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THE UNFINISHED PROJECT: THE SIGNIFICANCE OF THE LWR PROJECT

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Abstract

The Light Water Reactor Project was a result of diplomatic efforts among the U.S., South Korea and North Korea to resolve the nuclear crisis that broke out in 1994. The idea was to supply North Korea with the energy it desperately needed and to assure the nuclear safety of the Korean peninsula while putting an end to North Korea's nuclear weapon's program.

However, changes in the international political environment placed efforts of the Korean Peninsula Energy Development Organization (KEDO) in a different context that slowly threatened the existence of the LWRs. The Bush administration's skepticism against the North Korean regime, the declining support from partner governments, and the growing international suspicions on North Korea's nuclear intentions aggravated the situation making it increasingly difficult to continue the construction of the reactors. After suspending the project for over two years, the KEDO Executive Board agreed to terminate the project, the final decision of which has yet to be made.

Against the dwindling support of the U.S. and Japan and the deteriorating public opinion, the ROK struggled to salvage the project hoping to resume construction works in future's time. However, with little progress in the nuclear negotiations with the North, South Korea decided to pull away from the LWR operation while making a new "significant proposal" to the North that would relieve North Korea of its energy needs.

On the surface, and as the media allegedly claims, it may appear as though the billion dollar project has gone to waste. However, a closer observation will demonstrate how much the KEDO project has changed the landscape of inter-Korean relations. By bringing South and North Korea into contact with each other, the KEDO project provided opportunity for both Koreas to have a better understanding of each other, mitigating security concerns resulting from uncertainties.

Although the fate of the project is termination, the LWR issue is still an on-going talk within the 6-party talks. In this regard, how the project will be evaluated in history seems to be up to the governments involved in the issue. There may still be hope for a second chance.

I. Introduction: Withdrawing from Kumho

On the morning of January 8, 2006, the Korean Peninsula Energy Development Organization (KEDO) left the light water reactor (LWR) construction site at Kumho in Bookchung-gun of Hamkyung province, North Korea. The last eighty KEDO workers boarded the *Hankyoreh* as they had done numerous during the past five years, however this time, it was to be a one-way trip back to the South.

Faced with the task of evacuating the KEDO employees from Kumho, the prime concern for both KEDO and the South Korean government was the safety of the workers remaining at the site. With North Korea accusing the U.S. and KEDO for unilaterally terminating the LWR project and declaring its “right” to take over all KEDO assets at the site as compensation, the safety of the KEDO workers could not be guaranteed. The day before the exodus was to be executed, the South Korean government and KEDO dispatched a high-level delegation to oversee the withdrawal process and to respond to possible emergency situations.

Despite such concerns, however, North Korea was surprisingly cooperative during the withdrawal. In fact, as *Hankyoreh* pulled away from the harbor and set sail on its last trip from Kumho, North Korean officials and guards could be seen on the pier waving their hands and expressing their regret at KEDO’s departure.

The withdrawal itself was a success. However, with nobody left to continue the KEDO works at the site, the LWR project was *de facto* terminated. The project that represented a milestone in the history of the two Koreas was left unfinished and was about to be terminated.

II. The Ominous Signs: The Fate of the LWR Project

In the beginning, the future of the LWR project looked promising. However, as negotiations proceeded, South Korea, U.S. Japan and the IAEA were unable to come to terms with North Korea on the subject of nuclear inspections. As the talks continued inconclusively, the future of the project seemed more and more doubtful.

The ominous signs continued. The Bush administration that took office in 2000 did not support the nuclear reactor project and was not hesitant in saying so. Since the conclusion of the Agreed Framework in 1994, the U.S. government had played a leading role in putting the LWR project into motion. Now, as the U.S. withdrew its support, the prospects for the completion of the two reactors became even more discouraging.

The Bush administration was not very discreet about its distrust against the North. During a summit meeting in March 2001, President Bush told President Kim Dae Jung that he was skeptical of diplomatic talks with North Korea and emphasized that transparency and verification of North's nuclear intentions needed to precede any diplomatic efforts vis-à-vis North Korea. The new North Korean policy under President Bush seemed to be taking a different path, away from the contents of the Agreed Framework. The decisive moment came in October 2002, when the North Korean government admitted to a U.S representative that it had a highly enriched uranium (HEU) program. The Bush administration quickly seized the opportunity to express its doubts about the future of the LWR project.

