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I. United States

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1. Light-Water Reactor Project

The Associated Press ("CHINA REJECTS TAIWAN AID FOR N. KOREAN NUCLEAR REACTORS," Beijing, 10/20/98) reported that the PRC on Tuesday rejected an offer by Taiwan to join the Korean Peninsula Energy Development Organization (KEDO). PRC Foreign Ministry spokesman Tang

Guoqiang said that KEDO was founded under a US-DPRK agreement and "should be composed of sovereign states. As a province of China, Taiwan is not qualified to participate." He added, "We think these kinds of activities will not solve the problem [of PRC-Taiwan relations]. On the contrary, it will only allow separatist forces on Taiwan to undermine the great cause of the reunification of the motherland." Taiwan envoy Koo Chen-fu brought up the idea of contributing to the building of two light-water nuclear reactors for the DPRK during a meeting Sunday with PRC Vice Premier Qian Qichen. A statement released by the Taiwan delegation said, "Taiwan considers that the project is of great importance to the peace and stability in the Asia-Pacific region."

Reuters ("JAPAN CAUTIOUS OVER TAIWAN'S N.KOREA NUCLEAR FUND," Tokyo, 10/20/98) reported that Japanese Foreign Minister Masahiko Komura said on Tuesday that it would carefully consider whether to accept Taiwan's offer to contribute to KEDO. Komura stated, "We should not tell (Taiwan) to actively participate. Even if there is an offer (from Taiwan), we must deal with it cautiously."

Reuters (Nick Yon, "MAJOR N.KOREA REACTOR WORK TO START '99," Seoul, 10/17/98) reported that Chang Sun-sup, ROK ambassador to KEDO's executive board, said on Saturday that full-scale construction of two light-water nuclear reactors in the DPRK will begin early next year. Chang stated, "It will depend on how quickly funds can be made available but I believe full construction work can begin early next year." He added, "KEDO has also decided to maintain the current preliminary construction for the reactors until January 15 next year." Chang said that the first stage of the preliminary work, including ground leveling and building of workers' quarters at the site in northeastern Kumho, was completed on October 15. He added, however, that without a complete accord among KEDO member countries to back full-scale construction, the project was in danger of being left in disarray. He stated, "For this reason, KEPCO (Korea Electric Power Corp) has decided to provide additional supplier's credit to continue with groundwork on the project." He said that KEPCO is set to sign a turnkey contract with KEDO for the reactor project, and has already loaned KEDO US\$45 million to launch preliminary construction in August last year ahead of a full-fledged agreement on cost-sharing. Regarding the effect of the project on the ROK's economy, Chang stated, "All the reactor building costs would be 100 percent poured into the ROK economy, including building and raw material expenses. It will actually be the economic stimulant we need." He added that the DPRK has agreed to pay back the building costs over the next 17 years. Chang said the project would also contribute positively to DPRK-ROK ties. He said, "There are currently some 150 South Korean workers there. But at the project's peak there will be some 8,000 workers, 60 percent being North Koreans, mingling on a daily basis. From the viewpoint of opening North Korea to the world, there is bound to be an enormous positive by-product." He added, "Japan's basic policy is that of not breaking the KEDO framework. If North Korea attempts another provocative act, it would be a matter for all KEDO countries to resolve and not simply left to Japan." Japanese Prime Minister Keizo Obuchi said on Friday that Japan had decided to lift a freeze on plans to contribute US\$1.0 billion to KEDO. Obuchi stated, "It is very difficult for us to maintain our own special policy towards this issue over a long period."

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2. Fuel Oil Deliveries to DPRK

The Associated Press (Tom Raum, "BUDGET BILL INCLUDES WEAPONS TREATY," Washington, 10/19/98) and Reuters (Jackie Frank, "CONGRESS TO ACT ON ARRAY OF FOREIGN POLICY GOALS," Washington, 10/20/98) reported that the US Congress is set to approve a budget bill this week that includes funding for heavy fuel oil deliveries to the DPRK. Congress agreed to provide US\$35 million for a shipment of fuel oil to the DPRK under the 1994 Agreed Framework.

