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I. United States

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1. Light-Water Reactor Project

The New York Times (David E. Sanger, "SEOUL SAYS IT WILL HAVE TROUBLE PAYING FOR NORTH KOREAN NUCLEAR PLANTS," Washington, 02/05/98) reported that ROK officials have told the US that the ROK financial crisis has left it unable to pay its full share of the cost of constructing nuclear power plants in the DPRK. The ROK is expected to ask the US and Japan to provide more for the early stages of the project when they meet to discuss the nuclear accord in New York on Thursday. Last week the Nuclear Regulatory Commission in Washington published in the Federal Register a request from Combustion Engineering, a nuclear equipment producer, for a license to export two reactors to the DPRK. US officials said on Wednesday that they suspect that the ROK may be using the financial crisis to test US and Japanese willingness to pay for a larger share of the DPRK project. One anonymous senior US official said, "We have made it clear that we do not think

Congress is prepared to fund the light-water reactor for the North under any conditions." Gary Milhollin, director of the Wisconsin Project on Nuclear Arms Control, said, "The reactors are the quid pro quo for freezing the nuclear program. If the reactors don't go forward, we will confront at some point North Korean reluctance to do their part of the deal."

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING," USIA Transcript, 02/05/98) said that the State Department regards reports that the ROK is unable to pay for the light-water reactor construction project as "incorrect." Rubin stated, "The Korean Government and President-elect Kim Dae-jung have consistently stated that the Republic of Korea will meet its obligations to KEDO." Rubin said that KEDO already has funding for the first year of costs for the project, although he pointed out that the project must sometimes incur short-term debt to meet the delivery schedule for heavy oil shipments to the DPRK. He added, "As far as the second year of funding is concerned, early costs are relatively small and therefore manageable for both South Korea and Japan, which will together fund most of the project's cost." Rubin also said that the DPRK must convince the international community that it is in full compliance with its safeguards agreement before any nuclear components can be delivered. He stated, "North Koreans must take all steps deemed necessary by the International Atomic Energy Agency to verify the accuracy and completeness of their data. And those verifications can include visits by the IAEA to any sites it deems necessary."

The AP-Dow Jones News Service ("S. KOREAN AIDES IN N.Y. TO DISCUSS N. KOREA ATOM PLANTS," New York, 02/05/98) reported that ROK government officials arrived in New York Thursday for a two-day discussion about cost-sharing for the DPRK light-water reactor project. Jason Shaplen, a policy adviser at the Korean Energy Development Organization (KEDO) stated, "This is an ongoing process and will continue to be an ongoing process."

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2. DPRK Food Aid

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING," USIA Transcript, 02/05/98) made the following statement: "In response to the UN World Food Program's announcement January 6 of an appeal for some 650,000 metric tons of humanitarian food aid to the Democratic People's Republic of Korea, the United States Government has decided to provide humanitarian assistance in the amount of 200,000 metric tons of food aid, or about 30 percent of the appeal. This is consistent with previous US responses to international appeals for emergency food aid to North Korea. The US Government's food assessment team which visited North Korea last year confirmed assessments by the United Nations that North Korea's 1997 harvest fell well short of meeting the minimum food needs of its people, and that substantial food assistance would be needed to help avert serious food shortages during this year. The US Government's assistance in the form of PL 480, Title II Emergency Food Aid will be provided to the World Food Program in three tranches during the one-year period from April 1998 to March 1999 that the WFP appeal covers. Our assistance will be targeted at North Korean civilians who are most vulnerable to the effects of malnutrition caused by the food crisis, including children in nurseries, schools and orphanages; pregnant/nursing women; handicapped people; and hospital patients. In order to ensure that the donated food is used for its intended purpose, the program will nearly double its international staff in North Korea to 46, including 26 food monitors, and add two new regional offices."

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3. DPRK Defector

The Associated Press ("REPORT: N. KOREA DIPLOMAT DEFECTS," Seoul, 02/05/98) reported that the ROK news agency Yonhap said Friday that Kim Dong-su, a third secretary at the DPRK delegation to the Rome-based UN Food and Agriculture Organization, has defected to the ROK Embassy in Rome with his wife and son. In Joon-chung, an ROK embassy spokesman, denied the reports, saying "there was no defector." However, another embassy official later stated, "We refuse to make any comments."