The U.S.'s strong stance on the North Korean nuclear issue, together with growing uncertainties surrounding North's nuclear intentions, led to a decision by the KEDO Executive Board to suspend the provision of heavy fuel oil (HFO) to North Korea in November 2002. KEDO also adopted a policy of "invisible slowdown" and reduced the work progress down to a minimum level as a means to pressure the North Korean government to come to terms with the international community regarding its nuclear weapon's program.

However, North Korea refused to cooperate and did not take measures to alleviate the nuclear concerns of the international community. As a result, KEDO went forward and took the next step. The LWR project was officially suspended for a period of one year on November 2003, and with no progress in the nuclear talks with the North, KEDO extended the suspension period the following November for another year. During this time, the U.S. actively pursued its plans to terminate the LWR project. On November 15, 2002, the White House made a statement welcoming KEDO's decision to suspend the HFO deliveries and on January 30, 2004, the spokesman of the State Department affirmed the U.S. position by saying that the U.S "see[s] no future for the light water reactor project."

Japan's interest in the LWR project also began to dwindle. In the beginning, the Japanese government took active part in the project committing to finance 22% of the costs for the construction of the reactors. However, Japanese position gradually evolved into a different direction with the changes in the international and national political environment. In the end, seeing no future in the LWR project, Japan, like the U.S., became determined to bring an end to the project.

Prime Minister Koizumi's visit to North Korea in September 2002 and again in December 2004 had raised hopes for the normalization of Japan-North Korea relations. Improved relations would have generated public support for the LWR project which the Japanese government needed to continue its financial support. However, public opinion in Japan deteriorated as the conflict between the two countries on the issue of Japanese abductees grew deeper.

Amid the “end-to-the-LWR-project” position taken by other members of KEDO, South Korea made subtle yet unmistakable efforts to at least not “kill” the project. For the South Korean government, too much was at stake—establishment of peace and security on the Korean peninsula, realization of a nuclear free Korean peninsula, and revitalization of inter-Korean relations—to simply let go of the ten-year-old effort. Thus, despite the pressure from its partner governments to abort the project, South Korea put forth its utmost efforts to continue the works in one form or another

In July 2005, the South Korean government, after careful review of circumstances, decided to take a different approach. In an attempt to bring North Korea back to the negotiating table of the 6-party talks, South Korea presented the “significant proposal” to the North. It was a difficult decision, almost painful, for the South Korean government as the new proposal was to bring an end to the LWR project in Kumho.

The main concept of South Korea’s “significant proposal” is that if North Korea agrees, via the 6-party talks, to dismantle its nuclear program, South Korea will provide two million kilowatts of electricity to the North by means of direct transmission. Instead, the LWR project at Kumho will need to be terminated. The proposal received support from the U.S and Japanese governments and was also successful in bringing North Korea back to the negotiating table. In fact, the proposal was the deciding factor in inducing the North to commit to nuclear abandonment during the fourth round of the 6-party talks held in Beijing last September.

The two major conditions of the “significant proposal” were that North Korea dismantles its nuclear weapons and that the construction work for the reactors at Kumho is terminated. Yet, according to the joint statement of the 6-party talks, the LWRs may be constructed in North Korea at a future’s time in return for North Korea’s dismantlement of its nuclear weapons. In fact, Korean Unification Minister Lee Jong Seok stated, at the National Assembly, that “the contents of the significant proposal continues to be changed under the circumstances, and the government will search for ways to implement the proposal on a minimum budget” opening possibilities for revision in the details of the significant proposal as the related governments consult on the implementation of the contents laid down in the joint statement of September 19th.

III. A Lonely Fight : South Korea’s Efforts to Salvage the LWR Project

In his Liberation Day Speech in August 1994, President Kim Young Sam introduced a new proposal for Korean unification that focused on building a “single national community”. Under this new proposal, which became the foundation of South Korea’s current North Korean policy, President Kim offered to supply the North with the LWRs if it gave up its nuclear ambitions. It was to be the first “national community” project, and considering its significance in the history of inter-Korean relations, the ensuing

administrations led by presidents Kim Dae Jung and Roh Moo Hyun continued to strongly support the project.

The work on the LWR project picked up speed under President Kim Dae Jung's "sunshine policy". The historic summit meeting of the leaders of the two Koreas in June 2000 further brightened the prospects for the successful completion of the LWRs in Kumho. Encouraged by the positive developments in inter-Korean relations, the construction work at the site was launched on a full scale in September 2001. The future looked indeed promising at the time.