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3. Four-Party Peace Talks

Reuters (Bill Tarrant, "KOREAN PEACE TALKS SET TO RESUME IN GENEVA," Seoul, 10/18/98) reported that the four-party peace talks for the Korean peninsula will resume in Geneva on Wednesday. The DPRK's Korean Central News Agency (KCNA) in a commentary last week noted that the US and the ROK have scheduled joint military exercises three days after the talks. KCNA stated, "This adds to the suspicion that the 'four-way talks' the U.S. describes as peace talks are a subterfuge to conceal its war preparations against the DPRK." KCNA also quoted the DPRK's foreign ministry spokesman as saying, "We also insist that the issues of withdrawing U.S. troops and signing a peace agreement between the DPRK and the United States ... must be intensively discussed at the third four-party talks." ROK Foreign Minister Hong Soon-young said last week that the ROK does not oppose discussing US troop withdrawal in the context of an overall peace accord. Hong stated, "It can be discussed only when a peace arrangement is set up, instead of putting it at the head of discussions."

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4. US-ROK Military Exercises

The Associated Press ("S. KOREA, U.S. TO HOLD MAJOR JOINT MILITARY EXERCISES," Seoul, 10/20/98) reported that the US Military Command said Tuesday that US and ROK troops will begin a major, joint field exercise next Tuesday that will end in early November. The "Foil Eagle" exercise will be the 37th since 1961. The command said that the exercise will involve most of the ROK's 650,000-person military and the 37,000 US troops stationed in the ROK. The aircraft carrier Kitty Hawk and several other warships of the US 7th Fleet will participate in an amphibious landing operation on the southeast coast.

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5. DPRK Defector

The Associated Press ("NORTH KOREAN WORKER FLEES TO SOUTH," Seoul, 10/17/98) reported that the ROK Agency for National Security Planning (NSP) said Saturday that Chang Chun-kwang, a stowaway claiming to be a defector from the DPRK, arrived Friday in Pusan and surrendered to authorities. The NSP said that Chang fled the DPRK in February 1997 to an unnamed third country before sneaking aboard a ship bound for the ROK.

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6. ROK Imports of Japanese Cultural Products

The Associated Press ("S KOREA TO LIFT 53-YR-OLD BAN ON JAPANESE CULTURAL IMPORTS," Seoul, 10/20/98) reported that ROK Culture and Tourism Minister Shin Nak-kyun said Tuesday that the government has lifted a ban on the import of selected Japanese movies, videos and cartoons. Shin stated, "The measures taken today are very meaningful, because they will lead the Japan-South Korea relationship to a higher level." She added, "It is a prelude to a mature bilateral relationship." Officials said that a committee to be formed with government and civilian cultural representatives of both countries would work out detailed procedures for imports before the end of the year.

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7. PRC-Taiwan Talks

The Los Angeles Times (Anthony Kuhn, "JIANG MEETS WITH HIGH-LEVEL TAIWAN ENVOY," Beijing, 10/19/98), the New York Times (Erik Eckholm, "CHINA AND TAIWAN AGREE TO KEEP THEIR DISCUSSION GOING," Beijing, 10/19/98, A3), the Washington Post (John Pomfret, "TAIWANESE NEGOTIATOR, JIANG MEET IN BEIJING," Beijing, 10/19/98, A15), the Chicago Tribune (Liz Sly, "CHINA, TAIWAN ENVOYS TAKE TEA, TALK TOUGH," Beijing, 10/19/98), and Reuters (Benjamin Kang Lim, "TAIWAN ENVOY MEETS CHINESE LEADER JIANG," Beijing, 10/18/98) reported that Taiwan envoy Koo Chen-fu, chairman of the semiofficial Straits Exchange Foundation (SEF), met with PRC President Jiang Zemin on Sunday. Koo stated, "The ice is not completely broken, but we hope it has melted a bit." Koo called the meeting a "frank" and "tolerant" exchange of viewpoints on key issues. He said that he and Jiang talked extensively about the issue of democracy. He stated, "Only when the Chinese mainland has achieved democracy can the two sides of the Taiwan Strait talk about reunification." He said he had "no disappointments" about the meeting, adding that eventual talks between the presidents of the PRC and Taiwan would be a "natural progression." However, members of the Taiwanese delegation privately voiced doubt that a summit would occur during the tenures of Taiwanese President Lee Teng-hui and Jiang. The PRC side described Sunday's meeting as "cordial." Earlier, a PRC spokesman quoted Vice Premier Qian Qichen as saying, "There are people in Taiwan who advocate so-called Taiwan-style democracy as the decisive factor in reunification. This is clearly unrealistic." An unnamed Taiwan delegation member stated, "We effectively have a 'two China' policy. We are a country. They are another country. But we might have a common goal to become one country in the future." However, PRC spokesman Tang Shubei said that the Taiwanese delegation "should seriously consider the consequences of their attitude." He warned, "if you want to negotiate using 'two Chinas' as the basis, there will be no progress." He added, "Mr. Qian hopes the Taiwan authorities can look upon the mainland objectively and bravely face up to the international situation. Don't be an ostrich."

