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I. United States

1. DPRK Economy

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Reuters ("N.KOREA ALLOWS CURRENCY CONVERSION IN SPECIAL ZONE," Seoul, 6/02/97) reported that a ROK Finance Ministry official said on Monday that the DPRK will allow its currency to be exchanged directly with US dollars in a bid to boost business in its Rajin-Sonbong free-trade

zone. The official, who asked not to be identified, said the DPRK would set the exchange rate at 200 DPRK won per dollar. The existing system, under which foreigners exchange hard currency for special units at an official exchange rate of 2.16 DPRK won per dollar, will remain in place elsewhere in the country. The official noted that the black market exchange rate is 100 DPRK won per special currency unit.

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2. ROK Domestic Turmoil

Reuters ("AUTOPSY RULES OUT STUDENT BEATING IN S. KOREA," Seoul, 6/03/97) reported that an autopsy on a ROK riot policeman killed during campus clashes on Monday cast doubt on reports he was clubbed to death by students and supported student claims he was killed by a police vehicle. "It looks like he was hit by a car," an official at the Supreme Public Prosecutor's office said on Tuesday after studying the autopsy report. Earlier, the leftwing Hanchonryong campus organization that orchestrated the protests issued a statement saying the 21-year-old officer was one of four run over by an armored teargas launcher. President Kim Young-sam had demanded a thorough investigation into the death and "severe punishment" for those responsible, and state prosecutors on Monday called for the arrest of the "criminals" behind the officer's death and a round-up of Hanchonryong leaders. Since violence began on Friday, 215 police officers have been injured, 40 severely, according to police figures, and a total of 34 students have been arrested. Students are demanding Kim's resignation, picking up on a popular wave of anger against the head of state over his refusal to reveal his spending in 1992 presidential elections. Opposition parties insist his campaign cost at least 10 times the legal limit and was partly bankrolled the scandal-ridden Hanbo Group, whose founder was sent to jail for 15 years on Monday along with top aides to Kim and bank presidents he had bribed.

3. US Ex-President Urges Withholding DPRK Aid

The Associated Press ("FORD BACKS JONES-CLINTON RULING," Washington, 6/02/97) reported that former US President Gerald R. Ford, in comments after presenting the annual Gerald R. Ford prizes for distinguished journalism, said that the US should withhold humanitarian aid to help relieve the famine in the DPRK unless the DPRK government clearly abandons efforts to achieve nuclear weapons capability. "If they don't stop we have to deny them humanitarian aid, it's just that practical," Ford said. Ford also said the US Congress should promptly renew favorable trade status for the PRC because "I don't think it's in our interest to have them our enemy, not with 1.3 billion people. I would rather have them at least neutral."

4. PRC Missile Sales

The Associated Press ("CHINA CONFIRMS IRAQ MISSILE DEAL," Beijing, 6/03/97) reported that PRC Foreign Ministry spokesman Cui Tiankai on Tuesday said that PRC sales of missiles and other

weapons to Iran are principled and aboveboard, but refused to address whether the PRC has sold C-802 ship-based cruise missiles to Iran, as the US State Department reportedly has informed the US Congress. "It is entirely justified and legitimate for China to transfer a small number of conventional arms to some other countries, including Iran," Cui said at a routine twice-weekly media briefing. Cui said all transfers of missiles and other conventional weapons are handled with "a prudent and responsible approach," adding that sales are approved only if they do not harm the peace, stability and security of the region, meet legitimate self-defense needs and won't interfere in others' domestic affairs. Some members of Congress see the sale of the cruise missiles as further reason to deny the PRC "most-favored-nation" status for its imports. The PRC is one of the few US trading partners subjected to annual review of this designation. "Some people in the United States often have linked most-favored-nation treatment with irrelevant things. But in the end that has failed, in the end they came away with nothing," Cui said.

5. New Russian Ambassador to ROK

The AP-Dow Jones News Service ("RUSSIA APPOINTS NEW AMBASSADOR TO S.KOREA," Moscow, 6/03/97) reported that Russia's Interfax press service said Tuesday that Russian President Boris Yeltsin has appointed career diplomat Yevgeniy Afanasyev as Russia's new ambassador to the ROK. Afanasyev replaces Georgy Kunadze, who is being transferred to another post, the press service said. Afanasyev, a graduate of Moscow's International Relations Institute, has worked in Beijing and Washington since joining the Foreign Ministry in 1970. Before his present appointment, he headed the ministry's first Asian section.

