

NAPSNet Daily Report 07 July, 1998

Recommended Citation

"NAPSNet Daily Report 07 July, 1998", NAPSNet Daily Report, July 07, 1998,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-07-july-1998/>

IN TODAY'S REPORT:

[I. United States](#)

- [1. Light-Water Reactor Project](#)
- [2. Four-Party Peace Talks](#)
- [3. DPRK Famine](#)
- [4. US Policy toward Taiwan](#)
- [5. Taiwan-PRC Military Relations](#)
- [6. US-Russian Summit](#)
- [7. Defection of Pakistani Nuclear Scientist](#)
- [8. Indian Nuclear Development](#)
- [9. Indian-Pakistan No-First Use Agreement](#)

[II. Republic of Korea](#)

- [1. Captured DPRK Submarine](#)
- [2. DPRK-ROK Economic Cooperation](#)
- [3. Development of DPRK Tourism](#)
- [4. DPRK Infrastructure Renovation](#)
- [5. US Troops on Korean Peninsula](#)
- [6. ROK Military Spending](#)
- [7. ROK Financial Crisis](#)

I. United States

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1. Light-Water Reactor Project

US State Department Spokesman James Rubin ("STATE DEPT. NOON BRIEFING, JULY 6, 1998," Washington, USIA Transcript 07/07/98) said that the Korean Peninsula Energy Development Organization (KEDO) has delivered approximately 150,000 metric tons of heavy fuel oil to the DPRK so far this year, and additional shipments of approximately 66,000 metric tons are scheduled to be

delivered later this month. He added that the US Congress agreed to appropriate US\$30 million for KEDO funding for administrative expenses and purchases of heavy fuel oil. A contribution from the European Union of an additional US\$16 million is expected to be received shortly to help retire KEDO's debt for past oil purchases. Rubin stated, "We are working very hard to help KEDO raise additional funds from other countries, but so far it has not been able to raise sufficient funds for its heavy fuel oil deliveries this year." He said that the US administration has been consulting with Congress and has completed an initial tranche of US\$5 million, which will be used to make deliveries beginning this month. Rubin said that the obligation to find a method to pay for the fuel deliveries rests with KEDO, not the US Government. He stated, "There are an elaborate series of commitments that people have made as to what they will do, but no one country is obligated to solve this problem. It's an international job to put the money together to make KEDO work." Rubin said that there was no evidence that the Asian financial crisis was going to change the commitment of the ROK and Japan to fund the construction of the two promised light-water reactors. He added, "With respect to the concern in Congress that there are facilities other than those at the Yongbyon reactor and other places covered by the Agreed Framework, we believe that the DPRK is in compliance with its obligations under the Agreed Framework and we believe that the IAEA is in a position to monitor the freeze that is required and the North Koreans have frozen their nuclear reactors and related facilities."

Reuters (Patrick Worsnip, "U.S. SAYS WILL FIND FUNDS FOR N. KOREA OIL SUPPLY," Washington, 07/06/98), the Associated Press (George Gedda, "US CONFIDENT OF N.KOREA COMMITMENTS," 07/06/98) and United Press International ("US VEXED OVER N.KOREA FUEL," Washington, 07/06/98) reported that US Secretary of State Madeleine Albright said Monday that the Clinton administration is seeking additional funds from Congress to implement the 1994 Agreed Framework with the DPRK. Albright stated that the agreement "is very important to the stability of the Korean peninsula.... For a few million dollars, we cannot let this unravel." An anonymous US official stated, "We believe we have a national security interest here, and that to not provide a few million dollars worth of oil and create a nuclear North Korea would be profoundly stupid."

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2. Four-Party Peace Talks

The Office of the White House Press Secretary issued a press release ("PRESIDENT NAMES KARTMAN ENVOY FOR KOREAN PEACE TALKS," USIA Text, 07/07/98) which said that US President Bill Clinton on Tuesday announced his intent to nominate Charles F. Kartman for a Rank of Ambassador during his tenure of service as Special Envoy for the Korean Peace Talks. Kartman most recently served as US Deputy Assistant Secretary of State for East Asian and Pacific Affairs, in which capacity he has been the deputy to the negotiator in the Korean Peace Talks.

