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I. United States

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1. ROK-US Consultations on DPRK

Reuters ("U.S. DELEGATION TO HOLD TALKS ON NORTH KOREA," Seoul, 03/02/98) reported that a US delegation led by Principal US Deputy Assistant Secretary of State for East Asian and Pacific Affairs Charles Kartman arrived in Seoul Monday for talks with ROK officials in preparation for the resumption of the four-party talks in Geneva later this month. Han Chung-hee, an ROK foreign ministry official, said that the delegation would "meet with the new administration and discuss issues related to the four-party talks." Meanwhile, ROK media reports said that the government was considering easing regulations for investing in the DPRK, including raising the investment limit to US\$10 million from the present US\$5 million. An unnamed Chong Wa Dae official on Monday refused to give details, saying, "We are still pursuing the matter."

US State Department spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING," USIA Transcript, 03/02/98) said that the next round of preliminary meetings for the four-party talks will be held in Geneva on March 14, to be followed by plenary meetings on March 16. He stated, "That process is ongoing. We continue to, obviously, talk to the North Koreans through the mechanism of the UN mission of North Korea, and that process continues. And now with the election and ascension of President Kim Dae Jung, perhaps it can move a little more quickly."

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2. DPRK Famine

Reuters ("WFP SAYS N.KOREA FOOD CRISIS 'CRITICAL,' URGES AID," Rome, 03/02/98) reported that UN World Food Program (WFP) coordinator Rolf Huss said on Monday that statements from the DPRK that it was set to run out of food within two weeks were consistent with UN estimates. Huss said in a statement, "The fact that the government issued a warning confirms our assessment that the food situation in the country is critical." He stated that the WFP is currently supplying 98,000 tons of grain to 4.7 million of the DPRK's most vulnerable groups, adding that the food aid should last them through the month of March. Huss said, "WFP appeals to the international community to contribute quickly and generously. Our monitors in the country are assessing the situation on a daily basis. Still, based on our findings last fall, we have to act now before the widespread hunger worsens and the country faces a humanitarian catastrophe."

US State Department spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING," USIA Transcript, 03/02/98) said that the US is not surprised that the DPRK is on the brink of running out of food. Rubin stated, "The WFP predicted this kind of situation." He added, "As we understand it, the statement refers to the DPRK's own harvest, and does not include international assistance or purchases. In that sense, it is not inconsistent with WFP and US assessments." He cautioned, however that the accuracy of the DPRK's statements can not be confirmed "because the DPRK, North Korea, regrettably remains an opaque society, and precise figures are difficult to confirm." He said that the US has no plans for further assistance. He concluded, "This pledge of \$75 million 200,000 metric tons is a significant pledge, and we'd like to see others contribute."

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3. Opening of DPRK Airspace

Reuters ("S.KOREA AIRLINER FLIES OVER N.KOREA," Seoul, 03/03/98) and the Associated Press ("SKOREA PLANE INVADES NKOREA AIR," Seoul, 03/03/98) reported that ROK transportation ministry officials said that a Korean Air cargo jet on Tuesday became the first commercial ROK plane to cross DPRK airspace since the Korean War. A ministry official in charge of airline flights stated,

"There were no problems in the flight." The flight originated from New York and passed through DPRK airspace on its way to Seoul. It was the third of five scheduled test flights before DPRK airspace is officially opened for international commercial flights on April 23.

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4. DPRK-PRC Trade

The AP-Dow Jones News Service ("N. KOREA IMPORTS 30 TONS OF FLOUR FROM CHINA - REPORT," Beijing, 03/03/98) reported the PRC's state-run Xinhua News Agency said Tuesday that the DPRK imported 30 tons of flour from the PRC between January 1 and February 11.

The AP-Dow Jones News Service ("N. KOREA RAISING GASOLINE, DIESEL IMPORTS FROM CHINA - REPORT," Beijing, 03/03/98) reported that Xinhua News Agency said Tuesday that the DPRK is increasing gasoline and diesel imports from the PRC to meet demand during its lumber harvesting season. The DPRK imported 134.8 metric tons of gasoline and 29.5 tons of diesel oil from the PRC between January 1 and February 11, accounting for 74 percent of DPRK oil imports. The report said that customs offices on the PRC's northeast border with the DPRK have asked Chinese trading companies to adjust their export strategies to meet the increasing demand for fuel.

