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I. United States

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1. ROK Economy

Dow Jones Newswires ("SOUTH KOREA'S GDP TO DROP IN 1998, BUT REBOUND IN 1999, REPORT FINDS," Seoul, 07/30/98) reported that the Organization for Economic Cooperation and Development (OECD) on Thursday said in its annual report "OECD Economic Surveys" that it expects the ROK's gross domestic product to contract by 4.7 percent in 1998 before resuming growth of 2.5 percent in 1999. Inflation is expected to rise by 9 percent this year, and the current-account surplus is expected to stand at US$35 billion at the end of 1998. Meanwhile, the unemployment rate is expected to grow at a rate of 8 percent this year.

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2. PRC Army-Run Businesses

The Wall Street Journal (Ian Johnson, "ENDING PLA BUSINESS TIES IS A TALL ORDER FOR CHINA," Beijing, 07/30/98) reported that many analysts have said that successfully separating the PRC's People's Liberation Army (PLA) from its roughly 20,000 businesses would take several years. Hu Angang, a researcher with the Chinese Academy of Sciences, said that central-government tax revenues are insufficient to make up the loss of revenue that the PLA would face by selling off its businesses. Hu stated, "Tax collecting is more efficient, but it's still not enough to replace all the profits generated by the military-related industries."

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3. Election of Japanese Prime Minister

The Associated Press (Joji Sakurai, "JAPAN DECLARES OBUCHI PREMIER," Tokyo, 07/30/98) reported that the Japanese Diet declared ruling Liberal Democratic Party (LDP) candidate Keizo Obuchi Prime Minister Thursday. Obuchi won the election in the lower house with 268 votes of 497 ballots, but lost to opposition leader Naoto Kan, who got 142 of 245 votes, in the upper house. Since the lower house has the power to overrule the upper house, Obuchi was declared the winner after the two chambers failed to compromise.

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4. Indian-Pakistani Summit Meeting

The New York Times (John F. Burns, "INDIA AND PAKISTAN HOLD FIRST MEETING SINCE A-TESTS," Colombo, 07/30/98) and the Associated Press ("INDIA, PAKISTAN END STANDOFF, KASHMIR STILL SEEN CRUX," Colombo, 07/30/98) reported that Indian Prime Minister Atal Bihari Vajpayee and Pakistan Prime Minister Nawaz Sharif met Wednesday on the sidelines of an annual summit by seven South Asian nations for the first time since the two nations conducted underground nuclear tests in May. The two said afterwards that their foreign secretaries would meet on Thursday and Friday to discuss how to revive talks on the disputed province of Kashmir. Sharif stated, "I emphasized the need for a quick solution to the core issue of Kashmir. Unless we address this issue effectively and meaningfully we will not be able to make any progress on any other issue."

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5. Fissile Material Cutoff Treaty

The Associated Press ("PAKISTAN BACKS TALKS TO BAN OUTPUT OF NUCLEAR ARMS MATERIAL," Geneva, 07/30/98) reported that Pakistani Ambassador Munir Akram told the Conference on Disarmament Thursday that Pakistan supports immediately starting negotiations for a treaty to ban the production of material used to make nuclear weapons. He added, however, that his

government wants negotiations to deal with India's larger stockpile of plutonium and highly enriched uranium. Akram acknowledged that the proposed treaty has been a main topic between the US and Pakistani governments.

