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I. United States

1. Light-Water Reactor Project

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING," Washington, USIA Transcript, 12/02/97) stated that the ROK's current financial crisis should have no effect on the project of the Korean Energy Development Organization (KEDO) to build two light-water nuclear reactors in the DPRK. Rubin pointed out that the ROK, "whatever its current difficulties," has the world's 11th largest economy, and a yearly government budget of US\$40 billion. "The cost of the reactor project -- about \$5 billion -- will be spread out over a period of up to ten years. Japan will also fund a significant part of the project's cost," Rubin said. He added, "KEDO already has funding for the first year costs of the light water reactor project, through mid-1998. That is approximately \$45 million. Although funding obligations should increase in the second year of work, costs should be manageable for both the Republic of Korea and Japan, which together will fund most of the project's cost." Rubin also noted that much of the total expenditure will go to the ROK's Korea Electric Power Corporation, which is the project's prime contractor. He said that the US has "received the kinds of indications [from the ROK and Japan] that there hasn't been a shift in their position sufficient to change our statement that we believe they will continue to do what they

said they were going to do."

2. DPRK to Hold Air Show

The Associated Press ("NORTH KOREA TO HOLD FIRST AIR SHOW," Tokyo, 12/03/97) reported that the DPRK's Korean Central Radio said Wednesday that the DPRK plans to hold its first international air show. Two Russian delegations arrived in Pyongyang on Tuesday to participate in a "display of aircraft in Pyongyang and demonstration flights."

3. ROK Financial Crisis

The Associated Press (Sang-Hun Choe, "SOUTH KOREA, IMF SIGN BAILOUT DEAL," Seoul, 12/03/97) and the Wall Street Journal ("SEOUL, IMF REACH \$55 BILLION PACT FOR FINANCIAL BAILOUT PACKAGE," Seoul, 12/03/97) reported that the ROK and the International Monetary Fund (IMF) on Wednesday agreed on a record US\$55 billion rescue loan. The agreement was signed by Michel Camdessus, managing director of the IMF, and ROK Finance Minister Lim Chang-yuel. Camdessus said that the IMF, the World Bank, and the Asian Development Bank would provide US\$35 billion, with the US, Japan, Germany and four other countries prepared to add another US\$20 billion if needed. The ROK media reported that the pact requires the ROK to slow economic growth to 3 percent next year, raise the limit on foreign ownership of stocks in ROK companies to 50 percent from the current 26 percent, hold inflation to less than 5 percent, cut its current account deficit next year to US\$5 billion, and strictly regulate its financial industry. The IMF also sought assurances from each of the current presidential candidates that they would honor those terms. Ruling party candidate Lee Hoi-chang and independent Rhee In-je agreed, but opposition leader Kim Dae-jung declined. Aides said that Kim would send a letter to President Kim Young-sam promising to implement the IMF conditions, but including his views on what he sees as unfair or unsatisfactory parts of the agreement, which he said "violates national pride."

4. Global Land Mine Ban

The Associated Press (David Crary, "120 NATIONS SIGN LAND MINE BAN," Ottawa, 12/03/97) reported that about 120 nations on Wednesday began signing a treaty intended to rid the world of anti-personnel land mines. Some nations which have refused to sign the treaty, including the US, Russia, and the PRC, sent observers to the ceremony. UN Secretary General Kofi Annan, who presided over the start of the two-day signing ceremony, stated, "Given the pressure from the people, from the grassroots, I really do not think any government can sit out this movement for long." The treaty will come into effect six months after 40 of the signatory nations ratify it in their legislatures.

The Los Angeles Times carried an opinion article (Patrick Lloyd Hatcher, " U.S. POSITION ON LAND MINES IS A DUD DEFENSE," 12/03/97) which questioned the US argument that the ROK would be vulnerable to invasion by the DPRK without land mines. The author asked, "is this at all likely when North Korea is beset by famine, medical supplies are nonexistent, its former allies have deserted ... and spare parts and maintenance for its weapons, along with morale, must surely be at a low level?" The article said that while a DPRK invasion would be led by tanks, "a mine is not the only way to disable a tank, and mines did not destroy the Iraqi tanks in the Persian Gulf War." It added, "Korea's mountains channel invaders into narrow north-south invasion routes, which dictate massed artillery, air power and high-tech weapons." The author argued that the ROK military "outguns the North with more modern weaponry and conducts more field exercises where actual bullets are fired and airplanes are flown." He also disputed the argument that the ROK needs land mines as a form of early warning against an invasion, saying, "Satellites, ... signal intelligence and the vaunted Korean intelligence agency have the early warning mission." The author concluded that "the American 2nd

Infantry Division is in Korea as a trip wire, deliberately placed in harm's way. It is supposed to get bloodied in any invasion, thereby triggering automatic American retaliation. The logic here is that this is what keeps the North in the north. But you can't have it both ways. If American blood will not be spilled (thanks to all those land mines), then where is the credible deterrence?"

