



NAPSNet Daily Report 30 January, 1998

Recommended Citation

"NAPSNet Daily Report 30 January, 1998", NAPSNet Daily Report, January 30, 1998,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-30-january-1998/>

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I. United States

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1. Political Situation in DPRK

US State Department Deputy Spokesman James Foley ("STATE DEPARTMENT NOON BRIEFING," USIA Transcript, 01/29/98) stated that it was difficult to analyze the internal situation in the DPRK "with a high degree of confidence." He added, however, "The country has been in some kind of political transition over the last two years, which may be coming to an end." He said that the US believes that economic reforms are essential to salvaging the current economic situation in the DPRK. He concluded, "Whether Kim Jung Il is in a position and is willing to move in that direction, I think very much remains to be seen."

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2. US-DPRK Economic Relations

US State Department Deputy Spokesman James Foley ("STATE DEPARTMENT UPDATE ON NORTH KOREA CLAIMS SURVEY," Washington, USIA Text, 01/29/98) announced that the US Office of Foreign Assets Control is amending the Foreign Assets Control Regulations to require the reporting, no later than March 9, 1998, of all outstanding financial claims held by US nationals against the DPRK. The Department of State had announced in September, 1997 that the US government would launch a survey of all outstanding claims held by US citizens against the DPRK, and the Department of the Treasury began the survey on December 9, 1997. The information thus obtained is expected to be used in future claims settlement negotiations between the US and the DPRK.

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3. ROK Financial Crisis

The Washington Times (Patrice Hill, "BANKS GIVE SEOUL SWEET DEAL ON LOANS," 01/30/98) reported that ROK President-elect Kim Dae-jung said Thursday that his country got a good deal in renegotiating US\$24 billion worth of loans. The deal clears the way for US\$8 billion of loans from the US, Japan, and Western Europe to supplement aid from the International Monetary Fund.

The New York Times (Timothy L. O'Brien, "INTRIGUE SWIRLS AROUND KOREAN DEBT TALKS," New York, 01/30/98) reported that on January 8, J.P. Morgan & Co. notified several big investors via e-mail about how talks on restructuring ROK debts were proceeding. Bond traders said that the bank had decided to brief investors because Goldman, Sachs & Co., a financial adviser to the ROK government, had told its own clients the negotiations were going poorly. Goldman, Sachs denied those allegations.

US Treasury Secretary Robert Rubin ("STATEMENT BY TREASURY SECRETARY ROBERT E. RUBIN ON KOREA," USIA Text, 01/29/98) gave the following statement about the agreement between the ROK and its international creditors: "I welcome the agreement announced last night between Korea and its major international creditors on a proposal to refinance a significant portion of Korea's debt coming due this year. Since December, Korea has taken a series of actions to implement its IMF-backed reform program with the full support of the President-elect. As a result of these steps and voluntary efforts by major international banks to roll over their short term claims on Korean financial institutions, financial stability and confidence have begun to return to Korea. Korea must now sustain this effort as it confronts the challenges that lie ahead in restructuring its economic system. Yesterday's agreement represents an important step toward promoting a durable solution to Korea's financing situation. A satisfactory conclusion of a comprehensive agreement to refinance and extend existing claims, together with a successful effort to raise new money, will move Korea significantly forward on the road to financial viability."

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4. PRC-Taiwan Battle for Diplomatic Recognition

Reuters ("TAIWAN SEVERES TIES AFTER AFRICAN ALLY RECOGNIZES BEIJING," Taipei, 01/29/98) reported that the Taiwan Foreign Ministry confirmed on Thursday that the Central African Republic had switched diplomatic recognition back to the PRC. The ministry also announced that Taiwan severed its ties with the Central African Republic effective immediately and suspended all bilateral cooperation, including aid.

5. Global Land Mine Ban

Reuters ("LAND-MINE FOE SAYS JAPAN CAN HAVE IMPACT ON CAMPAIGN," Tokyo, 01/30/98) reported that Jody Williams, coordinator of the Nobel Prize- winning International Campaign to Ban Landmines, said Friday that Japan would be a major influence on nations that had not yet signed the global land mine ban treaty. Williams stated, "We see the fact that Japan changed its policy ... as very important in moving the recalcitrance of the world to sign." She added, "The fact that Japan signed the treaty, and almost all of the Western Hemisphere has signed the treaty, will bring the United States on board. It needs the combination of domestic and international pressure."

