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# NAPSNet Daily Report 07 May, 1998

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### IN TODAY'S REPORT:

#### I. United States

- [1. Food Aid for DPRK](#)
- [2. Arrest of Former ROK Finance Minister](#)
- [3. US-PRC Summit](#)
- [4. PRC-Taiwan Economic Cooperation](#)

#### II. Republic of Korea

- [1. US Troops in ROK](#)
- [2. Light-Water Reactor Project](#)
- [3. Food Aid for DPRK](#)
- [4. ROK President to Visit US](#)
- [5. PRC Designates ROK Free Travel Zone](#)

### **I. United States**

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#### **1. Food Aid for DPRK**

United Press International ("HYUNDAI FOUNDER SENDS AID TO N.KOREA," Seoul, 05/07/98) reported that an ROK Unification Ministry statement said that Hyundai Group founder Chung Ju-young has sent 10,000 tons of corn to his home town of Tongchun in the DPRK. The statement said that the corn left Pusan on Thursday and will arrive Friday afternoon at Wonsan, before being shipped on to Tongchun. The ministry statement also reported that the ROK and the DPRK are still negotiating on Chung's wish to ship 1,000 cows to the DPRK and to visit his hometown on May 10. The ROK's state-run Yonhap news agency reported that the DPRK is taking a passive attitude toward allowing Chung to enter the DPRK through the truce village of Panmunjom, out of concern that approving his request could lead to a myriad of such inter-Korean visits.

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#### **2. Arrest of Former ROK Finance Minister**

Dow Jones Newswires ("SEOUL PROSECUTORS SEEK TO ARREST FORMER KOREAN FINANCE MINISTER," Seoul, 05/07/98) reported that ROK prosecutors sought an arrest warrant for former Finance Minister Kang Kyong-shik on Thursday, accusing him of worsening the ROK economic crisis by ignoring signs of Asia's financial turmoil. Kang was also accused of pressuring banks to provide preferential loans to two financially questionable companies run by a relative and a friend. As Kang is a member of the National Assembly, a court-issued arrest warrant for Kang would have to be approved by the Assembly, since members of the National Assembly enjoy immunity from prosecution while the legislature is in session. Kang would become the first person to face criminal charges following a month-long government investigation into whether officials neglected their duties in handling the financial crisis late last year. Prosecutors indicated that they may also bring criminal charges against Kim In-ho, a former presidential economic secretary, for allegedly lying to his boss about the severity of the crisis.

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### **3. US-PRC Summit**

Dow Jones Newswires ("ASIA CRISIS HIGH ON US-CHINA SUMMIT AGENDA - FORMER US ENVOY," Hong Kong, 05/07/98) reported that Winston Lord, former US Under Secretary of State for East Asia Affairs, said that the Asian economic crisis will be high on the agenda when US President Bill Clinton meets PRC leaders during his visit to the PRC in June. Lord added that Clinton and PRC President Jiang Zemin are also likely to discuss the PRC's bid to join the World Trade Organization, but that he does not expect any agreement on the issue before the summit. Lord said that both sides will use Clinton's visit to "try to build a stronger consensus in America and China for developing (the Sino-U.S.) relationship." He stated that Clinton is also expected to bring up issues of human rights, trade, and non-proliferation of nuclear weapons.

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### **4. PRC-Taiwan Economic Cooperation**

