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I. United States

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1. Light-Water Reactor Project

United Press International (Jason Neely, "LEVIN: N.KOREA NUKE SHUTDOWN ON TRACK," Seoul, 01/19/98) reported that US Senator Carl Levin, D-Michigan, after four days in the DPRK, said that the DPRK is carrying out its promised shutdown of a heavy-water nuclear facility. Levin said, "The purpose of my visit was to visit the actual site of the North Korean nuclear facility at Yongbyun." He added, "We wanted to see that with our own eyes and we did... the canning of the spent fuel is occurring successfully." While Levin acknowledged that "there are obviously huge problems" in relations between the US and the DPRK, he cited "a few signs that were hopeful to us, a few specks of light." Levin said he also visited the area where US and DPRK teams will jointly search for the remains of US servicemen from the Korean War. Asked about a US media report that the DPRK might have a secret nuclear facility under construction, Levin said that would "obviously be a concern if such a site exists...(I) will look into that as soon as I get back."

The Washington Post carried an opinion article (Victor Gilinsky and Henry Sokolski, "A SILVER LINING TO ASIA'S FINANCIAL CLOUD," 01/19/98, A25) which said that the ROK financial crisis will undermine the nuclear deal that the US reached with the DPRK in 1994. The authors argued, "The twin-reactor deal never made much sense except on the symbolic level -- for North Korea." The article said that the large reactors are too big for the small DPRK electric grid. It added, "the new reactors, while harder for the North to use for plutonium production, would produce more plutonium than the small indigenous ones they would replace." The authors also stated that the DPRK does not have to dismantle its plutonium production plants until the second of the two light-water reactors is ready, "which will leave the United States subject to blackmail indefinitely." They argued that, since neither the US, the ROK, nor Japan seem willing or able to pay for the light-water reactors, "We should change the deal. If the North needs electric generators, let us find the lowest-cost solution -- by putting the project out for bid." The article said that this approach "will undoubtedly get a non-nuclear result that will come in sooner and at a fraction of the current cost." It added, "Getting the project done sooner would mean the North would have to dismantle its own nuclear facilities that much sooner, too."

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2. DPRK Submarine Incursion

The Associated Press ("REPORT: U.S. TRACKED N. KOREA SUBS," Seoul, 01/20/98) reported that the ROK monthly magazine Wolgan Chosun, said that, according to Robert C. Kim, a former US Navy computer specialist currently in prison on espionage charges, US intelligence officials tracked two DPRK submarines for at least three days before one ran aground off the ROK on September 18, 1996. The magazine quoted Kim as saying that when the DPRK submarine was discovered, the ROK military attache asked him for US intelligence. Kim said that he checked the Navy's computer data and found that the US had been tracking two DPRK submarines operating in ROK waters for at least three days, apparently without notifying the ROK.

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3. Search for US MIAs

The Associated Press (Robert Burns, "CHINA'S MILITARY ARCHIVES SOUGHT," Beijing, 01/20/98)

reported that Frank Kramer, US assistant secretary of defense for international security affairs, said that US Defense Secretary William Cohen on Tuesday asked the PRC to open its military archives to Defense Department researchers, in hopes of finding clues about US servicemen missing from the Korean War. Cohen raised the issue during a meeting with President Jiang Zemin at the close of a three-day visit to the PRC. Kramer said that Jiang gave no direct response, but did not indicate he opposed the idea. Cohen also made the request in talks on Monday with PRC Defense Minister General Chi Haotian.

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4. DPRK Participation in Olympics

The Associated Press ("N. KOREA WANTS TO GO TO OLYMPICS," Nagano, 01/16/98) reported that the DPRK has applied to send 10 athletes to next month's Winter Olympics in Japan. The applications were received Thursday, the same day the Olympic committee removed a sentence from its official Internet web site that stated that the DPRK invaded the ROK at the outset of the Korean War. However Akio Yoshida, spokesman for the Organizing Committee for the 18th Olympic Winter Games, stated, "The timing was a coincidence. We simply felt it was best not to provoke anyone."

