NAPSNet Daily Report 09 June, 1998

Recommended Citation

"NAPSNet Daily Report 09 June, 1998", NAPSNet Daily Report, June 09, 1998, https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-09-june-1998/

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I. United States

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1. US Sanctions against DPRK

Reuters (George Lerner, "KIM URGES U.S. TO EASE SANCTIONS ON N. KOREA," New York, 06/09/98) and the Washington Times (Betsy Pisik, "KIM PROPOSES AN APPROACH TO NORTH KOREA," New York, 06/09/98) reported that ROK President Kim Dae-jung on Monday, at a luncheon sponsored by the Council on Foreign Relations, urged the US to ease sanctions against the DPRK to

reduce tension on the Korean peninsula. Kim stated, "By easing the sanctions, the United States would be giving encouragement to the moderates in North Korea. If you push them into a corner too hard, then they'll become more hardline, more bellicose." Regarding ROK policy toward the DPRK, Kim stated, "Based on the principle of separating political issues from economic concerns, we are promoting economic cooperation with the North at the private sector level even though dialogue at the political level is not going so well." Kim also said that he did not favor rapid reunification because, among other reasons, the ROK could not afford it at the current time.

United Press International ("U.S. WANTS MORE FROM NORTH KOREA," Washington, 06/09/98) reported that White House press secretary Mike McCurry said Tuesday that US President Bill Clinton looks forward to discussing visiting ROK President Kim Dae-jung's proposal for ending sanctions on the DPRK. However, McCurry stated, "We need to see a lot more before we think of setting aside those implements and tools available to help bring about the type of peaceful reconciliation we seek." McCurry added that Clinton was not inclined to call off sanctions altogether, saying, "We still consider this a regime that has not fully committed itself to a peaceful resolution of the disagreements that exist on the Korean peninsula." He concluded, "because we cooperate so closely with our close friend and ally, the Republic of Korea, we will be very interested in what this new government and this new president suggest with respect to the future of diplomatic efforts to bring about reconciliation on the Korean peninsula."

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING, JUNE 8, 1998," Washington, USIA Transcript, 06/08/98) said that, in the context of implementation of the agreed framework, the US will be moving towards greater bilateral contact and relations with the DPRK. He added that the US will "look with interest" at what ROK President Kim Dae-jung might have in mind regarding easing of sanctions.

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2. Implementation of Agreed Framework

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING, JUNE 8, 1998," Washington, USIA Transcript, 06/08/98) said that the Clinton administration is working with Congress and "other interested parties around the world" to ensure that the fuel oil promised to the DPRK under the agreed framework is sent according to schedule. He added, "the United States is going to live up to its part of the bargain, and the North Koreans should do nothing to act in any way in contravention with the 1994 agreed framework." He said that he expects the issue to come up during discussions between US President Bill Clinton and ROK President Kim Dae-jung. Rubin said that, as a technical matter, the International Atomic Energy Agency believes the freeze on the operation of the DPRK nuclear reactor at Yongbyon is still in place. He added, "As a policy matter, however, we are concerned about some of the rhetoric coming out of North Korea, suggesting that they will be looking for excuses not to follow through with this agreement. We do not want to see that happen, and we are going to be working to make sure that the North Koreans understand that we are going to do what we need to do to get the heavy fuel oil provided, and they should not be looking for reasons to not follow through with the agreement." He also said that US Deputy Assistant Secretary Charles Kartman on Saturday met in New York with his DPRK counterpart.

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3. Kim Dae-jung's US Visit

The Associated Press (George Gedda, "SOUTH KOREAN LEADER RETURNS TO U.S.," Washington, 06/09/98) and United Press International ("KIM THANKS U.S. FOR HELP OVER YEARS,"

Washington, 06/09/98) reported that US President Bill Clinton welcomed ROK President Kim Dae-jung at a formal ceremony on the White House South lawn on Tuesday. Clinton promised more US trade and investment to help stimulate the ROK economy, saying, "The American people, including more than 1 million Korean- Americans ... stand with you." Kim responded that he hoped his meeting with Clinton would yield "a higher level of partnership, a higher friendship sharing the ideals of democracy and free-market economy." He also said he plans to discuss with Clinton his proposals for promoting reconciliation with the DPRK, but insisted ROK actions in this regard would be coordinated with US interests.