Reuters ("TAIWAN MAY TAP CHINA FOR MILLENNIUM HELP," Taipei, 05/07/98) reported that Jessy Cheng, deputy head of Taiwan's Information Service Industry Association, said on Thursday that Taiwan may need to turn to the PRC to help Taiwanese small and mid-sized firms solve the problem of the "millennium bug" in its computers. The "millennium bug" refers to the problems encountered by many older computers that read only the last two digits of a year and thus cannot distinguish 2000 from 1900. Cheng said that Taiwanese authorities must focus their efforts on critical sectors, particularly defense and aviation, to ensure their computers still work on January 1, 2000. He stated, "This could mean government authorities will have less time helping small and medium-size enterprises." He warned that solving the problem could be undermined by a shortage of programmers or system suppliers capable of finding and fixing or replacing hardware and software that is vulnerable to failure. Cheng said that Taiwan thus may need to ease employment restrictions to allow importation of computer programmers, including those from the PRC. The cabinet's Mainland Affairs Council said it would have to approve any importation of PRC programmers, but had taken no steps to do so. Cheng said that Taiwan was still trying to assess how many programmers were needed and that a decision on seeking mainland help could wait. Experts estimate that Taiwan's millennium reprogramming will cost around T\$16 billion (US\$485 million).

## **II. Republic of Korea**

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## **1. US Troops in ROK**

ROK President Kim Dae-jung said Wednesday that a withdrawal of US forces from the ROK would trigger an arms race between the PRC and Japan. He noted that the resulting military rivalry between the PRC and Japan would have a negative impact on the ROK. Kim emphasized that the presence of US forces in the ROK serves to promote peace and stability not only on the Korean Peninsula but also in Northeast Asia as a whole. He said that even after the two Koreas are unified, US forces should continue to be stationed on the Korean peninsula, adding that the US and the ROK share the same belief on the importance of US forces here. Kim called upon ROK military leaders to beef up their water-tight defense posture in a preemptive move to prevent the DPRK from harboring any misguided ideas. Only when a firm defense posture is maintained will the DPRK be unable to miscalculate. He said the DPRK will be unable to maintain the current status quo, and will eventually change and seek dialogue with the ROK. Until that time, the military should leave no stone unturned to protect the country. Without a water-tight defense posture, the ROK will be unable to overcome the current economic crisis, the Chief Executive added. (Korea Times, "PULLOUT OF US FORCES FROM KOREA WILL TRIGGER ARMS RACE BETWEEN CHINA, JAPAN," 05/07/98)

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## **2. Light-Water Reactor Project**

ROK officials said that US Secretary of State Madeleine Albright's strenuous arm-twisting diplomacy has almost settled the controversy over how the US and its allies should share the costs to build a safe nuclear power plant in the DPRK. Who should pay the remaining US\$200 million is the only question that has not yet been answered. In fact, the recent sharp depreciation of the ROK currency turned out to be favorable to the US because the total cost of building two light-water reactors in the DPRK has shrunk from US\$5.2 billion to around US\$4 billion. The US\$5.2 billion figure was estimated last year when the ROK currency's exchange rate against the dollar was 925 won, and the new estimates are based on the exchange rate of more than 1,300 won per 1 dollar. During Secretary Albright's recent visit to Japan, she succeeded in winning Japan's promise to pay US\$1 billion. Originally, Japan expressed an intention to pay 100 billion yen or US\$800 million, but changed its stance under pressure from the US. As the US\$1 billion accounts for about 25 percent of the total construction costs and the ROK promised to pay around 70 percent, the US now has a shrunken bill for the remaining 5 percent, or US\$200 million, to pay from its state coffers or by persuading its allies to make financial contributions. So far, the ROK and Japan have made it clear that they cannot shoulder more financial burdens, noting that it is the US that should raise the remaining funds. The government hopes to wrap up the prolonged burden-sharing discussion by early June, when ROK President Kim Dae-jung will make a state visit to the US. (Korea Times, "WHO SHOULD PAY \$200 MILLION FOR LWR PROJECT IN NK?", 05/06/98)

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## **3. Food Aid for DPRK**

The ROK National Red Cross notified its DPRK counterpart by cable Wednesday afternoon that it will send 10,000 tons of grain donated by Hyundai Group Owner Chung Ju-young as the third aid assistance plan. The corn will leave Pusan on Thursday and arrive at Wonsan Port on Friday, increasing the likelihood that Chung's request to visit the DPRK will be approved. Chung's visit will be made next week at the earliest. Chung has offered to bring 1,000 cows in exchange for DPRK permission to pass through Panmunjom. A government official said that the animals would be shipped through Panmunjom in two stages, and that discussions are underway in Beijing regarding the visit. He said that both sides have agreed on the cow issue, and the DPRK side has promised to

allow Chung to pass through Panmunjom if the 10,000 tons of grain are sent quickly. Chung indicated that the grain should be sent to his native town of Tongchun in Kangwon Province. (Chosun Ilbo, "CHONG-JU YOUNG SENDS 10,000 TONS OF FOOD TO NORTH," 05/07/98)

