transferred is American in origin or is licensed to ROK firms does not change this basic reality.

VII. Comment by Kim Myong-Chol

[Ed. note: The author is former editor of People's Korea.]

I am intrigued to see a South Korean comment that the South Koreans were forced to play the role of puppets. The comment is totally right.

Why did the South Koreans stand by idle, unable to play the key role in the 1993-94 nuclear standoff? Why did they not insist on talking with North Korea, telling the Americans to stay away? Why did the Americans supplant the IAEA in dealing with North Korea? Why did the USA negotiate the September 18, 1996 submarine case with North Korea? The submarine incident took place in South Korean waters.

The answer is quite obvious. There is no question that South Korea is a client state, a second-class ally. The role of South Korea has been to be a local agent for America and to whitewash the true nature of the American presence, which is responsible for the division of Korea. The actual key player is the USA, not South Korea. Any number of pages can readily be prepared to document the case of South Korea as an illegitimate regime, as an offspring of the notorious Japanese colonial government general, and to trace its lack of national credentials from its birth to the present. A very

easy, simple job.

Then a question arises of why the Americans made the South Koreans pay for the lion's share of the project? Compelled to sign the Agreed Framework, the Americans never wanted to pay any penny for the light-water reactors. They imagined that ten years would be long enough for the Pyongyang regime to fall apart halfway through. As a means to buy time till the collapse happens, the Americans hit on a good idea of talking the Kim Young-sam regime into agreeing to foot the bill on the grounds that the South Koreans might inherit the nuclear reactors in North Korea in the wake of the projected collapse of the Kim Jong-il government. Both the Americans and the South Koreans had a poor understanding of Korean history, tradition, and culture.

The current situation reflects the American exasperation with their totally unfounded, wishful scenario of North Korea disintegrating in a few years. In this sense, the present crisis is the work of the Americans. Kim Jong-il, his lieutenants, and the North Korean people know well that the Americans have landed themselves in a hornets' nest by signing the Agreed Framework in the hope of an eventual North Korean collapse. The sole option for the Americans is a package settlement of giving immediate diplomatic recognition, lifting sanctions, and signing a peace treaty. Otherwise, the Americans will have to meet a nuclear-armed, ICBM-equipped North Korea in a war. Adoption of the option will deprive Seoul of its *raison d'etre*. All indications suggest that the South Korean National Security Law will go before long and with it will the South Korean regime go, too.

The Korean question can properly be characterized as the matter of settling the old score with the Americans and the Japanese: ending the American interventionist role and having the Japanese come to terms with their colonial wrongdoings. This requires determined reassertion of Koreanism and Korean national sovereignty and standing up to the Americans and the Japanese politically and militarily and building the military capacity to deliver direct massive strikes on the two countries. None of the South Korean leaders are qualified for this job. Only Kim Jong-il has what it takes to be the supreme leader of the sacred war to settle the old score with the Americans and the Japanese and to see Korea reunified.

Someone may argue that North Korea is ridiculous enough to divert huge national resources on defense as millions are starving. What the critics are not aware of is that North Korea has been locked a life-and-death battle, a state of war with the world's sole superpower, capable of blowing up the spaceship Earth thousands of times. Kim Il-sung organized an armed resistance to the Japanese colonialists, when the whole of Korea was ruthlessly plundered and exploited by the Japanese. In this state of war, the North Koreans will continue girding up for war and shooting back at the Americans and their allies even by stepping on millions of corpses, including wives, children, lovers, and parents.

Every sacrifice, every military effort is totally justified in the dedication to the historic cause of preparing for the decisive battle to settle the score. At long last, after working overtime with their pants down and going hungry, the North Koreans have a small fleet of ICBMs to deliver payloads of massive destruction on major population centers in Japan and America. The South Koreans are advised to step aside as the North Koreans settle the score with the Americans.

VIII. Comment by Roy Kim

[Ed. note: The author is Professor of International Political Economics at Drexel University.]

From long-term perspective, the entire KEDO is a win-win project for every entity concerned. While how and why the Kim Young-sam Government decided to finance the lion's share will be studied by

future historians, Kim's decision in his August 15th speech will remain as an outstanding accomplishment of his presidency. Moreover, the Kim Young-sam Government's decision has been most beneficial for the Kim Dae-jung Government, intentionally or unintentionally. Without KEDO, it is inconceivable today what the entire Korean peninsula would be like. Indeed, had it not been for KEDO, the ROK's IMF crisis would have been much worse, as international investors would have been very reluctant to consider investing in the ROK. This, along with other reasons, is one of the main reasons why the Kim Dae-jung Government has been supportive of KEDO.

While Peter Hayes's reasoning may have a grain of truth, it is only a small part. Moreover, this kind of rationale is clearly discomfoting for Pyongyang. Indeed, this may be one of the reasons why there have not been any serious bilateral negotiations at the government level between the two Koreas even under new leaders in Pyongyang and Seoul.

At any rate, financing for KEDO is far from solid. It still remains to be seen how various countries' legislative bodies will decide on how to finance it. An equally critical element is the DPRK's inadequate transmission grid. Without a proper transmission grid, the International Atomic Energy Agency cannot possibly allow KEDO to transfer the light-water reactors' operational control to Pyongyang.

IX. NAPSNet Invites Your Responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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