II. Republic of Korea

1. Four-party Peace Talks

A diplomatic source in Seoul said on January 25 that the DPRK has recently proposed postponing an interim meeting of the four-party peace talks, scheduled for February 12 in Beijing, until after the new government is inaugurated in the ROK. Through its diplomatic channel in New York, the DPRK offered to hold the meeting in Geneva in early March, days before a plenary session of the four-way talks opens in Geneva on March 16. If the DPRK proposal is accepted, the Geneva meeting will become more of a preliminary meeting for the main talks. The ROK and the US, however, have not decided how they will respond and are assessing the DPRK's intentions, the source said. They also need to consult the PRC to make a decision. (Korea Herald, Kim Kyung-ho, "DPRK OFFERS TO POSTPONE BEIJING TALKS; UNTIL AFTER NEW GOVERNMENT IS INAUGURATED IN SOUTH," 01/26/98)

2. ROK-Japan Relations

ROK Foreign minister Yoo Joong-hwa said on January 26 that the Japanese government is responsible for paying compensation to Korean comfort women. This is in direct opposition to Japan's insistence that all matters relating to the occupation of Korea had been comprehensively settled in the ROK-Japan normalization agreement signed in 1965. At the ROK's trade and foreign affairs committee, Yoo stated that at the conclusion of those talks, the comfort women issue was unknown to the ROK government, and thus Japan's insistence that compensation has been concluded has no legal basis. The Japanese government denied any connection to the matter until 1992, when it was forced to admit to it after documents were revealed showing government complicity. Some observers suspect the ROK's protest to be a result of the degradation of ROK-Japan relations after Japan's nullification of the 1965 fisheries agreement, but the ROK government announced earlier that all retaliation for Japan's action will be confined within the fisheries sector. (Chosun Ilbo, "FOREIGN MINISTRY DEMANDS COMPENSATION FOR COMFORT WOMEN," 01/27/98)

After an initial outpouring of criticism against Japan's unilateral scrapping of a 1965 fisheries pact, ROK officials have begun to emphasize prudence in dealing with the issue. President-elect Kim Dae-jung told his aides on January 24 that they should deal with the issue sensibly. Kim also conveyed the same message to government officials. Kim's remarks may reflect his hope that ROK-Japan ties will not be damaged by the fisheries dispute at a time when the ROK needs Japanese help to

overcome its financial crisis. Soon after Japan's notification of its decision on the fisheries pact, the ROK government declared the suspension of its self-imposed regulation of ROK fishing boats operating near Japan's territorial seas. (Korea Herald, Kim Kyung-ho, "PRESIDENT- ELECT CALLS FOR CAUTIOUS APPROACH TO SOLVING FISHERIES DISPUTE WITH JAPAN," 01/26/98)

Following Japan's scrapping of its fisheries agreement with the ROK, resentment towards Japan on two other major areas are growing. The issue of comfort women and the issue of Japan's permanent membership at the UN Security Council are now being addressed. (Chosun Ilbo, "OTHER ISSUES RAISED AFTER JAPAN DISCARDS ACCORD," 01/26/98)

III. People's Republic of China

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1. ROK-Japan Relations

People's Daily ("ROK AND JAPAN IN FISHERIES DISPUTES," 01/26/98, p. 6) reported that diplomatic friction between Japan and the ROK has been aggravated since Japan unilaterally scrapped a 1965 fisheries pact. The newspaper said that ROK citizens are resentful of Japan's decision. However, under the current conditions that the ROK's new administration has not formally taken power and the ROK needs Japan's financial support, the ROK will not over-exacerbate its relations with Japan.

China Daily ("S. KOREAN TRAWLERS SAIL INTO JAPAN SEAS," 01/26/98, p. 11) said that the progress in Japan-ROK relations hit a bump on January 23 when Japan unilaterally decided to canceled a 1965 fisheries pact with the ROK. ROK President-elect Kim Dae-jung on January 25 expressed embarrassment over Japan's decision, which rekindled anti-Japanese sentiment. Aides quoted Kim as saying that ROK citizens might suspect that the former colonial master was taking advantage of the ROK's economic crisis. A Japanese newspaper reported that Kim might postpone a summit in Tokyo with Prime Minister Ryutaro Hashimoto.