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5. ROK Financial Crisis

Dow Jones Newswires (Deborah Steinborn, "SOUTH KOREA TO SEEK EXTENSIONS ON DEBT DUE IN FIRST HALF OF 1998," Frankfurt, 01/20/98) reported that a German banking source said Tuesday that the ROK government will propose that all debt due in the first half of 1998 be extended for one to five years. Under the proposal, lenders would decide on the time frame of extension of credits on an individual basis, the source explained. The ROK government would guarantee the credit extensions.

The AP-Dow Jones News Service ("S. KOREA PRES-ELECT KIM WARNS BOLDER CORP REFORMS NEEDED," Seoul, 01/20/98) reported that ROK President-elect Kim Dae-jung Tuesday warned that bolder corporate reform measures were needed to rescue the ROK's economy. Kim was quoted as saying by his spokesman Park Jie-won, "As agreed, large conglomerates have to make efforts for major reforms." Meanwhile, a joint statement signed Tuesday by labor, big business, and government leaders stated, "We share the common understanding that the country is on the brink of a cliff. We will do our best to foster an environment favorable to attracting foreign capital."

The Associated Press ("S. KOREANS PROTEST LAYOFFS," Seoul, 01/18/98) reported that workers and students marched in Seoul Saturday to protest layoffs.

The Associated Press (Paul Shin, "NEW SKOREA LEADER WARNS OF HARDSHIP," Seoul, 01/18/98) reported that ROK President-elect Kim Dae-jung on Sunday appealed to citizens to accept layoffs and other sacrifices so the nation can rebuild. Kim predicted up to 1 million layoffs and double-digit inflation. While promising to strengthen the nation's social safety net, he appealed to workers Sunday to accept rising unemployment, in part because it is critical to restoring confidence among overseas investors. He added, "We must change our attitude toward foreign investment. We should welcome it." Kim stated, "By allowing layoffs, we'll lose 20 percent (of the work force) but save the other 80 percent. When the 80 percent get stronger, they will help hire back the 20 percent who lost their jobs."

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6. PRC-Taiwan Relations

The Associated Press ("CHINA CALLS FOR TALKS WITH TAIWAN," Beijing, 01/20/98) reported that PRC Foreign Ministry spokesman Shen Guofang called for immediate negotiations with Taiwan on Tuesday. He stated, "We hope the two sides can have political dialogue as soon as possible in absence of any prerequisites." However, he added, "One China is not a prerequisite. It is a fact. It is a principle that all sides of the Taiwan Strait should recognize." Lee Ching-ping, deputy secretary-general of Taiwan's Straits Exchange Foundation, responded to Shen's remarks by saying that "There appears to be a softening" in the PRC's demands. However, he added that Taiwan needs to see a clearer statement from the PRC.

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7. US Defense Secretary's PRC Visit

The Associated Press (Elaine Kurtenbach, "CHINA WON'T CONTINUE HELPING IRAN," Beijing, 01/20/98) and Reuters (Charles Aldinger, "CHINA LEADER ASSURES U.S. ON IRAN MISSILE SALES," Tokyo, 01/20/98), reported that US Secretary of Defense William Cohen said Tuesday that PRC President Jiang Zemin has promised not to sell more anti-ship cruise missiles to Iran. Cohen stated, "There will be no new sales, no transfers of technology, no technical cooperation that could given Iran an ability to upgrade current systems." PRC government spokesman Shen Guofang said that PRC officials "just reiterated our positions" on missile sales to Iran. He denied that the PRC had transferred any nuclear weapons or nuclear technology to any countries, and said that it registered all of its weapons sales with the UN.

The Washington Post (John Pomfret, "COHEN HAILS ACHIEVEMENTS IN CHINA VISIT," 01/20/98, A11) and Reuters (Charles Aldinger, "US DEFENSE HEAD GETS PEEK AT SECRET CHINA BASE," Beijing, 01/19/98) reported that US Defense Secretary William Cohen was given an unprecedented tour of a secret PRC air defense center on Monday. Cohen also signed a naval safety agreement designed to avoid accidents and clashes by warships at sea. On Monday, Cohen, stated, "Today, China is an Asian power and rightfully so. The United States does not fear this, nor do we view China as an adversary."

