



NAPSNet Daily Report 22 June, 1998

Recommended Citation

"NAPSNet Daily Report 22 June, 1998", NAPSNet Daily Report, June 22, 1998,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-22-june-1998/>

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I. United States

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1. Alleged DPRK Submarine Captured

The Associated Press ("S. KOREA CAPTURES SMALL SUBMARINE," Seoul, 06/22/98) and Reuters ("SUB OFF S.KOREA LIKELY NORTH'S, SEOUL SAYS," Seoul, 06/22/98) reported that the ROK's national news agency, Yonhap, reported that the ROK on Monday captured a 70-ton Yugo-class submarine, which is believed to belong to the DPRK. An anonymous ROK spokesman said that a navy ship was towing the vessel to shore, and described it as a "midget submersible." He added, "The Joint Chiefs of Staff believes that the boat belongs to North Korea. We suspect there's somebody

inside, but we don't know how many." Yonhap said the vessel's periscope got caught in a fish net about 11 miles east of Sokcho. The ROK's state-run Korea Broadcasting System said men were seen on the deck of the craft trying to free it before an ROK warship seized it. Defense Ministry spokesman Park In-yong stated, "There are no signs which identify it by country. But it could be a North Korean submarine as it is not a South Korean or a U.S. submarine."

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2. US Sanctions Against DPRK

Reuters ("NORTH KOREA: U.S. MUST LIFT ECONOMIC SANCTIONS," Tokyo, 06/22/98) reported that the DPRK's official Korean Central News Agency (KCNA) quoted a Foreign Ministry spokesman as saying on Monday that the US "is obliged" to lift economic sanctions against it under the 1994 Agreed Framework. He added, "the United States continues raising one precondition after another for lifting sanctions against us because it seeks only to see 'change' of our system and to disarm us. Though we value the agreement and regard the lifting of sanctions as necessary, we will never make an offering of our 'policy shift' and 'disarmament.'" He said that the DPRK had already fulfilled its obligation of the agreement by altering its nuclear policy and agreeing to participate in the four-party peace talks. He added that the US "has not yet made a political decision to stop pursuing its policy hostile towards the DPRK in response to our bold policy."

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3. DPRK Famine

United Press International ("WFP: N.KOREAN FOOD CRISIS STILL SERIOUS," Tokyo, 06/22/98) and the Associated Press (Elaine Kurtenbach, "N.KOREANS REPORTEDLY LIVING ON BARK," Beijing, 06/21/98) reported that UN World Food Program (WFP) Assistant Executive Director Jean-Jacques Graisie said Sunday that international food aid to the DPRK has helped improve food supply, but it has not eliminated hunger. Graisse said that DPRK agricultural production this year "will not reach ... self-sufficiency," and is not expected to do so for years to come. He added that the DPRK's overall economic situation must improve for it to overcome the food crisis. Graisse said that the failing economy has caused water and sewage systems to break down and the medical system to fail. He also expressed concern about environmental consequences from "desperate attempts" at producing food. Meanwhile Abigail Spring, a WFP official who accompanied Graisse on a weeklong visit to the DPRK, said that the virtual shutdown of the DPRK's food distribution system is forcing many of its people to survive on bark and wild plants until the summer harvest. She stated that hospitals were reporting an increase in patients suffering from intestinal problems caused by the consumption of substitute foods. Next month, UNICEF, the World Food Program, and the European Union plan a countrywide assessment of children aged six months to seven years in the DPRK that will be used to plan future humanitarian programs.

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4. ROK-DPRK Relations

Reuters ("S. KOREA'S KIM TO DONATE FERTILISER TO N. KOREA," Seoul, 06/19/98) reported that the Chosun Ilbo quoted President Kim Dae-jung as saying on Friday that the ROK was ready to send 200,000 ton of fertilizer to the DPRK if it agreed to allow separated family members to exchange letters. A presidential spokesman said he could not confirm the report. Meanwhile, the DPRK's official Korean Central News Agency (KCNA) said that delegates at the first meeting of a DPRK preparatory committee for a proposed joint ROK-DPRK festival at Panmunjom demanded that the

ROK repeal its national security law and abolish its intelligence agency as preconditions for the festival. KCNA said, "The participants in the meeting expressed concern over the co-sponsorship of the festival which may be impossible without unconditional elimination of the brakes."