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5. ROK Cabinet

Reuters (Robin Bulman, "S.KOREA PRESIDENT MOVES TO BREAK DEADLOCK," Seoul, 03/03/98) and the Wall Street Journal ("PRESIDENT KIM FORMS CABINET; PRIME MINISTER'S POST STILL VACANT," 03/03/98) reported that ROK President Kim Dae-jung on Tuesday appointed Kim Jong-pil as acting prime minister despite the National Assembly's refusal to confirm his nomination. President Kim said he had "no choice" but to make the appointment because of the country's continuing economic troubles. He stated, "I could not afford to leave the national administration crippled any longer." He argued that the opposition Grand National Party (GNP) was "politically and morally" bound to help his administration because of its responsibility for causing the economic crisis. The GNP responded in a statement, "We are worried that President Kim, who has fought to establish a democratic constitution, has ignored the constitution and the National Assembly in his first appointment of prime minister." It pledged to take "all possible legal and political counter measures," including seeking a court injunction, to prevent the appointment from taking effect. Earlier, to conform to the letter of ROK law, President Kim had the outgoing prime minister, Koh Kun, formally recommend the new cabinet, which included Lee Kyu-sung, a university economics professor and former finance minister, as the new Minister of Finance and Economy. Lee stated, "In the short term, I will focus on solving problems related to securing foreign exchange liquidity, lowering high unemployment and inflation, and corporate bankruptcies. In the long term, we will actively pursue corporate restructuring." President Kim also named lawmaker Park Jung-soo as Minister of Foreign Affairs and Trade.

II. People's Republic of China

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1. ROK-DPRK Relations

China Daily ("DPRK HELPS SEPARATED RELATIVES WITH CENTER," Seoul, A11, 02/17/98) reported that DPRK announced on February 15 that it would open a center on March 1 to help

separated families gather information, such as addresses, about their lost family members. The ROK Unification Ministry said on the next day that this move of DPRK was a positive step. However, the ministry pointed out that the DPRK has not clarified whether the families that might have relatives in the South would benefit from the address information center. "It's still too early to figure out the significance of North Korea's announcement. It does not show any indications that North Korea would allow separated family members to meet," said the ROK ministry.

People's Daily ("DPRK CALLS FOR IMPROVEMENT OF RELATIONS BETWEEN NORTH AND SOUTH," Pyongyang, A6, 02/20/98) reported that the DPRK held a joint meeting of political parties and organizations in Pyongyang on February 18. The meeting appealed to the two sides on the Korean Peninsula to establish trust, improve ties, enhance exchanges and expand cooperation so as to open up a new prospect for their relations this year. According to Rodong Shinmun, DPRK Workers' Party Secretary Kim Yong-sun said at the meeting that the most important task at present was to change the abnormal relationship between the two Koreas into a reconciled one. For this reason, the two sides should develop common interests and enhance exchanges and cooperation to realize coexistence and common prosperity. He stressed that the DPRK side is willing to have dialogue and negotiation with any ROK political parties and organizations and to make efforts to realize the normalization of the relations between the DPRK and the ROK.

China Daily ("DPRK CALLS FOR NEW DIALOGUE," Seoul, A11, 02/20/98) reported that the DPRK has called for a new dialogue with political parties and organizations in the ROK. But the call, carried by the Korean Central News Agency in a dispatch dated on February 18, made it clear that no reconciliation could be expected while the ROK remained dependent on foreign forces. However, ROK President-elect Kim Dae-jung repeatedly stressed his close ties with the US, although he said that he wants more contact and dialogue with the DPRK. In another development, the ROK defense ministry said on February 19 that efforts were under way to improve contacts between US-led UN troops and the DPRK army on the tense Demilitarized Zone. But the spokesman denied local newspaper reports that the US had proposed direct general-level talks between the DPRK and US armies. [Ed note: See [US-DPRK Talks](#) in the ROK Section of the March 2 Daily Report.]

According to Wen Hui Daily ("ROK IS WILLING TO RESUME DIALOGUES WITH NORTH," A2, 02/21/98), ROK President-elect Kim Dae-jung expressed on February 19 that he is willing to resume dialogues, even including a summit meeting, with the DPRK. He said that the contents of the dialogues could be on economic cooperation, the separated relatives issues, or the aspects which are easiest to reach agreements on. Kim also said that his country will fulfill its promise to help the DPRK build light-water nuclear reactors.