However, President Roh Moo Hyun, who succeeded President Kim Dae Jung, was unable to proceed with the project with the same speed and enthusiasm. The revelations on North Korea's HEU program had forced KEDO to suspend the HFO deliveries to the North and as support from its partner governments declined, Seoul desperately held on to the project. As the KEDO Executive Board deliberated on the future of the project once in 2003 and again in 2004, South Korea struggled to extend the life of the project which proved to be a difficult task due to U.S.' strong position on the termination of the reactor project.

South Korean government's Sisyphean labor was not seen only inside KEDO. With no visible progress on North Korea's nuclear issue, the Korean public also began to cast doubts on the future of the LWR project. From the beginning, questions had been raised on how much the KEDO project would contribute to resolving the nuclear issue and ultimately bringing peace and stability on the Korean peninsula. However, the prevailing concern of the Korean public, and what it criticized most, was that the South Korean government had taken upon itself all the financial obligations and was paying the bulk of the cost of the project while the U.S. was taking all the credit. Domestic criticism was an additional burden that made South Korean efforts to save the LWR project even more difficult.

Fortunately, there were also voices, though not as vocal as the criticisms, that placed great significance and value to the LWR project. Perhaps the decade-long struggle of the South Korean government against opposition and criticism could not have been maintained without such support and encouragement.

IV. The Significance of the LWR Project

North Korea's withdrawal from the Non Proliferation Treaty (NPT) in March 1993 intensified the crisis on the Korean peninsula to the brink of disaster. Fortunately, negotiations and consultations on various levels between Washington and Pyongyang and between Seoul and Washington prevented the outbreak of

war. The diplomatic efforts ultimately resulted in the Agreed Framework that promised North Korea supply of the LWRs in return for the dismantlement of its nuclear capabilities.

Had the international community failed in inducing North Korea to discontinue its nuclear activities at the time, we would now be facing a nuclear North Korea challenging the nonproliferation efforts of the international community. Experts believe that if North Korea had continued with its nuclear operations and had produced weapons-grade plutonium for the past ten years, it would have had succeeded in manufacturing enough nuclear materials to manufacture several tens of nuclear bombs. There is, of course, always a possibility that North Korea did in fact continued its nuclear activities, covertly, as claimed by those distrustful of North's behavior. However, even if a clandestine nuclear program had been carried out, its size would have been restricted in order to avoid the prying eyes of international intelligence. In other words, Pyongyang's public vow to freeze its nuclear activities was indeed an important achievement for the international community in that it effectively prevented the mass production of weapons-grade plutonium. The significance of the efforts and investment placed on the KEDO project for the past ten years may have more meaning when examined under such context.

The political environment on the Korean peninsula and inter-Korea relations in 1994 was quite different from that of today. Before the construction work began in Kumho, the two Koreas were, as the North says, officially at war. Except for few special cases, there was hardly any exchange of people and goods across the 38th parallel.

However, since the work on the LWRs began, approximately one thousand South Korean workers have come in contact with the North Koreans. Working together, the North Koreans have not only witnessed the free lives of the South Koreans, but the assiduity and professionalism of the workers, the organizational power, the operational expertise, the cutting-edge technology, and the high-tech equipment brought by the South must also have been a formidable psychological shock to the North Koreans.

If the LWR project had a positive influence on reforming and opening up North Korea and ultimately on establishing peace and stability on the Korean peninsula by bringing the outside world into North Korea and by teaching the value of liberal democracy and market economy to the people of the hermit kingdom, it would be doing the project injustice to claim that the 1.5 billion dollars have been wasted for nothing.

In 1994, when the talks on the supply of LWRs to North Korea were underway, Pyongyang branded a South-Korean type reactor as a "Trojan Horse". The North Korean government was concerned that the large-scale inflow of South Korean people and goods would open its regime to the outside world

ultimately resulting in North Korea's absorption into South Korea. Such reaction from the North demonstrates the potential effect of the LWR project on inter-Korean relations.

V. Conclusions: The LWR Issue in Future 6-party Talks

Without prejudice to future developments on the North Korean nuclear talks, the LWR project under KEDO will be terminated. The member governments of the KEDO Executive Board are currently engaged in consultations to deal with the complex issues in connection with the winding down process. Once the blueprint for a smooth and orderly termination is made ready, the Executive Board member governments will make a formal decision on the termination of the project.