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6. US Ratification of CTBT

The United States Information Agency (Ralph Dannheisser, "BIDEN, SPECTER URGE QUICK APPROVAL OF CTBT; CITE WIDE SUPPORT," Washington, 07/29/98) reported that US Senators Arlen Specter, R-Penn., and Joseph Biden, D- Del., on Wednesday called for swift action to ratify the Comprehensive Test Ban Treaty (CTBT). Biden stated, "if we had a hearing and had a vote, we would win overwhelmingly." Accordingly, he said, it is "not at all surprising" that treaty opponents are blocking consideration. Biden argued that the US, given its technological edge, is in the best position of any country in the world to do without further testing. He warned that if the US does not ratify the treaty, countries like Japan, the ROK, and Brazil will undertake serious reviews of their own non-nuclear status within the next few years. Specter warned that "failure by the United States Senate to ratify the treaty may give rise to an inference that the United States government is not serious about banning nuclear testing and may, in effect, encourage or at least not discourage such testing." Specter and Biden have sponsored a nonbinding "Sense of the Senate" resolution that would call on Jesse Helms, R-NC, and the Senate Foreign Relations Committee to hold hearings on the issue "as expeditiously as possible." Representatives of two polling firms released data showing that about three-fourths of the US public supports approval of the treaty, with support strong in all regions of the country and among members of both parties. Mark Mellman, one of the pollsters, called the results "very clear, very consistent, very overwhelming." He added that it is "very rare that you see this level of consensus on any issue," particularly in the field of foreign policy. Pollster Michael Dabadie of Wirthlin Worldwide similarly commented, "What is striking about the results ... is the overwhelming nature of support for this treaty. Indeed, far from being a partisan issue, support for a nuclear test ban treaty comes from all sides of the political and ideological spectrum." However, Senate Majority Leader Trent Lott, R-Miss., said that there is no chance that the Senate will consider the CTBT this year.

II. Republic of Korea

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1. ROK-Russia Spying Row

The spy controversy between Russia and the ROK over intelligence agents with diplomatic clearance is largely considered to be over, although a few issues need to be cleared. At the foreign ministers' meeting, Russian Foreign Minister Yevgeny Primakov repeatedly demanded the readmittance of the expelled Russian diplomat Oleg Abramkin, to which the ROK responded that he could come to the ROK as a civilian to pack his luggage. Both sides agreed that the incident was an intelligence matter that would be decided by the respective organizations. However, Primakov announced after the second meeting that an agreement had been reached on the readmittance of Abramkin to the ROK and an apology by the ROK side. To this the ROK Ministry of Foreign Affairs and Trade said that the issue was being decided by the two intelligence agencies. ROK Foreign Affairs and Trade Minister Park Jong-soo denied that there had been a behind-the- scenes agreement but refused to deny Primakov's remarks. The intelligence authorities of both the ROK and Russia will discuss the matter, but Abramkin's return would appear to be a fait accompli. The general public looked on the entire affair as a monumental diplomatic disgrace, and a solution may hinge on whether or not Russia

makes a reciprocal gesture. (Chosun Ilbo, "AFTERMATH OF DIPLOMATIC DISPUTE," 07/30/98)

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2. Light-Water Reactor Project

The Korean Energy Development Organization (KEDO) announced Wednesday that, at a meeting held Monday and Tuesday, the board of executive directors confirmed the newly revised total construction cost of the light-water reactor (LWR) to be provided to the DPRK at US$4.6 billion. The KEDO board of directors had previously agreed upon US$5.18 billion as the total cost last December. The ROK proposed the revised cost at this meeting to account for the new exchange rate between the won and the dollar. The board also agreed to a cost-sharing ratio whereby the ROK will cover US$3.22 billion or 70 percent of the total, Japan will provide a firm and fixed US$1 billion, and the remainder will be shared by the US and the European Union (EU) nations. KEDO did not disclose the US-EU cost-sharing ratio. The cost-sharing agreement is subject to final endorsement by the governments of the respective country. (Chosun Ilbo, "KEDO CONFIRMS COST SHARE RATIO OF REACTOR IN NK," 07/30/98)

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3. US Forces in ROK

The US Forces Korea (USFK) has recently returned about 5,000 acres of military training areas to the ROK, the USFK said. The USFK statement comes on the heels of an increased number of requests by Korean people for the return of real estate that is currently being used by US forces. Land is in short supply in the ROK amid the rapid expansion of urban areas. According to USFK watchers, it is very rare for the USFK to speak up on the land return issue, which is considered to be an increasingly vexing problem to both sides. For instance, in the early 1990s, the return of land occupied by US camps in Seoul was agreed to in principle, but the agreement was left unfinished because of budget problems concerning the relocation of the bases in question. In the process, the ROK public was angered at what it saw as a lukewarm attitude on the part of the USFK. (Korea Times, "USFK USES HALF MILLION ACRES OF LAND IN KOREA," 07/30/98)

