

American Diplomacy During the Gwangju Uprising

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A Failure in South Korea

By

Marcy L. Tanter

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**This study is dedicated to the citizens of Gwangju in honor
of their commitment to democracy and peace**

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Throughout this book, Korean names are written and alphabetized with the surname first, as is the cultural convention.

The English translation of Chun Doo-hwan's military operation in Gwangju varies depending upon the translator and their interpretation of "화려한" as "splendid," "wonderful," or "fascinating". All convey the irony that this operation was anything but a "vacation".

CHAPTER ONE

CARTER, KOREA, AND NUCLEAR POWER

Our policy is designed to serve mankind. And it is a policy that I hope will make you proud to be Americans.

—President Jimmy Carter, May 22, 1977

“During the second week of May, numerous reports began reaching the Embassy that hardline elements were calling for a crackdown on students. The Blue House informed Ambassador Gleysteen and the Korean army informed General Wickham that the Korean Government might take back OPCON of some units from the CFC.”

—Bush Administration White Paper, 1989

On January 26, 1979, Westinghouse Electric Corporation submitted an export license application to the U.S. Nuclear Regulatory Commission to sell “two (2) Nuclear Steam Supply Systems” [sic] to Korea Electric Company (Shea), one of which was slated for Yeonggwang, a coastal area just over 30 miles northwest of the city of Gwangju. The sale of the reactors was interrupted by a short-lived scandal involving Ex-Im (Export-Import) Bank’s president, John L. Moore, but it was approved in May 1980. Moore, appointed by President Jimmy Carter to be president of the Ex-Im Bank, targeted South Korea¹ as a critical partner for Ex-Im’s international loan program and was somewhat dependent on consistent business with the country to justify his requests for large budget increases during the Carter administration. Shortly after the approval to allow the export of the reactors, full martial law was imposed in South Korea by the head of the military, Chun Doo-hwan; on May 18, 1980, Chun sent special forces troops into Gwangju to suppress a peaceful student protest against the martial law

¹ Its formal name is the Republic of Korea (ROK). I alternate between the terms “South Korea”, “Korea,” and “ROK”.

decree. During a nine-day period, hundreds of Gwangju citizens were murdered and wounded; because of a long-standing history with the United States, many people in the city expected the American embassy to mediate the crisis. When the event was over, no American officials had become involved and an already-burgeoning anti-American sentiment grew larger among some Koreans, especially in Jeollanam-do (the province in which Gwangju lies), because they felt the Americans allowed Chun Doo-hwan to massacre the civilians. A few days after the event (commonly known as the Gwangju Uprising) ended, John Moore visited South Korea to continue trade deals with the Koreans. Given this chronology, it is reasonable to wonder if the planned nuclear plant in Yeonggwang was an impetus for American reticence not to get involved in ending the Uprising.

As an exploration of the American reaction to the Gwangju Uprising, I will briefly cover how a nuclear trade crisis was averted in South Korea in the mid-1970s; then, I will discuss an important trade deal between the US and Korea that did not have complete Congressional support, and speculate upon how both of these situations may have affected the United States' response to the Gwangju Uprising as it was happening and culminated in a 1989 GHW Bush "White Paper" explaining the US position². I will conclude with a brief rebuttal of some of the main points of the White Paper. The focus of this study is not about how Korea was finally democratized nor is it about the resilient Gwangju citizens. In the absence of clear explanations from the people involved, this is a speculative examination of why the US did little to stop the slaughter of the people in Gwangju and yet willingly "interfered" in other Korean domestic matters in the 1980s.

Before Gwangju

In foreign affairs, as in domestic affairs we need leaders who are not only concerned with the interests of the powerful, but who are especially concerned with the powerless, with the weak, with the disenfranchised, and with other victims of oppression. We have not had that kind of leadership in recent years.

—Presidential candidate Jimmy Carter, Sep 8, 1976

² The White Paper is not paginated; the entire text is included as an appendix.

From the late 1950s until 1991, the United States had nuclear weapons stationed in South Korea (Burr 690). The purported use of the weapons would be defensive, should North Korea attack again. Although this seemed reasonable to some members of the United States government, there was internal strife among Cabinet members and others during the period of the Cold War who worried about a range of issues, including how the US was perceived by other nations³. Despite President Eisenhower's deployment of the weapons to the ROK, one thing was clear among the US and its allies: the Koreans should not be allowed to have their own nukes (Lord).