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3. DPRK Famine

The Associated Press ("FAMINE IN N. KOREA CAUSES MORE WOES," Beijing, 07/07/98) reported that Kathi Zellweger of the Catholic relief group Caritas said Tuesday that DPRK citizens are developing digestive problems from trying to survive by eating edible plants. Zellweger said that months of meager government food rations and, in some places, a complete lack of food have forced many DPRK citizens to scrounge for food. Zellweger returned to the PRC Tuesday from a week-long tour of aid programs in the DPRK, where she found that water is scarce and tainted from last year's drought, hospitals have little medicine, and doctors reported an increase in diarrhea and stomach ailments. Zellweger stated, "This is more of a problem because they are trying to produce food out of

everything that is edible-- herbs, grass, roots, anything." She added that, on her last trip in May, she took samples of the alternative foods and had them analyzed. She reported, "The results were shocking. The human body is just not capable of digesting this kind of food." Despite the problems, however, Zellweger said that she found signs of progress. The UN-backed double-cropping program of winter wheat and spring barley has put 100,000-150,000 tons of food into the distribution system, which will help feed people until the fall harvest. Zellweger stated, "People are just struggling along. It's mind-boggling."

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4. US Policy toward Taiwan

The New York Times (Philip Shenon, "NO POLICY CHANGE, U.S. ASSURES TAIWAN AGAIN," Washington, 07/07/98), the Wall Street Journal (Russell Flannery, "LEE URGES U.S. NOT TO DISCUSS TAIWAN'S AFFAIRS WITH CHINA," Taipei, 07/07/98) and the Associated Press (Barry Schweid, "U.S. GIVES ASSURANCES TO TAIWAN," Washington, 07/07/98) reported that Taiwan President Lee Teng-hui told Richard Bush, the chairman of the American Institute in Taiwan, that the US should negotiate directly with the Taiwan government about any matters involving Taiwan. Lee stated, "You should not have to--and should not--hold bilateral talks with the Chinese Communists" about Taiwan's sovereignty. He also warned, "If the overwhelming majority of people on our side believe the U.S. position isn't balanced, this will inevitably influence" exchanges between the PRC and Taiwan. Taiwanese Foreign Minister Jason Hu said in an interview Monday, "One has to say realistically that until now there's no indication that the U.S. has changed policy." He added, however, that US President Bill Clinton's recent remarks on Taiwan have created "a wrong image internationally and also within Taiwan domestically." Bush told reporters in Taiwan, "United States policy toward Taiwan has not changed. In all its elements, it is exactly the same as before President Clinton's trip" to the PRC. Meanwhile, White House spokesman P.J. Crowley, stated, "Nothing that the president said in China changes our relationship with Taiwan." US Secretary of State Madeleine Albright likewise said Monday that the US relationship with Taiwan would not change, although she stressed "our policy will continue to be a one-China policy." In Beijing, Tang Guoqiang, the PRC Foreign Ministry spokesman, said Tuesday that US-PRC relations "can develop smoothly and steadily" as long as the two countries "conscientiously" adhere to the three communiques on Taiwan. He added, "We stand firmly opposed to the arms sales to Taiwan by any countries, no matter which country it is."

US State Department Spokesman James Rubin ("STATE DEPT. NOON BRIEFING, JULY 6, 1998," Washington, USIA Transcript 07/07/98) said that US President Bill Clinton did not negotiate the Taiwan issue with PRC officials during his recent trip, but simply stated US policy. Rubin stated, "There was no new policy development, and with respect to the consultation issue, I think what is important to understand is one of the reasons why we didn't have a communique on Taiwan issues or the one China issue was precisely to not give the implication that this was something we negotiate with the Chinese."