III. People's Republic of China

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1. US Naval Deployment near Korean Peninsula

China Daily ("US WARSHIP DEPLOYMENT DENOUNCED BY DPRK," Seoul, 07/28/98, A12) reported that on July 27 the DPRK denounced US plans to deploy warships closer to the divided Korean Peninsula as "tantamount to a declaration of war" and threatened to take "powerful self-defensive steps." The Korean Central News Agency accused the US of sending the nuclear-powered aircraft carrier Carl Vinson and "some 20 nuclear-powered attack submarines, various types of warplanes and troops" near to the peninsula. US officials have declined to say which types of ships are being deployed.

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2. Light Water Reactor Project

According to People's Daily ("DPRK URGES THE US TO FULFILL AGREEMENT," Pyongyang,

07/20/98, A6), the Korean Central News Agency emphasized in a commentary on July 18 that the construction of light-water reactors (LWR) was not bestowed by the US as a favor. It was the commitment of the US to the DPRK. The US should take its obligations seriously and fulfill the nuclear framework agreement signed by two countries, the DPRK said. The commentary warned that if the construction of LWR were delayed again and again, the DPRK would have to consider restarting its own nuclear industry, which has been frozen by the framework agreement.

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3. PRC-US Relations

People's Daily ("FM SPOKESMAN ANSWERS QUESTIONS," Beijing, 07/24/98, A4) reported that the PRC welcomed the US House of Representatives' approval on July 22 of President Bill Clinton's decision to maintain normal trade relations with the PRC. PRC Foreign Ministry spokesman Tang Guoqiang praised it as "wise" for the House to vote down the draft resolution on "revoking Most Favored Nation (MFN) status for China." Tang said that the annual review by the US side of the PRC's MFN status has not only added a destabilizing factor to such ties, but is also detrimental to a stable development of bilateral relations as a whole. "We hope that the US will comply with the trend of the times and work out a permanent resolution to China's MFN status early so as to create conditions for sustained, sound and stable development of the economic cooperation and trade between the two countries," Tang said.

China Daily ("NEW TRADE STATUS HAILED AS `WISE AND PRACTICAL'," 07/28/98, A2) reported that PRC Foreign Ministry spokesman Tang Guoqiang said on July 27 that the PRC welcomes the US recent decision to change its "Most Favored Nation" (MFN) trading status into "Normal Trade Relations" (NTR). However, he voiced strong dissatisfaction with a resolution the US House of Representatives recently passed affirming the so-called US commitment to Taiwan. He said that the resolution severely violated principles guiding Sino-US relations as enshrined in the three Sino-US Joint Communiques and the Sino-US Joint Statement, as well as the US Government's commitment to pursue the "One China" policy.

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4. PRC-Japan Relations

Jie Fang Daily ("TANG JIAXUAN MEETS WITH OBUCHI," Manila, 07/27/98, A3) reported that PRC Foreign Minister Tang Jiaxuan met with Japanese Foreign Minister Keizo Obuchi in Manila on July 26. During the meeting, Tang said, PRC President Jiang Zemin's planned visit to Japan later this year will be of great and far-reaching significance for PRC-Japanese ties and will draw extensive attention from the international community. He said that Jiang's visit is mainly aimed at exploring with Japan the building of a framework for the next century's PRC-Japanese friendship and relationship. Obuchi, who will become the Japanese Prime Minister, pledged to further promote the relations between the two countries. He said the Japanese Government would do its utmost to prepare for President Jiang's visit. Regarding the East Asian financial crisis, Tang said that the PRC is aware of its responsibilities and has done its best to alleviate the meltdown. The PRC hopes that Japan will make its due contributions to overcoming the financial crisis and achieving economic recovery in Asia as soon as possible by making use of its economic advantages.