A crisis loomed in 1974-1975: the US Ambassador in Seoul, Richard Sneider, sent a cable to Secretary of State Henry Kissinger, saying that "evidence accumulated in recent months justifies strong presumption that the Korean govt has decided to proceed with the initial phases of a nuclear weapons development program" (Smyser and Elliott). Cables between Seoul and Washington, DC, during the first six months of 1975 indicate that the US was putting pressure on the Koreans to ratify the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). Unbeknownst to the Americans, Canada was making a deal to sell a nuclear power plant (CANDU) to the ROK and was in discussion to sell an NRX reactor (a nuclear research facility) but they had a caveat: South Korea must ratify the NPT or there would be no further discussion about the NRX (Jang 23). At the same time, the ROK government was also in talks with France to buy reactors⁴. On February 26, 1975, the Korean Foreign Minister advised Ambassador Sneider that the Korean government was planning to ratify the treaty after all, but was not yet ready to make the information public. That same day, the Canadian First Minister shared with the Americans that the Koreans were going to ratify the NPT in order to proceed with the CANDU sale

³ See "Memorandum of Discussion at the 318th Meeting of the National Security Council, Washington, April 4, 1957, Top Secret, Excised Copy" and "Winston Lord".

⁴ Korean president Park Chung-hee initiated conversation with the French about buying nuclear plants in 1973. Ambassador Landy, the French ambassador to South Korea, was not supportive of the sale (Sneider 1089).

(Sneider)⁵. The Korean National Assembly ratified the NPT in April and ultimately the sale went through.

By October, 1975, the Canadians and French agreed with the US that the ROK must not be sold any technology that could lead to them building or developing nuclear weapons (Burr 582)⁶. Richard Sneider was putting constant pressure on the South Korean government to cancel their pending transaction with France; concurrently, the US was not objecting to the French sale of a larger nuclear plant to Japan. US Deputy Secretary of State Robert Ingersoll met with Korean Ambassador Hahm Pyong-choon to reiterate that if Korea went through with the French purchase, it would jeopardize the ROK-US relationship. In response, Hahm complained that the US was targeting Korea while not objecting to the Japan deal (240692⁷).

In late November, the Japanese learned about the Korean negotiations with France and became concerned about the prospect of Korea developing nuclear weapons. Telegrams between the American Secretary of State and his ambassadors to Japan and Korea show that the US attitude towards the two Asian nations differed. The US did not express concern that the Japanese would try to develop nuclear weapons, but it was sure of its intelligence that reported Korean president Park Chung-hee intended, ultimately, to build weapons and that Korean claims of wanting nuclear

⁵ From Richard Halloran in the NYT: “The Korean Electric Company recently agreed to buy a \$700-million Candu nuclear reactor and generating plant from Canada. However, the Canadians, who were stung when India used a Candu reactor to build the nuclear device she exploded last May, are insisting on safeguards. They want a “binding assurance that Canadian-supplied nuclear material, equipment, and technology will not be used to produce a nuclear-explosives device,” whether for peaceful or military use.”

⁶ “Judging the military balance between North and South Korea from...reports, North Korea significantly outgunned the South in every field of army, air and naval power. Even though South Korea had the advantage in population, economic strength, and border topography, the military balance was still in favor of the North. The South could keep a military balance with the North only with the presence of United States forces armed with tactical nuclear weapons” (Ok 25). This comment refers to the time in 1977 when the Carter administration was thinking about reducing troops and nuclear weapons; they realized later that the weapons were a necessary deterrent and should not be removed.

⁷ Citations like this refer to US government cables that have unique numbers assigned to them.

power plants for the sole purpose of generating energy were half-hearted (280819, 23171). The diplomatic discussions among all these nations continued; on February 1, 1976, the *New York Times* reported that the Korean government had, indeed, canceled the contract with France:

“The United States made the strongest possible representations to the Korean and French governments”, a Korean diplomat said in Seoul. They argued that having the plant would raise the suspicion that Korea is acquiring nuclear arms. The Americans said it would raise tensions and upset the balance of power on this peninsula.

Under President Gerald Ford, the US State Department conducted tense, delicate negotiations with Park Chung-hee and his administration. Nuclear power has always been controversial in one way or another, and the United States has positioned itself as a major player in the global nuclear market, selling plants and supplies. It was especially concerned with controlling what nuclear power South Korea could obtain and what the Koreans would do with the nuclear facilities once they were built. Becoming a signatory of the NPT went a long way towards calming US fears and strengthening the US-ROK trade agreements. Parallel to the nuclear power issues, the question of whether or not to keep the American military presence on the Korean peninsula was a defining topic for Jimmy Carter’s 1976 successful presidential campaign. From the first moments of declaring his candidacy in 1975, Carter pledged a gradual withdrawal of troops from South Korea in consultation with the ROK and Japan (Wood 97).

Jimmy Carter came into office intending to honor his campaign pledges. At first, some troops were released from Korea but then a study by the US Army showed the North Korean army had grown considerably. Carter’s advisors saw this as a need to keep American troops in the ROK and not to send more home. Carter was adamant that he needed to stick to what he had promised (Wood 109). He clashed with almost all of his Cabinet on the subject (National Security Advisor Zbigniew Brzezinski was the only one of Carter’s close advisors who agreed with him) and then the study was leaked to *The Army Times* and independent Congressional research backed up the Army’s findings. Pressure mounted and eventually Carter had to reverse his plan, which he resisted as long as he could. He was reportedly furious with the advisors who did not support him on the issue, but even

subtle military increases in North Korea had to be taken seriously. Park Chung-hee was also problematic. While he was steering the ROK out of abject poverty and Third World status, he was a tyrant who was merciless in torturing or killing his political opponents and civilians who dared speak out against him⁸. Carter tried to raise human rights issues with Park during a visit to Korea in the summer of 1979, but it was fruitless. All in all, Carter's South Korea policies were not going well. And then there was still the matter of nuclear power.