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5. Possibility of DPRK Reform

The Washington Post (Selig S. Harrison, "NORTH KOREA FROM THE INSIDE OUT," 06/21/98, C01) reported that DPRK defector Hwang Jang-yop said that the most frightening prospect for the DPRK is not that it will collapse, but that it will slip into the PRC orbit. Hwang stated that Kim Jong-il "understands the need for reform. But he won't go beyond partial reform because he fears losing control, and halfway measures won't solve the problems of food and industrial regeneration that North Korea faces." Hwang said that Kim "is intelligent, but he is also arrogant, obsessively conspiratorial and inflexible." He speculated that Kim might create a new governmental structure in which, as general secretary of the Workers Party, he would exercise the powers of head of state while delegating ceremonial duties to a figurehead president. Hwang called on the US to "push harder for a liaison office in Pyongyang." However, he added that he does not want the US to lift sanctions "or do anything else that could prolong the life of the regime." He said that "all of the working-level officials in charge of different aspects of the economy favor reforms, especially those who have contact with the outside world," but that "it's not possible for like-minded people to have meetings of any kind, so there are no hard-line or moderate factions, just individuals who recognize the need for change." Regarding the military, Hwang stated, "all of those at the top levels of command are total puppets," and therefore there is no danger of a collapse. He urged the US to deny "any economic assistance" except for increased food aid, "to alleviate suffering and reduce the chance that the 'Great General' will resort to war out of desperation." He urged that all food aid be routed through the ROK to increase the ROK's leverage over the DPRK. He added that if the DPRK refused the aid, "the people of the North would find out, and this would have a tremendous impact, separating the masses from Kim Jong Il." He said that the DPRK was bluffing about the potential of its nuclear program, stating that it "did not have the technical or financial means to complete the 50- and 200-megawatt reactors then under construction that you were so concerned about." He added, however, "all of us at party headquarters were under the impression that we already had the capability for some nuclear weapons."

The Washington Post carried an opinion article (Selig S. Harrison, "NORTH KOREA FROM THE INSIDE OUT," 06/21/98, C01) which said that DPRK defector Hwang Jong-yop is correct in his assessment that the DPRK is not likely to collapse. The author also agreed with the possibility that the DPRK will be forced to lean increasingly on the PRC, leading to a polarization on the Korean Peninsula. However, he argued that "the danger of such a polarization will be increased if the United States follows Hwang's advice to promote a collapse by maintaining economic sanctions." He warned that, "A collapse would entail grave risks, including mass refugee flows and civil strife in the North that could lead to North-South military." He stated that he is "not as pessimistic as [Hwang] is about the prospects for change," pointing to the proliferation of private farm markets and the number of foreign food and humanitarian aid representatives allowed to live in the DPRK. He also pointed out that the joint plan announced by the DPRK and the UN Development Program (UNDP) on May 29 would "rehabilitate fertilizer factories, repair irrigation pumps damaged by repeated floods since 1995 and launch 'double cropping.'" Moreover, DPRK agricultural officials were ordered to open their records to UNDP experts. The author quoted the UNDP working paper for the Geneva meeting as saying, "The extensive statistical data and information contained herein, should assuage prevailing concerns that virtually all economic and social data are somehow regarded by North Korea as 'state secrets.'" He argued, "The United States should follow the advice of Kim Dae Jung,

not Hwang Jang Yop, by lifting all of the sanctions imposed during the Korean War on trade and investment with the North except those that relate directly to its military capabilities. Pyongyang clearly signaled its readiness this week to restrict its missile exports to Pakistan, Syria, Iraq and Iran in exchange for a compensation package, including the removal of sanctions." He concluded, "It is economic change that can lead over time to a thaw in relations between Seoul and Pyongyang and to democratic political evolution in North Korea."

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6. US Military in ROK United Press International ("U.S. CUTS S.KOREA SHARE IN USFK COSTS," Seoul, 06/19/98) reported that US Embassy spokesman Richard Christenson said Friday that the US has agreed to accept ROK won for the ROK's contributions toward maintaining US troops. The US will also apply an exchange rate of 907.6 won to the dollar for all US Forces Korea costs, except for projects such as ROK-funded construction, which require payment in US dollars. Christenson stated, "As a result of our joint efforts, the Republic of Korea will be able to reduce its potential foreign exchange loss caused by the recent rapid depreciation of the Korean won, while USFK will be able to receive the same essential materials, services and payments the ROK originally promised to provide." The ROK was to provide US\$399 million as its cost-sharing contribution this year under a 1996 Special Measures Agreement. As a show of "good faith," the ROK will provide an additional US\$2.6 million for US logistics cost-sharing to correct a shortfall resulting from taxation.

