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IN TODAY'S REPORT:

I. United States

- 1. Alleged DPRK Underground Nuclear Facility
- 2. DPRK Economic Outlook
- 3. DPRK People's Assembly Meeting
- 4. ROK Labor Unrest
- 5. Japanese Theater Missile Defense
- 6. Fissile Material Cutoff Treaty

II. Republic of Korea

- 1. DPRK Human Rights
- 2. ROK-DPRK Relations
- 3. Former ROK Official to Visit DPRK

III. People's Republic of China

- 1. US-ROK Military Exercises
- 2. Four-Party Talks
- 3. ROK-DPRK Relations
- 4. ROK Economy
- 5. ROK Labor Unrest
- 6. PRC-Russian Relations
- 7. PRC-Taiwan Relations
- 8. PRC Floods
- 9. Japanese Theater Missile Defense

I. United States

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1. Alleged DPRK Underground Nuclear Facility

Nucleonics Week (Mark Hibbs, "CLAIM DPRK RESUMED NUCLEAR WORK BYPASSED U.S. OFFICIAL CHANNELS," Bonn) reported that diplomatic sources in Europe and several US executive branch officials said on August 18 that they were deeply skeptical of reports that the DPRK is building a secret reprocessing plant. The officials said that if US intelligence had in fact concluded that the DPRK is building a new reprocessing plant or reactor, such a finding would normally be reported to nonproliferation officials in US agencies who handle reports tracking clandestine foreign nuclear programs. However, nuclear intelligence handlers in at least three key US agencies were not apprised of such a development in the DPRK. One US official described as routinely informed of such data was quoted as saying, "We read about it in the papers and are just as puzzled as you." One senior US nonproliferation official said that, as routine intelligence data shows that the DPRK is ''building thousands of tunnels all over the country at any one time, for all kinds of projects, it is possible that somebody in Washington is spin-doctoring information about this kind of activity to project it as a serious nuclear threat.'' In Europe, diplomatic sources said that governments of the European Union (EU) were likewise never briefed by the US government on the intelligence findings. The sources said that, since the New York Times report said that the US had already briefed the ROK, European governments would request a clarification from the US Department of State. One source said that European governments "would be very dismayed" if it turned out they had not been informed, given the EU's involvement in the Korean Peninsula Energy Development Organization (KEDO). However, European officials said they were less inclined to blame the State Department for not informing them, and more inclined to suspect that the claim was leaked to undermine the Clinton Administration's efforts to raise funds in the US Congress to pay for KEDO. An International Atomic Energy Agency (IAEA) spokesman said August 18 that the agency would try to visit the underground site if a member state of the Nuclear Nonproliferation Treaty (NPT) were to submit an official request for a "special inspection," but diplomatic sources considered that unlikely. The sources pointed out that, without hard information to positively identify the construction site as a nuclear project, the DPRK would be on solid ground to reject any special inspection request. IAEA spokesman Hans-Friedrich Meyer said on August 18 that the IAEA first heard of the alleged nuclear construction in the New York Times report.

The Chicago Tribune (Michael A. Lev, "N. KOREA'S INTENT HARD TO DECIPHER," Tokyo, 07/18/98) reported that US analysts are divided on the intent behind the DPRK's apparent underground construction project. Scott Snyder of the US Institute of Peace stated, "We've always known the North Koreans are good at tunneling. Even now that we have found out about this new site, it raises the question: Is this all there is, or is there more?" He added, "The only way to resolve this is to engage completely in the type of weapons inspection process going on in Iraq. That involves, in all likelihood, defeat in a war before you can get a country to acquiesce to that sort of intrusion." Some analysts said that if the DPRK is beginning construction on a new secret nuclear facility, it could mean that the military is serious about reviving its nuclear weapons program, or it could be a ploy to induce new negotiations for further aid. Joel Wit at the Henry L. Stimson Center said that the DPRK may be reacting to delays in the construction of two light-water nuclear reactors. He stated, "From the North Korean perspective, this could all look like the West is playing for time until North Korea collapses or is so weak that they have to do whatever the West wants."

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2. DPRK Economic Outlook

The Economist Intelligence Unit carried an analytical article ("NORTH KOREA: COUNTRY UPDATE," 08/17/98) which said that the prospects that at least some of the DPRK's economic problems will begin to be addressed in the short-term look good due to the ROK's new "sunshine policy." However, for the longer term, the outlook remains extremely bleak. The article said that the

