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I. United States

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1. DPRK Drug Imports

Hong Kong's South China Morning Post (Greg Torode, "NORTH KOREA ROW ERUPTS OVER UN-APPROVED CONSIGNMENT OF DRUG," Bangkok, 02/05/98) reported that authorities at Bangkok's Don Maung airport seized 2.5 ton of the drug ephedrine on Friday as it was being loaded from a plane from India on to an Air Koryo flight destined for Pyongyang via Macau. The DPRK demanded that the drug be released and sent on as soon as possible, saying that the UN International Narcotics Control Board in Vienna has approved it for legitimate medicinal use. Thai authorities said that the transit of ephedrine, which can be used to make the narcotic methamphetamine, through Thailand is prohibited. Chartichai Suthiklom, director of law enforcement at the Thai Narcotics Control Board, stated, "We have no intention of releasing the shipment at the moment and our investigations are continuing." International Narcotics Control Board secretary Herbert Schaepe said he was aware of "rumors and speculation," but was satisfied that the DPRK had legitimate intentions. He added that the ROK, the PRC, and the US all used far larger amounts of ephedrine. He said that the DPRK had asked for three years' supply to be shipped at one time. The shipment is worth an estimated US$200,000 and is the first for two years.

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2. ROK Financial Crisis

The New York Times (Stephanie Storm, "IN KOREA, DOMESTIC LOANS SAID TO BE SERIOUS PROBLEM," Seoul, 02/10/98) reported that, according to analysts, while ROK banks owe US$153 billion to foreign banks, ROK companies' domestic debt exceeds US$300 billion at current exchange rates. Between 50 percent and 75 percent of domestic debt is short term. Karl Moskowitz, representative director of the consulting firm KSA Ltd., stated, "The question is whether the pace of bankruptcies will reach critical mass and set off a detonation in the financial system. The domestic debt problem could lead to the same financial paralysis we had last December, but this one will be much more difficult to solve."

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3. ROK Layoff Bill

Reuters ("SOUTH KOREA UNIONS REJECT LAYOFF PACT, VOTE FOR NATIONWIDE STRIKE," Seoul, 02/09/98) reported that Chung Sung-hee, a senior official of the ROK's Korean Confederation of Trade Unions (KCTU), said that the union voted Tuesday to begin a nationwide strike Friday unless a pact allowing for layoffs is renegotiated. Chung stated, "We demand that the labor agreement be renegotiated to strengthen reform of the conglomerates and we oppose layoffs. Unless our demands are met we will wage an all-out strike." KCTU represents 550,000 workers. Meanwhile, ROK media reported on Tuesday the labor legislation was stuck in an assembly committee after the majority Grand National Party (GNP) refused to attend a session where it was to be debated. The GNP reportedly objected to a provision in the agreement allowing for the establishment of a teachers' union and labor participation in political activities.

II. Republic of Korea

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1. Four-Party Peace Talks

ROK and US officials will meet in Honolulu on February 15 for consultations on the second round of four-way peace talks, scheduled to be held in Geneva on March 16. ROK Deputy Foreign Minister Song Young-shik said on February 9 that during the three-day consultative meeting, the two sides will discuss measures to achieve progress in the peace talks. Song will lead the ROK delegation to the meeting. Charles Kartman, deputy assistant secretary of state for East Asian and Pacific affairs, will lead the US delegation. (Korea Herald, "KOREA, US TO DISCUSS 4-WAY TALKS NEXT WEEK," 02/10/98)

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2. Light-Water Reactor Project

The Asian Wall Street Journal carried an opinion article on February 10 by Henry Sokolski, executive director of the Nonproliferation Policy Education Center in Washington, which argued that the light-water nuclear reactor project for the DPRK, being implemented by the Korean Peninsula Energy Development Organization (KEDO), is not a viable option. Citing the recent economic woes of states involved such as the ROK and Japan, the article advocated that the nuclear reactor project be scrapped and replaced by a fossil fuel power plant scheme. (The Korea Economic Daily, Hitel

internet BBS news flash, "KEDO PROGRAM NOT VIABLE," 02/10/98)

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3. PRC-DPRK Relations

The United States Institute of Peace (USIP) reported on February 9 that PRC authorities have acknowledged the possibilities of an abrupt collapse of the DPRK. According to the report, the PRC authorities do not perceive any immediate threats against the DPRK despite recent continuation of famine. However, the authorities do acknowledge the inevitability of economic reforms in the DPRK. In addition, the report added that the PRC will not take extraordinary measures to curtail the increasing DPRK refuges crossing its borders to escape from famine. (Kyunghyang Shinmun, "PRC RECOGNIZES DPRK'S DIFFICULTIES FOR THE FIRST TIME," 02/10/98)

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We invite you to reply to today's report, and we welcome commentary or papers for distribution to the network.

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