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2. PRC-ROK Relations

People's Daily ("ROK WILL ABIDE BY `ONE CHINA' PRINCIPLE," Seoul, A6 02/23/98) reported that ROK President-elect Kim Dae-jung said on February 20 that his country will abide by the principles established by the ROK-PRC communique for normalizing diplomatic relations with the PRC and will not change its positions on the Taiwan issue. He said that the visit of John Chang, secretary-general of Taiwan's ruling Nationalist Party, to the ROK will not have any influence on ROK-PRC relations. Ed. note: See [ROK-Taiwan Relations](#) in the US Section of the February 25 Daily Report.] Kim made these remarks when he interviewed with reporters for People's Daily. He said that the Taiwan issue is an internal issue of the PRC and should be resolved by the PRC government and Taiwan. The ROK will not get involved in it. According to Kim, he had refused the suggestion to meet with Chang. After his inauguration, Kim said that he hopes to visit the PRC as soon as possible.

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3. PRC-US Relations

China Daily ("RELIGIOUS LEADERS VISIT PRISONS IN LHASA," Lhasa, A1 02/26/98) reported that visiting US religious leaders visited Lhasa, Tibet, on February 25. Ihagba Puncog, vice-chairman of the Tibet Autonomous Region, met with these US guests and briefed them on Tibet's economic, cultural, educational, and religious situation and answered their questions. According to the report, Rabbi Arthur Schneider, president of the Appeal of Conscience Foundation, and Archbishop Theodore McCarrick of the Roman Catholic Archdiocese of Newark, New Jersey also toured the main prison of the Tibet Autonomous Region. During their stay in the prison, they talked with two prisoners who were nuns before their incarceration. The American visitors also talked with Norbu, head of the prison administration, about the prisoners there. Norbu said that so long as they obey the regulations of the prison, the prisoners have freedom of belief in religion.

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4. PRC Defense Policy

China Daily ("CHI STRESSES DEFENSIVE NATURE OF POLICY," Canberra, A1, 02/18/98) reported that PRC Defense Minister Chi Haotian made a speech to about 100 students of the Australian College of Defense and Strategic Studies on February 17. In the address, Chi said that the PRC pursues a national defense policy which is defensive in nature. The PRC's defense budget for 1997 was 80.5 billion yuan (US\$9.7 billion), compared with US\$260 billion for the US and US\$40.8 billion for Japan in the same year. For a big country like the PRC, the defense budget is very small, just enough to meet the lowest level of defense requirements, the PRC minister said. He pledged that the PRC will not substantially increase its defense budget so long as there is no serious threat to its national sovereignty and security.

III. Russian Federation

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1. ROK-DPRK Relations

Izvestia's Yuriy Savenkov ("SOUTH KOREA EXTENDS AN OLIVE BRANCH TO PYONGYANG," Moscow, 2, 02/26/98) and Kommersant-daily ("KIM IN THE NORTH AND KIM IN THE SOUTH WISH TO BE FRIENDS," Moscow, 5, 02/26/98) reported that Kim Dae-jung, the new President of the ROK, at his inauguration ceremony made a proposal to the DPRK to exchange ministers and to personally meet with DPRK leader Kim Jong-il. He called for facilitation of contacts between relatives across the DMZ, assured the DPRK that he had no intention to undermine it in order to swallow it through a "German-type" reunification, and confirmed the ROK's plans to deliver light-water reactors and food aid to the DPRK. Kim's statements came in reply to a message from the DPRK suggesting a new dialogue. Kim Dae-jung's reunification plan also provides for the addition of the RF and Japan to the Four-Party Talks. That suggestion was met with "enthusiasm" in the RF, but Japan is "skeptical" about it as long as "both Koreas are busy with their own problems."