South Korea had brokered the deal for the CANDU power plant from Canada, but it lost the NRX and had been forced to cancel the contract with France. Park Chung-hee wanted to increase his country's nuclear power capabilities, especially as there was growing demand for electricity and the Korean electric company could not produce enough⁹. According to Dowie et al, when the Koreans announced that they were ready to import more power plants in 1977, "Overnight, South Korea became the salvation of the world's deeply depressed nuclear industry, which was then facing the beginning of its long slow slide into bankruptcy." The United States was ready, willing, able, and negotiating to enter into an agreement with Korea that was not only beneficial to both countries but was also fraught with difficulties.

Bechtel and Westinghouse were (and are) American companies that supplied nuclear power plants and related resources to countries around the world.

⁸ The 1974 Foreign Assistance Act, signed by President Ford on Dec 30, "Limits the aggregate amount of military assistance, excess defense articles, and sales credits to South Korea to \$145,000,000 in fiscal year 1975 unless the President reports to Congress that the Government of South Korea has made substantial progress in the observance of international standards of human rights" (S.3394). The United States was applying pressure on Park to improve his human rights stance before Carter even ran for president; Congress was willing to push the effort in 1974 more than Carter was during his presidency. This fact should not be overlooked.

⁹ "In 1977, the Seoul government announced plans to build 21 nuclear power plants by the end of the century. Overnight, South Korea became the salvation of the world's deeply depressed nuclear industry, which was then facing the beginning of its long slow slide into bankruptcy. American, Japanese, French, Swiss, Canadian and German reactor makers and engineers descended on Korea - with Bechtel, Westinghouse, General Electric and Combustion Engineering leading the pack" (Dowie).

They wanted the business in South Korea and the US government wanted to increase exports. *Time* magazine reported that for 1977, “[the United States’] \$121 billion in exports ... was only 6.3% of the gross national product. Exports from the much smaller economy of West Germany totaled \$118 billion, or more than 27% of its G.N.P. Japan shipped out \$81 billion worth of goods, or 14% of its G.N.P.” The Carter administration had to find ways to improve foreign trade and to improve the economy. Lincoln Bloomfield notes that “As the U.S. trade deficit increased, the administration began to worry about hamstringing U.S. exporters, a worry that was underlined when a large Argentinian turbine contract was lost for lack of U. S. credits” (5). The Korean nuclear aspirations would make a solid impact, but their economy was not doing well enough for Korea Electric to buy the plants solely with Korean funds. In order to buy nuclear power plants from *anyone*, Korea needed funding; the United States had the solution.

President Franklin Roosevelt’s New Deal, a program designed to decrease unemployment and restart the American economy after the Great Depression, addressed international banking and trade issues in a variety of ways. One of the most important was the creation of the Export-Import Bank (aka “Ex-Im”) in 1933 by Executive Order 6581: “it is expedient and necessary that a banking corporation be organized with power to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other Nations or the agencies or nationals thereof.” In 1945, Congress voted to make the bank an independent agency of the US government. One function of the bank is that it provides low-interest loans to foreign customers who are purchasing American goods and who don’t have access to other funding. The bank’s purpose, as stated on their current website, has not changed much since its inception:

The Export-Import Bank of the United States (Ex-Im) is the official export credit agency of the United States. Ex-Im is an independent Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services.

When private sector lenders are unable or unwilling to provide financing, EX-IM [sic] fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, the

agency levels the playing field for U.S. goods and services going up against foreign competition in overseas markets, so that American companies can create more good-paying American jobs.

Because it is backed by the full faith and credit of the United States, Ex-Im assumes credit and country risks that the private sector is unable or unwilling to accept. The agency's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment; Ex-Im consistently maintains a low default rate and closely monitors credit and other risks in its portfolio.

With the change in presidencies from Ford to Carter, administrators and staff changed in the United States, and the new staff had to learn how to work with the South Korean government. 70 days after his inauguration, Carter nominated John L. Moore to be president of Ex-Im. A close associate of Carter, Moore had been a part of the team that crafted Carter's blind trust when he assumed office (Germ) and Moore was responsible for writing ethics policy guidelines during the president's transition (Marro, Safire). Regardless of any personal friendship, their working relationship was one of trust and closeness. During the hearing to confirm him as the Ex-Im Bank president, Moore noted that "Because of my several involvements in governmental duties for Governor Carter, he is familiar with my capabilities" (23), but he never once admitted that he had a personal relationship with Carter nor did he refer to legal work he had done for Carter. In another Congressional hearing in 1980, to be discussed later in this piece, Moore was asked about his relationship with Carter and, again, he omitted mention of the legal work he did for the president. Congress approved Moore's appointment as Ex-Im Bank president on April 27, 1977 at an annual salary of \$52,500 (CQ). A Rhodes scholar and Harvard Law graduate, Moore came into the job with a broad résumé of experience. Moore was an Atlanta lawyer with

areas of practice in corporate finance, real estate finance, and tax and securities law...Moore served as a lecturer in forensic psychiatry at Emory University Medical School from 1961 to 1971, and as a lecturer in law and medicine at Emory University Law School from 1961 to 1965. He also taught corporate law at Woodrow Wilson College of Law. (Carter "Nomination").