Reuters ("KEY U.S. SENATOR CALLS CLINTON DAMAGING ON TAIWAN," Washington, 07/07/98) and the Associated Press (Tom Raum, "CONGRESS PLANS ANTI-CHINA BILLS," Washington, 07/07/98) reported that US Senate Majority Leader Trent Lott said on Tuesday that he was astonished by US President Bill Clinton's statement that the US continued to oppose independence for Taiwan. Lott said that he found Clinton's statement "counterproductive" and that Congress might need to act to "repair the damage that had been done." He said that he intended to meet with leaders of the Foreign Relations Committee and other panels related to defense and foreign affairs to see if steps could be taken to bolster US relations with Taiwan.

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5. Taiwan-PRC Military Relations

The Associated Press ("TAIWAN MULLS WAYS TO AVERT CONFLICTS WITH CHINESE MILITARY," Taipei, 07/07/98) reported that Taiwan Defense Ministry spokesman Kung Fan-ting said Tuesday that Taiwan is studying the feasibility of establishing procedures with the PRC to prevent accidental conflicts. Kung said that the Defense Ministry has commissioned a study of Cold War-era emergency communication systems and hot lines between allies of the former Soviet Union and the US. He stated, "Such a system could defuse misunderstandings before they developed into unintended conflicts." Kung added that greater transparency within the militaries on both sides of the Taiwan Strait could reduce tensions, and that the Defense Ministry will continue releasing information through its news conferences and web site "as far as national security permits."

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6. US-Russian Summit

Reuters (Randall Mikkelsen, "CLINTON TO VISIT RUSSIA DESPITE STALLED PACT," Washington, 07/07/98), the Associated Press (Robert Burns, "CLINTON, YELTSIN TO HOLD SUMMIT," Washington, 07/06/98), the New York Times (James Bennet, "CLINTON AGREES TO MEET YELTSIN IN RUSSIA," Washington, 07/07/98), and the Washington Times (Paul Bedard, "CLINTON TO MEET WITH YELTSIN IN MOSCOW," 07/07/98) reported that White House spokesman P.J. Crowley said Monday that US President Bill Clinton has accepted an invitation to meet Russian President Boris Yeltsin in Russia in early September. Crowley stated, "We have a range of important issues to discuss with the Russian president, from Kosovo to the Russian economic situation." He acknowledged that the US is disappointed over the failure thus far of Russia's State Duma to ratify the START-II nuclear reduction treaty, but said that the US-Russian relationship was too important to keep on hold. He added that Clinton and Yeltsin could still work on laying the groundwork for talks on further arms cuts in a START-III treaty. The White House said that US Vice President Al Gore would meet Russian Prime Minister Sergei Kiriyenko in Moscow on July 23 and 24 to help prepare the summit agenda.

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7. Defection of Pakistani Nuclear Scientist

The Associated Press ("U.S. DOUBTS DEFECTOR'S CLAIMS ABOUT PAKISTAN'S NUCLEAR PLANS," Washington, 07/07/98) reported that an unnamed US State Department official said Tuesday that the US has strong doubts about Pakistani asylum seeker Iftikhar Khan Chaudhary's claim that Pakistani officials had discussed a pre-emptive nuclear attack on India. The official added that the department's skepticism matches the doubts of independent scientists who have interviewed Khan. He said that it is fairly clear that Khan is not who he said he was. Frank von Hippel of the Federation of American Scientists said that he and several associates interviewed Khan for an hour Monday. Von Hippel stated, "Everything was wrong. He doesn't know the most elementary facts about what a nuclear reactor is." He added, "Our guess is that he doesn't have more than a high school education." Khan responded that he has been "very tense" and did not remember enough about his physics courses to be able to respond to the questions. Khan's father recently disavowed his son's story, saying he had studied business and was not a scientist.