5. PRC-Taiwan Relations

Reuters ("CHINA BLASTS TAIWAN FOR DOLLAR DIPLOMACY," Mexico City, 12/02/97) reported that Shen Guofang, spokesman for the PRC Ministry of Foreign Affairs, on Tuesday accused Taiwan of giving money to poor Latin American nations to get their backing for its bid for a seat in the UN. "Taiwan takes advantage of the economic difficulties of certain Latin American countries to offer them fresh money," Shen stated. 14 of the 30 states that recognize the Republic of China on Taiwan, instead of the People Republic of China, are in Latin America. Taiwan President Lee Teng-hui proposed in September a free trade zone with Central American nations and pledged US\$290 million in development.

6. East Asian Summit Meeting

Japan's Kyodo News Agency ("CHINA'S JIANG TO ATTEND EAST ASIAN SUMMIT," Beijing, 12/02/97) reported that PRC Foreign Ministry spokesman Tang Guoqiang said Tuesday that PRC President Jiang Zemin will attend the first-ever summit of East Asian nations in Kuala Lumpur, to be hosted by the Association of Southeast Asian Nations (ASEAN) on December 15-16. The informal summit meeting will include the nine countries of ASEAN, plus Japan, the ROK, and the PRC. "This event is a strong indication of the movement toward multipolarization in the world after the end of the Cold War and reflects the rise in the international status of Asia," Tang said. He stated that US troop levels in Asia was "an issue left over from history," adding that they should be gradually reduced through consultations. "We believe that, after the end of the Cold War, all Asia Pacific countries should regard the Asia-Pacific region from a new security perspective," he said.

7. Russian Nuclear Disarmament

Agence France-Presse ("RUSSIA DESTROYING BALLISTIC MISSILES," Moscow, 12/03/97) reported that Russia's Interfax news agency said that Russia on Wednesday began destroying a new batch of submarine-launched ballistic missiles in the Barents Sea. General Vyacheslav Romanov, head of the National Center for Nuclear Threat Reduction, said 20 missiles were to be destroyed Wednesday. The missiles were being launched and blown up in midair, he said. US military specialists were on hand to observe the process. The missiles were being destroyed in line with the START I arms reduction treaty which went into effect in December 1994.

II. Republic of Korea

1. Four-Party Talks

The Swiss foreign ministry confirmed Monday that four way talks aimed at easing tension on the divided Korean peninsula will take place in Geneva on December 9 and 10. The DPRK, the ROK, the PRC, and the US will participate in the two-day talks, the ROK ministry said. (Korea Times, "4-WAY TALKS TO OPEN IN GENEVA DEC.9," 12/03/97)

2. DPRK Refugees

The Catholic Human Rights Committee said Tuesday that seven members of a group of thirteen DPRK refugees who were seeking asylum in the ROK went missing after being expelled from a third country back into the PRC. While seeking asylum at the ROK embassy, they were apprehended by

officials and deported back to the PRC. The PRC refused to accept them and returned the thirteen to the third country. During the second crossing of the border the seven went missing, allegedly running into a mine field. Five were then permitted to remain at the ROK embassy in the third country, while one remains in the PRC. (Chosun Ilbo, "7 NK REFUGEES MISSING AT CHINESE BORDER," 12/03/97)

A report by the ROK Ministry of National Unification said that the ROK needs different strategies to handle ROK refugees at different stages of crisis in the DPRK. The report predicted 30,000 to 2 million refugees, depending upon the seriousness of the situation in the DPRK. It said that 30,000 to 50,000 northern refugees would be expected during the first stage of a crisis, which would consist of economic problems which would occur if factories in the North continue to operate at below 30 percent of their full capacity. The second stage, a national crisis stage, will see the appearance of 100,000 to 200,000 refugees. The third stage, a total collapse of the DPRK system, will bring about 1 to 2 million refugees, the report forecast. These refugees will primarily enter the ROK via the PRC and Russia, it said. The second most likely route is by sea via Japan. A third route would be via the Demilitarized Zone, the paper said. (Korea Herald, "REPORT ON NORTH KOREA REFUGEE SCENARIO RELEASED," 12/03/97)

3. ROK-DPRK Economic Cooperation

The Hanwha Group announced that a delegation of group executives sent to explore economic cooperation with the DPRK is now visiting there to conduct a petrochemical investment feasibility study. The six-member mission, headed by group vice chairman Park Won-bae, entered the DPRK last Saturday to consult with its DPRK counterpart, Kwangmyoungsong General Corporation, on joint investment in petrochemicals, and to explore prospective factory sites in the Nampo area. The delegation, the group's first to the DPRK, is to return home Sunday. If the negotiations go well, Hanwha and Kwangmyoungsong will each provide 50 percent of the required investment, totaling US\$8 million, with the former supplying cash for production facilities, factory construction, and piping, and the latter providing land, electricity, and industrial-quality water. The group will also visit the Rajin-Sonbong Free Trade and Economic Zone and Seungri Chemical Co. to explore the possibility of making investments in trade and chemicals. (Korea Herald, "HANWHA MISSION VISITS NORTH KOREA FOR INVESTMENT STUDY," 12/03/97)

The NAPSNet Daily Report aims to serve as a forum for dialogue and exchange among peace and security specialists. Conventions for readers and a list of acronyms and abbreviations are available to all recipients. For descriptions of the world wide web sites used to gather information for this report, or for more information on web sites with related information, see the collection of [other NAPSNet resources](#).

We invite you to reply to today's report, and we welcome commentary or papers for distribution to the network.

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