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7. 1996 Taiwan Crisis

The Washington Post (Barton Gellman, "U.S. AND CHINA NEARLY CAME TO BLOWS IN '96," 06/21/98, A01) reported that on March 7, 1996, US Defense Secretary William J. Perry warned Liu Huaqiu, a senior PRC national security official, that there would be "grave consequences" should PRC missiles strike Taiwan. Present and former US officials now say they were far more worried than was known at the time that the crisis over the PRC's missile tests in the Taiwan straits could lead to a war between the PRC and the US. David Rothkopf, then deputy undersecretary of commerce, said the Taiwan crisis grew out of "an erratic, often frayed policy" marked by "a lot of confusion on China in the first term, particularly in the State Department." Some US analysts at the time saw special significance in the PRC's use of the nuclear-capable M-9 missile during the exercises. Chas. W. Freeman Jr., former assistant secretary of defense, said that a senior PRC officer told him, "In the 1950s, you three times threatened nuclear strikes on China, and you could do that because we couldn't hit back. Now we can. So you are not going to threaten us again because, in the end, you care a lot more about Los Angeles than Taipei." Government analysts concluded that Freeman's interlocutor had been Lieutenant General Xiong Guangkai, deputy chief of the PRC's general staff. Then National Security Advisor Anthony Lake stated, "If this was some sort of serious message, we had to make it clear that we were returning it unopened." General John M. Shalikashvili, then chairman of the Joint Chiefs of Staff, ruled out the possibility that the PRC was planning a full-scale invasion of Taiwan because it lacked the sealift resources, especially amphibious ships. A senior defense official stated, "It was very tense. We were up all night for weeks. We prepared the war plans, the options. It was horrible."

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8. US-PRC Relations

The Washington Post (Barton Gellman, "REAPPRAISAL LED TO NEW CHINA POLICY," 06/22/98, A01) reported that US Assistant Secretary of State Stanley O. Roth said that the US policy of

engagement with the PRC has yielded some tangible results. Roth stated, "On the Korean peninsula, China could be supplying weapons and encouraging the North Koreans not to participate in negotiations.... There are just so many of these issues." Former National Security Advisor Anthony Lake said that when he met with his PRC counterpart Liu Huaqiu in 1996, "The role China plays in the very different world of the next century was going to be very important, and it was in China's interest as well as the world's that China not only play by the rules but also help devise those rules -- whether on nonproliferation, arms control regimes or the WTO [World Trade Organization]." He added, "Another part was that the American military presence in Asia had not been drawn down and, I believed, neither should nor would be, and this was not a part of containing China but was there for the sake of stability. I asked [Liu] to consider what would happen if we withdrew our presence from Northeast Asia. There would be almost certainly an arms race, probably a nuclear arms race, among Japan, China and Korea, and this was in nobody's interest." However, Ronald N. Montaperto, a senior fellow at the Defense Department's National Defense University, said that, despite the rhetoric of strategic partnership in US-PRC relations, "I don't see any substance anywhere. We have failed as yet to address the important issues on which relations between the United States and China will truly turn."

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9. Alleged Technology Transfers to PRC

The Washington Post (Michael Laris, "CHINESE EXECUTIVE DEFENDS LORAL'S ROLE," Beijing, 06/22/98, A17) reported that Liu Jiyuan, the president of state-run China Aerospace Corp., denied that Loral Space and Communications Ltd. improved the PRC's intercontinental ballistic missile program through a report on a failed 1996 satellite launch. Liu stated last week that "China's own efforts" accounted for its missiles' "high accuracy." He added, "Loral never provided any hint or document which would improve the ... accuracy of Chinese missiles, and China never intended to obtain such technologies from our counterpart." Liu said that the independent committee investigating the rocket crash, "only worked in China for a day and a half" and that "it is impossible that they transferred this technology to China in such a short time frame."

The Washington Post (Walter Pincus, "U.S. NAVIGATION SATELLITES HELP CHINA, PENTAGON SAYS," 06/20/98, A02) reported that the US Defense Department said in a report last year that the PRC is using the Global Positioning System (GPS), a US-based satellite system, "to improve the accuracy of its weapons and the situational awareness of its operations forces." The report said that "GPS updates will enable China to make significant improvements in its missile capabilities." It said that "GPS updates will provide the potential to significantly improve missile accuracy through midcourse guidance correction." It added that updates would also increase the "operational flexibility" of a solid-fuel, mobile ICBM that the PRC have had under development. John Pike, director of the space policy project at the Federation of American Scientists, said that, in comparing the usefulness to the PRC of technology from the GPS and that from US satellite launches, "On a scale of one to ten, GPS is a six and U.S. satellite sales and launches are less than one." Pike said that the US decided in the late 1970s to put the navigational system in orbit and make it publicly available as a way of discouraging other countries from launching their own systems. He added that, in times of warfare, the channel can be jammed.

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10. PRC Missile Exports

The Associated Press (Laura Myers, "MEETING MAY END MISSILE EXPORTS," Washington, 06/19/98) reported that Stanley Roth, US assistant secretary of state for East Asian and Pacific

affairs, said Friday that it's possible that next week's meeting between US President Bill Clinton and PRC President Jiang Zemin may produce an agreement on exports of missile technology. Roth said that PRC missile exports are "one of the issues we're working on" in pre-summit negotiations. He also said that the US expects progress on halting the spread of chemical and biological weapons.