The Associated Press ("TAIWAN RENEWS APPEAL TO BEIJING," Taipei, 10/20/98) reported that Taiwanese President Lee Teng-hui said Tuesday, after a meeting with SEF chairman Koo Chen-fu, that he favors continued dialogue with the PRC. However, Lee reiterated his demand that the PRC recognize Taiwan's sovereignty.

The Associated Press (Annie Huang, "TAIWAN, CHINA AGREE TO KEEP TALKING," Taipei, 10/19/98) reported that the Taiwanese government on Monday hailed the five-day visit by Taiwan envoy Koo Chen-fu to the PRC as constructive. Sheu Ke-sheng, vice chairman of Taiwan's Mainland Affairs Council, stated, "We support such frank exchanges of opinion." He noted, however, that the PRC did not soften its claim that Taiwan is a part of China with no right to sovereignty. In Beijing, the PRC's official Xinhua News Agency urged Taiwan to take practical steps toward reunification. It said in a commentary, "Stable and healthy cross- straits relations for the 21st century will be determined by whether both sides can hold political negotiations under the one-China principle as soon as possible." Taiwan's China Times newspaper said in an editorial, "The impact of the mainland trip has yet to be assessed, but the interactions during these five days will no doubt be an important chapter in history." It called for both sides to continue negotiations.

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8. Taiwanese Diplomacy

Reuters (Alice Hung, "TAIWAN ACCUSES CHINA OF DIPLOMATIC DOUBLE-DEALING," Taipei, 10/17/98) reported that Taiwan Deputy Foreign Minister David Lee on Saturday demanded that the PRC make a "public clarification" on whether it had plans to court Taiwan's diplomatic allies. Lee said that Taiwan wanted to know whether PRC Vice Premier Qian Qichen instructed PRC diplomats

to engage in a "face-to-face struggle" with Taiwan. He added that Taiwan also wanted clarification as to whether the PRC was "exhausting every possible means to seduce" a certain ally with the aim of establishing ties in the next two weeks. He stated, "We thoroughly understand the mainland authorities have been double dealing with us and have tried to squeeze our diplomatic living space." He added, "We do not want to see the mainland authorities not matching their words with deeds, disregarding Taiwan people's need to pursue international living space and hurting Taiwan compatriots' feelings."

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9. US Technology Transfers to PRC

The New York Times (Jeff Gerth and Eric Schmitt, "CHINESE SAID TO REAP GAINS IN U.S. EXPORT POLICY SHIFT," Washington, 10/19/98, A1) reported that critics have argued that the Clinton administration's decision to relax controls on high-technology exports has strengthened the military capacity of countries like the PRC. The US Senate Intelligence Committee and a special House of Representatives panel have held a series of closed-door hearings this fall to determine whether the PRC took advantage of the looser rules to enhance its military and to obtain technology that it passed on to other states, including the DPRK. Unnamed administration officials said the regulations adopted by US President Bill Clinton fostered trade but made it much harder for intelligence agencies to track how US equipment was used overseas. An unnamed US official said that Clinton decided to change the rules without a rigorous review by intelligence officials or other national security experts. He said that a CIA report warning of the military implications of technology transfers to the PRC was "not well done and lacked analytical depth." Officials said that the US government's last serious examination of technology sales to the PRC had been conducted by the Reagan administration in 1984. Paul Wolfowitz, a former official in the State and Defense departments who participated in the 1984 study, stated, "There is an urgent need for a fundamental review of export policy to China especially because China is in the process of becoming -- albeit still quite slowly -- the major strategic competitor and potential threat to the United States and its allies in the first half of the next century." However, Doak Barnett, a professor emeritus at Johns Hopkins University, said that the PRC's "overall policy is not to be a troublemaker." He added that the PRC "gradually building up its defense establishment is something I would expect it to do, but in my view it's not threatening." The Clinton administration over the last five years has approved exports to the PRC of US\$3 billion in dual-use technology, about 5 percent of overall US sales to the PRC. A report prepared for the Commerce Department last December concluded that the administration has little means of knowing whether this equipment is harming US national security. Defense industry executives said that, given the PRC military's involvement in commercial enterprise, it is often difficult to distinguish between military officers' personal and professional dealings.