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2. PRC-Taiwan Relations

China Daily ("POLITICAL TALKS DESIRED: QIAN," 01/27/98, p. 1) reported that PRC officials urged Taiwanese authorities to begin political discussions with the PRC as soon as possible. During a forum marking the third anniversary of the landmark eight-point proposal on the Taiwan issue made by PRC President Jiang Zemin in 1995, PRC Vice-Premier and Foreign Minister Qian Qichen said that promoting political talks is the key to enhancing overall cross-Straits relations at the current stage. He said that ending PRC-Taiwan hostilities under the "one China" principle is a must for furthering cross-Straits relations. For the first step, both sides should make procedural arrangements for cross- Straits political talks. During his speech, Qian stressed that the "one China" principle must be upheld while promoting PRC-Taiwan relations. The "one China" principle, Qian added, means adhering to the concept that there is only one China in the world, Taiwan is part of China, and China's sovereignty and territorial integrity cannot be separated. The PRC suspended semi-official negotiations between the Association for Relations Across the Taiwan Straits (ARATS) and its Taiwan counterpart, the Straits Exchange Foundation (SEF), due to Taiwan President Lee Teng- hui's visit to the US in mid-1995. It is still unclear when the semi- official talks will resume. Chen Yunlin, director of the Taiwan Affairs Office of the State Council of the PRC, said during the forum that his office will authorize ARATS to begin procedural negotiations for political talks with

SEF, provided Taiwan authorities make clear their sincerity.

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3. PRC-Taiwan Battle for Diplomatic Recognition

People's Daily ("CHINA AND CENTRAL AFRICA RESUME DIPLOMATIC RELATIONSHIP," 01/30/98, p. 1) reported that the PRC and the Republic of Central Africa signed a joint communique on January 29 to resume their official diplomatic relations. According to the communique, Central Africa acknowledges that there is only one China in the world, and Taiwan is a province of the People's Republic of China.

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4. US-Japan Defense Cooperation

Jie Fang Daily ("US AND JAPAN ESTABLISH SPECIAL AGENCY TO COORDINATE JOINT OPERATIONS," 01/22/98, p. 3) reported that during talks between the US and Japanese defense ministers on January 20, the two countries decided to establish an agency in charge of the coordination of their joint operations. The two sides also agreed that they will carry out research to find out whether Japan can provide technical cooperation for the US ballistic missile defense programs.

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5. PRC-US Relations

According to People's Daily ("APPROPRIATELY SOLVE SINO-US TRADE PROBLEM," 01/22/98, p. 7), Long Yongtu, the PRC's chief trade negotiation representative and Vice-Minister of Foreign Economic Relations and Trade, said on January 20 during a symposium held by the Asian Foundation of the US in Washington, that the PRC and the US should closely cooperate to carefully and skillfully handle the issues of trade imbalance and other disputes between the two countries. Long said that it is important to compile trade statistics in a scientific way. He said that the PRC can understand US concerns about its trade imbalance with the PRC. The PRC will take positive and practicable measures to increase its imports from the US. At the same time, he also hopes that the US will loosen its limits on the export of high-tech products to the PRC and create conditions for the healthy and stable development of PRC- US trade and economic relations.

China Daily ("EXPERT APPLAUDS SINO-US TIES," 01/25/98, p. 2) said that despite frequent friction, the Sino-US trade and economic relationship developed strong momentum in 1997, and 1998 will witness a new progressive phase in economic cooperation between the two countries. In 1997, bilateral trade between the PRC and the US surged to US\$49 billion, up 14.36 per cent from 1996's US\$42.84 billion. According to Zhou Shijian, vice-president of the PRC Chamber of Commerce of Metals, Minerals, and Chemicals Importers and Exporters, the PRC and the US should solve permanently the issue of the PRC's Most Favored Nation (MFN) trading status in 1998. Last July, he said, the US Senate voted down a right-wing proposal to withdraw MFN status from the PRC by an overwhelming 77 votes to 22. "This was the best result in the US Senate on this issue since 1990." This showed that prolonging the PRC's MFN status on an unconditional basis has become the consensus of the mainstreams of both the Democratic and Republican parties of the US. As for the issue of the PRC's entry into the World Trade Organization (WTO), Zhou said that the Clinton administration should rule out the influence of political factors and make real efforts to accept the PRC into the WTO.

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.

Produced by [the Nautilus Institute for Security and Sustainable Development](#).

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