Moore showed up for work ready to approach the South Koreans. The history of the two countries' governments, Ex-Im, Westinghouse, and Bechtel meant that there was already common ground on which to work. Together with President Carter, Moore was determined to increase exports of American nuclear power and other goods (beef and dairy cattle, for example). On September 26, 1978, Carter issued an export policy statement that was intended to promote and boost the American economy. He said:

The relatively slow growth of American exports has also been an important factor in our trade deficit problem. Over the past 20 years, our exports have grown at only half the rate of other industrial nations, and the United States has been losing its share of world markets. Until now, both business and Government have accorded exports a relatively low priority. These priorities must be changed.

The first action item in the document is "Direct Assistance to United States Exporters." This item is directly related to Ex-Im and increasing its loan authorization; it had been increased from \$7M to \$3.6B in Carter's first two years in office and he planned to ask Congress for another \$500M: "These authorizations will provide the Bank with the funds necessary to improve its competitiveness, in a manner consistent with our international obligations." Two days later, John Moore gave testimony before Congress to support the president's statement and to advocate for increased funding to Ex-Im. He made the point that the Japanese and the French were more flexible in their similar export loan programs and that "we will need to be persistent in making sure that they do not further expand the already intense competition in this area" (*Hearings*, Aug 1978, 91). Jumpstarting the economy was a justifiable reason for increasing the Ex-Im budget, but the pending sale of nuclear power plants to the ROK was even more compelling. In September, 1980, the Comptroller General of the United States reported that

U.S. reactor vendors and their major foreign competitors have turned increasingly to third countries in search of new orders to sustain their nuclear production capacities. Even a single sale represents a substantial export transaction. The Westinghouse Corporation's 1979 sale of two reactor systems to Korea will involve exports of about \$1.4 billion, which includes related equipment and services of other U.S. companies. (Staat 2)

At a conference in November, 1981, John Moore told attendees that Ex-Im “has provided more financial support for nuclear exports than has any other institution in the world...it has probably been the nuclear power export industry’s best friend in the U.S. government” (Hayes and Shorrock [1] 34). Moore could say this confidently in 1981, but a close-call-scandal and powerful pushback in Congress had hit Moore in the first half of 1980. Serious allegations were made about Ex-Im’s loan approvals to an Australian airline. Had these not been resolved, Ex-Im could have turned out to be Carter and Moore’s albatross.

With a spotlight firmly set on Ex-Im, Jimmy Carter invited scrutiny of the bank’s dealings. By early 1979, John Moore was as criticized as he was praised for his work. One major criticism was the amount of time he spent traveling; in 1979 alone, he was away from DC 200 days. Moore defended these trips, even though they ate up most of the bank’s entire travel budget; one thing in Moore’s favor is that by March 1980, “[u]nder Moore, there has been a 600 percent increase in direct credits to foreign buyers and U.S. products” (Berry “Criticized”). The various praise and criticisms were mostly within the business and Congressional sectors. In early 1980, Ex-Im Bank was thrust into the public eye when it was disclosed that it had made a loan to an Australian company tied to the *New York Post*, which endorsed Carter’s re-election bid at about the same time.

Members of Congress had been torn about increasing Ex-Im’s budget, but it was necessary in order for the sale of nuclear power plants to South Korea. The sale was a win-win for both countries economically and it went a long way towards helping Carter and Moore’s public profiles, as both were working hard to attract international business¹⁰. Of course, Moore had trade deals with other countries as well¹¹. The United States was especially

¹⁰ William Gleysteen, Carter’s ambassador to the ROK, was actively involved in the endeavor: “I also supported Westinghouse against the French and Canadians as the Koreans expanded their nuclear power supply. We even managed to get this item on the Carter-Park agenda when they met in 1979” (Stern 138).

