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I. United States

1. Perry Report

Dow Jones Newswire ("PERRY'S REPORT MAY GO TO CLINTON IN JUNE: ROTH," Washington, 05/06/99) reported that Japan's Kyodo News quoted Stanley Roth, US assistant secretary of state for East Asian and Pacific affairs, as saying on Thursday that the report on DPRK policy by US policy coordinator William Perry may be presented to US President Bill Clinton at the end of May or early June. Roth told a visiting delegation of members of the Japanese ruling Liberal Democratic Party and its coalition partner, the Liberal Party, led by former Defense Agency Director General Fukushima Nukaga, that Perry was expected to complete the report after a US inspection team visits the DPRK's underground construction site on May 15-20.

2. ROK-DPRK Relations

The Associated Press (Paul Shin, "IMPROVED KOREA RELATIONS EXPECTED," Seoul, 05/07/99), Reuters ("S.KOREA PRESIDENT SEES PROGRESS IN N.KOREA TIES," Seoul, 05/07/99) and Agence France-Presse ("NEW INITIATIVES TOWARD PYONGYANG TO BRING LASTING PEACE: PRESIDENT Seoul, 05/07/99) reported that ROK President Kim Dae-jung said Friday that he expected progress this year in ROK-DPRK relations. Kim stated, "We expect epoch-making progress this year amid U.S. inspections to North Korea's suspected nuclear site in Kumchangri." Kim cited increased visits between the ROK and the DPRK as positive factors. He added, "We may even resume government-level talks with North Korea, if for example, suspicions around the nuclear site are cleared up or North Korea responds favorably to Perry's report." Kim said that his optimism was based on the DPRK's agreement to allow inspection of the Kumchangri site. Kim cautioned, however, "I have worked for unification all my life, but I think it would not be easy to achieve unification during my term as president." He also said that his government would work to establish an occasion for separated families to meet. Meanwhile, ROK Foreign Minister Hong Soon-young said Friday, "With the US presidential election and the National Assembly elections in Korea taking place next year, engagement can not wait indefinitely for results." He added, "North Korea is well advised to accept our offer while the policy has the support and patience of the domestic public in South Korea and the United States."

3. DPRK War Warnings

Agence France-Presse ("NKOREA VERBALLY ATTACKS US, SAYING WAR IS BECOMING A REALITY," Seoul, 05/07/99) reported that the DPRK on Friday warned that any preemptive strike by the US could trigger a war between the two countries. The official Korean Central News Agency quoted an analyst at the daily Rodong Sinmun as saying, "War on the Korean peninsula is not an imaginary one of the future but is becoming a reality. The DPRK and the US are technically at war. Hence any preemptive strike by the US imperialists may trigger off a total war between the DPRK and the US." The DPRK said that it will "not hesitate to resolutely counter whatever actions of the United States," and that it "will mercilessly strike at and annihilate the enemies who dare attack the DPRK."

4. DPRK Famine

Reuters (Corinne Vigniel, "N.KOREAN FAMINE VICTIMS TURN TO 'ALTERNATIVE FOOD'," Chongjin, 05/07/99) reported that a factory in the DPRK's third-largest city of Chongjin is making

noodles from 50 percent wheat, 20 percent maize cobs, 20 percent tree leaves, and 10 percent grass. David Morton, UN humanitarian coordinator for the DPRK, said during a tour of the city on Thursday, "They have very little nutritional value and are basically a stomach filler. Eating it can cause serious problems such as digestive difficulties, particularly among the children and elderly." He added, "The months of May and June are particularly serious because by now the harvest from last year had been fully distributed and there is no more left to distribute." Morton said that the World Food Program believed that the northeast was hardest hit because "They still have a lot of people living in industrial cities and where industrial cities have been affected by fuel and energy shortages, the factory workers, people working in mines ... are particularly vulnerable. So we are trying to target additional food to the areas we think are particularly affected by food shortages." Morton visited Chongjin with aid officials from the US, Australia, Denmark, the Netherlands, Norway, Sweden, and Switzerland. At a pediatric hospital in Chongjin, director Im Yong-nam said, "From January until March this year we have had some 4,200 patients with 550 of them malnourished children. In 1998, the hospital treated some 10,000 children of which 3,000 were suffering from malnutrition." He added, "It used to take 25 days for them to recover but now the treatment is longer because we have no medicine for full recovery."