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8. PRC Military Sales

The Washington Post (John Pomfret, "CHINESE REPORT REVEALS $7 BILLION IN MILITARY EXPORTS," Beijing, 01/19/98, A19) reported that the PRC announced in a report published in the English-language China Daily newspaper Sunday that its military factories exported US$7 billion worth of goods last year. The report also noted that about 1,200 PRC military firms have absorbed US$4.5 billion in foreign investment from Western companies since the late 1970s.

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9. US-PRC Nuclear Cooperation

US Presidential Press Secretary Mike McCurry ("PRESIDENT CERTIFIES CHINA UNDER U.S.-CHINA NUCLEAR AGREEMENT," New York, USIA Text, 01/16/98) released a statement which read, "On January 12, the President signed the formal certifications and reports required by U.S. law to implement the U.S.-China Agreement for Peaceful Nuclear Cooperation. These certifications and reports have been submitted to Congress. China has met the nuclear nonproliferation requirements and conditions necessary under U.S. law to engage in peaceful nuclear cooperation with U.S.

industry. This agreement serves U.S. national security and economic interests, and demonstrates that the Administration's policy of engaging China is achieving concrete results. We will continue to work with the Chinese government to strengthen our cooperation on other arms control and nonproliferation issues."

II. Republic of Korea

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1. US-DPRK Relations

Unnamed sources confirmed January 17 that negotiations between the US and the DPRK on the mutual establishment of liaison offices have resumed and are currently underway in Pyongyang. The DPRK has said that it cannot afford to open a full-scale office in Washington yet, so the US proposed temporary offices. Neither side has had permanent diplomatic representation based in the other's country. (Chosun Ilbo, "US-NK NEGOTIATIONS ON LIAISON OFFICES RESUME," 01/18/98)

Diplomatic sources in Washington reported on January 14 that the US and the DPRK met in New York January 13 and discussed issues regarding the special committee meeting for the four party peace talks, to be held in Beijing next month. The US and the DPRK also exchanged views on matters such as the installation of liaison offices, missile agreements, the return of MIA remains, and suspension of the economic embargo, the sources said. (Chosun Ilbo, "US-DPRK DISCUSS PEACE TALKS IN NEW YORK," 01/15/98)

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2. DPRK Nuclear Development

According to secret documents from the US Defense Intelligence Agency (DIA) released on January 17, the DPRK may be violating the US-DPRK nuclear agreement by building a secret, underground nuclear facility. The documents were obtained by the Hearst News Agency, which posted the information on the Internet. The alleged facility is in Ha'gap and to date its purpose is unknown, although it could be used to either produce or store weapons. In the document, Ha'gap is recommended as an important target in case of war. An official of the International Strategy Research Center in the US said that experts on the DPRK are expressing concern over this facility and suspect that Pyongyang will store plutonium there. (Chosun Ilbo, "NK MAY BE BUILDING UNDERGROUND NUCLEAR FACILITY," 01/18/98)

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3. Effects of ROK Financial Crisis on DPRK

The DPRK's foreign exchange earning is being hit hard, directly or indirectly, by the influence of the IMF in the ROK. The DPRK shipped four tons of gold worth US$46.2 million to the ROK from January to November last year, but since December its shipment stopped completely, following the IMF bailout. In addition, DPRK exports to the ROK of minerals such as zinc, scrap iron, and agricultural-fishery products have sharply declined since the foreign exchange crisis erupted in the ROK. ROK businessmen who had planned to set up joint venture projects in the DPRK have all but abandoned them. Press reports said that it is likely that the size of food aid to the DPRK through the Red Cross channel or other international organizations would also be reduced due to the aggravation of the economic situation in the ROK. (KPS, "DPRK HIT HARD BY IMF SITUATION IN SOUTH," 01/20/98)