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2. DPRK Drug Trafficking

Segodnya's Semyon Sokolskiy ("DIPLOMATS TURNED OUT TO BE DRUG-CARRIERS," Moscow, 1,

2/18/98) reported that international airport custom officers in Moscow yesterday detained two DPRK diplomats who possessed a total of 35 kilograms of cocaine in their luggage. The diplomats were going via the RF to "some other country." Due to their diplomatic immunity, the two were just expelled from the RF after consultations with the DPRK Embassy in Moscow. The Embassy assured that the drug-carriers will be punished accordingly. In the last few years, there have been over 30 cases of DPRK citizens, including diplomats, being detained in various countries for drug trafficking. According to defectors from the DPRK, the production of opium and heroin has almost become a state-run program there. The last incident in Moscow hints at possible links between the DPRK drug-makers and Columbian drug cartels.

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3. ROK Cabinet

Sovetskaya Rossia ("THESE DAYS SEOUL," Moscow, 3, 2/24/98) reported that ROK President Kim Dae-jung decided to appoint his political ally, head of the United Liberal Democrats Kim Jong-pil, as new ROK Prime Minister. Ironically Kim Jong-pil in 1973 was involved in Kim Dae-jung's abduction from Japan and his near-death engineered by the Korean Central Intelligence Agency.

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4. ROK Presidential Inauguration

Kommersant-daily's Andrey Ivanov ("NEW PRESIDENT OF SOUTH KOREA CHALLENGES ITS FOUNDATIONS," Moscow, 5, 02/25/98) reported that Kim Dae-jung proclaimed 100 national tasks in various fields to be solved by the nation in the next five years. 37 of the tasks concern the ROK economy, hit recently by a severe crisis. The ROK financial sector is to become more transparent, free investment zones are to be created, and competition is to intensify due to facilitated access for foreign companies. Also in industry, life-long job holding and dependence of wages on working record are to be abolished. "Kim Dae-jung challenges the most sacred thing for Koreans - collectivism" and their "confidence about tomorrow."

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5. PRC-RF Relations

Izvestia's Yuriy Savenkov ("MOSCOW AND BEIJING HAVE MUCH IN COMMON IN POLICIES AND ECONOMIES," Moscow, 3, 02/19/98) and Kommersant-daily's Andrey Ivanov ("RUSSIA RUSHES INTO CHINESE SKY," Moscow, 5, 02/19/98) reported that PRC State Council Chairman Li Peng concluded his visit to the RF. During the visit the parties reached a number of agreements on economic cooperation, including the construction of a hydrofoil ship-building plant and two power plants in the PRC and possible deliveries of RF-made passenger and cargo airplanes to the PRC, and facilitation of border trade. Also Li Peng and RF President Boris Yeltsin adopted a joint statement rejecting the use of force against Iraq, that being the first ever joint RF-PRC statement on an international issue.

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6. PRC Military Economic Activities

Nezavisimoye voyennoye obozreniye's Sergey Modestov ("HEADQUARTERS STUDY COMMERCE," Moscow, 3, 02/27-03/5/98, #8(82)) reported on the activities of the People's Liberation Army (PLA) of the PRC in economic fields. Through those activities the PLA today "earns hundreds of millions of

dollars." There is a total of 10 thousand registered enterprises established by the PLA, including 500 to 1000 large ones. Baoli, created by the PLA General Staff, is the biggest one and it specializes in arms exports, capital construction, telecommunications, and financial services. It accounts for US\$440 million out of US\$1 billion of all exports abroad by PLA-controlled enterprises. Initially, in the late 1980s, there was little control, with corruption expanding and combat-readiness suffering. As a result of an anti-corruption drive started in 1993, about 40 percent of military-controlled enterprises were closed and it was forbidden to combat units to participate in commercial activities. It was noted that presently the PRC military does not interfere with actual management and prefers to be passive holders of control stock in enterprises originally created by PLA. Still the money earned is not enough for a full-scale modernization of the PLA, which would require principally different budgetary funding.

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7. PRC-Taiwan Missile Race

Kommersant-daily's Andrey Ivanov ("GREAT BOW' VERSUS 'GREAT MARCH'," Moscow, 5, 02/27/98) reported that Taiwan plans to test its indigenous "Dagung" ("Great Bow") missile. It is an upgraded version of the "Sky Bow" missile also developed in Taiwan specifically for intercepting long- and medium-range missiles, including the "Great March" and other missiles used by the PRC to intimidate Taiwan in 1996 in retaliation to Taiwanese President's visit to the US.

