

# U.S.-Korea summit bears economic fruit

by Richard Katz

“Before our President Chun Doo Hwan came to see President Reagan, many American banks and traders were hesitant to do business with us. They had fears for the political stability of Korea,” a Korean government official told *EIR*. “Ever since the visit our phones have been ringing. Banks from Dallas, Boston, and Hartford are calling up asking how much money we need to borrow. Traders are placing orders for our goods and asking what machinery we want to buy.”

President Chun came to the U.S. on Feb. 1-3 seeking support to ensure Korea's economic, political, and military stability from President Reagan and the American business community. On all counts, he met with success. And in return, the U.S. regained an increasingly important business partner and a trustworthy ally, in contrast to the China of the Carter era.

The issues of the economy, military security, and political stability are all very dependent on the attitude of the U.S. administration. In 1980, Korea's real Gross National Product (GNP) fell by 5 percent, including a 1.6 percent drop in the manufacturing sector, the first since the development takeoff following the Park Chung Hee coup of 1961. The oil shock of 1979-1980 was only part of the problem. The Carter administration's antipathy toward Korea was more important.

## Carter policy reversed

The Carter administration and certain leading New York banks joined the World Bank-IMF to pressure Korea to respond to the oil shock of 1979-1980 with internal austerity and a slow-growth approach. In the atmosphere of social tension such cuts engendered, Carter worsened the situation by threatening to withdraw U.S. troops and by sharply criticizing the government's attitude toward the opposition. State Department criticism became more intense following the assassination of Park; it is believed to have to have been significant in the opposition's ability to mobilize the powerful destabilization effort launched in 1980.

Now, President Reagan has reversed this policy. The

joint communiqué reports, “President Reagan assured President Chun that the U.S. has no plans to withdraw U.S. ground combat forces from the Korean peninsula, while also pledging to make weapons available as needed for Korea's security.”

Reagan also pledged U.S. support for Korea's economic development. The annual Korea-U.S. economic consultations meetings suspended by Carter will resume at the undersecretary of state-level before mid-year, as well as consultations on security and other issues.

## Korea's economic development

President Chun briefed Reagan on Korea's ambitious nuclear plans, including the Korean Institute of Science and Technology proposal for a \$100 billion program to build 110 nuclear reactors by the year 2020—46 by the year 2000—needed because of Korea's lack of resources. Reagan pledged that the U.S. “will remain in a reliable supplier of nuclear fuel, generation equipment and power technology”, as opposed to Carter's obstruction, which lost Westinghouse two orders for nuclear plants to France's Framatome.

Informed sources cautioned that the U.S. “reliable supplier” stance was a double-edged sword. State Department officials informed Chun that they wanted Korea to “rely” almost exclusively on American reactor suppliers, which gives the U.S. control over the use of spent fuel. Claiming fears that Korea might divert spent fuel to bomb-making capacity, they specifically criticized France for having controls “too loose.”

Reagan's support for Korea, including access to Export-Import Bank loans, has dispelled doubts in the U.S. banking community as to Korea's viability as a borrower. Korean sources report they will be able to get \$3 billion in additional loan commitments for 1981.

## Strategic questions

On the strategic issue, Reagan pledged no talks with North Korea without South Korean participation, specifically ruling out any unilateral steps toward North Korea “not reciprocated toward South Korea by North Korea's principal allies,” i.e., both the Soviet Union and China.

Reagan may face opposition from the China hands at the State Department, however. A senior State Department official—who substituted at the last moment for National Security Adviser Richard Allen to brief the press—referred only to the “Soviet threat” to South Korea and refused to include China as a potential threat. Asked by *EIR* whether U.S. arms sales to China worried the Koreans as a potential threat, and reminded that the communiqué referred to North Korean allies in the plural, the official just grinned and said, “Oh, these things are very subtle.”



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Economic Editor, *EIR*

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