

NAPSNet Daily Report 19 October, 2000

Recommended Citation

"NAPSNet Daily Report 19 October, 2000", NAPSNet Daily Report, October 19, 2000,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-19-october-2000/>

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I. United States

1. Light-Water Reactor Project

Nucleonics Week (Mark Hibbs, "'FRUSTRATION' LED U.S. TO MULL SHIFTING KEDO TO FOSSIL

PROJECT," Vienna, Tokyo, and Bonn, 10/16/00) quoted diplomatic sources as saying that US and Japanese officials earlier this year considered modifying the DPRK light-water reactor project to build a fossil-fueled plant instead. One unnamed official said that the cost of the US supplying fuel oil to the DPRK combined with "frustration" about delays led the US and Japan to "think about what they could do to make all this go much faster." Due to a rise in fuel prices on the international market, the cost of providing heavy fuel oil (HFO) may rise from US\$40-million per year to over US\$100-million. Sources, however, said that the ROK "Light-Water Reactor Project Office" in the Unification Ministry, strongly opposes shifting the project to a fossil plant, as does the Korea Electric Power Corporation (KEPCO), the prime contractor. A KEDO spokesman said on October 16 that KEDO had "not been informed" by the US that it had proposed to build a fossil plant. Sources said that the DPRK had proposed to have KEDO partners pay for supply of fossil fuel plants in addition to the reactors, but that the US, ROK, and Japan all rejected that proposal. ROK officials have signaled that they would object to any shift away from reactor construction, since ROK contractors have already begun manufacturing equipment for the units, but Japanese sources pointed out that the equipment could be shifted to ROK plants. An unnamed congressional staffer said that given all the problems in the KEDO project, "the only international project which will be generating any electricity in the DPRK in the foreseeable future are some [windmills](#)" built by the Nautilus Institute. Nautilus Executive Director [Peter Hayes](#) said that when the KEDO project started in 1994, "the basic understanding was that the problem of managing the North Korean grid was up to the DPRK. Since then, it has become apparent to experts working on North Korea's energy problems that the grid will not sustain" two large reactors. Hayes added, however, "this isn't understood by those at the top making political decisions for KEDO, and it's not well understood at KEDO either." He said that the decision to build the reactors "was a sub-optimal decision that had absolutely nothing to do with North Korea's energy economy." He warned, "Now, finally, we have to deal with the energy problems the project was supposed to be set up to address in the first place."

2. DPRK-British Relations

Agence France Presse ("LONDON EXTENDS PRAGMATIC HAND TO N.KOREA: ANALYSTS," London, 10/19/00) reported that British Foreign Secretary Robin Cook announced in Seoul on Thursday that Britain would establish relations with the DPRK. British analysts said that the move is in the right direction, but dismissed hopes of a sudden change on the DPRK's human rights or nuclear weapons issue. Michael Leifer of the London School of Economics, said, "I think there's a growing feeling that anything that can help North Korea to come out of its diplomatic shell would be good." James Miles, of the International Institute of Strategic Studies, said the West sensed the DPRK was embarked on "a serious process" of rapprochement. However, Paul Burton, editor of Jane's Sentinel said that one view of the DPRK's new direction was that its economy was in such poor shape that it had no choice but to open up. He said that once it had gained enough economic aid, there was a "distinct possibility" it would retreat to the "bad old days." As for the issue of bringing up human rights, Burton said, "over-stating these issues may actually push the North back into its shell." Regarding the DPRK's nuclear weapons program, Burton said, "It's Washington's actions, if anything, that will determine the degree of Pyongyang's willingness to fall into line on proliferation issues." In Seoul, British Foreign Secretary Robin Cook said that closer ties meant that Britain could raise human rights and other concerns. Cook said, "This opening of diplomatic relations is not in any way an approval of the conduct of the regime."