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8. Indian Nuclear Development

The New York Times (John F. Burns, "INDIA PROMISES TO DEVELOP NUCLEAR DETERRENT," New Delhi, 07/07/98) reported that an anonymous official from the office of the Indian prime minister said Sunday that, in upcoming talks with the US on nuclear weapons, India will insist on its right to develop a nuclear arsenal capable of giving it a "minimum deterrent" against the PRC. The official stated, "Our problem is not Pakistan. Our problem is China. We are not seeking parity with China. We don't have the resources, and we don't have the will. What we are seeking is a minimum deterrent." He added that India was also willing "eventually" to sign the Comprehensive Test Ban Treaty. The official said that India would no longer demand that the treaty be rewritten to commit all nuclear powers to a schedule for eventually eliminating their nuclear arsenals, recognizing that such rewriting was impractical as more than 140 nations already having signed the treaty. He said that India already had nuclear weapons it could use in a conflict with Pakistan or the PRC. He stated, "If you're asking me if we have a delivery system, the answer is, 'Yes, we do.'"

US State Department Spokesman James Rubin ("STATE DEPT. NOON BRIEFING, JULY 6, 1998," Washington, USIA Transcript 07/07/98) said that US Deputy Secretary of State Strobe Talbott will meet with Jaswant Singh in Frankfurt on July 9 to discuss the possibility of India joining the Comprehensive Test Ban Treaty. Rubin stated, "we hope they have come to realize the value of that, but we are not there yet by any stretch of the imagination."

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9. Indian-Pakistan No-First Use Agreement

The Associated Press ("INDIA URGES PAKISTAN TO ACCEPT NO-FIRST NUCLEAR USE PACT," New Delhi, 07/07/98) reported that Indian Prime Minister Atal Bihari Vajpayee on Tuesday called on Pakistan to accept its offer of a no-first use pact on nuclear weapons. Vajpayee stated, "If Pakistan agrees to this pact, it will be one more step in confidence-building measures between the two countries." He added that, while Pakistan Prime Minister Nawaz Sharif has referred to a similar proposal in the past, "he hasn't sent the proposal to us." The two prime ministers are scheduled to meet later this month.

II. Republic of Korea

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1. Captured DPRK Submarine

The ROK Defense Ministry announced Thursday that the nine bodies of the DPRK submarine crew will be returned home Friday through Panmunjom. The detailed procedure for the return of the bodies had yet to be revealed. The decision was made during a meeting of cultural-level officers from the UN Command and the DPRK People's Army held at Panmunjom on Friday. The DPRK delegates reportedly agreed that they would not exploit the issue for political purposes or use it for propaganda against the ROK. (Korea Times, "NINE BODIES OF NK SUB CREW TO BE RETURNED TODAY," 07/03/98)

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2. DPRK-ROK Economic Cooperation

Chong Mong-hun, chairman of the Hyundai business group, announced Thursday that the company

has been asked to build a power plant in the DPRK to supply electricity to the Pyongyang area. Chong said that Hyundai Construction has in principle agreed to shoulder the cost of the project, either on its own or as part of an international consortium, and will receive copper, magnesium, and other raw materials as payment. Hyundai mobilized a task force team, which has been working on the development of the power plant project in the DPRK since April. If it goes ahead, the project would be the first infrastructure development project in the DPRK participated in by an ROK company. (Chosun Ilbo, "HYUNDAI ASKED TO CONSTRUCT NK POWER PLANT", 07/03/98)

The ROK government is withholding approval of a visit by officials of the Hyundai Business Group to the DPRK, scheduled for early next month. The visit would be delayed until after the DPRK submarine incident is wrapped up, ROK Unification Ministry officials said Thursday. "There is no change in the government policy that economic issues will be separated from politics in terms of inter-Korean economic cooperation, and Hyundai's application will be approved," a Ministry official said. It is basically up to Hyundai to decide when it will send the remaining 501 head of cattle to the DPRK, but Hyundai will most likely consider the current public sentiments as well, he said. The initial plan was to send the cattle by the end of June, but a definite time has not yet been set, he added. (Korea Herald, "GOVERNMENT WITHHOLDS APPROVAL FOR HYUNDAI'S NORTH KOREA VISIT," 07/03/98)

