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I. United States

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1. Future of Agreed Framework

Reuters ("N.KOREA READY TO SEE NUCLEAR PACT WITH US BROKEN," Tokyo, 10/14/98) reported that the DPRK's Korean Central News Agency (KCNA), in a report monitored Wednesday, denied that the DPRK's underground construction constitutes a violation of the 1994 Agreed Framework. KCNA stated, "The DPRK has a lot of civil underground structures now under construction. The U.S. demands to verify them, claiming that they are 'underground nuclear facilities'." The report said that the allegations were an attempt to disarm the DPRK and to violate its

sovereignty. It added, "If the U.S. policy is to break the framework agreement, the DPRK has no intention to keep the U.S. from doing so." It stated, "If the U.S. side considers the framework agreement a white elephant, it is free to break it. The DPRK does not care about it."

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2. DPRK Defectors

Reuters ("TWO N.KOREA SOLDIERS DEFECT ACROSS BORDER - SEOUL," Seoul, 10/14/98) reported that the ROK Defense Ministry said that two DPRK soldiers walked across the Demilitarized Zone Wednesday to defect. An ROK defense ministry official said that a male DPRK captain and a female sergeant crossed the border near the northeastern town of Cholwon at 0645 local time. Local media said the captain was a medic and the sergeant was a telephone operator in the DPRK army.

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3. PRC-Taiwan Talks

Reuters (Benjamin Kang Lim, "TAIWAN ENVOY IN CHINA, GAP SEEN WIDE," Shanghai, 10/14/98) and the Associated Press (Charles Hutzler, "CHINA, TAIWAN OFFICIALS MEET," Shanghai, 10/14/98) reported that Koo Chen-fu, head of Taiwan's semi-official Straits Exchange Foundation, arrived in Shanghai Wednesday and resumed talks with his PRC counterpart, Wang Daohan. Before entering the talks, Koo stated, "We should not have any pre-conditions." He added, "We cannot resolve all our problems on one occasion." Chang Jung-kung, a spokesman for the Taiwan side, stated, "There is not enough mutual trust." After more than an hour of talks Wednesday, Tang Shubei, China's number two negotiator with Taiwan, stated, "There are major differences between the two sides on a series of political issues. This is an objective fact." He added, "We say political dialogue. Taiwan says constructive dialogue. But the common point is everyone agrees to a dialogue. I can tell you this type of political dialogue has already started." Koo's spokesman, Shi Hwei-yow, suggested that the PRC should learn from Taiwan's experience with democratic and economic progress. An unnamed PRC official said that Taiwan needed to lift its ban on direct trade, transport, and postal links with the PRC. He added that political negotiations were needed to move relations forward.

The Wall Street Journal (Leslie Chang, "HIGH HOPES RIDE ON TALKS BETWEEN CHINA AND TAIWAN," 10/14/98) reported that political analysts said that the current PRC-Taiwan talks are a sign of easing tensions across the Taiwan Straits. Andrew Yang, a PRC-watcher based in Taipei, stated, "Taipei is sending a clear message that this is the time to sit down and talk. Beijing will take this opportunity to have a more formal dialogue." He added, "Beijing is not satisfied with the status quo, because status quo means Taiwan drifts further and further away from China." However, Lu Ya-li, a political scientist at National Taiwan University, stated, "In Taiwan, the people most knowledgeable about China are the young businesspeople." He added that this fact could promise better understanding over time.

The San Jose Mercury News (Michael Dorgan, "HISTORIC MEETING ACROSS THE TAIWAN STRAIT," Taipei, 10/13/98) reported that Roy Y.Y. Wu, spokesman for Taiwan's Ministry of Foreign Affairs, played down the significance of Koo Chen-fu's visit to the PRC. Wu stated, "It's only a meeting. It's not a talk, not a negotiation. It's not a political talk at all. It's only a visit." He added, "I think it is time now for the PRC to open its eyes to the realities. We have never been part of them. They have never had jurisdiction over the ROC (Republic of China) -- ever." Meanwhile, Ma Ying-jeou, Taipei mayoral candidate of the ruling Kuomintang Party, stated, "I think the best thing we can do now is maintain the status quo, without saying what the status quo is."