3. DPRK-US Relations

Agence France Presse ("NORTH KOREA OPENS UP WITH THE DOORS SHUT," Seoul, 10/19/00) reported that analysts said that formal relations with Britain is a new diplomatic coup for the DPRK,

but there will be no celebrations in the DPRK until the US has an embassy there. Leon Sigal, a professor at the Social Science Research Council in New York, said, "What the North wants is a secure political relationship with the United States and in return it is prepared to make concessions." Sigal said that he believes the DPRK is about to agree a new deal on its missile program that could see aid "compensation" of between US\$1-2 billion dollars given to the DPRK. However, Sigal and other experts have warned that the world should not expect to see major changes in the DPRK as long as the ruling Workers' Party seeks to extend its hold on the country. Sigal said, "They are not going to open up their country, they are only going to change certain things." DPRK Nationals whom Sigal has spoken with tell him that DPRK leader Kim Jong-il "is helping us by changing the relationship with the Americans. He is helping us to grow more prosperous."

4. DPRK-German Relations

Agence France Presse ("GERMANY TO ESTABLISH DIPLOMATIC TIES WITH NORTH KOREA - STATEMENT," Berlin, 10/19/00) reported that according to a press statement, German Chancellor Gerhard Schroeder said Thursday that Germany would establish diplomatic ties soon with the DPRK. No date has been set. A German foreign ministry spokesman in Berlin said earlier Thursday that Germany was "interested in a progressive normalization of relations with North Korea." German state minister for foreign affairs Ludger Volmer traveled this week to Pyongyang, the first time a minister of united Germany or West Germany has visited the DPRK.

5. Japanese View of DPRK Diplomacy

Agence France Presse ("NKOREA MUST SOLVE MISSILE, NUCLEAR ARMS ISSUES: JAPAN," Seoul, 10/19/00) reported that Japan on Thursday welcomed rapidly unfolding Korean peace moves, but called on the international community to press the DPRK to resolve the issues of its suspected missile program and nuclear arms development. Japanese Foreign Minister Yohei Kono held talks with Belgium's Deputy Prime Minister Michel Louis ahead of ministerial meetings to prepare the third Asia-Europe Meeting (ASEM). Kono told Louis, "North Korea is rapidly entering into the international community. In general, it is good for North Korea to contact the international community and take its responsibility." However, Kono said, the DPRK "has still failed to solve issues such as a missile threat and nuclear weapon development. It is important for the international community to continue urging North Korea to take constructive action." He added, "Japan is concerned about the North Korean nuclear arms development. The kidnapping case has also remained unsolved."

6. Jiang Zemin's Alleged DPRK Visit

Agence France Presse ("SPECULATION JIANG IN NORTH KOREA AS RAIL SHIPMENTS SUSPENDED," Seoul, 10/19/00) reported that PRC newspaper Munhwa Daily said quoted unidentified sources as saying that the railway freight services between the DPRK and the PRC have been suspended, raising speculation that PRC leader Jiang Zemin might be visiting the DPRK. The source said that PRC authorities suspended all railway shipments from Dandong and other border towns to the DPRK on October 10. The source added, "Jiang seems to have arrived in Dandong on October 17 by train to visit Pyongyang. The suspension of all railway shipments to the North appears to be a security precaution ahead of Jiang's visit to the North." However, PRC foreign ministry spokesman Zhu Bangzao dismissed the reports. Zhu said, "That is speculation from outside, there is no need for such speculation. If there is any information we shall release it timely." Asked where

Jiang was, Zhu merely replied, "I don't think there is any factual foundation to that report. If there is any information we shall share it with you."

7. Reunion of Separated Families

Reuters ("S.KOREA'S RED CROSS URGES NORTH TO ACT ON REUNIONS," Seoul, 10/19/00) reported that the ROK Red Cross expressed regret on Thursday over what it called slow progress by the DPRK in arranging reunions of separated families. ROK Red Cross chairman Chang Choong-shik said in a letter sent to his DPRK counterpart, "I regret the attitude of North Korea in delaying implementation of previously agreed plans, and would like to urge you to implement the planned schedules of family reunions immediately." The ROK Ministry of Unification said that the DPRK's slow action on the family reunions was inconsistent with a joint declaration signed by the country's two leaders at the June summit. It said that delays in arranging the reunions would disappoint the millions of people on both sides of the border hoping for a chance to meet their loved ones.