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10. PRC Nuclear Power Development

Reuters ("CHINA TO BUILD ADVANCED NUCLEAR REACTOR - PAPER," Beijing, 10/20/98) reported that the China Defense Industry newspaper said on Tuesday that scientists have announced plans to build the PRC's first advanced research nuclear reactor. The article stated, "This will carry China into the world's vanguard of experimental research reactors in the next century." It added that the new 60-megawatt reactor would be safer, more powerful, and allow more expansive research than current reactors. Shi Yongkang, general manager for the new project, was quoted as saying, "Heavy water research reactors that have been in use for 40 years are outdated, and can no longer meet work needs."

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11. PRC Human Rights Conference

The Associated Press ("CHINA OPENS HUMAN RIGHTS CONFERENCE," Beijing, 10/20/98) reported that the PRC opened a two-day international conference on world human rights on Tuesday. PRC Vice Premier Qian Qichen told the meeting, "It is only natural that countries in the world do not have complete agreement on how to define, approach and realize human rights. No country's human rights situation is perfect." The conference is sponsored by a government-backed society to mark the 50th anniversary of the Universal Declaration of Human Rights. In a statement, Chinese dissident Qin Yongmin attacked the meeting as an effort to "cheat international opinion."

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12. Russian Policy toward Asia

The Associated Press ("RUSSIA DEFENSE MIN EMPHASIZES VESTED INTEREST IN STABLE ASIA," Hanoi, 10/20/98) reported that Russian Defense Minister Igor Sergeev said Tuesday that Russia has a vested interest in ensuring stability in the Asia-Pacific region, particularly in avoiding a nuclear arms race. Sergeev stated, "The development dynamics of the Asian Pacific are making the region one of the most important political and economic centers of the world. Unfortunately, sources of tension and potential conflicts still remain in Asia, primarily because territorial, ethnic and other clashes have not been settled." He said he also was concerned about the spread of missile technology and "the attempts of the United States to involve some Asian countries in joint development of an anti-missile defense theater." He stated, "In our opinion, the fulfillment of such intentions in the future may shift the balance of power in the region." Sergeev was in Vietnam as part of an Asian trip that will include stops in the PRC and India.

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13. India-Pakistan Talks

The Associated Press (Amir Zia, "PAKISTAN, INDIA VOW TO MEET AGAIN," Islamabad, 10/18/98) and the Washington Post (Kenneth J. Cooper, "INDIAN- PAKISTANI TALKS END WITHOUT ACCORD," Islamabad, 10/19/98, A16) reported that the Indian and Pakistani foreign secretaries on Sunday ended three days of talks without an agreement on the dispute over Kashmir. The two sides did promise to meet again in February. Indian Foreign Secretary K. Raghunath stated, "It's not that talks have failed ... this was just a beginning." The two sides issued a brief statement that said they discussed confidence-building measures as well as peace and security. The statement said, "Both sides underscored their commitment to reduce risk of a conflict by building mutual confidence in the nuclear and conventional fields." However, Pakistani Foreign Secretary Shamshad Ahmed said that the two countries cannot improve relations until the Kashmir dispute is resolved. Ahmed said that the two sides discussed their ballistic missile capability and conventional arsenals. He added, "We discussed measures to avert the risk of a nuclear conflict and to prevent an expensive nuclear arms race." Shamim Akhter, a Pakistani political analyst in Karachi, said that no one had hopes of a major breakthrough, "but the two countries have broken a long spell of deadlock, which in itself is a positive development."

II. Republic of Korea

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1. ROK-DPRK Medical Cooperation

JoongAng Ilbo ("DPRK AND ROK DOCTORS WORK TOGETHER," Seoul, 10/20/98) reported that doctors from both the ROK and the DPRK are operating jointly at the People's Hospital in the Sonbong Free Trade and Economic Zone in the DPRK, and will start to examine and treat patients together next month. According to a report released October 20 from the ROK Ministry of Health and Welfare, around 12 members from an ROK medical team will visit the DPRK at the end of this month. This medical team, composed mainly of surgeons, general physicians, obstetricians, and dentists, will stay there from three to twelve months. This kind of medical cooperation between the two Koreas will mark the first such case since the nation was divided in 1948. This project was sponsored by the One Nation Welfare Foundation, and the medical team was sent by the Korea Christian Medical Missionary Association. The People's Hospital in Sonbong is equipped with more than 400 beds and was opened on September 24 with the medical facilities donated by the One Nation Foundation.

