

# NAPSNet Daily Report 27 October, 1998

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## I. United States

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### 1. Hyundai Founder's Trip to DPRK

Reuters (Koo Hee-jin, "TYCOON ENTERS NORTH KOREA WITH CATTLE, CARS," Panmunjom, 10/27/98) and the Associated Press (J.H. Yun, "HYUNDAI CHIEF, CATTLE CROSS BORDER," Panmunjom, 10/26/98) reported that Hyundai group founder Chung Ju-young crossed into the DPRK on Tuesday to deliver 501 head of cattle and 20 cars. Chung stated, "I am happy to visit North Korea again." He added, "I appreciate the nation's support for Hyundai's project to develop the Keumkang Mountains area and the group's economic cooperation with North Korea. We hope this will be a basis for rapprochement, peace and unification." Regarding his prospective meeting with Kim Jong-il, Chung stated, "If we meet, we will talk about matters which will help both the North and the South." He added, "In particular, I heard that there is petroleum to be found along the coast of North Korea. If there is, the North and the South could jointly develop it and open a fruitful era." Chung was accompanied by his younger sister, her husband, his son Chung Mong-hun, who is the Hyundai Group chairman, and Kim Yun-kyu, president of Hyundai Engineering and Construction.

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The DPRK's official Korean Central News Agency said in a report, "They came with cattle representing their compatriotic feelings." Chung and his entourage were met at the demarcation line by Song Ho-gyong, vice chairman of the Korean Asia-Pacific Peace Committee, Jong Un-op, chairman of the National Economic Cooperation Federation, and others, the agency said. Lee Ho, the chief analyst at the ROK Unification Ministry, stated, "This time, Mr. Chung will finalize a tourism project being pushed by Hyundai, which will certainly have a positive effect on the overall inter-Korea relations."

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## **2. ROK-Russian Military Exercises**

The Associated Press ("RUSSIA, SOUTH KOREA HOLD JOINT NAVAL MANEUVERS," Moscow, 10/27/98) reported that Russia's ITAR-Tass news agency said that Russian and ROK ships held a joint military exercise Tuesday to practice preventing emergency situations at sea. The exercises in the Bay of Peter the Great, off Russia's Far East in the Sea of Japan (East Sea of Korea), involved an ROK frigate and a support ship and a Russian submarine and other vessels. The ROK ships also visited Russia's port of Vladivostok and were to head home after the exercise, the report said.

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## **3. PRC Economic Crisis**

The Washington Post (John Pomfret. "BEIJING GAMBLES ON AN OLD REMEDY," Beijing, 10/27/98, A16) reported that the PRC government is tightening currency controls to prevent the loss of capital. L. William Seidman, former chairman of the Federal Deposit Insurance Corp., said that PRC officials are "patting themselves on the back" for thus far surviving the worst of the Asian financial crisis. Seidman said that Chinese officials were interpreting the rapid capital outflows from other affected countries as signs that the PRC has been wise in putting off making its currency freely convertible and in delaying further opening of its stock markets. However, an unnamed senior Western diplomat said that PRC officials "are petrified about the economy." Chinese economist Hu Angang estimated last week that the PRC's unemployment rate is 8 percent and could climb to 9 percent next year. He stressed that his figures do not include 160 million rural migrants who have moved to the cities in recent years. Hu stated, "We can clearly say that China has entered the high unemployment phase." The article said that some critics have warned that the PRC's plan to stimulate the economy by investing in the state-run sector appears headed for trouble. These economists argue that the PRC economy needs to have money pumped into the private sector, which they say is the only area of the Chinese economy with the potential for sustainable growth.

# **II. Russian Federation**

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## **1. US-ROK Military Exercises**

Nezavisimaia gazeta ("IN BRIEF .... PYONGYANG CRITICIZES WASHINGTON, SEOUL AND TOKYO," Moscow, 6, 10/24/98) reported that, as the joint US-ROK military exercises are to take place next week with 85,000 servicemen from both countries engaged, the DPRK warned that the exercises might have "catastrophic consequences." The official Nodong Shinmun newspaper accused the US, the ROK, and Japan of creating an anti-DPRK alliance, saying that "the planned war games cast a shadow on the third round of talks" between the ROK, the DPRK, the US and the PRC in

Geneva that were resumed on October 21 after a gap of 7 months.

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## **2. RF-PRC Military Cooperation**

Nezavisimaia gazeta's Igor Korotchenko ("STRATEGIC PARTNERSHIP AIMED AT THE 21ST CENTURY," Beijing, 2, 10/24/98) reported that the results of RF Defense Minister Marshal Igor Sergeyev's visit to the PRC and his talks there open an opportunity for RF defense industry enterprises to actively participate in the People's Liberation Army (PLA) complex modernization program. PLA officers will continue to study in the RF. Also the RF will render the PRC assistance in development of its own production of high-precision weapons systems and transfer some licenses to it. Details have not been revealed, but in the author's opinion those include "controlled weapons complexes for tanks and armored personnel vehicles, close range anti-aircraft means, and anti-tank complexes." With RF assistance the PRC is to implement programs for development of "long-range radar detection planes, controlled jet-direction engines, and self-homing air-to-air missiles." The article stated, "Judging by everything, Moscow took all political risks into account and in principle is ready to assist China's transformation into a first-class military power. Especially considering the fact that Beijing is ready to pay for that in freely convertible currency."