8. DPRK Military

Agence France Presse ("NORTH KOREA'S OPENING COULD STRAIN KIM'S TIES WITH MILITARY: IISS," London, 10/19/00) reported that the International Institute of Strategic Studies (IISS) warned Thursday that the DPRK's gradual emergence from its isolated shell could strain ties between DPRK leader Kim Jong-il and the military. The IISS said in its annual report that aid over the past five years had helped pull the DPRK back from the brink of starvation and more was likely to follow as the DPRK reaches out to the international community. However, it said, there were "concerns that the aid funds are subject to insufficient controls and could be used to maintain and develop military capabilities. Greater exposure to outside influence could compel Kim Jong-il to spend more on economic rehabilitation and less on defense. Such a shift, however, could strain relations between the leader and the military on which he depends for support." The report warned: "For North Korea to benefit from the engagement process it must take more substantial steps on non-proliferation than the curious offer [to trade missile production for aid in space launches] conveyed to the Tokyo meeting of the G-8 group of leading industrial nations in July 2000. At this stage Kim Jong-il seems to be concentrating his efforts on attracting foreign trade, aid and investment, which do not yet require what the leadership perceives to be destabilizing transparency or demilitarization."

9. ROK Military Spending

Agence France Presse ("NORTH KOREA'S OPENING COULD STRAIN KIM'S TIES WITH MILITARY: IISS," London, 10/19/00) reported that the International Institute of Strategic Studies (IISS) said Thursday that the improved climate on the Korean peninsula had not affected military spending in the ROK. The report said that the ROK set its defense budget at 15.44 trillion won (US\$13 billion) and planned to purchase more type-88 tanks, new K-9 155mm self-propelled guns and multiple rocket launch systems, and had almost completed its naval expansion commissioning the eighth of nine diesel submarines and a third and final Okapi destroyer. The report concluded, "Plans remain in place to acquire with US support a 500-kilometre range surface-to-surface missile that will reach all parts of North Korea."

10. Alleged PRC Espionage

The Washington Post (Walter Pincus and Vernon Loeb, "CHINA SPY PROBE SHIFTS TO MISSILES," 10/19/00) reported that a senior US official said that a new review of PRC military documents

provided by a defector in 1995 has led US intelligence agencies to conclude that PRC espionage has gathered more US missile technology than nuclear weapons secrets. The conclusion was reached only this year because the US Central Intelligence Agency (CIA) and other intelligence agency linguists had not fully translated the pile of secret PRC documents, totaling 13,000 pages, until four years after the agency obtained them. The documents showed that during the 1980s, the PRC had gathered a large amount of classified information about US ballistic missiles and reentry vehicles. Officials said that the missile secrets are far more likely to have come from defense officials or missile builders than from Los Alamos or other US nuclear weapons labs. The CIA concluded several years ago that the defector who supplied the documents was a PRC double agent. Officials said that although information about the defector is "inconclusive," the information he handed over has proven accurate. One former official said that the documents appear to be a five-year "strategic plan" for development of the PRC's new generation of missiles. Another intelligence expert familiar with the material described it as "an embarrassment of riches." [Ed. note: This article was included in the US Department of Defense's Early Bird news service for October 19, 2000.]

11. Russian Military Sales to PRC

AVN Military News Agency ("CHINA SEEKS TO PURCHASE TWO MORE DESTROYERS FROM RUSSIAN NAVY," Moscow, 10/19/00) reported that a source in the administration of Russian Deputy Prime Minister Ilya Klebanov told the Military News Agency that the PRC Defense Ministry has officially applied to the Russian government to purchase two Type-956 destroyers from the Russian Navy. If the contract is concluded, the ships will be modernized at the St Petersburg Severnaya Verf shipyard. The PRC navy will then have four Type-956 destroyers. In December 1999, the shipyard supplied the first Type 956-E ship to the PRC. It was named the Vazhnyy. The second destroyer of this type, the Vdumchivyy, is now being commissioned by a Chinese crew in the Baltic Sea. This ship is to start its cruise to the Pacific Ocean in November. The Vdumchivyy is the 19th Type-956 ship built by the Severnaya Verf.

II. Republic of Korea

1. PRC's View on Korean Peninsula

The Korea Herald (Chon Shi-yong, "CHINA SUPPORTS KOREAN PEACE REGIME THROUGH FOUR-PARTY TALKS," Seoul, 10/19/00) and Chosun Ilbo ("KOREA AND CHINA HOLD SUMMIT TALKS," Seoul, 10/18/00) reported that PRC Premier Zhu Rongji on Wednesday supported ROK President Kim Dae-jung's proposal that the ROK and the DPRK, the US and the PRC work together for the establishment of a permanent Korean peace mechanism, ROK officials said. Kim and Zhu discussed a wide range of issues during their talks and agreed that the two countries would elevate their current "cooperative partnership" one level higher to a "full-scale cooperative partnership" on the occasion of the premier's visit. Zhu said that the PRC welcomes and supports what the ROK government has done recently to improve relations with the DPRK. "Premier Zhu also said China will play a constructive role in the discussions to form a Korean peace system during four-party talks," spokesman Park said.