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4. Taiwanese Nuclear Dump

The Associated Press ("CHINESE OFFICIAL CONDEMNS TAIWAN NUCLEAR WASTE DUMP PLANS," Taipei, 10/14/98) reported that Taiwan's China Times Express said that Zhang Jiakun, deputy governor of the PRC's Fujian province, spoke out Wednesday against a planned Taiwanese radioactive waste dump. Zhang said that the proposed dump on Taiwanese-controlled Little Wuchiu Island would threaten parts of Fujian that lie as little as 15 kilometers (9 miles) away. Zhang called on fishermen from the Wuchiu island group and Fujian to join forces to fight against the dump. Zhang arrived in Taipei Tuesday at the head of a small delegation and is calling on businessmen who have investments in Fujian. He is the highest-ranking local-level PRC official to visit Taiwan since 1949.

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5. Japanese Economic Crisis

The Associated Press ("JAPAN GOV'T EXPECTS SLOW RECOVERY," Tokyo, 10/14/98) reported that Japanese Chief Cabinet Secretary Hiromu Nonaka said that the government expects the economy could take up to three years to recover instead of the two years it previously projected. Nonaka was quoted as saying, "We think the economy will recover in two or three years." Meanwhile, the Economic Strategy Council urged the government to inject billions of dollars into financial institutions and to approve more than US$84 billion in stimulus spending.

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6. Asian Financial Crisis

The Los Angeles Times (Mark Magnier, "GUARDED OPTIMISM IS TAKING SHAPE IN ASIA," Singapore, 10/14/98) reported that Asian government, financial, and corporate leaders said that the Asian economy has in the last few weeks shown signs that the worst of the economic crisis may be over. ROK Trade Minister Duck-soo Han stated, "Asia's outlook is improved." Brian C. Lippy, managing director of Tokai Asia Ltd., a hedge fund backed by Japanese capital, stated, "I think it's going to be a long, hard road. But there's now some cautious optimism."

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7. Indian, Pakistani Adherence to CTBT

The Washington Post (Pamela Constable, "TO SIGN OR NOT TO SIGN?" New Delhi, 10/14/98, A17) reported that domestic considerations in India and Pakistan may prevent both countries from signing the Comprehensive Test Ban Treaty (CTBT). Natwar Singh, a former Indian foreign minister and senior leader of the opposition Congress party, stated, "We have obeyed the rules for 50 years, we have no record of aggression, we don't covet territory. No one has the right to tell us we cannot have the nuclear option." He said that the US "should remember, we are not a banana republic." He added that, by sanctioning India while ignoring the PRC's nuclear advancements, the US is "pampering a dictatorship and pestering a democracy." However, K. Subrahmanyam, a foreign policy columnist for the Hindu Times, stated, "We have shown the world we can test. We have shown the world we can stand up to pressure. There is no need for us to keep showing the world perpetually. Signing [the CTBT] wouldn't cost us much, and it would give us a feeling of being good.... Why not humor them a bit?" An unnamed Indian Foreign Ministry official warned, "It is easy to demonize the BJP (Bharatiya Janata Party) on this treaty. There is no broad understanding of it.

The Congress party has no other major issues, and this could give them a handle." He added, however, that if the BJP does well in November, the government could move more swiftly toward signing the CTBT. In Pakistan, Qazi Hussain Ahmad, leader of the Jamiat- e-Islami movement, stated, "Do the United States, England, France have orders from God that they should be nuclear powers and not us?" Khurshid Ahmed, chairman of the Institute of Policy Studies in Islamabad, wrote recently "The present leadership of the country has taken a road which ... would entangle us more and more in the American trap." He said that, without proper safeguards, the CTBT would squander Pakistan's new stature as a nuclear power.