most immediate effect of the Asian financial crisis on the DPRK is the failure of the Peregrine-Daesong Development Bank, which had been involved in one of the DPRK's two banking joint ventures with western partners. New owners are being sought for Peregrine. The other major DPRK investor hurt by the crisis is Loxley of Thailand, which has telecommunications interests in the Rajin-Sonbong free trade zone. The article also cited reports that one of the DPRK's few businessmen, Kim Jong-u, may have been purged. On the other hand, it pointed to signs that the DPRK is beginning to embark on de facto economic reform, a process that will be aided by the ROK government's open approach to the DPRK. The article stated, "Seoul's new policy has the potential to transform inter-Korean relations into something resembling those that have prevailed for the past decade between China and Taiwan. Political enmity and security risks will remain, but henceforth these will be delinked from business and civilian contacts." However, it added that the effect of this policy will be dependent on how many ROK companies choose to invest and how the DPRK responds. The article also pointed to the designation of two new free zones in the ports of Nampo and Wonsan as "the thin end of a wedge" for the opening of the DPRK. It argued, "With the official economy all but moribund, osmosis from such capitalist enclaves can hardly fail to affect the wider body politic." It concluded, "Once South Korean visitors bringing aid and investment become a familiar sight in the north, it will be hard to convince North Koreans that southerners are either ogres or impoverished.... The question is whether the boost to their own prospects thanks to southern funds will make northerners grateful and quiescent; or whether the dawning of the real truth--that the sufferings they have endured were man-made and unnecessary--will bring an outpouring of anger."

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3. DPRK People's Assembly Meeting

Reuters ("N.KOREA PARLIAMENT TO MEET NEXT MONTH," Tokyo, 08/20/98) reported that the DPRK's official Korean Central News Agency announced on Thursday that the Supreme People's Assembly would convene on September 5 for the first time in four years. The assembly last met in April 1994, three months before the death of Kim Il-sung. Radio Press, a Japanese news agency that monitors DPRK broadcasts, said that while no agenda was announced for the session, it was believed that the Assembly would elect the state president and the prime minister and approve the budget.

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4. ROK Labor Unrest

The Associated Press (Y.J. Ahn, "TALKS CONTINUE ON HYUNDAI STRIKE," Ulsan, 08/20/98) reported that ROK government mediators reported some progress Thursday in negotiations to end a month-long strike at Hyundai Motor Co. Representative Cho Sung-joon, a member of the government mediation team, stated, "We are making progress piece by piece. But it's too early to say we have an agreement in our hands." He added, "This is the first showcase test on how South Korea will keep its promise to allow layoffs." Similarly, the Korea Times argued in an editorial, "Potential investors in Korea will decide their course of action based on the development and outcome of the Hyundai labor row." Kim Kwang-shik, head of the Hyundai union, said, "It's rough sailing, but the talks have not broken down yet." Meanwhile, chief presidential spokesman Park Ji-won said Thursday that "a minimum level of layoffs" at Hyundai is inevitable.

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5. Japanese Theater Missile Defense

The Associated Press ("JAPAN'S MISSILE PLAN ON HOLD BEFORE JIANG'S VISIT - REPORT,"

Tokyo, 08/20/98) reported that the Asahi daily said Thursday that the Japanese Defense Agency will not make a budget request for a proposed theater missile defense (TMD) program until after PRC President Jiang Zemin completes his upcoming visit to Japan. The report quoted unidentified government sources as saying that the agency will not solicit the funds for fear of harming bilateral ties in advance of the visit. A Defense Agency spokesman refused comment on the report. The report said that the Defense Agency has earmarked a total of Y557 million for basic research on the project from fiscal 1995 through 1998 and was planning to request about Y1 billion as additional research spending for next fiscal year beginning April 1, 1999. The agency will instead request a budget for the research at the end of the year before the government starts compiling its state budget for the next fiscal year.

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6. Fissile Material Cutoff Treaty

The Associated Press ("CANADIAN APPOINTED TO CHAIR TALKS ON NUCLEAR- WEAPON MATERIAL," Geneva, 08/20/98) reported that the Conference on Disarmament on Thursday appointed Canadian Ambassador Mark Moher to chair the committee discussing the proposed fissile materials cutoff treaty. Talks are expected to progress slowly, with conference members divided on whether they should only aim to ban future production of nuclear-weapons material or also address existing stockpiles.

II. Republic of Korea

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1. DPRK Human Rights

Following a meeting in Geneva Thursday, the UN Human Rights sub-committee issued a resolution regarding human rights issues in the DPRK, urging the DPRK to take drastic steps to improve its population's situation. According to the ROK Ministry of Foreign Affairs and Trade (MOFAT), the resolution was submitted to the sub-committee last Friday and was approved by a vote of 19 for, 4 against, and 1 abstention. The resolutions call for the DPRK to allow free entry and exit of its people, cooperate with UN human rights protection agencies, and to disseminate the UN human rights reports within the country. Further resolutions call on outside agencies to support the DPRK more effectively to deal with its famine, but also to monitor human rights abuses. A high-ranking official at the MOFAT commented that the importance of the resolutions is in that they tie in international agencies' aid activities to human rights. He added that it also shows that the UN is focusing on human rights in the DPRK. (Chosun Ilbo, "UN ISSUE RESOLUTION ON DPRK HUMAN RIGHTS." 08/20/98)

