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I. United States

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1. ROK-Japan Cooperation on DPRK Policy

Dow Jones Newswires ("OBUCHI, S KOREA KANG AGREE TO COOPERATE OVER N KOREA - KYODO," Tokyo, 08/07/98) reported that Kyodo news said that Japanese Prime Minister Keizo Obuchi and ROK National Unification Minister Kang In-duk agreed Friday that Japan and the ROK will continue to cooperate with each other in dealing with the DPRK. Japanese Foreign Ministry officials said that Obuchi told Kang that Japan's relations with the DPRK are unlikely to improve in the near future as a result of the DPRK's refusal to cooperate on the issue of missing Japanese nationals. Kang also exchanged views regarding the DPRK with Japanese Chief Cabinet Secretary Hiromu Nonaka. Kang is currently on a private visit to meet ROK citizens living in Japan.

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2. Japanese Economic Reforms

The Wall Street Journal ("OBUCHI VOWS TO TAKE ECONOMIC ACTION IN SPEECH BREAKING

LITTLE NEW GROUND," Tokyo, 08/07/98) reported that Japanese Prime Minister Keizo Obuchi pledged Friday to take steps aimed at stimulating the Japanese economy. Obuchi said he would adopt permanent tax cuts "substantially exceeding" 6 trillion yen (US\$41.7 billion) starting next year and compile a second extra budget for the current fiscal year through March 31 that will exceed 10 trillion yen. He added that pending legislation to clean up the banking sector, including a "bridge bank" framework under which the government would take over failed banks, should be implemented as quickly as possible to reduce the risk of systemic instability. Regarding foreign relations, Obuchi reiterated that the cornerstone of Japan's foreign policy is its relationship with the US, adding that he plans to meet with US President Bill Clinton as soon as September. He stated that he wants to build on the good relations developed with Russia by former Prime Minister Ryutaro Hashimoto and conclude a formal peace treaty with Moscow by 2000, and he expressed a hope to visit Russia in the fall. Obuchi promised that Japan would do all it can, including the possible provision of additional aid, to help stabilize the Asian financial crisis. He added that the deepening friendship between the PRC and Japan should bring more stability to Asia.

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3. Asian Financial Crisis

The Los Angeles Times ("MORE CURRENCY DEVALUATIONS IN ASIA FEARED," 08/07/98) reported that a decision by Vietnam to devalue its currency has sparked fears among financial analysts that the PRC and other Asian nations would follow suit. Such fears triggered sharp declines in several Asian stock markets on Friday. However, a spokesman for the People's Bank of China said that the PRC has no plans to devalue.

II. Japan

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1. Japanese-US Security Relations

The Yomiuri Shimbun ("ALBRIGHT CALLS ON KOMURA TO PUSH DIET PASSAGE OF BILLS," 08/07/98) reported that US Secretary of State Madeleine Albright told Japanese Foreign Minister Masahiko Komura on August 6 that the US would like to see prompt Diet passage of bills necessary to implement the New Guidelines for Japan-US Defense Cooperation. According to the report, they confirmed on the phone their intention to hold talks next weekend in Washington. Albright urged the Japanese government to implement measures included in the final report by the Special Action Committee on Okinawa (SACO). Komura pledged to further develop Japanese-US relations and said that reviving the economy is the most pressing task for Prime Minister Keizo Obuchi's government.

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2. Light-Water Reactor Project

The Sankei Shimbun ("DEPUTY EXECUTIVE DIRECTOR ONO WRITES: KEDO IS DPRK'S CHANNEL WITH WORLD," New York, 08/06/98) reported that Japanese Deputy Executive Director of KEDO Masaaki Ono wrote an article on the role of the Korean Peninsula Energy Development Organization (KEDO) for the August edition of "Toha (East Asia)," emphasizing that the light-water reactor project means creating a new world for the DPRK. He also said that Japan should contribute to tension reduction on the Korean Peninsula through holding confidence-building measures with the DPRK and helping to promote DPRK-ROK dialogue from the sidelines. According to Ono, the initial

construction of the light-water reactors that began on the east coast of the DPRK last August has been continuing and DPRK residences in the region have already been replaced with those of KEDO workers and a KEDO office. Ono also said that the KEDO residences are equipped with all the necessary amenities to make the workers feel comfortable. One hundred workers from the DPRK and the ROK are sharing ROK-made power shovels, bulldozers, land-cruisers, and other materials. Both countries' workers wear the same uniforms, but wear different-color helmets to distinguish them. Ono also said that their mutual understanding is steadily progressing. There are also a DPRK post office and an ROK bank. Ono said that the postcard he sent from there safely arrived in Japan. He added that the guesthouse also has a souvenir shop where the DPRK earns foreign currencies, especially the US dollar, from KEDO workers. According to Ono, KEDO is well known to and appreciated by the DPRK people. Ono concluded, "KEDO is the DPRK's most important channel with the world, and it is substantially the only North-South contact channel. Japan should increase its positive involvement with KEDO to further encourage the DPRK to continue the non-ideological and business-like attitude that the DPRK has showed to KEDO so far."

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3. Alleged DPRK Abduction of Japanese

The Daily Yomiuri ("EX-SPY: I SAW JAPANESE IN N. KOREA," 08/05/98) reported that An Myong-jin, a former DPRK agent who defected to the ROK in 1993, told reporters at a press conference in Japan on August 3 that he saw Japanese nationals who had been allegedly abducted by the DPRK, including Megumi Yokota, a Japanese girl who disappeared in Niigata Prefecture in 1977. The report cited An as saying, "Frankly speaking, I remember Yokota because she was young and pretty. I remember that she had dimples." He also insisted that he saw Shuichi Ichikawa, who disappeared in Kagoshima Prefecture in 1978, saying, "I remember him because he wore a red necktie all the times." According to An, the abductions were indirectly supervised by Kim Jong-il. An claimed that around 1975, Kim ordered the DPRK intelligence forces to reform, saying, "Kim said that the DPRK had to bring more foreigners to the country to localize the agents." He also said that he saw Westerners, Chinese, and ROK citizens in the DPRK, and that all had been abducted by DPRK agents. He added that he believed that the DPRK spy activity mainly aims to get information about US military bases in Japan and the ROK. He said, "The US bases in Okinawa are the most threatening to the DPRK. If the DPRK invades the ROK, the DPRK doesn't want to see US support for the ROK and Japan."

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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