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8. US Nuclear Weapons Arsenal

The Washington Post carried an opinion article (Walter Pincus, "RE-READ HIS LIPS: REDUCE ARMS NOW," 10/11/98, C01) which called on the US to move to reduce its nuclear weapon arsenal as a means to promote disarmament worldwide. The article suggested that US President Bill Clinton "could order deactivation of the 50 MX ICBMs now on alert, each with 10 warheads; begin retiring half the 18 Trident ballistic missile submarines that each have 28 sea-launched ICBMs; and open the safety switches of the 500 Minuteman III missiles, with three warheads each, so that they would be temporarily immobilized." The author argued, "It would be a stunning move that would greatly strengthen our arguments against nuclear proliferation and encourage the signing of the nuclear non-proliferation treaty by nuclear nations, such as India and Pakistan, which last month expressed receptiveness toward the agreement." The article quoted former US Defense Secretary Robert S. McNamara as saying that a unilateral US reduction of strategic weapons is "exactly what I think should be done." He said that the Russians have turned to a first-use of nuclear weapons strategy because their armed forces have collapsed and they fear a US first strike. McNamara stated, "They would respond because they know nuclear weapons are not the answer to their problems."

II. Republic of Korea

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1. Missing DPRK Ambassador

Chosun Ilbo ("DPRK AMBASSADOR DESIGNATE TO POLAND MISSING," Seoul, 10/13/98) reported that the DPRK ambassador designate to Poland, Kim Pyong-il, half-brother of Kim Jong-il, has not handed his credentials over to the Polish government since his designation in January. Kim Pyong-il, a son of Kim Song-ae, the second wife of Kim Il-sung, served as ambassador to Hungary and Bulgaria until he was transferred to Finland in 1994. An official from the ROK Ministry of Foreign Affairs and Trade (MOFAT) said that the DPRK had promised that the credentials would be delivered by the end of September but then suddenly canceled this. The whereabouts of Kim Pyong-il are also in question, as he has not been seen in public since his appointment. The official said that the possibility that Kim and his mother Kim Song-ae have been purged are low, but some restrictions may have been imposed on him, following rumors of a movement to have him appointed to the country's leadership last year. [][][]

2. DPRK Trade

JoongAng Ilbo ("DPRK TRADE STATISTICS," Seoul, 10/13/98) reported that the ROK Ministry of Unification (MOU) announced on October 13 that the total sum of DPRK trade in the first half of 1998 is estimated to have dropped by 13.3 percent to US$750 million. Exports reached US$260

million and imports were US$490 million. Japan, the DPRK's largest trade partner, had a total of US$199.5 million in trade with the DPRK (exports US$105.1 million and imports US$94.5 million), but the trade level dropped by 1.8 percent compared to that of the same period last year. Trade with the PRC plunged by 35.6 percent to US$190.1 million. The fall of trade with the PRC stemmed from a decline in imports, including crops and energy sources. The trade between the DPRK and the ROK was recorded as US$77.9 million (US$31.99 million in imports and US$45.8 million dollars in exports) but it was not included as trade with a foreign country. A source at MOU said, "DPRK trade is predicted to reach at most US$1.8 billion dollars by the end of this year. It is certain that the trade will drop compared to the US$2.1 billion recorded last year"

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3. DPRK Trade Zone

JoongAng Ilbo ("DPRK CHANGES NAME OF TRADE ZONE," Seoul, 10/13/98) reported that, in a country where names carry a great deal of ideological and political weight, the DPRK has changed the name of its free economic trade zone without any official notification. The ROK government source said, "Until now the DPRK regime has called the venue 'The Rajin-Sonbong Free Economic and Trade Zone,' but all of a sudden altered it to 'The Rajin-Sonbong Economic and Trade Zone,' pointedly leaving out the word 'free.'" There has been no official comment on removing the term "free" by the DPRK side. DPRK experts, however, are presuming that the change happened just after some DPRK government officials were charged with embezzlement. Some experts believe that the DPRK basically has vetoed the concept of "free."