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3. Development of DPRK Tourism

ROK President Kim Dae-jung instructed ROK Culture-Tourism Minister Shin Nakkyun to encourage local travel agents to develop tour packages for foreigners so that they could enjoy major tourism spots in the ROK ahead of visiting Mt. Kumkang in the DPRK. The president said that the DPRK leadership appears so be positive in opening its economy and tourist sites to the outside world, although it is quite sensitive about helping separated family members reunite. He said that, in line with his "sunshine policy" toward the DPRK, inter-Korean exchanges, including culture, tourism, and trade, would increase. However, Kim emphasized that inter-Korean exchanges will be promoted on the basis of a firm national defense and security posture. (Korea Times, "FOREIGNERS TO ENJOY TOUR PACKAGE FROM SOUTH KOREA TO MOUNT KUMKANG," 07/03/98)

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4. DPRK Infrastructure Renovation

The ROK's Transportation Development Research Institute (TDRI) said that it would cost 27 trillion won to renovate major roads and railway networks in the DPRK at the time of national reunification. 14 trillion won would be required for the rehabilitation of major roads and railway routes and the remaining 13 trillion won would be needed for subsidiary facilities linking the major arteries. The total cost breaks down to 17 trillion for railways and 10 trillion won for roads, TDRI said. This is the first full-fledged estimate of the funds necessary for the rehabilitation of transportation networks in the DPRK. The cost was calculated using 1998 prices as its benchmark. The major railway routes needing urgent rehabilitation include the Kyongui Line linking Seoul and Shinuiju via Kaesong, a route linking Kangung and Onsong via Kosong, and a route between Seoul and Wonsan via Pyongyang. (Korea Times, "WON 27 TRILLION NEEDED FOR NK ROADS, RAILWAYS RENOVATION," 07/03/98)

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5. US Troops on Korean Peninsula US Defense Secretary William Cohen told diplomats at a

conference Tuesday that US forces will remain on the Korean peninsula even after unification between the ROK and the DPRK. He added that the maintenance of security in the Asian region required the stationing of 100,000 US troops and that this policy would not be altered in the near future. (Chosun Ilbo, "US FORCES WILL REMAIN IN KOREA AFTER UNIFICATION," 07/01/98)

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6. ROK Military Spending

One or two of the ROK's three field armies may be deactivated or merged under a Defense Ministry plan to streamline the military organization. Some Army corps may also be abolished under the plan announced Friday by the ROK Minister of Defense, Chun Yong-taek. Under a five-year Defense Ministry reform effort, intelligence-related units will also be streamlined, but details were not made public due to military security. According to the plan, defense-related schools, military hospitals, and some other organizations will be merged or abolished over several years. The plan would cut some 10,000 personnel and boost savings on defense expenditures. The Defense Ministry will establish an organization, tentatively named the "Acquisition Agency," under its wing, which will be responsible for weapons procurement. Four of the eight existing committees related to weapon purchases will be eliminated. The proposal would shorten the existing 38 stage decision-making process in defense matters to 24 stages, ministry officials said. (Korea Herald, "MILITARY ORGANIZATION TO BE STREAMLINED; DEFENSE CHIEF REPORTS REFORM PLAN TO PRESIDENT," 07/04/98)

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7. ROK Financial Crisis

US treasury secretary Robert Rubin arrived in the ROK Wednesday as part of his tour of economically troubled Asian countries. He met with the chairmen of LG, SK, Hyundai and Daewoo groups and advised them that, as overseas investors are closely watching economic reform in the ROK, they should accelerate their efforts at restructuring their businesses. He also said that the US government thinks highly of the ROK president's reform drive and would do its best to support the ROK. (Chosun Ilbo, "RUBIN VISITS KOREA," 07/02/98)

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.

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[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

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

nautilus@nautilus.org