5. ROK Aid for DPRK

Agence France-Presse ("SOUTH KOREAN GROUP TO SEND FERTILIZERS, BICYCLES TO HUNGRY NORTH KOREA," Seoul, 05/07/99) reported that the International Corn Foundation (ICF) said Friday that it would send 2,000 tons of fertilizers, 100 bicycles, and 40,000 tassel bags to the DPRK at the end of the month. An ICF official stated, "We have now raised 1,100 tons of fertilizers, and we need to come up with the money for the rest." He added that the group had launched fund-raising campaigns in the ROK and the US.

6. ROK Defense Procurement Scandal

The Wall Street Journal (Andy Pasztor, "FIRM ALLEGES THAT LORAL BRIBED KOREAN OFFICIALS TO SECURE A CONTRACT," Los Angeles, 05/07/99) reported that Korea Supply Co. filed a lawsuit in Los Angeles alleging that Loral Corporation bribed a pair of ROK military officials and paid an improper US\$10 million commission to help it secure an ROK radar contract in 1996. The complaint contends that Loral submitted a higher bid than the ROK company but ended up chosen to do the work for US\$270 million as a result of alleged "bribes and sexual favors."

7. PRC-Japan Chemical Weapons Cleanup

The Associated Press ("JAPAN, CHINA REACH DEAL ON CLEANUP," Tokyo, 05/07/99) reported that Japan's Kyodo News agency on Friday cited an unidentified Japanese government source as saying that Japan and the PRC plan to sign an agreement later this month on cleaning up chemical weapons left in China at the end of World War II. The accord commits Japan to supplying the funds, facilities, and personnel, but does not specify a deadline for completion.

8. PRC Reactions to NATO Bombing

The Washington Post (John Pomfret, "KOSOVO HITS CLOSE TO HOME IN CHINA," Beijing, 05/07/99, A31) reported that the PRC has recently softened its criticism of the NATO airstrikes on Yugoslavia. Unnamed Chinese sources said that the PRC's leadership reacted simplistically to NATO's attacks when they began, but are now realizing some ramifications of that response. An

unnamed senior Chinese scholar stated, "When it comes to Yugoslav policy, China is trapped between many competing interests, both within China and from the outside. The Kosovo crisis has revealed bureaucratic squabbles, contradictions in our foreign policy goals and contradictions in our internal policies. It is a troubling situation." An unnamed Western diplomat remarked, "When events in Kosovo can perhaps influence something in Kashgar, you know China is changing." The article quoted unnamed sources as saying that the PRC Communist Party has established two study groups to consider policy alternatives in Tibet and Xinjiang. A PRC official with close ties to the security apparatus stated, "We see the danger in Yugoslavia's policy. We don't want to repeat Yugoslavia's mistakes." Another official stated, "The Tibetans and Uighurs looked at our support for Yugoslavia and said, 'Do you plan to do that to us?' We realized we needed to take a closer look." The Kosovo crisis has also prompted talk in the PRC about forming a national security council modeled on the US version.