¹¹ “From October 1977 to March 1978 Eximbank, as a matter of policy, withheld direct loans to Chile and Uruguay for human rights reasons. However, on a discretionary basis IG instructed Eximbank to delay its issuance of a letter of interest for the long term financing of a \$270 million sale of turbine equipment manufactured by Allis-Chalmers Corporation to an Argentinian governmental entity in July of

interested in pursuing business in Australia. In October of 1979, Carter called Rupert Murdoch to schedule a visit. Murdoch was an Australian businessman who owned the *New York Post* and lived in New York. According to Murdoch, they had difficulty setting a date but finally settled on a luncheon on February 19, 1980 (*Hearings*, “Ansett Loan” 169). Having lunch with the president of the United States is not unusual for a prominent businessman, especially an international one, but this luncheon became controversial: on the same day, just before lunch, Murdoch met with John Moore to discuss an Ex-Im loan. Murdoch was a major shareholder in Ansett, an Australian airline, and they were in discussions with both Boeing and Airbus to buy several planes. Ansett was pleased with a financing offer from Airbus; the decision deadline was February 29, so if Ex-Im was going to make a better, competitive offer that would support Ansett purchasing planes from American-owned Boeing, it had to be done quickly (*Hearings*, “Ansett Loan” 6). Moore and Murdoch had a productive meeting in the morning of February 19 and immediately afterward, Murdoch had lunch with the president¹². Ex-Im’s board met on February 26 and referred the Ansett bid to the National Advisory Council on International Monetary Financial Policies (standard procedure) which did not object to Ex-Im’s board taking the case; on February 28, Ex-Im’s board authorized a commitment to Ansett with terms that were more favorable than Airbus’. According to Moore’s testimony before Congress on May 12, “[t]his financing package was available only if Ansett purchased all of the named [ie, Boeing] aircraft” (8)¹³. Coincidentally, on February 23rd, Murdoch’s *Post* endorsed Carter to be the Democratic candidate for president¹⁴.

Within a short time, news of the loan spread. The Senate Committee on Banking, Housing, and Urban Affairs called a hearing to investigate the

1978.11 At that time, all credits to Argentina were being delayed. Three months later, all the credits were approved and Allis-Chalmers’ letter of interest was issued” when Argentina consented to an inspection by the Inter-American Human Rights Commission” (RD Carter 26).

¹² On February 7, Carter met with Australian Prime Minister Malcolm Fraser to discuss the Soviet invasion of Afghanistan. They do not seem to have discussed the Ansett deal or Murdoch.

¹³ On March 17, 1980, Murdoch announced that Ansett would purchase 21 planes from Boeing (Alston).

¹⁴ In the fall, the *Post* endorsed Ronald Reagan for president.

ethics surrounding the deal and the *Post* endorsement. Newspaper articles raised the issue, such as this by *Washington Post* reporter John Berry¹⁵:

Last week, two key members of the Senate Banking Committee -- Chairman William Proxmire (D-Wisc.) and Adlai Stevenson (D-Ill.), chairman of the subcommittee on international finance -- sent a letter to the bank demanding a detailed explanation of the loan. They set April 3 as the deadline for meeting their extensive demands, including tape recordings of board meetings a[t] which the loan was discussed.

Adding a further patina of politics to the Murdoch loan is that Moore's former Atlanta law partner, Philip Alston, a long-time Carter supporter¹⁶, is ambassador to Australia. While Alston and Moore did exchange phone calls during the ansett [sic] loan negotiations Moore says no political pressure was brought by Alston or anyone else.

Two days of hearings followed on May 12 and 13. Alston, Moore, and Murdoch were the main witnesses, and each provided testimony denying any wrongdoing or ethical missteps. Moore claimed that no politics were involved in the process to advance the loan (*Hearings*, "Ansett Loan" 10) and he stated that the decision was not unanimous among the bank's board members. He said that he had not known Murdoch prior to their meeting on February 19 and that he did not know Murdoch was having lunch with Carter that day. During very tense and awkward questioning, Moore was asked about his friendship with Alston and whether they had discussed the loan. Since Alston was the ambassador to Australia, it would be natural for him to know what was going on. Senator John Heinz pushed Moore:

SENATOR HEINZ. Let me return to some other odd things. Now you indicated to me a moment ago that when you dined with Ambassador Alston that you did not discuss the Ansett Airlines' interest in aircraft. Indeed, what you said is that you didn't know that Ansett Airlines was even interested in any aircraft—wasn't interested in Boeing aircraft. That's what the transcript

¹⁵ Dripping with sarcasm, the first sentence of the article echoes Moore's statement from the previous fall: "If U.S. exporting companies have a friend in Washington, it has to be John L. Moore Jr., who is chairman of the Export-Import Bank...."

¹⁶ The first paragraph of Alston's obituary in the NYT reads: "Philip Henry Alston Jr., a confidant of former President Jimmy Carter and a former Ambassador to Australia, died Wednesday after a brief illness. He was 76 years old."

will reveal I think if we read it back. Yet now that meal was on February 4. That's when it was, at the Metropolitan Club. It was the same day that Joe Califano¹⁷ was giving a speech, and yet on February 26 you say to the meeting of the Board of Directors and staff and I quote "Boeing called me as soon as they had wind of it in January." So you did know of this in January, didn't you?

MR. MOORE. I did know that there was a possibility, now apparently contrary to what Boeing had advised earlier, that they [Ansett] might consider an offer from Boeing.