2. DPRK-Germany Relations

The Korea Herald (Kil Byung-ok, "'GERMANY TO SOON ESTABLISH TIES WITH NORTH'," Seoul, 10/19/00) and The Korea Times (Seo Soo-min, "GERMANY OUTLINES 3 CRITERIA FOR OPENING

TIES WITH NK," Seoul, 10/18/00) reported that Germany is positively considering establishing full diplomatic relations with the DPRK in the near future, German Vice Minister of Foreign Affairs Ludger Volmer said. "Germany and North Korea will soon initiate plans to establish embassies in Berlin and Pyongyang, and North Korea is fully ready to cooperate with Germany in facilitating diplomatic ties," Volmer told a news conference Wednesday. "Diplomatic normalization with North Korea would contribute to the tension reduction in Northeast Asia and inter-Korean reconciliation." Volmer visited Pyongyang October 13-17, during which he met DPRK Foreign Minister Paek Nam-sun and Kim Yong-nam, the ceremonial head of state. In his meetings, he also discussed Germany's agricultural assistance projects for the DPRK through non-governmental channels. Asked about Germany's requirements for diplomatic ties, Volmer cited the standards set by the international communities. These are military disarmament, inter-Korean reconciliation, and a favorable diplomatic environment, including improvement of human rights conditions in the DPRK. As part of Germany's efforts for rapprochement, Hans-Ulrich Klose, chairman of the foreign affairs committee of Germany's federal parliament, will visit the DPRK October 31-Nov. 4. The German parliament leaders are going to observe whether it is fulfilling international standards, since the parliament is the highest decision-making organ in Germany's foreign affairs, Volmer noted.

3. ROK-US-Japan Talks on DPRK

Chosun Ilbo ("FOREIGN MINISTERS TO COORDINATE NK STRATEGY," Seoul, 10/18/00) reported that foreign ministers from the ROK, the US, and Japan will gather in Seoul next week to coordinate policies toward the DPRK, it was learned Wednesday. According to a diplomatic source in Japan, the three high-ranking officials will meet in Seoul after US Secretary of State Madeleine Albright's visit to the DPRK, expected to take place around October 24. After Albright's briefing on her visit, the three officials will coordinate policies. Lee Jong-binn, ROK minister of foreign affairs and trade, who is scheduled to visit Japan early next month, will explain progress on inter-Korean contacts, and Albright plans to touch on whether President Clinton will visit the DPRK or not. Yohei Kono, the Japanese foreign minister, will be visiting Seoul for the second time within a week. Minister Kono will speak about DPRK-Japan normalization talks, which will be held October 30, and about Prime Minister Yoshiro Mori's possible visit to the DPRK.

4. DPRK Reaction to Nobel Prize

Chosun Ilbo ("NORTH KOREA SILENT ON NOBEL PRIZE," Seoul, 10/16/00) reported that although as of Sunday, the DPRK media had yet to release the news about ROK President Kim Dae-jung's receipt of the Nobel Peace Prize. As an SBS-TV reporter who was in Pyongyang at the time reported that some DPRK officials were happy that the Korean people had finally won their first Nobel prize, it seemed at the time that the DPRK authorities would indeed release the news. However, many DPRK defectors said that since the DPRK never broadcast any thing about the Nobel Prizes in the past, this time would be no different. They added that prize news is dealt with in classified documents distributed to high level officials and diplomats, but that the general public does not even know what a Nobel Prize is. One defector who was once a high level official said, "North Korean authorities do not think well of the award since they believe that the winner is decided by the US and that many European laureates disapprove of communism."

5. DPRK-Japan Talks

Joongang Ilbo ("JAPAN TO RESUME TALKS WITH N.KOREA," Seoul, 10/18/00) reported that Japan and the DPRK will hold another round of normalization talks at the end of the month in Beijing, the

chief cabinet secretary, Hidenao Nakagawa, said Tuesday in Tokyo.