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4. ROK Arms Sale Scandal

JoongAng Ilbo ("PRESIDENT ORDERS MILITARY INVESTIGATION INTO ARMS SALES," Seoul, 10/13/98) reported that ROK President Kim Dae-jung on October 13 ordered the prosecutors' office to investigate military acquisitions during former president Kim Young-sam's regime. One such purchase, dubbed the "Paekdu Plan," involves the import of reconnaissance airplanes. The investigation will be focused on certain non-qualified equipment deals and whether there were special favors granted to specific business groups. The prosecutors are collecting information that will support allegations that some generals received kickbacks, including the former minister of national defense. The government first revealed its suspicions in September that 3 kinds of fighter airplane suppliers were competing for contracts in ROK, but the lowest quality one was finally chosen despite its price. Currently, the ROK Ministry of National Defense wants to cancel the sale related to the "Paekdu Plan"; however, the US would seek a steep fine for breach of the contract. Another disputed military purchase involved the sale of electronic equipment by France's Thompson, which was selected in 1993 for a lucrative contract. A German company, DASA, has launched a lawsuit in Seoul District Court against the Thompson decision, so the electronic equipment has not been delivered to the ROK military forces yet.

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5. DPRK Tourism Project

JoongAng Ilbo ("TONGIL GETS AHEAD FOR MT. KUMGAN DEVELOPMENT WITH DPRK," Seoul, 10/13/98) reported that the Tongil Group announced on October 13 that it will build hotels and ski facilities at Mt. Kumgang and that the DPRK will expand its tourism zone to include the whole of the Mt. Kumgang area. Tongil also plans to launch its first cruise ship along with Hyundai's in

accordance with the DPRK's recently announced tour program. Mt. Kumgang tours will be expensive, with an average fare predicted to be 400,000 won per person, because US$100 dollars per fare must go to the DPRK. Park Po-hee, the head of Kumgangsan International Group (a subsidiary of Tongil) said, "The DPRK wants many South Korean companies to participate in the Mt. Kumgang tourism project. We plan to form a joint survey team with other domestic companies and visit the DPRK. We can include foreigners and Koreans living abroad as potential tourists. Tongil has recently received a 'Certificate for Mt. Kumgang' signed by Kang Jung-mo, the DPRK trade minister." He added, "Tourists can stay at a Mt. Kumgang venue and facilities will be provided in case of emergencies. We secured all administrative documents from the DPRK." However, the ROK Ministry of Unification has yet to approve Tongil's project.

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6. Alleged Plot to Influence ROK Election

Korea Herald ("DPRK MAY EXPOSE DETAILS OF ALLEGED BORDER SHOOT-OUT PLOT," Seoul, 10/14/98) reported that the DPRK, making its first public comments on the alleged border shoot-out plot Monday, indicated it may shed light on the scheme some time in the future. "We make it clear that we have the right to expose the case when we deem it necessary,'' said a spokesman for the DPRK Committee for the Peaceful Reunification of Fatherland. The remarks were a reference to the ROK prosecution's investigation into the allegation that the opposition Grand National Party (GNP) engineered the scheme to sway the outcome of the December presidential poll in its favor. Three people who worked for Lee Hoi- chang when he ran for president last December are accused of having asked the DPRK to start a shoot-out at the border village of Panmunjom just ahead of the election. The allegation sparked a severe political battle between the rival parties. The ruling party demanded Lee apologize for what it said was treason while the opposition claimed two of the three suspects were tortured into making false confessions by intelligence officials. The DPRK, however, had kept silent since the prosecution's investigation into the allegation was reported at the end of last month. The committee spokesman said in an interview with the DPRK Central News Agency, "At a time when the ROK is experiencing a deepening crisis in government, its prosecution announced the so-called Panmunjom shoot-out plot while linking the case with us, and the rival parties are engaged in a reckless dispute.'' He also warned that both ruling and opposition parties in the ROK should bear in mind that belated repentance could cause them irreparable damage.

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