9. US Technology Transfers to PRC

The Associated Press (John Diamond, "PANEL REVIEWS CHINA SATELLITE SALES," Washington, 05/07/99), Reuters (Tabassum Zakaria, "CHINA HELPED BY U.S. SATELLITE TECHNOLOGY," Washington, 05/07/99), and the New York Times (Eric Shmitt, "PANEL FINDS HARM IN CHINA LAUNCHINGS," Washington, 05/07/99) reported that a bipartisan Senate Intelligence Committee report released on Thursday found that lax enforcement of export security provisions allowed the PRC to gain sensitive US technology through imports of US satellites. The report said that, in response to US sanctions imposed on the PRC in the aftermath of the Tiananmen Square incident, "China actively lobbied U.S. companies that they were losing valuable business opportunities because of sanctions and government restrictions." It promised that access to the PRC market in telecommunications services and equipment "would be available to companies willing to cooperate." The report also found that decisions easing export rules by both US presidents Bill Clinton and George Bush "emphasized commercial interests over national security." The panel said that it found no evidence that the PRC has incorporated technology gained from US contractors into its current missile force, but revenue from US companies buying PRC launch services funded improvements in PRC rockets which were virtually interchangeable for military or commercial purposes.

10. Russian Nuclear Development

The London Daily Telegraph (Nick Holdsworth, "RUSSIA PLANS MINI-NUCLEAR BOMBS, Moscow, 05/07/99) reported that the Russian Atomic Energy Ministry is developing missiles which can strike battlefield targets with low-yield nuclear warheads. Viktor Mikhailov, the Atomic Energy Minister, said that Russia needs to regain its superpower status without bankrupting the economy. He said that missiles armed with low-yield warheads could be used to knock out tanks, divisional headquarters and other targets. He stated, "Pinpoint nuclear attacks won't start a global nuclear war." Pavel Felgenhauer, a Moscow-based defense expert, said that NATO expansion and the bombing of Yugoslavia had gained official sanction for the project.

II. Republic of Korea

1. Inspection of DPRK Underground Site

The Korea Herald ("U.S. TEAM TO BEGIN INSPECTING SUSPECTED SITE IN N.K. MAY 18," Seoul, 05/07/99) reported that ROK officials announced that about 15 US governmental and private nuclear

experts will begin the inspection of the underground construction site in the DPRK on May 18. "The US inspection team is expected to stay in the North for an unspecified number of days examining the site at Kumchangri," they said.

2. ROK Policy towards DPRK

Chosun Ilbo (Joon-ho Hong, "NK RESPONSE URGED BY YEAR'S END," Seoul, 05/07/99) and the Korea Times (Key-young Son, "HONG URGES NK TO ACCEPT ENGAGEMENT POLICY," Seoul, 05/07/99) reported that at an international meeting on Friday, ROK Foreign and Trade Affairs Minister Hong Soon-young urged the DPRK to respond to President Kim Dae-jung's sunshine policy by the end of this year. "With the US presidential election and the National Assembly elections in Korea taking place next year, engagement cannot wait indefinitely for results," Hong said in a keynote speech at a dinner marking the opening of the 27th Williamsburg Conference on the southern resort island of Cheju. With regard to the criticism that the engagement policy is a one-way street that precludes the need for any reciprocal steps from the DPRK, Hong said there is no such thing as one-way flow in international relations. In addition, Hong said that to encourage the DPRK to accept the engagement policy, the ROK and the US are ready to make an offer that the DPRK will find attractive. However, Hong also said that he does not know how the DPRK will react to the offer. "It is highly distrustful of the outside world, and it fears that openness would be destabilizing. With 'sunshine,' it could be fearing a meltdown or assimilation," he said. Hong made it clear that the ROK has no plans to undermine or absorb the DPRK.

Joongang Ilbo (Shangbok Shin, "DRASTIC IMPROVEMENT EXPECTED IN INTER-KOREAN RELATIONS THIS YEAR," Seoul, 05/07/99) and the Korea Times (Chang-sup Lee, "KIM EXPECTS DRASTIC IMPROVEMENT IN INTER-KOREAN RELATIONS THIS YEAR," Seoul, 05/07/99) reported that ROK President Kim Dae-jung told a group of foreign correspondents on Thursday that he expects a drastic improvement in inter-Korean relations this year. In a luncheon meeting with 130 foreign journalists at Chong Wa Dae, Kim said, "I will map out all measures with caution in the expectation that there will be a drastic improvement in inter-Korean relations this year." Kim anticipated the easing of ROK-DPRK tension after the US inspection team returns from inspecting the alleged underground nuclear storage facility in Kumchangri and after the "Perry Report" is publicized. When pressed to give details of the predicted "dramatic improvement," Kim said he was unable to give specifics, but suggested that it may include the resumption of dialogue between the ROK and the DPRK and the holding of economic cooperation conferences.