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11. US-Japan Relations

US State Department Spokesman James Rubin ("STATE DEPARTMENT NOON BRIEFING, JUNE 19," USIA Transcript, 06/19/98) said Friday that Secretary of State Madeleine Albright's planned to travel to Japan for meetings with senior government leaders following President Bill Clinton's state visit to the PRC. Rubin stated, "The purpose of the visit will obviously be many-fold and ... it will include briefing Japanese leaders on the results of the President's meetings in China with the Chinese leadership and, obviously, she will also cover the full range of bilateral and international issues that we normally touch on or discuss in depth with our Japanese allies." Rubin added, "there's no question that we have the full depth of our relationship with our Japanese ally, but we do think that China's position in Asia is something of importance to our Japanese friends, and that is why we thought it was appropriate to have the Secretary be in a position to brief them on the discussions that the President had in Beijing."

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12. US Nuclear Transfers to India

Reuters ("INDIA GOT U.S. NUKE TECHNOLOGY DESPITE FEARS," Chicago, 06/21/98) reported that the Chicago Tribune said Sunday that the US Commerce Department approved exports of US nuclear technology to India over the last few years despite objections from the Defense Department in 1995 that the exports could contribute to India's nuclear weapon development. A Defense Department position paper dated September 14, 1995 stated, "The provision of such technology serves to undercut international and U.S. counter-proliferation policies." Commerce Department officials said the exports to India mainly involved environmental monitoring equipment intended to prevent nuclear accidents and the exposure to radiation of workers at civilian facilities. Shipments to India in 1997 included US\$2.6 million worth of nuclear equipment, US\$4.4 million in goods related to missiles, and US\$94.7 million of goods the Commerce Department classified as national security items.

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13. Indian-Russian Nuclear Cooperation Reuters ("INDIA ANNOUNCES RUSSIAN NUCLEAR POWER DEAL," New Delhi, 06/22/98) reported that on Sunday, Russian Atomic Energy Minister Yevgeny Adamov and the chief of India's Atomic Energy Commission, R. Chidambaram, signed an agreement to extend an earlier deal to build two 1,000-megawatt nuclear reactors in southern India. K. Subrahmanyam, an Indian defense expert, stated, "More than this (nuclear deal) there is a defense agreement that will likely be signed when President Yeltsin visits later this year. That should send some good signals to the rest of the world." An anonymous diplomat in New Delhi said that some Western countries were viewing the nuclear reactor deal with "quite a lot of regret" as it could damage attempts by the nuclear powers to maintain a common stance on India following its nuclear tests.

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14. Pakistani Missile Deployment

Dow Jones Newswires ("PAKISTAN WARNS IT MAY DEPLOY MISSILES ALONG BORDER WITH INDIA," Islamabad, 06/22/98) reported that Pakistan Defense Secretary Khursheed Zaman accused India of deploying medium- range missiles along its border with Pakistan. Zaman urged the UN to press India to withdraw the missiles or "Pakistan will be justified to take action for our self-defense."

II. Republic of Korea

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1. ROK-DPRK Relations

ROK President Kim Dae-jung said Friday that the ROK is ready to give 200,000 tons of fertilizer to the DPRK if it agrees to allow separated families in the two Koreas to exchange letters. Kim's remarks, made in a meeting with patriotic and veterans groups, are seen as an indication that the ROK government is easing its demand for "reciprocal" action by the DPRK in exchange for the fertilizer donation. Regarding family reunions, President Kim said that he would agree on any place, be it Seoul, Pyongyang, or any other place proposed by the DPRK government. "Before that, we will provide 200,000 tons of fertilizer to the North if it becomes possible for the separated families to exchange letters," Kim said. (Korea Herald, "SEOUL TO SEND FERTILIZER IF NORTH AGREES TO LETTER SWAPS," 06/20/98)

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2. ROK International Competitiveness

The Switzerland-based Institute of Management and Development (IMD) released its Reports of International Competitiveness for 1998, which ranked the ROK last in terms of globalization. Forty-six countries, including the 28 Organization of Economic Cooperation and Development nations and 18 developing countries, were surveyed in 8 categories covering 223 items. According to the report, the ROK's national competitiveness was 35th of the 46 nations. In the eight categories the ROK ranked: Domestic Economy 34th, Globalization 46th, Government 34th, Financing 45th, SOC 31st, Business management 34th, Science/Technology 28th, Human Resources 22nd. (Chosun Ilbo, "KOREA'S GLOBALIZATION LOWEST IN WORLD:IMD" 06/22/98)

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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