6. US, Russia Reportedly Modify ABM Deal

The Washington Times (Bill Gertz, "U.S. AGREES TO RUSSIAN DEMAND FOR CHANGES ON MISSILE-DEFENSE ACCORD," Washington, 6/03/97) reported that the US has agreed to Russian demands to modify the language of the four-point missile defense agreement reached at the US-Russia Helsinki summit in March. However, the Clinton administration claims the changes will not produce new US obligations under the agreement, aimed at clarifying the 1972 Anti-Ballistic Missile (ABM) Treaty. At the time, White House arms control official Robert Bell termed the Helsinki agreement "extraordinary" because it legalized regional anti-missile systems under the ABM. The latest Russian negotiating tactic reportedly creates new obstacles to concluding a formal agreement at the four-year-old Geneva arms talks, and also is likely to fuel claims by critics who say Moscow is deliberately using the negotiations to limit the effectiveness of US regional anti-missile systems. A White House official, speaking on the condition of anonymity, denied the Russians have reneged on Yeltsin's commitment at Helsinki. "The text the Russians have brought to the SCC [Standing Consultative Commission in Geneva] is based on the Helsinki joint statement," the official said yesterday.

II. Republic of Korea

1. DPRK Agrees on Four Party Talks

Following a recent US-ROK-DPRK meeting in New York, the DPRK, in a major shift of its position, has expressed willingness to set a date for "a preliminary meeting" for the four-party peace talks, an informed government source revealed yesterday. It would mark a turning point in the time-consuming efforts to realize the four-party talks if the ROK accepts the DPRK's apparently "positive reaction" to the four-party talks. However, top policymakers in the ROK are still thinking over the DPRK's proposal, fearing that they might be "trapped" by Pyongyang. Ambassador Li Gun, Deputy Permanent Representative at the DPRK Mission to the United Nations, revealed the new position on May 30 when he met Lee Soo-hyuck, Counselor at the ROK Embassy in Washington, and Mark

Minton, Director of the Office of Korean Affairs at the State Department. Earlier, a ROK Foreign Ministry official hinted at the possibility that an assistant minister-level meeting between Seoul, Pyongyang and Washington would be held around June 15 to announce the date for a preliminary meeting, tentatively set for July 15, if the Seoul government determines it is worth following up on the DPRK's overture. "North Korea made a fresh proposal regarding the four-party talks. However, it requires time to assess the proposal among relevant government branches," another official said. Officials here are hesitating to publicly reveal the DPRK's fresh proposal because DPRK delegates didn't make any clear commitment to whether they would drop an earlier proposal for a "three plus one" meeting, at which the ROK, the DPRK and the US would first address all basic issues on rice aid, the lifting of US economic sanctions, and other questions before the PRC joins the talks. That proposal was made by DPRK Vice Foreign Minister Kim Gye-gwan when he met ROK Deputy Foreign Minister Song Young-shik and US Acting Assistant Secretary of State Charles Kartman in New York on April 16-21. At that time, the US, which was optimistic over the successful conclusion of the talks, even prepared to announce that the three countries had reached an agreement on a preliminary meeting for the four-party talks, but the DPRK poured cold water on the festive atmosphere by reiterating its original position that rice aid and the lifting of US sanctions be made in advance. So far, the DPRK has wanted the ROK and the US to offer 600,000 tons of rice before the opening the four-party talks to create a favorable atmosphere for the four-party talks. Meanwhile, ROK and US delegates told their DPRK counterparts that Seoul and Washington, along with UN agencies and non-governmental organizations, had shipped or are scheduled to ship more than 500,000 tons of grain, almost meeting the DPRK's "precondition." Despite the breakup of the senior-level meeting, ROK officials tried to convince the media that the DPRK had not totally rejected the four-party talks. However, they reiterated that Seoul would not send an assistant minister-level official to the three-way talks if the DPRK doesn't agree on the schedules for a preliminary meeting for four-party talks. Meanwhile, Vice Foreign Minister Kim sent a letter to the US State Department last week, noting that Pyongyang is willing to resume further discussions of the four-party talks, in an apparent effort to mitigate Washington's furious reaction to the DPRK's attitude. (Korea Times, "NK AGREES TO SET DATE FOR PRELIMINARY MEETIN FOR 4-PARTY TALKS," 06/03/97)