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4. ROK Budget Cuts

The reduction in the ROK defense budget for 1998, 4 trillion won less than the original 14.6 trillion asked for, will shake the very foundation of the nation's defense system, a ranking Defense Ministry official said on January 16. The Ministry of Finance and Economy has asked the Defense Ministry to cut the original budget by 1.35 trillion won. However, in actuality, an additional 2.5 trillion won could be cut due to the rise in fuel prices and other imported essentials, said the official. The ROK government is planning tight budgets across the board this year and will increase taxes under recommendation from the International Monetary Fund. Nevertheless, roughly 5.7 trillion won of this year's defense budget goes towards military personnel expenses and salaries. These costs, according to the official, cannot be reduced. Accordingly, the 4.28 trillion won earmarked for arms buildup will have to be reduced to 3.6 trillion won or less. The curtailment would delay the planned purchases of four US-made early warning aircraft, construction of three 1,500-ton submarines for the Navy, and the building of advanced training jets under the Air Force KTX-2 program. (Korea Times, "DEFENSE BUDGET CUTS WILL HURT MILITARY PREPAREDNESS: OFFICIAL," 01/17/98)

The ROK Ministry of Foreign Affairs reported to the government transfer committee on Wednesday that it will reduce fifteen overseas diplomatic missions in consideration of the budget cut which followed the nation's economic crisis. An official of the ministry said that the fifteen missions are yet to be selected, although they will likely be missions in African, Central, and South American countries. The ROK currently maintains 145 overseas diplomatic missions. (Chosun Ilbo, "OVERSEAS DIPLOMATIC MISSIONS TO BE CUT BY 15," 01/15/98)

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5. ROK-Japan Fisheries Talks

Jiji Press reported on January 14 that Japanese Prime Minister Ryutaro Hashimoto on January 13 revealed intentions to scrap the fisheries pact with the ROK, but only with the ROK's acquiescence. Talks on concluding a new pact remain deadlocked due to a territorial dispute over the Tokto islets, known as Takeshima in Japan. (Korea Times, "HASHIMOTO HINTS AT SCRAPPING FISHERIES PACT WITH KOREA," 01/15/98)

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6. Japan-US Relations

Kyodo News reported on January 14 that the Japanese government protested on January 13 over the US navy's night landing drills carried out at three bases in Japan. Japanese Vice Foreign Minister Masahiko Komura filed the protest with Christopher LaFleur, minister at the US Embassy, the news agency said. LaFleur was quoted as replying that the US Navy had to start the drills out of urgent need and would make efforts not to harm relations with local residents in the future. However, the drills, conducted by aircraft attached to the USS Independence, are scheduled to continue at the Yokota and Iwakuni bases in Yamaguchi and at the Atsugi base until next week. (Korea Times, "JAPAN PROTESTS AGAINST US NAVY NIGHT DRILLS," 01/15/98)

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7. US-PRC Relations

The US and the PRC signed a military agreement January 19 that seeks to avert unintended conflicts

at sea by opening regular channels of communications between their militaries. The Military Maritime Cooperation Agreement, signed by US Defense Secretary William Cohen and PRC Defense Minister General Chi Haotian, is the first of its kind between the two militaries. Under the agreement, US and PRC delegations led by a general or admiral will meet once a year to discuss issues such as maritime safety measures, communication procedures between US and PRC warships, search and rescue operations, and interpretations of common maritime protocols. (Korea Times, "US, PRC SIGN MILITARY ACCORD TO AVOID INCIDENTS AT SEA," 01/20/98)

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8. Japan-Russia Relations

The Japanese and Russian foreign ministers will meet in Moscow from February 21 for talks aimed at concluding a peace treaty, Japanese media reported on January 18. Japanese Foreign Minister Keizo Obuchi will head a delegation that will stay in Russia for three days for negotiations on the peace treaty, the Asahi Shimbun daily said. Meanwhile, the Sankei Shimbun reported on January 18 that the Japanese government had decided to negotiate with Russia on trading emission rights for "greenhouse" gases. Tokyo plans to sound out Moscow's intention to sell some of the rights to emit the gases at bilateral energy meetings set for late January, the daily said. (Korea Times, "JAPANESE, RUSSIAN FMS TO HOLD PEACE TALKS IN FEB," 01/20/98)