3. Inter-Korean Soccer Match

The Korea Herald (Ji-ho Kim, "INTER-KOREAN WORKERS' SOCCER MATCH TO FACILITATE PRIVATE-LEVEL EXCHANGES," Seoul, 05/07/99) reported that the soccer match between ROK and DPRK workers is expected to reinvigorate exchanges in the private sector while drastically improving the overall relationship between the two Koreas. A statement issued by the Korean Confederation of Trade Unions (KCTU) said, "We hope that it will be the initial step toward creating solidarity between workers of South and North Korea, while bringing the two divided halves of the peninsula closer to reunification." Government officials welcomed the agreement on the unprecedented sports event and said that it could be seen as a positive change toward reconciliation by the DPRK, as long as the event is not driven by the communist government's political motives. "If it is a pure sporting event, there is no reason for us to disapprove it. Rather, we will actively support it to further inter-Korean cooperation and help a permanent peace regime settle on the peninsula," said an unnamed official at the Unification Ministry. A state-run DPRK news agency reported Thursday that an agreement had been reached between the two labor groups. "The representatives

of our GFTUK (General Federation of Trade Unions of Korea) and the South's KCTU held talks last Sunday in Pyongyang and agreed to stage a North-South workers' soccer game for reunification," the Korea Central News Agency said, adding that it considered the event a meaningful step toward reunification based on the DPRK's principles.

4. Japanese Normalization with DPRK

The Korea Herald (Kwan-woo Jun, "SEOUL URGES TOKYO TO COMPENSATE PYONGYANG FOR COLONIAL RULE OF KOREA," Seoul, 05/07/99) reported that ROK President Kim Dae-jung urged Japan to compensate the DPRK for its past colonial rule of Korea to smooth the way for talks to normalize relations. "We must help North Korea normalize its ties with the outside world through such measures as Japan's reparations for its colonial rule of Korea," Kim said in a recent interview with the French newspaper *Le Monde*. In Wednesday's edition of the newspaper, Kim said that such a call is also in keeping with ROK's engagement policy with the DPRK as well as with dismantling the "Cold-War structure" on the Korean Peninsula. It was the first time that an ROK President had publicly and directly called on Japan to make compensation to the DPRK. "In return, North Korea should stop developing its nuclear weapons and producing missiles," Kim said. According to ROK government officials, wide gaps exist in perceiving the issue between the DPRK and the Japanese government. "While Pyongyang sought for post-war damages, Tokyo sought for compensation," a ministry official said. He said that the DPRK's stance is based on the argument that it waged a war against Japan's "illegal" occupation of Korea, while Japan's position is based on the belief that the colonial rule was "legal" under an international treaty. Officials said that without progress in settling the issue, it would be impossible for Japan and the DPRK to normalize their relations. ROK officials said that Japan already asked US DPRK policy coordinator William Perry to persuade the DPRK to get back to negotiations on the issue when he visits the DPRK later this month. "Tokyo's request was faithfully taken into consideration when it joined a policy consultation meeting with Seoul and Washington in Hawaii late last month," a ministry official said.