2. ROKAF Chief of Staff Meets USAF Commander

ROK Air Force Chief of Staff Gen. Lee Kwang-hak received a courtesy visit from US Pacific Air Force Commander Gen. John Lorber at Air Force headquarters in Kaeryongdae yesterday. The generals exchanged views on a wide range of issues during the meeting, including strengthening ties between the two air forces. Gen. Lorber will leave today, winding up a three day visit. (Korea Times, "ROKAF CHIEF OF STAFF MEETS USAF PACIFIC COMMANDER," 06/03/97)

3. DPRK Soldiers Did Not Seize Corn

The World Food Program (WFP) has denied reports that DPRK soldiers took 5,000 tons of corn from a freighter unloading US-donated food aid at the DPRK port of Nampo last month, a ROK Foreign Ministry spokesman said Tuesday. The spokesman said that, when contacted by ROK diplomats, the Rome-based WFP headquarters said it had not been informed of the reported incident by its office in Pyongyang, and did not think the report was true, although the agency would do fact-finding work. ROK newspapers had carried a report by a Portuguese daily that armed DPRK soldiers took away sacks of corn from the freighter May 21 without any prior consultation with WFP officials. [Ed. note: Please see "DPRK Soldiers Seize Corn" in the June 2 Daily Report.] The report deepened concerns about the possibility of humanitarian aid to the DPRK being diverted for military use. Seoul officials said they would take action to prevent the recurrence of such an incident, if the report was found to be true, and would strengthen efforts to secure transparency of the distribution of humanitarian aid. (Korea Herald, "WFP DENIES REPORTS OF NORTH KOREAN SOLDIERS FORCIBLY TAKING FOOD

III. Announcements

1. Publication on Korean Security

The Sandia National Laboratories and the Korea Institute for Defense Analyses have released for unlimited distribution a Sandia Report, "Confidence Building On The Korean Peninsula: A Conceptual Development for the Cooperative Monitoring of Limited-Force Deployment Zones," by Michael Vannoni and Ruth Duggan of the Cooperative Monitoring Center, Sandia National Laboratories, and Man-Kwon Nam, Kwang-Keun Moon, Myung-Jin Kim of the Arms Control Research Center, Korea Institute for Defense Analyses. For information on obtaining a copy of the report, contact Arian Pregenzer by email at alprege@sandia.gov. The abstract of the report reads as follows:

"Confidence building measures (CBMs), particularly military ones, that address the security needs of North and South Korea could decrease the risk of conflict on the Korean Peninsula and help create an environment in which to negotiate a peace regime. The Korea Institute for Defense Analyses (KIDA) and the Cooperative Monitoring Center (CMC) of Sandia National Laboratories collaborated to identify potential CBMs and define associated monitoring. The project is a conceptual analysis of political and technical options for confidence building that might be feasible in Korea at some future time. KIDA first analyzed current security conditions and options for CBMs. Their conclusions are presented as a hypothetical agreement to strengthen the Armistice Agreement by establishing Limited Force Deployment Zones along the Military Demarcation Line. The goal of the hypothetical agreement is to increase mutual security and build confidence. The CMC then used KIDA's scenario to develop a strategy for cooperatively monitoring the agreement.

"Cooperative monitoring is the collecting, analyzing and sharing of agreed information among parties to an agreement and typically relies on the use of commercially available technology. A cooperative monitoring regime must be consistent with the agreement's terms; the geographic, logistic, military, and political factors in the Korean setting; and the capabilities of monitoring technologies. This report describes the security situation on the Korean peninsula, relevant precedents from other regions, the hypothetical agreement for reducing military tensions, a monitoring strategy for the hypothetical Korean agreement, examples of implementation, and a description of applicable monitoring technologies and procedures."

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.

Produced by [the Nautilus Institute for Security and Sustainable Development](#).

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