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I. United States

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1. KEDO Financing

The Washington Post (Barton Gellman, "U.S., ALLIES STRUGGLING TO FULFILL N. KOREA PACT," Seoul, 05/02/98, A15) and the New York Times (Steven Erlanger, "U.S. SQUEEZES ALLIES TO HELP NORTH KOREANS ON FUEL COSTS," Seoul, 05/02/98, A5) reported that US officials traveling with Secretary of State Madeleine K. Albright warned Friday that the DPRK may renege on the 1994 Geneva accord if the US and its allies cannot agree on how to pay for the heavy oil shipments that have been promised. One unnamed official stated, "There is a gap in funding that we are trying to close. And if we do not finance the heavy-oil deliveries, there is a grave risk that North Korea will stop cooperating." He warned that if the Korean Energy Development Organization (KEDO) fails to fulfill its promises to the DPRK, "we expect the North Koreans to react at some point in a way to jeopardize the agreement, which we believe so far that they have been adhering to." He added, "The accountants shouldn't be running this. The national security policymakers should be running this." A senior State Department official said that "There was no solution reached" during talks between Albright and ROK Foreign Minister Park Chung Soo. KEDO is currently US\$47 million in debt from the fuel oil shipments. The US Congress has agreed to help retire the debt, but insists that other

countries must provide the bulk of the money first. One unnamed US official stated, "The underlying problem is that the executive branch overestimated the extent to which we were going to be able to secure commitments from other countries." Regarding the construction of the two light-water reactors, US officials said that about US\$500 million, or 10 percent of the total costs, have yet to be found, although that issue is seen as less urgent than the fuel delivery, since large amounts will not be needed for the reactor construction for another year.

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2. Food Aid for DPRK

The Associated Press ("SEOUL WANTS INTER-KOREA CONTACT," Seoul, 05/03/98) and United Press International, ("FOOD AID LEAVES FOR N. KOREA," Seoul, 05/04/98) reported that Lee Byung-woong, the head of the ROK Red Cross, arrived in the DPRK on Sunday with 7,700 tons food aid, part of 50,000 tons which the ROK promised to the DPRK in March. Lee is the highest-ranking ROK Red Cross official to visit the DPRK. His visit was unannounced and raised speculation he might have a special mission. ROK media reported that Lee was likely to discuss the fertilizer and family reunion issues during his stay. The aid which Lee conveyed included 3,000 tons of flour, 1,000 tons of fertilizer, 32 tons of powdered milk, and 15.47 tons of baby food. On Monday, ROK National Red Cross spokesman Kim Sang-kwon said that an additional 3,000 tons of corn left the PRC city Domun and will arrive Saturday afternoon at the DPRK city Namyang.

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3. Alleged Plot to Influence ROK Election

The Associated Press ("EX-SKOREA SPY CHIEF DENIES SMEARING," Seoul, 05/04/98) reported that Kwon Young-hae, former head of the ROK Agency for National Security Planning, denied at his trial Monday that he tried to smear President Kim Dae-jung during the election campaign. He stated that his actions in question were part of "a routine anti-North Korea operation, not an attempt to foil candidate Kim's election." He also appealed for leniency for the other seven agency officials who are being tried with him, saying they simply followed his orders.

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4. ROK Labor Unrest

The Associated Press ("S.KOREAN LABOR GROUP VOWS TO GO AHEAD WITH NATIONWIDE STRIKE," Seoul, 05/04/98) reported that the Korea Confederation of Trade Unions (KCTU) said Monday that it will go ahead with plans to organize a nationwide strike later this month to protest increasing layoffs. The announcement came after Prosecutor-General Kim Tae-jung on Monday issued an order to arrest all protesters who used violence in a May Day rally in Seoul. The KCTU said in a statement, "The prosecutors' tough stance on the matter is unwise and does not help resolve the situation."

The Associated Press ("S. KOREA PROTESTERS TO BE PUNISHED," Seoul, 05/02/98) reported that ROK President Kim Dae-jung pledged Saturday to punish the leaders of a May Day demonstration against layoffs. Police said they arrested 17 students, workers, and dismissed public servants on charges of using violence during Friday's demonstration. About 40 students, workers, and police were injured during the clash.