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4. Military Armistice Commission

The Associated Press (George Gedda, "SOUTH KOREAN LEADER RETURNS TO U.S.," Washington, 06/09/98) reported that an anonymous senior US Forces-Korea official said that the DPRK has agreed to a meeting of senior military officers next Monday at Panmunjom as part. The meeting would be the first of the Military Armistice Commission since 1991. He also said that DPRK leader Kim Jong-il remains firmly in control of the DPRK military.

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5. 2002 World Cup

The Associated Press (Larry Siddons, "KOREAS MAY UNITE FOR 2002 OLYMPICS [sic]," Paris, 06/09/98) reported that Park Seh-jik, chairman of the ROK organizing committee for the 2002 World Cup, said Tuesday that he would explore the possibility of holding some of the World Cup games in the DPRK. Park stated, "The Korean people are very anxious to have the games both north and south.... This would affirm an atmosphere of peace." He also said that there was a chance of having a single, united Korean team in 2002. Pointing to the failure of a similar proposal for the 1988 Olympics, Park stated, "The situations in 1988 and now are quite different. The tensions are very much reduced. We are looking for a positive answer from North Korea." Choi Pyong-joo, vice president of the DPRK's soccer association, stated, "We are not in a stage to discuss details yet, but in principle, it is very desirable to form a single team and for North Korea to hold some games." In Seoul, soccer officials said that the government had approved contacting the DPRK about World Cup matters, adding that more general sports exchanges might also be discussed at such meetings.

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6. Taiwan Military Development

The Associated Press (TAIWAN TO INAUGURATE ELECTRONIC WARFARE FLIGHT WING FORCE," Taipei, 06/09/98) reported that Tang Ting, deputy chief of planning of the Taiwan Air Force, said Tuesday that the air force in July will inaugurate a flight wing dedicated to electronic warfare. Last month, Taiwan Defense Minister Chiang Chung-ling told legislators that the PRC could disrupt Taiwan's communications during a conflict and win control of the electronic battlefield over the Taiwan Strait. He said that major PRC military units are capable of electronic surveillance and interference, while its air force has more than 10 electronic warfare planes and navy vessels have also been outfitted for such missions. Meanwhile, the United Evening News reported that the air force this year received a second Lockheed C- 130H converted to C-130HE electronic warfare specifications. It said that another of the converted planes is likely to be added to the wing. Newspapers have also reported that Taiwan plans to further upgrade the planes' signal interception and jamming capabilities.

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7. PRC-US Military Cooperation

Reuters ("CHINA SAYS INVITED BY U.S. TO OBSERVE WAR GAMES," Beijing, 06/09/98) reported that PRC foreign ministry spokesman Zhu Bangzao said on Tuesday that the US has invited a PRC army delegation to observe military exercises in Hawaii and Alaska in mid-July. Zhu stated, "The U.S. military has invited the Chinese military to send a delegation to observe naval military exercises around the Pacific Ocean and confrontational airforce exercises in Honolulu and Alaska, respectively. Both sides are still discussing this matter." He added that the exercises would be attended by representatives from several different countries.

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8. Alleged Missile Technology Transfer to PRC

Reuters ("CHINA SAYS INVITED BY U.S. TO OBSERVE WAR GAMES," Beijing, 06/09/98) reported that PRC foreign ministry spokesman Zhu Bangzao said on Tuesday that PRC-US cooperation in satellite launches is completely in line with international norms and constitutes normal commercial activity. Zhu stated, "There is no question of China gaining U.S. missile technology through rocket-launching services."

The Los Angeles Times carried an opinion article (Robert Scheer, "GOP'S CHINA CARD IS A RED JOKER,"06/09/98) which argued that US technology transfers have not had a significant effect on the PRC's ability to target its nuclear missiles. The author pointed to an article by former national security advisor Brent Scowcroft and former undersecretary of state Arnold R. Kanter in last week's Washington Times which said that the PRC government never requested information or other assistance from the US government to improve the space boosters used to launch satellites. He quoted them as saying, "What is even more clear is that in 1996 the U.S. government did not provide, or approve Loral and Hughes providing, information which would improve Chinese space launch or missile capabilities."