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2. ROK-DPRK Relations

Radio Pyongyang finally broadcast a response to President Kim Dae-jung's August 15 address to the nation Thursday, but sidestepped his call for a consultative dialogue body between the DPRK and the ROK. Instead, the broadcast criticized Kim's "second nation building policy," calling it an attempt at diverting the public's attention from him and his policies. The broadcast said that under the current power holders, the ROK economy is controlled by the US and Japan and subordinate to them. It blamed the top executive of the government for dropping the economy into crisis and the people's

lives into misery. (Chosun Ilbo, "DPRK RESPONDS TO PRESIDENT'S ADDRESS," 08/20/98)

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3. Former ROK Official to Visit DPRK

Han Wan-sang, former ROK vice-minister for unification under the Kim Young-sam government, plans to visit DPRK from August 22 to September 4, it was announced Thursday. The Ministry for Unification said that Han was visiting the DPRK in his position as advisor to the civic group South and North Civilian Exchange Association, accompanied by its chairman, Kim Seung-kyun. Han and Kim were invited to Pyongyang by the DPRK Social Science Institute and will discuss ways of formulating cultural and artistic exchange. Han is currently president of the Korea National Open University. (Chosun Ilbo, "FORMER VICE MINISTER TO VISIT NK," 08/20/98)

III. People's Republic of China

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1. US-ROK Military Exercises

People's Daily ("DPRK DENOUNCES JOINT MILITARY EXERCISES," Pyongyang, 08/20/98, A6) reported that a DPRK Foreign Ministry spokesman strongly condemned the joint military exercises held by the US and ROK on August 18, saying that it was a military repression of the DPRK. The spokesman said that the military exercises, which began on August 17 and will end on August 28, involve about 70,000 troops, of which 13,000 are US servicemen based in the ROK.

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2. Four-Party Talks

Jie Fang Daily ("DPRK: FOUR-PARTY TALKS WILL NOT BE RE-STARTED UNTIL DIFFERENCES ARE ELIMINATED," Pyongyang, 08/14/98, A3) reported that a DPRK Foreign Ministry spokesman said on August 13 that the key for re- starting the four-party talks is the elimination of differences between the DPRK and the US. The spokesman made the remarks when he was asked to comment on the forthcoming high-level meetings between the DPRK and the US in New York. The spokesman said that if the basic problems between the DPRK and the US cannot be resolved, the four-party talks cannot be expected to achieve any great progress even if they are re-started.

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3. ROK-DPRK Relations

Wen Hui Daily ("KIM DAE-JUNG EXPECTS TO SEND ENVOY TO PYONGYANG," Seoul, 08/16/98, A3) reported that ROK President Kim Dae-jung said on August 15 that he expected to send a special envoy to Pyongyang to discuss with the DPRK the construction of a permanent dialogue institute and the promotion of the exchanges between the two sides. Kim appealed that the ROK and DPRK should surmount the consciousness of confrontation and usher in a new era of the exchanges and cooperation between the ROK and the DPRK on the basis of maintaining security.

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4. ROK Economy

China Daily ("S. KOREAN FIRMS SUFFER LOSSES IN FIRST SIX MONTHS," Seoul, 08/17/98, A6) reported that ROK firms suffered their worst earnings in the first half of this year, with their balance sheets plunging into the red for the first time. In the six months to June, 543 firms listed on the Korea Stock Exchange (KSE) posted combined net losses of 13.67 trillion won (US$10.3 billion). The KSE attributed this to three factors: plunging domestic demand, soaring financial costs, and high interest rates. Sales of the 543 firms, however, grew 23.5 per cent year-on-year to 256.2 trillion won, led by trading arms of the country's three giant conglomerates, Daewoo, Samsung, and Hyundai, the KSE said. The trading companies benefited from the won's sharp depreciation against the dollar, which has raised won-denominated earnings. State-run Pohang Iron and Steel was still the most lucrative corporation, topping the list of 333 profitable firms with a net profit rise of 26.5 per cent to 680 billion won. The performance of automakers was weak, the KSE said. Economists have urged the ROK government to quicken the pace of shake-ups of troubled firms, especially those affiliated with conglomerates, warning that the ROK's economic growth potential would be eroded further.

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5. ROK Labor Unrest

China Daily ("SK POLICE WITHDRAW FROM PLANT," Ulsan, 08/19/98, A11) reported that ROK riot police abruptly withdrew from Hyundai Motor's auto plant on August 18 after they were confronted by striking workers wielding lead pipes and surrounded by their families. The ranks of police, backed by tear gas, water cannons, and bulldozers, began deploying at daybreak at the ROK's largest car factory in the southeast city of Ulsan. It was not immediately clear why the police withdrew, or if they would be redeployed. According to ROK media reports, the government gave the green light to police to evict the workers and their families on August 18. The work stoppage has crippled Hyundai, along with its suppliers and contractors. The Ministry of Labor of the ROK said on August 17 that the unrest at the plant had cost some 1 trillion won (US$1 billion) in lost production.