6. ROK-DPRK Relations

Joongang Ilbo (Moon So-young, "SOUTH ALSO BENEFITS IF NORTH LOSES TERRORIST LABEL," Seoul, 10/18/00) reported that the removal of the DPRK from the US list of terrorism-sponsoring states would contribute to the economic development of that country and the expansion of trade with the ROK, the Korea Trade-Investment Promotion Agency said in a report on Monday. The lifting of the sanctions would allow the US Export-Import Bank to support US companies doing business with the DPRK. US firms' investment in the DPRK would be expected to increase. The report said that such investment would spur inter-Korean trade, and US companies are likely to cooperate with ROK firms on investment in the DPRK.

7. DPRK Economic Training

Joongang Ilbo (Song Sang-hoon, "AID TO N.KOREA SLATED FOR MARKET SYSTEM," Seoul, 10/18/00) reported that a move to provide academic assistance and practical training for market-driven development to the DPRK is actively under way, riding on the improving relationship between the DPRK and the international community. The Korea Development Institute, an ROK think tank, and the London Business School will jointly introduce a program for DPRK economic officials based on the national economic development model that has been run by the ROK since 1960, an institute official said. The institute is also developing a program in association with the International Bank for Reconstruction and Development to include the DPRK in the international bank's Knowledge Sharing Partnership program. The plan calls for sending former economic officials and academics to the DPRK to assist in the transfer of development knowledge as the bank has done in other developing countries. The ROK government has set aside in the 2001 budget 1.6 billion won (US\$1.42 million) for the training program.

8. Asia-Europe Meeting

Joongang Ilbo (Lee Chul-hee, "INCLUSION OF NORTH KOREA ON ASIA-EUROPE SUMMIT AGENDA," Seoul, 10/18/00) reported that the Asia-Europe Meeting (ASEM) member countries have agreed to revise a document which guides the ASEM process to allow the DPRK to participate in its projects, an ROK foreign affairs ministry official said Monday. The DPRK has not given its official position on participating in ASEM. During the meeting in Seoul, the member countries will adopt a Seoul Declaration on peace on the Korean Peninsula. A ministry official said that the final version will be completed on Thursday as member countries have proposed the addition of recent developments, including President Kim Dae-jung winning the Nobel Peace Prize and the proposed visit to Pyongyang by US President Bill Clinton.

III. Book Announcements

1. DPRK Nuclear Problem

The Institute for Science and International Studies (ISIS) announced the forthcoming publication, "Solving the North Korean Nuclear Puzzle." Edited by David Albright and Kevin O'Neill, "Solving the North Korean Nuclear Puzzle" describes the decade-long effort to ensure that the DPRK does not have nuclear weapons. The 324 page book (plus index) will not be available until November 2000.

However, selected chapters have been posted on the ISIS web site, along with more information about the book, comments by reviewers, and ordering information. You may access this information [directly](#) or from the [ISIS home page](#).

2. Asian Energy Security

Robert Manning, Senior Fellow and Director of Asian Studies at the Council on Foreign Relations, has published a new book, "The Asian Energy Factor: Myths and Dilemmas of Energy, Security, and the Pacific Future." Manning examines the energy predicaments, choices, and dilemmas facing the PRC, India, Japan, the ROK, and ASEAN and the implications for these countries, world markets, and global security. He argues that forecasts that Asia's growing need for oil portends a future of spiraling oil prices, new energy crises, resource shortages, or a looming military conflict for control of scarce energy resources are wrong. Although Asian energy demand has grown at three times the world average for most of the past two decades and will account for about half the growth in global demand over the next quarter-century, the author argues that the prevailing orthodoxy on future energy crises, the end of oil, and "resource wars" are myths. The book makes the case for market-based approaches to energy problems, arguing that energy is more likely to be a positive, integrative force, reinforcing regional collaboration and offering new possibilities for multilateral cooperation. Published by Palgrave/St. Martins Press, a limited number of copies are available through the Council on Foreign Relations at a discounted price of US\$26.00, including shipping (the regular price is US\$45.00). Please contact Jacob Ulevich at 202-518-3403 to order. The book can also be purchased at most bookstores and at major online book retailers.

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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