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I. United States

1. ROK Financial Crisis

Reuters (Bill Tarrant, "S.KOREA POISED FOR LABOUR REFORM AMID DEBT TALKS," Seoul, 01/14/98) and the Associated Press (Paul Shin, "S. KOREA UNIONS TO DISCUSS LAYOFFS," Seoul, 01/14/98) reported that a tripartite labor reform council, consisting of representatives from unions, businesses, and government, is set to be launched in the ROK on Thursday. ROK officials said on Wednesday that legislation that would allow layoffs at financial institutions would probably be delayed until the council examines the issue in depth. Kim Hong-seob, an official of President-elect Kim Dae-jung's National Congress for New Politics, stated, "The passage of the legislation will depend on the progress in the committee debate. It could be this week or some other time." However, a spokesman for the Korean Confederation of Trade Unions emphasized that the agreement to participate in the committee does not necessarily imply acceptance of layoffs. "We can just discuss them as a part of many other issues," he said. Meanwhile experts from Moody's Investor Service and Standard & Poor's Corp met presidential transition team leader Lee Jong-chan on Wednesday, who told them that the government would delay or cancel some major infrastructure and defense projects as part of efforts to cut this year's state budget by about 10 percent.

The Wall Street Journal (Namju Cho, Michael Schuman, Bob Davis and Stephen E. Frank, "SOUTH KOREA DEBT PACKAGE IS SWEETENED BY FINANCIERS," 01/14/98) reported that US financiers are moving to develop a new debt package for the ROK. The plan being considered would be a compromise between a bond offering originally proposed by US banks and the ROK government's desire that foreign banks renegotiate their loans to ROK banks on an individual basis. Under the new plan, the ROK government would issue bonds to those foreign banks that wish to take them in place of their short-term loans to ROK banks; alternatively, the government would guarantee the short-term loans outstanding to ROK banks, but it would be left to the banks themselves to renegotiate the terms of those loans.

2. ROK Presidential Transition

The Associated Press (Pauline Jelinek, "2 SKOREAN KIMS WORK AGAINST CRISIS," Seoul, 01/13/98) reported that pressure from the financial crisis has led to a sharing of power in the ROK between outgoing President Kim Young-sam and President-elect Kim Dae-jung. In addition, investigations scheduled for later this year to lay blame for the financial crisis give Kim Dae-jung a degree of power over the outgoing administration. Outgoing officials charged last week that the transition team was overstepping its authority. However, Kim Choong-jo of the National Congress for New Politics stated, "The president-elect ... has shown, so far, generosity toward government officials, including President Kim." However, he warned, "the situation will be different following his inauguration. Treatment for ex-Cabinet members will not be has friendly as now; they have got to be held responsible."

3. Effects of Financial Crisis on Regional Arms Sales

The New York Times (Steven Lee Myers, "FINANCIAL CRISIS SLOWS ARMS RACE IN ASIA," Kuala Lumpur, 01/13/98) reported that the economic crisis in Asia is beginning to slow military spending in the region. The ROK recently said it would delay the purchase of four AWACS electronic surveillance jets. US Secretary of Defense William Cohen said on Monday that the US would do what it could to help salvage weapons purchases. He stated, "Obviously, we are interested in helping these countries who are experiencing difficulties right now also deal with their security concerns -- by either stretching out or finding some other method of payment or some deferral of payments in order to accommodate them."

4. US-PRC Military Relations

The Associated Press ("CHINA SEEKS CLOSER US MILITARY TIES," Beijing, 01/13/98) reported that the PRC's official China Daily newspaper said Tuesday that PRC Defense Minister Chi Haotian stated that the PRC is seeking closer contacts with the US military. Chi, in a meeting with former US Secretary of Defense William Perry, added that exchanges of high-ranking military officials and other steps already are helping to warm relations between the two nations. Gen. Fu Quanyou, chief of the general staff of the People's Liberation Army, told Perry that the PRC hoped for even broader contacts. Regarding remarks by US Defense Secretary William Cohen on Monday that the US plans to maintain its military strength in the Pacific, PRC Foreign Ministry spokesman Shen Guofang said Tuesday that the PRC had taken note of Cohen's remarks, but refrained from any direct response. He added, "We hope that the cooperation between the United States and these countries in all areas will be in the interest of peace and stability of the region and also be conducive to the development of bilateral relations in a normal direction."

5. Taiwanese Diplomacy

Agence France-Presse ("PHILIPPINE PRESIDENT DENIES MEETING WITH TAIWANESE LEADER,"

Manila, 01/14/98) reported that Philippine President Fidel Ramos on Wednesday denied he had met Taiwanese Prime Minister Vincent Siew during Siew's recent trip to Manila. Finance Secretary Roberto de Ocampo had said Tuesday that Ramos hosted a dinner for Siew at the president's official residence Monday, but de Ocampo later told Ramos his statements "may have been misinterpreted" by the press. He stated, "I did confirm that I met with a Taiwanese delegation. However, I was talking about a high-powered business delegation, not an official one, much less one involving the Taiwanese PM, whom I do not personally know."

Reuters ("SUDDEN TAIWAN TRIP TO MANILA SPARKS BEIJING OUTCRY," Beijing, 01/13/98) reported that Hao Yingbiao, spokesman for the PRC embassy in Manila, said that the PRC lodged a "severe" protest with the Philippines for hosting Taiwan Prime Minister Vincent Siew. He added, "We have made it very clear that the Chinese government opposes any official contact between those countries that have diplomatic relations with PRC and Taiwan." In Beijing, PRC Foreign Ministry spokesman Shen Guofang stated, "We demand that the Philippine government strictly abide by the 'one-China' pledge and avoid damage to bilateral relations over the Taiwan problem." He added, "We understand the temporary financial difficulties suffered by some Southeast Asian countries and we also understand them adopting some financial rescue measures within the framework of the International Monetary Fund. But we are resolutely opposed to the Taiwan authorities using any method to participate in the official preparations or activities in this area."

II. Republic of Korea

1. DPRK Foreign Relations

The Chosun Shinbo, an organ of Chochongnyon, or the Association of Pro-DPRK Residents in Japan, reported that the DPRK intends to normalize relations with both the US and Japan. The paper reported that talks between the DPRK and the US on the opening of liaison offices will set the tone for their relationship this year. It also said that the DPRK is working on a visit by former US President Jimmy Carter and that excavation of US MIAs is to be expanded this April. In addition, the paper said that the DPRK will soon dispatch a delegation led by a secretary of the Workers' Party to Japan. Meanwhile, DPRK observers in Seoul speculate that the DPRK will soon hold a session of the Supreme People's Assembly to elect party boss Kim Jong-il as president. (Korea Times, "DPRK TO PUSH IMPROVING RELATIONS WITH JAPAN, US," 01/14/98)

2. ROK-Taiwan Relations

The PRC has made it clear that it opposes any attempt by the ROK to contact Taiwan concerning that country's offer of a US$10 billion bailout loan. A series of press reports said that Taiwan, regarded as one of the largest foreign currency holders, considered the possibility of offering bilateral assistance to the ROK in exchange for improved relations. Most recently, a journal issued by the ruling Kuomintang reported that the party would send its secretary general to discuss the issue with ROK leaders. However, the ROK Foreign Ministry told the PRC ambassador in Seoul that there is no official contract between the two countries over the issue. (Korea Times, Son Key-young, "PRC OPPOSES KOREA'S CONTACT WITH TAIWAN OVER FINANCIAL AID," 01/14/98)

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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