Yet the years of work put in the LWR construction leave us to wonder if there is in fact no future for the KEDO project, if the belief that the energy supply from the LWRs would have positive effect on inter-Korean rapprochement can never be confirmed, and if the 1.5 billion dollars has been spent for nothing as the media allegedly claims.

The fourth round of the 6-party talks in Beijing last fall resulted in a joint statement on September 19, 2005 that agreed to "discuss the LWR issue at an appropriate time." The very next day, North Korea asserted that "the LWRs would need to be constructed before it dismantled the nuclear programs". What impact these words will have on future nuclear negotiations with North Korea is worth close observation.

The LWR project in Kumho had to be strategically terminated to break the deadlock in the 6-party talks. Yet, through that same 6-party talks the project may be given a second chance for a new beginning.

The U.S. government, however, has a firm position on when the "appropriate time" should be to recommence talks on the LWRs in North Korea. Christopher Hill, Assistant Secretary of State for East Asian and Pacific Affairs and U.S Representative to the 6-party talks identified the "appropriate time" as after North's complete dismantlement of all nuclear weapons and related programs, compliance with the obligations under the NPT and IAEA safeguards, and suspension of all activities against the international nonproliferation efforts including transfer of nuclear technology. The U.S. thus renounced Pyongyang's demands that the LWRs be a prerequisite to its dismantlement of the nuclear weapons program

However, North Korea also remains firm in its position that the LWRs be supplied in return for its nuclear transparency either by completing the project in Kumho or starting a new construction work elsewhere in North Korea. It is important to take note of the fact that given North Korea's desperate need of energy to power up its industries in order to pull itself out of the current economic plight, Pyongyang would

find it more intriguing to continue with the project in Kumho, already 35% complete and equipped with all the necessary infrastructure rather than spending years to begin a new LWR project.

In this regard, the proposition by Ambassador Jean Pierre Leng, EU Representative to the KEDO Executive Board, contributed to the International Herald Tribune of March 3, 2004 may be worth reminiscence. In the article, he argues that KEDO had already come too far, that too much money and effort have already been put in making it unfeasible to terminate the LWR project in Kumho. Instead, he suggests that the Kumho district be designated as a “special economic zone” and that KEDO together with the IAEA operate and maintain the LWR plant that would supply electricity to North Korea. In other words, KEDO, not North Korea, would operate the LWRs under a comprehensive IAEA supervision for a certain period of time of thirty or fifty years. This would alleviate U.S. government’s concerns on the possible extraction of plutonium while providing North Korea with energy that would be used for peaceful purposes. Ambassador Leng’s idea, however, could not be seriously considered without North Korea’s fundamental change of attitude towards its nuclear ambitions.

The nuclear weapons program seems to be North Korea’s last resort for its survival. To take this away, the international community needs to give in return what North Korea wants or needs most, i.e., an answer to its energy problems. North Korea’s continuous demands for the LWRs despite South Korean government’s proposal for a direct transfer of two million kilowatts of electricity needs to be understood in this context, and it would be to the international community’s advantage to take a flexible approach and strategically use the LWRs in resolving the nuclear issue rather than remaining silent on the topic

The issue on the possibilities of another LWR project in North Korea will be raised as related governments begin their discussions on the implementation of the joint-statement from the fourth round of the six-party talks. In other words, the possibilities of the next LWR project is entirely dependent upon the results of the nuclear negotiations with North Korea just like the KEDO project was back in 1994. In this context, the mutually exclusive positions of the U.S. and North Korea exhibited during the Northeast Asia Cooperation Dialogue held in Tokyo on April 11, 2006 discouraged hopes for progress in the nuclear talks. As observed by Dr. Paik Hak-soon, senior research fellow at Sejong Institute, the underlying difficulties in U.S.-North Korean relations “is no longer about the lack of trust between North Korea and the United States, but a deepening mistrust of each other.”

In sum, how the KEDO project will be interpreted in the history of nuclear diplomacy seems to be left to the governments of the 6-party talks. For the LWR project to remain on the pages of history books as having contributed to peace between the two Koreas, it will be up to the six countries, through determined and continuous efforts towards the de-nuclearization of North Korea and the establishment of peace on the

Korean peninsula, to give meaning to the years of international negotiations and the amount of cash put in the KEDO project.