III. Japan

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1. Japanese Military Exchanges

The Yomiuri Shimbun (Keiko Iizuka, "GOVT TO PUT EMPHASIS ON ASIA SECURITY TALKS," 01/20/98) reported that the Japanese government will promote various security talks and exchanges of defense officials with the PRC, Russia, and Asian nations this year. Mashiro Akiyama, deputy director general of the Japan Defense Agency, stated, "In 1998, we would like to expand security talks with countries that include Southeast Asian nations and India." Akiyama left on January 17 for eastern Russia, including a stop in Khabarovsk, to inspect the region's army. PRC Defense Minister Chi Haotian is scheduled to visit Japan on February 4. A senior Defense Agency official said that the government's moves are a response to the expansion of US defense relations with other powers in the region. He stated, "The United States is trying to take an initiative not only in bilateral relations, but also in the ASEAN (the Association of Southeast Asian Nations) Regional Forum. Unless Japan takes some action, our voice on Asian security matters will continue to weaken."

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2. ROK-DPRK Relations

The Yomiuri Shimbun ("KIM DAE-JUNG MAY CONSIDER INCREASING ROK ASSISTANCE TO DPRK," Seoul, 01/15/98) reported that President-Elect Kim Dae-jung suggested on January 14 that his government is considering expansion of assistance to the DPRK, which the outgoing government has limited to the Red Cross. Kim told three ROK religious leaders, "I have said that not only the Red Cross but other private groups should assist the DPRK from the viewpoint of separation of politics and economy." However, Kim added, "Since I proposed a South-North summit meeting after the election, I have been watching the DPRK. The DPRK's leaders believe only what they want to believe," indicating that he is carefully waiting for the DPRK's response.

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3. ROK National Survey on President-Elect

The Yomiuri Shimbun ("NATIONAL SURVEY OUTCOME: PRESIDENT-ELECT KIM DAE-JUNG'S POPULARITY IS HIGH," Seoul, 01/13/98) reported that the ROK President-elect's transition team on January 13 announced the outcome of a national survey on President-elect Kim Dae-jung. According to the outcome, 60.2 percent of the respondents agreed that he is doing very well, while 4.4 percent said, "He is not doing well," and 7.1 percent said "so-so." The report pointed out that this indicates that the majority of the ROK people positively regard Kim's efforts to overcome the financial crisis. The report added that in response to a multiple choice question, 92 percent agreed that overcoming the economic crisis is the first priority Kim should deal with, while 29.2 percent thought that extermination of corruption should be the first priority.

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4. US-PRC Relations

The Asahi Shimbun ("US PROPOSES PRC'S OBSERVATION OF RIMPAC," Beijing, 01/16/98) reported that the US proposed last December that the PRC People's Liberation Army observe the RIMPAC joint exercise in Hawaii, and that US Secretary of Defense William Cohen will discuss the proposal as part of this year's US-PRC defense exchange with his PRC counterpart during his visit to the PRC slated for January 17. The report added that in response, the PRC only said, "We will consider the proposal." RIMPAC is led by the US Navy and participated in by Japan, Canada, Australia, the ROK, and Chile.

The Nikkei Shimbun ("US AND PRC COOPERATE IN FINANCIAL CRISIS PREVENTION," Beijing, 01/16/98) reported that PRC Vice Prime Minister Zhu Rong-ji, Finance Minister Liu Zheng-li, and US Deputy Treasury Secretary Lawrence Summers met on January 15 in Beijing, and pledged to cooperate to prevent expansion of the on-going financial crisis in Asia. According to the US side, the PRC government again denied the possibility of devaluation of the Chinese yuan. The report pointed out that the meeting was the first of its kind between the PRC and the US this year.

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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