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5. PRC-Taiwan Relations

The Associated Press (Mark J. Porubcansky, "TAIWAN TREADS CAREFULLY WITH CHINA," Taipei, 05/02/98) carried an analytical article which said that Taiwan is taking a cautious approach to the PRC. Shen Fu-hsiung, a legislator of the main opposition Democratic Progressive Party, stated, "The art of handling the issue is, let [the PRC] be angry -- but not to the extent that they fire a missile." The article also said that Taiwan-PRC trade conducted via third countries amounts to at least US\$11 billion a year. However, Taiwanese investments in the PRC are limited to projects of less than US\$50 million, and infrastructure and high technology projects are prohibited. Chung Chin, a fellow at the Chung-hua Economic Research Institution, said that unrestricted investment in the PRC would cause Taiwan industry to be transferred wholesale to the lower-cost PRC, leaving Taiwan's industrial base "hollowed out." She stated, "The integration with China would be so close that political issues would cease to exist. Taiwan would have no economic identity or political identity." In 1996, 1.5 million Taiwanese visited the PRC and 58,000 PRC citizens visited Taiwan. A government-sponsored poll last November found that 60 percent of Taiwanese favor keeping the status quo more or less indefinitely, while less than 10 percent preferred immediate independence, and about 4 percent favored immediate reunification. Less than 20 percent of respondents said that they considered themselves Chinese, and more than 40 percent said they are Taiwanese.

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6. PRC View of US-Japan Military Relationship

Reuters ("CHINA WARNS JAPAN OVER PACT WITH U.S.," Beijing, 05/03/98) reported that the China Daily newspaper said on Monday that, during talks on Sunday with Japanese Defense Agency chief Fumio Kyuma, PRC Defense Minister Chi Haotian warned Japan not to include Taiwan within the scope of an expanded defense agreement with the US. Chi stated, "China will not accept any action designed to include the Taiwan Straits either directly or indirectly in the sphere of Japan-U.S. Defense Cooperation Guidelines." He added that "attempting to include the Taiwan Straits into the sphere of the guidelines would both violate and interfere in China's sovereignty, and would be totally unacceptable to the Chinese government, people and armed forces." He called on Japan to adhere to joint PRC-Japanese accords regarding Taiwan, adding, "We sincerely hope that Japan will handle the issue with great care, and will refrain from any actions which would cause worry on the part of neighboring nations." Chi also said that the PRC was willing to engage in exchanges with the Japanese defense sector "in all areas at all levels." Kyuma responded that Japan recognized the PRC's sovereignty over Taiwan and would take "utmost care" over implementing the Japan-US defense guidelines. Meanwhile, the Japanese coast guard said on Friday that a PRC research ship had defied warnings and sailed into waters claimed by Japan near disputed islands known as the Senkakus in Japan and the Diaoyus in the PRC. Japan seized the in the First Sino-Japanese War in 1895.

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7. PRC Nuclear Missile Targeting

The Associated Press (John Diamond, "CIA: CHINA MISSILES AIMED AT U.S.," Washington, 05/01/98) reported that two US government officials who spoke on condition of anonymity confirmed a report in Friday's Washington Times that 13 PRC CSS-4 missiles are targeted at the US. US State Department spokesman James P. Rubin, who was with Secretary of State Madeleine Albright in the ROK Friday, stated, "We are aware the Chinese do have a limited capability to target several countries including the United States. We believe the emerging strategic relationship with China is the best way to make progress." The Clinton administration has been pressing the PRC to reach a

detargeting agreement similar to the one between the US and Russia. White House officials also said that the PRC keeps its nuclear warheads in storage, eliminating the risk of an accidental launch. Bruce Blair, a nuclear weapons specialist with the Brookings Institution, said that the US could retarget its missiles towards the PRC more quickly than the PRC could place a warhead on a missile and launch it at the US. He said that the US decided in 1982 to remove Chinese targets from the US nuclear weapons on alert, but that in recent years some presidential advisers have argued for returning Chinese targets to some alerted weapons. Yu Shuning, spokesman for the PRC Embassy in Washington, stated, "To retarget a missile takes only a few minutes. That's why we proposed a no-use pledge by the two countries." An anonymous State Department official said that the PRC's small number of nuclear weapons serve as a deterrent against attack, not as a threat to the US.

II. Announcements

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1. Spring Symposium for Korean Studies

The Institute for Corean-American Studies (ICAS) in collaboration with the Center for East Asian Studies, Center for Korean Studies, University of Pennsylvania, presents the Philadelphia [Spring] Symposium, "Korea's Challenges Ahead: Economic, International Relations, and Security Issues," to be held Monday, May 11, 1998, 8:30 AM - 5:00 PM at the Annenberg School of Communications, Room 110. A reception and dinner follows in honor of the Hon. Charles Kartman, the Hon. Lawrence R. Klein, and the Hon. Richard L. Walker, at the Faculty Club, University of Pennsylvania, 6:30 PM - 9:00 PM. For more information, please contact: Sang Joo Kim, Sr. Fellow and Executive Vice President, Institute for Corean- American Studies, 965 Clover Court, Blue Bell, PA 19422. Phone: (610) 277-9989; Fax: (610) 277-3992; email: E:icas@dvol.com or kim@dvol.com.

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

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