Nezavisimaia gazeta's Igor Korotchenko ("MARSHAL SERGEYEV'S APPLIED DIPLOMACY," Hanoi-Beijing-Moscow, 6, 10/27/98) commented that RF Defense Minister Marshal Igor Sergeyev's official visit to Vietnam and the PRC from October 19-24 was of a purely applied nature with protocol events thoroughly minimized. His delegation included not just military, but high-ranking diplomats and representatives of the state-controlled arms-selling "Rosvo'oruzheniye" company. Although the delegation members denied any link between Kosovo-prompted freeze in RF-NATO relations and the visit, indeed the RF Defense Ministry sees its "Eastern direction" of activities as a growing priority. Not by chance General Colonel Leonid Ivashov, Chief, Main Directorate of International Military Cooperation, RF Defense Ministry, told NG's correspondent that "the North Atlantic Treaty has proved itself an unreliable partner." Igor Sergeyev had talks with Chi Haotian, PRC Defense Minister, Chang Wannian, Deputy Chairman of the PRC Central Military Council, and Jiang Zemin, PRC Chairman. The parties expressed the same or close positions on many issues, including strong disagreement with NATO's Eastward expansion plans and its intention to solve the problem of Kosovo by force. They confirmed their view regarding a multipolar world and spoke against US-Japanese plans to create a non-strategic missile-defense system as harmful to the regional stability and to the START process.

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## **3. RF State Duma Chairman in PRC**

Segodnya's Aleksandr Chudodeyev ("DUMA SPEAKER HAD TO APOLOGIZE FOR A FACTION LEADER," Moscow, 3, 10/27/98) reported that Gennadiy Seleznyov, RF State Duma Chairman, on an official visit to the PRC started his meeting on Monday with Li Peng, PRC Parliament Speaker, by apologizing for a recent trip of Vladimir Zhirinovskiy, Chairman and Parliamentary Faction Leader, Liberal Democratic Party of Russia, to Taiwan and his statements there which prompted a "great dissatisfaction" in the PRC. Seleznyov in particular told his PRC counterpart that "the State Duma Council denied Zhirinovskiy a trip to Taiwan by refusing to give him a right to represent the State Duma. The Duma considers that trip as a private person's private trip. Our position on Taiwan remains unchanged.... I think we will soon congratulate China with a solution of the problem of Taiwan just as we just recently congratulated it with the first anniversary of the peaceful reunification with Hong Kong." The accelerating decline of bilateral trade was one particular issue

discussed by the parties.

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#### **4. RF-Japan Relations**

Izvestia's Yuriy Savenkov ("MOSCOW AND TOKYO SEARCH FOR A KEY TO SOUTH KURILS DISPUTE SOLUTION," Moscow, 3, 10/27/98) reported that an unidentified high-ranking RF diplomat said that speculations are out of place when solving such a delicate issue as the South Kurils dispute between the RF and Japan. The diplomat said further that "the very term 'peace treaty' sounds somewhat strange. Are there military hostilities going on between our countries? Actually the talk is about a place for the border in a specific area. Maybe it would be more appropriate to conclude a comprehensive treaty on peace, friendship, and cooperation and to consider the 'territorial issue' separately." Izvestia's author added that "a familiar Japanese diplomat assured him that economic and financial aid rendered by Japan to Russia in no way is linked to the 'territorial issue.'" Hisimizu Arai, Japan's Deputy Minister of Trade and Industry, presently in the RF, told Izvestia's author that despite financial difficulties, Japan would continue to expand its assistance to reforms in the RF. He added that, as soon as a new realistic economic program is adopted in the RF, Japanese investors would come there, because they prefer real production to financial games. Although hit by the crisis, Japanese companies have not reduced their staff in the RF. On a more specific scale, Japanese experts "got interested in the Russian method of production of nuclear fuel for breeder reactors that lower the risk of radioactive exposure." Japanese astronaut Noguchi underwent a week-long practical training course at the RF Gagarin Cosmonaut Training Center.

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#### **5. Kurils Territorial Dispute**

Nezavisimaia gazeta ("WHOM SOUTH KURILS BELONG TO?" Moscow, 8, 10/27/98) published a half-page article by Mikhail Vaisfeld, Ph.D. (Geography). The article is full of geographic and historical data concerning the South Kurils. Special attention is paid to the economically disastrous situation that the local population has found themselves in, even more so under the present crisis. The author argued that "the destiny of South Kurils must be solved as soon as possible, because the residents of the isles, who besides have suffered from a destructive earthquake and tsunami, are tired of being in the so-called 'suspended condition' and want to know at last on whose land they will live-- Japanese or Russian?" The author suggested creating a national park on the basis of the natural preserve on the island of Kunashir and a similar park on Hokkaido, and then unite both into a single complex to accommodate tourists from all over the world.

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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