5. DPRK-Japan Relations

Chosun Ilbo (Jun Lee, "TOKYO TO RESUME NK CHARTER FLIGHTS," Tokyo, 05/07/99) reported that according to the Japanese newspaper *Yomiuri Shinbun*, the Japanese government is planning to allow the Japan-DPRK charter-flight route, currently suspended since last August, to resume. *Yomiuri* said that the decision was made in order to promote a good atmosphere prior to a visit to the DPRK by a delegation of Diet members, including former Prime Minister Murayama. The charter routes to the DPRK are between the two Japanese airports of Nagoya and Niigata and Pyongyang and have been in service since 1992. The former Japanese Prime Minister plans to visit the DPRK at the end of this month, if possible. However, a meeting with DPRK leader Kim Jong-il is still uncertain.

6. ROK Foreign Minister's US Visit

The Korea Times ("HONG TO VISIT US FOR TALKS ON PERRY'S TRIP," Seoul, 05/07/99) reported that ROK Foreign Affairs and Trade Minister Hong Soon-young will make a five-day visit to the US from May 13. He will visit the US to hold talks with US officials about the message that the US is set to deliver to the DPRK late this month on its "comprehensive" approach to inter-Korean relations. During his stay in the US, Hong is scheduled to meet with Secretary of State Madeleine Albright on May 17 and other key State Department officials and congressional leaders. He will also hold talks with Defense Secretary William Cohen and senior White House officials. According to a foreign

ministry official, it is not yet certain whether Hong will meet with former US defense secretary William Perry. In the event that Perry-Hong meeting do not take place, Hong is set to meet Wendy Sherman, counselor to the State Department, who is playing a crucial role in authoring Perry's review on US DPRK policies.

7. Financing for Light Water Reactors

Chosun Ilbo (Jong-rok Shin, "BOND TO BE ISSUED TO FINANCE NK REACTORS," Seoul, 05/07/99) reported that the ROK government and the ruling coalition decided Friday to issue 330 billion won in government bonds to cover the contribution to the construction of light-water nuclear reactors in the DPRK expected from Seoul this year. As the bond issuance will take time to coordinate, the funds from the government's DPRK-ROK cooperation budget will be used to bridge the time gap. The government said that it would scrap the bond issuance and instead impose a 3 percent surcharge on electricity bills if recovery of the ROK economy picks up. The government's share of the construction cost is estimated to total of 3.5 trillion won.

8. Alleged DPRK Manufacturing of Drugs

Joongang Ilbo (Jooan Kang, "NK BECOMES ONE OF THE LARGEST NARCOTICS PRODUCERS," Seoul, 05/07/99) reported that the DPRK reportedly has become the third biggest opium-producing country, following Myanmar and Afghanistan. An unnamed intelligence officer said on May 7, "We received secret information that NK has been growing poppy plants since the 1980's, and now the area under cultivation reaches 20.8 million pyong (68.8 million square meters)." Although the rise in opium production is a serious concern, the DPRK government's shift to another drug is potentially a far greater concern. Production levels of philipon, a synthetic drug similar to 'speed' or methamphetamine, have risen after the loss of cultivated land due to heavy flooding in 1995. The official said, "NK appeared as the driving force behind Japan's US\$40 billion philopon market.... I heard that the Japanese Coast Guard seized 100 kilograms of philopon last April from a cargo boat that had passed through NK." In addition, the official said that last year, the UN's anti-drug program discovered that a DPRK company imported 50 tons of ephedrine, the main component in philopon, but also found in various cold remedies. The US State Department reportedly stated that it will seek effective measures to deal with the DPRK's state-sponsored drug trafficking, as it now has conclusive proof of the DPRK's participation in the international narcotics market.

III. Japan

1. DPRK Energy Experts' Visit to US

The Asahi Shimbun ("DPRK ENERGY EXPERTS VISIT TO US," 05/05/99) reported that the California-based think tank Nautilus Institute announced on May 4 that five DPRK agricultural energy experts visited the US for nearly two weeks to be briefed on renewable technology, including solar energy and hydro-electric energy. According to the Nautilus Institute, this was the very first opportunity of academic exchange between DPRK and US experts of this field.