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#### **4. ROK President to Visit US**

ROK President Kim Dae-jung, who is scheduled to visit Washington early next month, is set to address two main diplomatic issues: security-related coordination by the two allies in the course of possible Korean unification, and the settlement of differences over burden-sharing to implement the 1994 nuclear deal. Regarding security issues, officials here said that a new security arrangement is in the making, adding that the two countries will have no problem in creating a set of new principles to address issues in the course of Korean unification. "However, we are a little hesitant over doing this publicly because it is highly likely that the DPRK would react negatively to the idea," he said. US Secretary of State Madeleine Albright, who visited Seoul last week, told President Kim that when he visits Washington, US officials want to discuss "various security arrangements" regarding the ROK's role in the security of Northeast Asia. Meanwhile, the ROK and the US have exhibited sharp differences over how to share costs to implement the "agreed framework," especially regarding how to fund the provision of heavy oil to the DPRK as an alternative energy source in return for the DPRK stopping the operation of graphite-moderated reactors. Although Secretary Albright made strenuous efforts to persuade Japan and the ROK to make financial contributions to the heavy oil supply during her recent visits, her efforts faced strong resistance from the allies. If KEDO's main players--the ROK, Japan, and the US--fail to reach an agreement on the cost-sharing by August, the ongoing construction work in Kumho, the DPRK, runs the risk of being brought to a halt. (Korea Times, "KIM'S US VISIT IN JUNE TO MARK CREATION OF UNIFICATION ARRANGEMENTS," 05/06/98)

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#### **5. PRC Designates ROK Free Travel Zone**

The PRC has officially notified the ROK of its decision to designate the ROK as a free travel zone for PRC tourists, lifting its restrictions on vacation visits to the ROK by citizens of that country. On April 15, the ROK government announced it would allow Chinese to make visa-free trips to Cheju-do in an effort to attract more PRC tourists to the resort island and earn foreign currency needed to alleviate the nation's current financial difficulties. (Korea Times, "BEIJING DESIGNATES KOREA FREE TRAVEL ZONE FOR CHINESE," 05/07/98)

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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The Center for International Studies,  
[Yonsei University](#), Seoul, Republic of Korea  
[The Center for Global Communications](#), Tokyo, Japan  
[Center for American Studies](#),

[Fudan University](#), Shanghai, People's Republic of China

Wade L. Huntley: [napsnet@nautilus.org](mailto:napsnet@nautilus.org)  
Berkeley, California, United States

Timothy L. Savage: [napsnet@nautilus.org](mailto:napsnet@nautilus.org)  
Berkeley, California, United States

Shin Dong-bom: [dongbom\\_shin@wisenet.co.kr](mailto:dongbom_shin@wisenet.co.kr)  
Seoul, Republic of Korea

Choi Chung-moon: [cily@star.elim.co.kr](mailto:cily@star.elim.co.kr)  
Seoul, Republic of Korea

Hiroyasu Akutsu: [akutsu@glocomnet.or.jp](mailto:akutsu@glocomnet.or.jp)  
Tokyo, Japan

Peter Razvin: [icipu@glas.apc.org](mailto:icipu@glas.apc.org)  
Moscow, Russian Federation

Chunsi Wu: [dlshen@fudan.ac.cn](mailto:dlshen@fudan.ac.cn)  
Shanghai, People's Republic of China

Dingli Shen: [dlshen@fudan.ac.cn](mailto: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](mailto:nautilus@nautilus.org)