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4. ROK Financial Crisis

The Associated Press (Sang-Hun Choe, "KOREA LABOR GROUP WILL COMPROMISE," Seoul, 02/05/98) reported that the ROK Federation of Korea Trade Unions said Thursday it would compromise over legislation to permit employee layoffs. The union's statement came shortly before officials resumed negotiations to find a layoff bill acceptable to both business and labor. ROK President-elect Kim Dae-jung's aides hoped to present the new layoff bill to the National Assembly by Friday.

The Washington Times (Patrice Hill, "ASIAN CRISIS HAS LONG-TERM EFFECTS," 02/05/98) reported that the rise in import prices and interest rates in the ROK will cause a deep recession in the coming year. The article said that about 17,000 ROK companies went bankrupt last year, and analysts predict three times as many will fail this year, leaving as many as 1 million unemployed.

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5. PRC-Japan Relations

Reuters ("JAPAN: CHINA SAYS IT IS 'SENSITIVE' TO U.S. DEFENSE PACT," Tokyo, 02/05/98) reported that a Japanese Foreign Ministry official quoted PRC Defense Minister Chi Haotian as saying on Thursday in a meeting with Japanese Foreign Minister Keizo Obuchi that the PRC remains sensitive to the new US-Japan defense arrangement because it involves Taiwan. Obuchi said that Japan would explain the arrangement if the necessity arose, and that enhanced Japan-PRC bilateral defense ties would be a good opportunity to remove any possible misunderstanding. On Wednesday, the PRC and Japan agreed to boost bilateral defense ties during a meeting between Chi and Japanese Defense Minister Fumio Kyuma.

II. Republic of Korea

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1. Kim Dae-jung to Visit US

ROK President-elect Kim Dae-jung will visit the US March 5-12. According to his itinerary, he will meet President Bill Clinton on March 9 and deliver a speech at the Congress March 10. Kim will also visit Wall Street in New York upon arriving in the US to appeal for foreign investment in the ROK. The president-elect will be formally inaugurated on February 25. (Korea Herald, "PRESIDENT-ELECT TO VISIT US MARCH 5- 12," 02/04/98)

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2. ROK-DPRK Relations

The Samsung Economic Research Institute (SERI) said on February 4 that the two Koreas would be able to cut their military expenditure by US\$2 million per year if they increased bilateral trade and economic exchange. However, in predicting the immediate future of inter-Korean economic relations, the SERI said that inter-Korean trade and economic exchange programs are likely to shrink because of economic difficulties in the ROK aggravating the DPRK's shortage of foreign currency. (Korea Herald, "REPORT ADVOCATES INCREASED INTER-KOREAN CONTACTS," 02/04/98)

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3. KEDO Environmental Assessment

The Korea Atomic Energy Development Organization (KEDO) will carry out an environmental survey on the DPRK seas surrounding the light-water reactor construction site, announced a KEDO official. The official added that a seasonal survey throughout the year is necessary to obtain an accurate environmental impact assessment of the reactors. The survey team will be comprised of 35 people, including 17 ROK researchers. (Kyonghyang Shinmun, "KEDO TO PREPARE EIA FOR NUCLEAR REACTORS," 02/05/98)

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4. ROK-Japan Fisheries Talks

The ROK and Japan are expected to resume their fisheries talks after a meeting between ROK President-elect Kim Dae-jung and Japanese Prime Minister Ryutaro Hashimoto scheduled for April in London. Kim and Hashimoto will be in London to attend the Asia-Europe Meeting (ASEM) summit April 2-4. Meanwhile, ROK and Japan foreign ministers are expected to meet in March to discuss preparations for the summit talks. (Korea Herald, "SEOUL, TOKYO TO RESUME FISHERIES TALKS IN APRIL," 02/04/98)

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5. PRC-Japan Relations

Japanese and PRC defense ministers agreed February 4 to allow warship visits to each other's ports, a Japanese official said. The agreement was reached during talks between visiting PRC Defense Minister Chi Haotian and his Japanese counterpart, defense agency director-general Fumio Kyuma. Japan already has reciprocal agreements for warship visits with the ROK and Russia in an effort to open a new page in relations with the rest of Asia. (Korea Times, "JAPANESE, PRC DEFENSE HEADS AGREE ON RECIPROCAL WARSHIP VISITS:AFP," 02/04/98)

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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