2. Japan-DPRK Relations

The Yomiuri Shimbun ("JAPAN TO RESUME CHARTERED AIRCRAFT TO DPRK," 05/07/99) reported that the Japanese government decided on May 6 to resume chartered flights between Japan and the

DPRK that had been frozen by the Japanese government in the wake of the DPRK's launch of a ballistic missile over Japan. The resumption will likely take place at the time of a Japanese delegation led by former Japanese Prime Minister Tomiichi Murayama to the DPRK, slated for after the disclosure of a report on US policy toward the DPRK by former US Defense Secretary William Perry. If the resumption really takes place, all the sanctions Japan imposed on the DPRK as countermeasures against the DPRK's missile launch, including the resumption of financial contribution to the Korean Peninsula Energy Development Organization on May 3, will be lifted. By lifting all these sanctions, the Japanese government aims to draw compromises from the DPRK on the issues of the DPRK's alleged abduction of Japanese civilians and missile development, according to the report.

3. Japanese-US Summit Meeting

The Sankei Shimbun ("US REMAINS CAUTIOUS ON SIX PARTY TALKS PROPOSAL," 05/05/99) reported that during the Japanese-US summit meeting, disagreements between the two countries on policy toward the DPRK became clear. Regarding the proposal for six-party talks put forward by visiting Japanese Prime Minister Keizo Obuchi, US President Bill Clinton only said, "I understand," suggesting his reluctance about such a proposal. According to the report, this reaction blocked Japan's initial intention to propose Japan's involvement in the US-DPRK missile talks. Although the US Administration fears that a shift in its policy of bilateral talks with the DPRK may invite the DPRK's opposition, both in Japan and even within the US State Department there is much support for Japan's involvement in the US-DPRK missile talks, according to the report.

4. PRC Reaction to Japan-US Security Cooperation

The Asahi Shimbun ("PRC FOREIGN MINISTER CONCERNS GUIDELINES AND TMD," 05/05/99) reported that PRC Foreign Minister Tang Jiaxuan said to visiting Japanese Democratic Party leader Naoto Kan on May 4, "We hear many times from Japan about the Guidelines for Japan-US Defense Cooperation, but our concern has not been eliminated. We are carefully watching how far Japan's military role will develop.... The Japanese government has not been clear on whether the scope of the areas in the Guidelines covers Taiwan. The scope seems to be expanding. If the Japanese Ambassador denies the inclusion of Taiwan in the scope, then the problem will be solved." As for the theater missile defense (TMD) initiative, Tang said, "(It) may invite a new arms race in the Asia-Pacific region, I am afraid." In response, Kan said, "The Guidelines are not focused on the PRC. TMD aims to deter the DPRK. We are not inviting Taiwan into the initiative." Kan added, "(As for Japan's security policy, Japan is caught between US demands and PRC concerns." He also proposed security talks among the PRC and other Asian countries.

5. Japanese Aid to PRC

The Sankei Shimbun ("JAPAN TO SHRINK ODA FOR PRC," 05/07/99) reported that after meeting with PRC officials in the PRC, Japanese politician Deputy Foreign Minister Nobutaka Machimura told reporters that it would be essential to reduce and rearrange Japan's official development aid to the PRC, which has amounted to 200 billion yen annually.

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[International Policy Studies Institute](#) Seoul, Republic of Korea
[The Center for Global Communications](#), Tokyo, Japan
[Center for American Studies](#),
[Fudan University](#), Shanghai, People's Republic of China

Timothy L. Savage: napsnet@nautilus.org
Berkeley, California, United States

Wade L. Huntley: napsnet@nautilus.org
Berkeley, California, United States

Lee Dong-young: UNPOL@netsgo.com
Seoul, Republic of Korea

Hiroyasu Akutsu: akutsu@glomnet.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
2342 Shattuck Ave. #300, Berkeley, CA 94704 | Phone: (510) 423-0372 | Email:
nautilus@nautilus.org