China Daily ("HYUNDAI STRIKE DULLS S. KOREA'S LEADING EDGE," Seoul, 08/20/98, A5) reported that the ROK government warned on August 19 that its shaky auto industry risked losing its international competitiveness forever if labor disputes at Hyundai Motor Co. are further drawn out. The alarm was sounded as the country's auto firms, rattled by plummeting sales and the insolvency of Kia Motors Corp., wage a desperate battle to keep their heads above water. The ROK's auto production, once the world's fifth largest, plunged 35.4 per cent on the year to 1.53 million units in the first seven months of 1998. Auto exports also suffered a 10.1 per cent drop to US$5.45 billion.

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6. PRC-Russian Relations

People's Liberation Army Daily ("CHI HAOTIAN MEETS WITH RUSSIAN GUEST," Beidaihe, 08/14/98, A1) reported that PRC Defense Minister Chi Haotian met with General Nikolai Bordyuzha, director of the Russian Federal Border Service, in the summer coastal resort of Beidaihe on August 13. Chi expressed delight over the rapid and smooth growth of Sino-Russian friendship and cooperative relations and noted the importance of increasing cooperation between border agencies in the two countries. The PRC hopes that the more than 4,000-kilometer-long border between the PRC and Russia will become a model of peace, friendship and prosperity, Chi said. The Russian guest also expressed his satisfaction with the development of border cooperation between Russia and the PRC. He said that the situation on the Russian-PRC border was steady and there were no bad tendencies.

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7. PRC-Taiwan Relations

China Daily ("ARATS SENDS PROPOSED ITINERARY TO TAIWAN," 08/20/98, A1) reported that the Beijing-based Association for Relations Across the Taiwan Straits (ARATS) and its Taiwan counterpart, the Straits Exchange Foundation (SEF), are continuing discussions over arrangements for a Taiwan representative's proposed PRC visit. The PRC suggested options on August 19 for chief Taiwan negotiator Koo Chen-fu's upcoming itinerary. Koo's week-long journey could be either from September 15 to 21 or October 12 to 18, and he could visit Shanghai and Beijing, ARATS suggested. "If Koo, his wife and SEF members want to visit the cities of Xi'an and Nanjing, and Fujian Province, they could extend their stay in the mainland for an appropriate period," ARATS said in a letter sent on August 19 to SEF. ARATS has proposed that the visiting delegation be composed of 12 people. When Koo visits the mainland, he and ARATS President Wang Daohan may "informally exchange views on procedural arrangements for cross-Straits political negotiation," suggested the PRC organization's letter. The letter asked the Taiwan group to respond by mail or let SEF Deputy Secretary-General Jan Jyh-horng visit the mainland to discuss it.

China Daily ("AMBASSADOR: CHINA SHOULD JOIN WTO FIRST," Washington, 08/15/98, A1) reported that a senior PRC diplomat said on August 13 that the PRC should be allowed to join the World Trade Organization (WTO) before Taiwan gains membership. "Only when a sovereign state has become a member of the WTO can it become possible for part of that state to apply and become a member of that distinguished World Trade Organization," PRC Ambassador to the US Li Zhaoxing said in reply to a question on Taiwan's WTO membership.

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8. PRC Floods

China Daily ("MORE DAQING OIL WELLS INUNDATED," Daqing, 08/18/98, A1) reported that floodwater from the Nenjiang River is roaring towards the PRC's largest oil field, Daqing, after it breached the second defense barrier near Zhaoyuan Country in Northeast China's Heilongjiang Province on the evening of August 17. A 10-meter-long breach was discovered at the Zhaoyuan barrier on early August 17. The Shenyang Military Area Command immediately sent 1,000 officers and soldiers to plug it, bringing the total number of officers and soldiers on the embankment to 20,000. Some 1,500 soldiers and workers at the Daqing oil field are building a third defense embankment. The number of inundated wells at Daqing had risen to 1,391 by 9:30 p.m. on the night of August 17. Another 280 wells had halted normal production.

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9. Japanese Theater Missile Defense

China Daily ("JOINT MISSILE PLAN," Tokyo, 08/17/98, A11) reported that Japan's Defense Agency had planned its budget for joint development of the theater missile defense system with the US, and has earmarked some 500 million yen (US$3.4 million) for the project next year. Previously, the report said, Japan's development of the missile defense system had been limited to basic research by computer simulation. If approved, the budget would be a significant increase from the 80 million yen (US$548,000) spent on the project this year, Kyodo News reported.

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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