....

SENATOR HEINZ. ...Did you discuss Boeing?

MR. MOORE. We did not discuss Boeing.

It is obvious from Heinz's line of questioning that he was not convinced that Moore and Alston spent a couple of hours together and did not discuss the Ansett loan. Senator William Proxmire, chairman of the committee, also pressed Moore. He established that Moore and Alston were not only colleagues in the same law firm, but they were also close friends (59). Moore explained that he and Alston only discussed the loan the night before the first Ex-Im board meeting called to deliberate it. Proxmire asked, "Did you discuss the Carter reelection effort?" Moore said no. He also said no when Proxmire asked if he and Alston had discussed Murdoch at the February 4 dinner. Moore was consistent in his responses that he did not take part in any unethical discussions related to the loan or the presidential campaign. He denied knowledge of any impropriety between Carter and Murdoch, also.

Margaret Kahliff, a director at Ex-Im, was initially opposed to the loan. She stated that although it was not unusual to have to rush a decision on a loan, "we don't like it; I complain. But when an exporter says, 'I have to do this, and the bid date is such and such,' you just feel like you shouldn't let him down by not making some kind of a decision" (99). Kahliff was concerned about the interest rate being too low; she spoke with the vice president of

¹⁷ Secretary of Health, Education, and Welfare in the Carter administration.

the bank's Asia Division to get his perspective: "he said, '...we may lose out. If we lose this and they do go with the Airbus, then we have no representation in Australia'" (99). Rather than lose an export, especially in this situation, Kahliff backed the loan in the end.

The two days of hearings laid bare problems with communication and procedures at the bank. Moore "forgot" that he had been informed via a memo on February 12 that Murdoch and Carter would be meeting on February 19 and his lack of coordination with Carter's office seemed improbable. Senator Donald Reigle asked Moore about his relationship with President Carter and what he had done during Carter's presidential campaign. Moore noted that he supported Carter, had made some calls for him: "I worked for the transition group...I assisted the White House Counsel's Office as a volunteer for about a month after the inauguration of the President, and came to the ExImbank [sic]" (*Hearings*, "Ansett Loan" 97). As mentioned earlier, Moore did not admit to working on Carter's blind trust or serving as his attorney in any capacity. He did not mention that his law firm did any work for Carter, which is a major omission. Murdoch's testimony was that no one connected to the Carter White House or campaign knew he had applied for the Ex-Im loan or even that he was invested in an airline (183). He said that he did discuss the *Post* endorsement with Carter during lunch, but not Ansett or the loan. Proxmire ended the hearings by complimenting Murdoch: "You are very refreshing, intelligent, and an effective witness, and responsive" (183). Although the Banking Committee was unable to find "documented evidence of political impropriety" (Berry "No Political Impropriety"), the committee's comments for Moore, which came in a memo on May 22, scolded the bank:

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C., May 22, 1980.

HON. JOHN L. MOORE, JR.,
Chairman, Board of Directors, Export-Import Bank of the United States, Washington, D.C.

DEAR MR. CHAIRMAN: The Committee's investigation of consideration by the Export-Import Bank in February of financing for the sale of Boeing aircraft to Ansett Airlines of Australia, and the oversight hearings held May 12 and 13 by the Committee (which included a review of the Bank's overall aircraft financing policy) point to the following conclusions:

1. The handling of the Ansett application was sloppy as a direct consequence of failure to question the factual assertions and bargaining tactics of Mr. Rupert Murdoch of Ansett Airlines and Mr. Jack Pierce of the Boeing Company.

2. The Bank's favorable financial offer in the Ansett case showed a lack of due regard for conserving the public's money and, by exceeding the Airbus offer, undercut U.S. negotiating efforts to reach a common international line of restraint on official financing of aircraft sales.

3. The Bank's practice, in some cases, of providing direct credit support for the sale of U.S. aircraft which face no direct competition from foreign aircraft is wasteful and unnecessary to secure export sales.

4. The Bank's devotion of over one-half of its direct credit commitments to aircraft sales, including a disproportionate share for Boeing—one of the largest corporations in the country—diminishes the Bank's capacity to support other U.S. exporters, many of whom face tough foreign competition backed by government-subsidized credits.

5. Bank lending at interest rates several percentage points below the U.S. Government's cost of borrowing constitutes an extraordinary subsidy and, if continued, could erode the financial soundness of the Bank.

We urge you to act promptly to rectify Bank policies and practices in each of these areas, and would appreciate receiving a full report on actions taken to that end.

WILLIAM PROXMIRE,
Chairman.

JAKE GARN,
Ranking Minority Member.

ADLAI E. STEVENSON.

JOHN HEINZ.