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2. ROK Aid to DPRK

Korea Times ("RELIGIOUS BODIES GIVE DPRK W12.93 BILLION IN AID," Seoul, 10/20/98) reported that assistance by ROK religious bodies to the DPRK between January 1997 and August 1998 amounted to 12,933.15 million won (about US\$98 million), according to the Culture and Tourism Ministry. The Protestant church led all others with 6,950.1 million won in 38 projects, followed by the Catholic church with 4,422.53 million won in 12 projects, Buddhism with 205 million won in four projects, and Chondogyo with 20 million won in a single project. With these donations, they delivered to the DPRK 29,840 tons of corn, 1,800 tons of potatoes, 2,611 tons of flour, 3,736 tons of millet, 2,000 tons of fertilizer, 4.5 million cases of ramyon (instant noodles), 180,000 liters of edible oil, 36 tons of powdered milk, and 11.2 tons of vegetable seeds.

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3. Concert at Panmunjom

Korea Times ("PEACE CONCERT HELD AT PANMUNJOM," Seoul, 10/20/98) reported that a classical concert was held at the Panmunjom truce village Tuesday, marking the first time that a musical event has been featured at the site of the military confrontation between the ROK and the DPRK. The Carmina Quartet from Switzerland performed at the Swiss Camp of the Joint Security Area of Panmunjom while Chung Myung-wha, one of the most sought-after cellists in the world, joined their effort. The unprecedented event was organized by M.G. Peter Sutter, a Swiss member of the Neutral Nations Supervisory Commission (NNSC). The Swiss officer has served in Korea for the last 45 years on the international mission to supervise the truce of the 1950-53 Korean War. The musical event was performed to the invited 60-member or so audience and taped by KBS and CNN for later broadcast. The time for the broadcast has not been finalized yet, according to KBS officials.

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4. Kia Auction

Chosun Ilbo ("HYUNDAI OFFICIALLY ANNOUNCED AS KIA/AISA WINNER," Seoul, 10/19/98) reported that the auction management office of Kia and Asia Motors announced Monday that Hyundai Motor Company is the successful bidder in the Kia-Asia auction and that Daewoo Motors was the second and will be stand-in bidder. The office said Ford was eventually disqualified because

it bid lower than the face value of Asia Motors' stock and Samsung received the lowest overall evaluation points. A spokesperson of the Korea Development Bank, Kia's major creditor, said it was at a loss to find any way to recover loans from the deal. Other creditors are worried that the 7.3 trillion Won loan write-off demanded by Hyundai will jeopardize chances of loan repayment. Presidential economic advisor Kang Bong-kyun said that Chong Wa Dae would not play a mediating role and the final solution will be left to Hyundai and Kia's creditors. Meanwhile, Chung Mong-kyu, chairman of Hyundai Motors, said that the country's auto industry would be revitalized under the dual leadership of his group and Daewoo as a result of the winning bid. He added that creditors would not oppose Hyundai's proposed loan write-off because in doing so they would incur heavier losses.

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5. Foreign Missions in ROK

Chosun Ilbo ("FOREIGN MISSIONS ON THE DECLINE," Seoul, 10/19/98) reported that several foreign governmental agencies stationed in the ROK are withdrawing from the country, and the staff at foreign embassies are being reduced, as a result of the ROK economic crisis. The United Kingdom Tourism Promotion Agency announced Monday that it will disband its Seoul office by December 1, saying that ROK tourists to the country have dropped rapidly this year, making the agency redundant. Up to September, ROK tourists to Britain totaled 51,000, a 60 percent drop compared to the same period last year, said the agency. The Australian State of Victoria also closed its tourism promotion agency last May. Provincial governments representing states of the US, Australia, and Canada are confining their activities here due to the decreasing subsidies from their home countries.

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6. US-ROK Trade Dispute

Chosun Ilbo ("US AND ROK NEGOTIATE ON AUTOMOBILE INDUSTRY," Seoul, 10/19/98) reported that the ROK foreign trade delegation in Washington stated Monday that it would make a formal complaint to the World Trade Organization if the US resorts to retaliatory actions on any breakdown in automobile industry negotiations. Although the deadline for the negotiations was set for midnight Monday, a one- or two-day extension is possible. A senior level official said that both parties agree that the US should be allowed into the ROK market; however, the present situation makes it impossible to acquiesce to all of the US demands. He continued that an agreement had been reached insofar as passenger vehicle certification and financing were concerned. No comments were made on customs and car tax issues since they are still under discussion.

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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