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5. PRC-Russian Relations

People's Daily ("JIANG ZEMIN MEETS WITH RUSSIAN FOREIGN MINISTER," Beijing, 07/24/98, A1) reported that PRC President Jiang Zemin is looking forward to his summit with Russian President Boris Yeltsin. When meeting Russian Foreign Minister Yevgeny Primakov, Jiang said that Sino-Russian relations are developing quite well and it is the PRC's fixed policy to develop a long, stable and good-neighborly friendship with Russia. The PRC is willing to undertake joint efforts and coordinate closely with Russia to bring a healthy and stable Sino-Russian relationship into the 21st century, Jiang said.

China Daily ("ZHU STRESSES STABLE RELATIONS WITH RUSSIA," 07/24/98, A1) reported that to develop a long-term, stable and mutually beneficial relationship with Russia remains a principal aim of the PRC's foreign policy. PRC Premier Zhu Rongji made the remarks during a meeting with visiting Russian Foreign Minister Yevgeny Primakov in Beijing on July 22. PRC Foreign Minister Tang Jiaxuan also met with Primakov on July 22. They expressed satisfaction with the continuous good development of bilateral relations this year. The two foreign ministers discussed in detail arrangements for the informal meeting between PRC President Jiang Zemin and his Russian counterpart Boris Yeltsin.

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6. Taiwan Nuclear Waste Disposal

China Daily ("NUCLEAR WASTE DUMP OPPOSED," Fuzhou, 07/25/98) reported that environmental officials in the eastern PRC's Fujian Province have expressed bitter opposition to a Taiwan power company's plans to dispose of nuclear waste on an offshore island in the vicinity of Putian County in Fujian. Yang Mingyi, director of the Fujian Environmental Protection Bureau, said that the people of Fujian Province have "voiced great concern and exhibited strong indignation over the proposed plan." The disposal of nuclear waste presents wide-ranging problems related to health and environmental protection, the newspaper said.

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7. PRC National Defense White Paper

China Daily ("DOCUMENT DEFENDS DEFENSE POLICY," 07/28/98, A1) reported that a 30,000-character White Paper, "China's National Defense," was issued by the PRC State Council's Information Office on July 27. It said that the social system, development strategy and way of life that the PRC has chosen conform to conditions within the country, and no factors prompting the invasion of another country can emerge. The paper said that, as a country in the Asia-Pacific region, the PRC places great importance on the region's security, stability, peace and development. The PRC's Asia-Pacific security strategy has three objectives: the PRC's own stability and prosperity; peace and stability in its surrounding regions; and dialogue and cooperation with all countries in the Asia- Pacific region.

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8. PRC Army-Run Businesses

People's Daily ("PLA HOLDS JOINT ANTI-SMUGGLING CONFERENCE," Beijing, 07/23/98, A1) reported that the PRC central leadership has ordered the armed forces to clear and close down all its businesses as a major contribution to the current nationwide anti-smuggling drive. Jiang Zemin, general secretary of the Communist Party of China and State president, disclosed the plan at a joint anti-smuggling conference held in Beijing on July 20 and 21 by the headquarters of the People's

Liberation Army. Jiang, who is also chairman of the Central Military Commission, urged the armed forces to fully understand the importance and urgency of the nationwide anti-smuggling campaign in order to ensure the country's long-standing stability and the army's purity.

According to China Daily ("ARMY TOLD TO CLEAR UP BUSINESS PRACTICES," 07/29/98, A1) reported that Hu Jintao, a standing committee member of the Communist Party of China Central Committee's Political Bureau and the Central Committee Secretariat, said that the PRC's armed forces, armed police, and judicial organs must understand the importance of the recent decision to end the businesses they run. Hu said the central authorities' recent decision is a major step in building the Party and the army under the new conditions, and in continuing the anti-corruption campaign. If they engage in business, he said, the powerful army, the armed police and law enforcement departments could become a hotbed of corruption. Some of their units have been involved in illegal activities like smuggling and the sale of smuggled goods, he added. He asked these organizations to put the nation's and people's interests above anything else.

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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