The allegations made about the Ex-Im loan to Ansett were very serious. Suggestions of collusion, undue influence, incompetence, and lying were either subtly implied or directly made by senators questioning the witnesses. Their skepticism is understandable and, perhaps, even warranted¹⁸. The memo to John Moore stops short of accusing him of ineptitude, but the

¹⁸ Not satisfied with the result of the May hearings, Congress held another two days of hearings on June 12 and 19, after Moore's visit to Korea.

accusation could be read into what is written. The committee was very thorough in its investigation as it combed through government and public documents and called in relevant witnesses. One witness, however, is missing. Although it might not have been possible to have the president come in and testify himself, there are no documents (at least none that have been declassified) that include any comments from Jimmy Carter himself. The three main witnesses all had contact with Carter, but we have no record of how Carter would have responded had the same questions about proximity and conversations been asked of him. There is nothing in the record that speaks to what he knew about Murdoch and Ansett prior to their lunch on February 19; Carter's name was mentioned no fewer than 15 times during the two days of hearings (per the transcript), yet no one asked to hear from him. In April, the Operation Eagle Claw debacle happened in Iran, and Cyrus Vance resigned as Secretary of State in protest, but the hearings on the Ansett loan were in May. While it is rare to ask a president to testify before Congress¹⁹, this situation involved Carter so specifically that it is logical to draw the conclusion that he was not called because it would have been embarrassing for him and, as Margaret Kahliff said when she was questioned, the US needed to have business in Australia, a country where it had none. Carter's determination to use the bank to increase exports and to increase US global trade was a crucial point of his administration, and it would have been devastating to his re-election campaign if he had been called as a witness²⁰. As Democrats had control of both houses of Congress, it is not beyond the realm of possibility that they were shielding him. It is impossible to know the reasons for certain, but the circumstantial evidence leads to no other interpretation.

¹⁹ According to Senate records, there is precedence for a sitting president to appear before a Congressional hearing.

²⁰ On May 12 and 13, according to the presidential diary, Carter spent most of his time working on his re-election campaign. On May 16, he met with Philip Alston for 19 minutes, but the topic of discussion is not mentioned.

CHAPTER TWO

THE BUILD-UP TO GWANGJU

While the Ex-Im Bank scandal was being averted, the loans for Korea Electric (KEOC) to buy nuclear power plants from Westinghouse and Bechtel were on the steady heat of the Americans' back burner. Negotiations were ongoing and some members of Congress had concerns about the sale because one of the tenets of Ex-Im had been not to award loans to countries that had human rights problems. President Carter issued Executive Order 12166 on October 19, 1979:

Only in cases where the President determines that such action [denial on the basis of human rights violations] would be in the national interest and where such action would clearly and importantly advance the United States policy in such areas as international terrorism, nuclear proliferation, environmental protection and human rights, should the Export-Import Bank deny applications for credit for nonfinancial or noncommercial considerations.

During the winter and spring of 1980, the South Korean government's human rights record was as bad as it had ever been.

Absent the Ex-Im loans to Ansett and Korea Electric, the ROK and US governments were entangled in an unpleasant ethics dilemma. Carter had tried to bring up human rights with Park Chung-hee in 1979, but he failed. On October 26, 1979, Park was assassinated by the head of the Korean CIA and thus began great turmoil that almost led to the destruction of the once-strong US-ROK relationship. Park's assassin, KCIA Director Kim Jae-kyu, had a good relationship with American diplomats (he even played golf with US CIA director Don Gregg²¹); Carter's Ambassador to Korea William

²¹ What about Kim Jaekyu?

"Uh.. I still don't understand it. I knew him, I liked him. I played golf with him. I think what drove him to it was .. well.. we're getting ahead of the story. Uh.. I want to tell you about the time I played golf with president Park. So let's talk about that. Let's move chronologically. OK? I think when the president Park's wife was killed

Gleysteen was concerned that the US would be blamed for the assassination because some Koreans started to call for democracy immediately after it and the US had been pushing for Korea to be fully democratic. Chun Doo-hwan, commander of the Defense Security Command, oversaw the investigation into Park's death and chatter about him being power-hungry was filtering through to the US embassy. Journalist Tim Shorrock is responsible for bringing to light thousands of formerly classified cables sent between the US embassy in Seoul and the Carter administration during this time. Shorrock's adept analysis shows that Ambassador Gleysteen and his colleagues in Korea were much less savvy about dealing with the Korean government than their predecessors²². In the aftermath of Park's death, Chun eventually rose to power and manipulated Gleysteen for the rest of Gleysteen's tenure in Korea²³.

in 1974, he then withdrew as she was a wonderful woman. And he began to withdraw and went to a lot of drinking with Cha Jeechul.”

After her death, maybe he was lonely.

“Yes, and Cha Jeechul was very ambitious and I think Kim Jaekyu saw him as a dangerous influence. And the three of them were having dinner and there were uprisings in Southern region..”

Busan and Masan in 1979.

“Yes. So Cha Jeechul was saying to Park Jongkyu, to Park Junghee, that's Kim Jaekyu's fault. And Kim Jaekyu said, you know, 'It's not.' According to the women there, he then told president Park 'Why do you have such an insect as your close advisor?' and pulled out his gun and killed him. And then the thing I never understand is why he pulled out a gun and shot Park.”