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9. Alleged PRC Missile Sales to Pakistan

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING, JUNE 8, 1998," Washington, USIA Transcript, 06/08/98) said that the US Government has not determined that Pakistan has received M-11 missiles from the PRC. He stated, "We're watching these issues very closely, but as a government, we have not made that determination." He added, "Whether it's on missiles, on the Non-Proliferation Treaty and nuclear weapons, whether it's chemical weapons, whether it's a whole series of detailed negotiations related to technology transfer, the Chinese Government today behaves in a way that would have been unthinkable ten years ago, for those who were studying the proliferation issue." He stated that, "if you look at the panoply of issues ... there has been a broad-based policy decision by the Chinese to change their behavior and that has redound to the advantage of the security of the United States." While he admitted that the PRC "needs a lot of experience in export controls that will prevent problems from happening," Rubin concluded, "to go from a situation where no export controls were promulgated and, in fact, their transfers were defended to some of the most dangerous countries in the world to a situation where those transfers are rejected, export controls are promulgated but there are problems in the implementation, is a massive change in behavior."

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10. South Asian Nuclear Arms Race

The Associated Press ("PAKISTAN NEEDS 60+ WARHEADS FOR INDIA DETERRENT -JANE'S," 06/09/98) reported that Jane's Defense Weekly said Tuesday that Pakistani scientists believe the country needs between 60 and 70 nuclear warheads to achieve a credible deterrent capability against India. Samar Mubrik, the head of Pakistan's National Development Complex, was quoted by Jane's as saying that the research center was working on two new ballistic missile systems capable of carrying nuclear warheads. He also said that the complex has started serial production of the 440-mile range Shaheen I missile and is ready for its first test, "any time if the government gives us a go ahead." He added that the Shaheen II, with a range of 1,250 miles, will be ready for testing within a year.

The Associated Press ("INDIA FILLS 'ASIAN VACUUM' AS NUCLEAR STATE - MINISTER," United Nations, 06/09/98) reported that Jaswant Singh, Indian planning chief, said Tuesday that India tested nuclear weapons because the collapse of the Soviet Union changed the balance of power in Asia and left India outside the system of global nuclear umbrellas. Singh stated, "The nuclear security paradigm is really a club which extends from Vancouver to Vladivostok." He added that the collapse of the Soviet Union had led to a "disequilibrium" in the nuclear balance in Asia in which the PRC was the only nuclear state in the region. He argued, "Large parts of the world today enjoy the benefit of the extended deterrence of nuclear weapons powers. Missing in the flood of comment on India's decision to test nuclear weapons ... are informed assessments of India's own security predicament." Singh accused the declared nuclear states of violating the spirit of the nonproliferation agreement by secretly using "nuclear technology as commodities," and called on them to move toward global nuclear disarmament.

II. Republic of Korea

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1. US Sanctions against DPRK

ROK President Kim Dae-jung officially confirmed the widely reported story that in principle he has no objection to unilateral improvements in relations between the US and the DPRK. In a speech to the Council for Foreign Relations on Monday, Kim stated that in spite of this there should be close cooperation with the ROK to ensure that the DPRK does not misjudge the US-ROK alliance. Kim also noted that issues between the DPRK and the ROK should be dealt with by the two and that he intends to push for exchanges in tourism and manufacturing, as well as social and cultural visits. The ROK is to play a central role in the KEDO project to provide nuclear power to the DPRK, but the US needs to take into account the ROK's economic situation. (Chosun Ilbo, "KIM STATES NO OBJECTION TO IMPROVED US-NK RELATIONS," 06/09/98)

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2. ROK Energy Aid to DPRK

The newly appointed Korean Electric Power Corporation (KEPCO) president, Chang Young-shik, announced Monday that the company is studying the exchange of power supply with the DPRK and that this would be possible within a year, providing the two countries' governments reach an agreement. Chang said that KEPCO employees were readying the field work for such an exchange,

which includes reconnecting power lines cut in 1948 and the installation of automatic shut-off systems. With the exception of one hundred hours during summer when demand in the ROK peaks, the company could supply electricity to the DPRK all year round. (Chosun Ilbo, "KEPCO STUDIES ELECTRICAL SUPPLY TO NORTH," 06/09/98)

III. Analysis

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1. Funding for Light-Water Reactor Project

[Ed. note: The following essay is by David G. Brown, Senior Associate at the Asia Pacific Policy Center in Washington, DC. It was originally distributed by Pacific Forum as PacNet 23 on June 5, 1998.

"Sharing Non-Proliferation Costs in Korea" by David G. Brown

Serious funding problems facing the Korea Peninsula Energy Development Organization (KEDO) jeopardize important U.S. interests and risk reopening the North Korean nuclear issue.