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8. PRC-US Relations

Kommersant-daily's Marina Kalashnikova ("CLINTON SUSPECTED OF TIES WITH CHINESE INTELLIGENCE," Moscow, 5, 2/20/98) reported that recent conclusions of a special US Senate commission testified that US President Bill Clinton has had ties with PRC intelligence for a long time. Allegedly during his running for the Governor of Arkansas his staff received at least US\$2 million from PRC sources. Similar allegations concern Clinton's Presidential campaign, with PRC funds laundered via some Indonesian companies.

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9. Japan-RF Relations

Segodnya's Aleksandr Chudodeyev ("TIES GO OUT OF FASHION IN MOSCOW AND TOKYO," Moscow, 3, 02/24/98), Kommersant-daily's Andrey Ivanov ("KEIZO OBUCHI BROUGHT A CREDIT TO BORIS YELTSIN," Moscow, 5, 02/24/98) and Nezavisimaia gazeta's Dmitriy Gornostayev and Dmitriy Kosyrev ("YELTSIN AND HASHIMOTO WILL MEET AT A RESORT," Moscow, 1, 02/24/98) reported that Japanese Foreign Minister Keizo Obuchi concluded his official visit to the RF on February 23 by meeting with RF President Boris Yeltsin. During his visit he signed an RF-Japan agreement regulating the two countries' fishing cooperation in the area of the Southern Kuril Isles. It put an end to the previous situation when Japanese fishermen operated in those waters considering them to belong to Japan, while RF coast guards shot at such "poachers." Obuchi and RF Foreign Minister Yevgeniy Primakov arranged for the second RF-Japan "tieless summit" to be held on April 11-13 in Kawana, 150 kilometers Southwest of Tokyo. Obuchi also informed his RF counterparts that starting from April 1, Japan is to liberalize its visa process for RF business men, and that the Export-Import Bank of Japan decided together with the World Bank to extend a US\$1.5 billion untied loan to the RF for two years. Nezavisimaia gazeta's authors stressed the rapid warming of RF-Japan relations in practically all fields, including the military one. The fact that

Japanese military nowadays frequently visit the RF and avoid the PRC poses some difficult questions to the PRC and for RF-PRC relations. The idea of a US-Russia-Japan-PRC consultation mechanism also was made public on the eve of Obuchi's visit.

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10. Japanese Global Role

Nezavisimaia gazeta ("JAPAN TURN FROM A DEFEATED NATION INTO A WORLD LEADER," Moscow, 6, 02/24/98) published an article by Valeriy Kistanov, Senior Researcher, Institute of Oriental Studies, Russian Academy of Sciences, whose main conclusion is that Japan becoming a Permanent Member of the UN Security Council (UNSC) is just "a matter of time." Presently Japan is the second largest financial donor to the UN, accounting for 15 percent of the UN budget. Its contribution is larger than those of France, Britain, and the PRC combined. Its economic model now is more attractive to the developing countries than that of India, its main rival for the seat. It has been elected for the eighth time as a non-Permanent Member of the UNSC, while Germany was elected just thrice. The PRC, in the author's opinion, is negative about the idea, believing that it would mean that the US would automatically get a second voice in the Council. The RF by contrast has already promised to support Japan's candidacy.

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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[Yonsei University](#), Seoul, Republic of Korea
[The Center for Global Communications](#), Tokyo, Japan
Fudan University, Shanghai, People's Republic of China .

Wade L. Huntley: napsnet@nautilus.org
Berkeley, California, United States

Timothy L. Savage: napsnet@nautilus.org
Berkeley, California, United States

Shin Dong-bom: dongbom_shin@wisenet.co.kr
Seoul, Republic of Korea

Choi Chung-moon: cily@star.elim.co.kr
Seoul, Republic of Korea

Hiroyasu Akutsu: akutsu@glocomnet.or.jp
Tokyo, Japan

Peter Razvin: icipu@glas.apc.org
Moscow, Russian Federation

Chunsi Wu: dlshen@fudan.ac.cn

Shanghai, People's Republic of China

Dingli Shen: dlshen@fudan.ac.cn

Shanghai, People's Republic of China

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Nautilus Institute

2342 Shattuck Ave. #300, Berkeley, CA 94704 | Phone: (510) 423-0372 | Email:

nautilus@nautilus.org