I don't understand either. It was very simple, very stupid.

“Right. I think it was. I didn't realize he had such a temper. But Cha Jeechul is a miserable man. So I think he inflamed Kim Jaekyu and it means after Kim Jaekyu shot him, probably he went 'oh my god.’”

Was it an accident?

“Crime of passion. That's all I am going to explain.” (Kwon)

²² See Shorrock, Tim. “People power, not the U.S. military, created South Korea's vibrant democracy.” *Medium*. Dec 15, 2016.

<https://medium.com/@TimothyS/people-power-not-the-u-s-military-created-south-koreas-vibrant-democracy-246232020ac9>

²³ General Wickham notes several times that his interactions with Chun and other Korean military personnel were designed to try to convince him (and the other Americans) that they regretted how the 12/12 event happened. At a meeting in late February, 1980, Chun “began to paint himself as an authentic national hero who was simply trying his best to fulfill his difficult investigative duties for the benefit of the Korean people” (115).

On December 12, 1979, Chun staged a coup and took over the Korean military, which gave him de facto control of the country. According to General John Wickham, Commander of the Combined [US and ROK] Forces in Korea, Chun held a meeting that evening with other military leaders and claimed that he would be able to quell any American fears about the “internal stability” of the country; he would tell the US that “the group’s objectives were quite limited and did not extend to the seizure of the nation’s political leadership” (56). As the Americans in Seoul learned what was happening through their Korean counterparts and channels, Ambassador Gleysteen sent a message warning the Koreans not to give North Korea any sense that the government had weakened, as this could spark action on the DPRK’s part. Wickham, at the same time, cautioned his superiors in Washington not to respond to Chun with anything other than “moderation, full recognition of the risks inherent in the coup, and preparedness against the enemy [DPRK] threat” (63). Jimmy Carter had pressed the Koreans to liberalize and become a fully democratic nation; Wickham realized that this “coup was a complete reversal of everything President Carter had tried to accomplish” (64). The Americans did make sure Chun knew they were not happy with what he had done (Wickham 68-69), but they also maintained a “hands-off” policy with their allies—this was an internal Korean issue and as long as there was no military threat coming in from outside the country, the US position was to let the Koreans do what they were going to do and to maintain their allyship: “when it came to specifics, whether the aid was military or non-military, complex interests had to be balanced in reaching decisions...there were numerous cases in which the administration was exposed to the charge of inconsistency” (Bloomfield 8).

From the outside, that American policy could appear sensible: in order to maintain friendly relations with a host country/ally, the US should not interfere in domestic issues; vis à vis, the US would not take kindly to the Koreans inserting themselves into American domestic affairs. The difference, though, is that the US was more embroiled in Korean affairs than was any country involved in American affairs that the US hosted. Not only had the US been intimately involved in handing Korea to the Japanese in 1905, the US was also involved in establishing the Korean government after

the Japanese lost WW2 in 1945²⁴ **and** it was involved in Korean affairs again after the armistice that ended the military operations of the Korean War in 1953²⁵. The diplomatic ties between the two countries were strong and, despite many disagreements over and questions about withdrawing American troops from Korea, the ROK needed the US for economic and security reasons.

Jimmy Carter's administration suffered from a bad economy and just a week after Park's assassination, it was thrust into the turmoil of the Iran hostage crisis²⁶. Chun's coup was an annoyance and the diplomats had to figure out how to deal with the disruption of the Korean government while maintaining some sense of status quo. In fact, Gleysteen and Chun had a cordial meeting on December 14, "arranged by CIA station chief in South Korea Robert Brewster, despite opposition by ROK-US Combined Forces Commander John Wickham" (Hwang 9). The US was later accused of acquiescence by Koreans who fought against Chun for democracy because of this "soft" response to the coup. Chun and his collaborators had no intention of the government becoming a democracy and continued their power grab until Chun became president the next summer.

Chun Doo-hwan's takeover of the Korean government was met with resistance he did not quite expect. To control pro-democracy protests by college students, military platoons were trained in riot suppression tactics that were extremely violent. The Special Warfare units were used to disperse any unrest that was thought to challenge the authority of the government. Chun's group took control of the Korean media as a means of buoying his popularity and to depict protestors as anti-government Communists who were connected to North Korea. The US was concerned about North Korea taking advantage of the disturbance in the Korean government and beefed up its forces in a show of strength. Through a series of power plays, by April, 1980, Chun Doo-hwan was the head of the KCIA, which effectively gave him complete control of the government, and he

²⁴ See Dudden, Alexis. *Japan's Colonization of Korea: Discourse and Power*. U of Hawai'i P, 2006.

²⁵ See Lew, Young Ick. *The Making of the First Korean President: Syngman Rhee's Quest for Independence*. U of Hawai'i P, 2013.

²⁶ See *Foreign Relations of the United States, 1977-1980: Hostage Crisis*.