U.S. non-proliferation policy has been remarkably successful with respect to North Korea. The Agreed Framework of October 1994 moved the Peninsula, and the U.S., back from the brink of conflict. The proliferation-prone reactor and related facilities at Nyongbyon remain shut down under IAEA monitoring. The irradiated fuel from the reactor, except for debris in the spent fuel pond, has been placed in canisters pending eventual shipment out of North Korea. Pyongyang has abided by these crucial commitments. The North Korean challenge to the global non-proliferation regime has been contained.

KEDO's negotiations with Pyongyang and its preparatory work for the construction of light water reactors (LWR) in North Korea have created a promising new mechanism for contact and cooperation between North and South Korea. Some 100 South Korean technicians have been working on the project in North Korea for over half a year. Once construction begins that number will swell to over a thousand, and North Korean technicians will come to South Korea for training, making the LWR project the most significant inter-Korean endeavor.

However, these accomplishments and the potential for reduced tension and cooperation are now at risk because of KEDO's two inter-related funding problems. The main KEDO parties, the U.S. South Korea and Japan, have not yet fully resolved how to pay for the LWR construction. However, it is the relatively small sums ($60-65 million) needed annually to provide heavy fuel oil to North Korea pending completion of the reactors that is moving Korea back toward crisis.

In May, North Korea went public with its complaints about KEDO's failure to maintain the regular supply of fuel oil. Pyongyang threatened that it reserved the right and had the capability to resume its nuclear program if the U.S. did not meet its commitments. To underline the point, Pyongyang took the modest step of halting further work on cleaning up the spent fuel debris. North Korean officials also made vague comments about reopening the reactor. The tone did not seem that of past North Korean brinkmanship, but rather of a wake-up call to an inattentive political leadership in Washington.

The Agreed Framework was negotiated by the U.S. and the U.S. undertook, in a presidential letter to Kim Jung Il, to ensure its implementation, with the usual caveat about acting in accord with our constitutional procedures. Since the Agreed Framework benefits not just the U.S. but the region, it

is only reasonable that the costs be shared. That sharing was agreed in 1994, but clearly needs to be reconfirmed.

When President Kim Dae-Jung visits Washington next week, he is expected to confirm, and it is important that he do so clearly, South Korea's intention, despite its current financial difficulties, to fund 70 percent, or $3.5 billion of the currently estimated $5.2 billion LWR costs. Japan has said that it will provide $1 billion toward LWR costs. Although Japan also committed to help with heavy fuel oil costs, its only contribution has been a $19 million loan, which Tokyo now wants returned. The key U.S. financial undertaking was responsibility for arranging the heavy fuel funding.

Congress has gradually increased the U.S. contribution so that the U.S. is covering about $30 million of the annual heavy fuel oil costs. The EU is providing about $16 million; Australia, Canada, New Zealand and others, about $5 million. This leaves the program still under funded as well as in debt to the tune of $48 million at the end of last year for earlier shipments.

If Seoul and Tokyo confirm their willingness to take on the much larger LWR costs, Washington should step up to the plate and offer to increase its heavy fuel oil contribution sufficiently to ensure the program is fully funded each year and that the back debt is paid off. Rather than take this responsible position, differences between the Administration and Congress have reduced Washington to urging Seoul and Tokyo not only to shoulder the larger LWR costs but to share in paying for heavy fuel oil. This nickel and dime approach to a crucial foreign policy interest is inappropriate for a great power; it is putting at risk the benefits won through laudable American leadership.

The U.S. has a major stake in stability on the Korean Peninsula and in containing the North Korean nuclear program and the challenge it represents to the non-proliferation regime. The costs of the collapse of the Agreed Framework, which would run to billions spent on military responses to increased tensions in Korea, dwarf the few millions needed to meet the U.S. fuel oil commitment. At the time of KEDO's inception in 1994, the U.S. ran a $150 billion budget deficit. Today with an anticipated budget surplus, we can afford the sums needed to keep this successful policy on track. It is time for Congress and the Administration to put aside differences, live up to our responsibilities as a great power, and commit adequate resources. We have difficulty persuading others to contribute to KEDO in part because our own contributions have not been commensurate with the interests we have correctly argued are at stake.

Looking further ahead, U.S. interests also warrant a contribution to the LWR project. Congress has consistently resisted this, but there are signs congressional opinion may be shifting toward support for a modest annual contribution of perhaps $10 million for safety related aspects of the project. This would be a positive step. Experts estimate that U.S. firms are likely to get at least $200-300 million in contracts and royalties from the project. Contributing less than that will leave the U.S. looking as though it is profiting from other peoples' funding of a deal negotiated by the U.S.

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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 in partnership with:

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