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I. United States

1. DPRK Naval Clash Regret

Agence France-Presse ("NORTH KOREA REGRETS NAVAL CLASH, CALLS FOR TALKS," 07/25/02) reported that the DPRK expressed regret over a naval clash last month and proposed the resumption of minister-level talks with the ROK, officials said. The DPRK offered to hold preliminary talks in early August at the Mount Kumgang resort to arrange the high-level meeting, an ROK unification ministry spokesman said. The DPRK's proposal was sent through the truce village of Panmunjom by Kim Ryong-Song, who led a DPRK delegation in previous talks, to ROK's Unification Minister Jeong Se-Hyun, he said. "Kim expressed regret for the June 29 clash and called for joint efforts to stop similar incidents," the spokesman said. The skirmish last month left four ROK sailors dead, one missing and 19 wounded. Some 30 DPRK crew members were also presumed killed or injured. ROK President Kim Dae-Jung has called on DPRK to apologize for the deadly gunbattle and punish those responsible. He described the sea skirmish as "illegal North Korean provocation" but said the

incident would not derail his policy of peacefully engaging the communist country, despite opposition demands for a harder line.

2. DPRK Free Market Reform

Agence France-Presse ("NORTH KOREA CARRYING OUT FREE-MARKET ECONOMIC REFORM: SKOREA," 07/25/02) reported that the DPRK is carrying out sweeping economic reforms aimed at turning around its failing centrally-planned economy, a top South Korean official said. "North Korea appears to be moving toward a market economy, following in the steps of China," said Lim Dong-Won, a special advisor for security to South Korean President Kim Dae-Jung. Following his fact-finding trips to the PRC and Russia last year, the DPRK leader Kim Jong-Il issued directives demanding the implementation of economic reforms, Lim said. "The gist of the guidelines was to renovate the economic system in a to seek practical gains while maintaining socialism," he said. "This change is quite similar to that of the early years of China's reform," Lim said. At the center of the changes is the introduction of incentives and a new business management system, in which professional managers replace party officials to run businesses and wages will be dependent on profits. The DPRK hinted earlier this year it might be preparing to plunge more deeply into reform when it announced that the economy had entered "a new phase of radical change".

3. DPRK ASEAN Attendance

Reuters ("N.KOREA CONFIRMS MEETING WITH JAPAN AT BRUNEI FORUM," Tokyo, 07/25/02) reported that the DPRK said on Thursday that its foreign minister, Paek Nam-sun, is expected to meet his Japanese counterpart, Yoriko Kawaguchi, next week on the sidelines of a regional forum in Brunei. The meeting, set to take place during the ASEAN Regional Forum gathering from July 31, will be the first high-level one between Japanese and DPRK officials since Prime Minister Junichiro Koizumi took office in April 2001. The regional forum comprises the 10-member Association of Southeast Asian Nations (ASEAN) plus countries such as Japan, PRC, ROK and the US. "This is not in the interests of the people of the two countries nor helpful to ensuring peace and stability in Northeast Asia," he said. "At the talks the ministers will confirm the bilateral stand on the principled issues and outstanding issues arising in establishing diplomatic relations between the two countries, and exchange views on ways to do so."

4. ASEAN and South China Sea Code

Agence France-Presse ("ASEAN HOPES TO BREAK IMPASSE ON SOUTH CHINA SEA CODE OF CONDUCT," 07/25/02) reported that Southeast Asian foreign ministers want to break an impasse over a code of conduct for the PRC and other rival claimants to South China Sea territories, a key military flashpoint in Asia, officials said. The officials preparing for the Association of Southeast Asian Nations (ASEAN) ministerial meeting on Monday said a new formula was expected to be put forward to ease concerns by some of the claimants on the geographic area to be covered by the code. "The contentious issue is the geographic scope," an ASEAN diplomat told AFP asking to remain anonymous. Four ASEAN countries -- Brunei, Malaysia, the Philippines and Vietnam -- along with the PRC and Taiwan have laid claim to all of part of the Spratly islands, a South China Sea chain between Vietnam and the southern Philippines. The chain is near vital shipping lanes and believed to sit atop vast natural gas deposits. To skirt the difficult issue of geographic coverage, one proposal is for the adoption of a code "without prejudice to territorial claims and maritime regimes or jurisdictions" recognised under the UN Convention on the Law of the Sea (UNCLOS), an ASEAN senior foreign ministry official said. The proposal, understood to be from the Philippines, is expected

to be tabled at an informal dinner meeting of senior officials Thursday, the official said.

II. People's Republic of China

1. ROK-DPRK Relations

People's Daily (Wang Linchang, "A TEST-FLIGHT ON A DIRECT INTER-KOREAN ROUTE SUCCESSFUL," Seoul, 07/21/02, P3) reported that a passenger jet of DPRK made a test-flight on a new inter-Korean air route on July 20. It said that the new air route, which links the DPRK's Sondok Airport and the South Korea's Yangyang Airport in Gangwon Province, was opened to transport the South Korea's workers and materials for the construction of light-water reactors in DPRK. The report said, with 14 crews on board, the DPRK's aircraft underwent about an hour and 25 minutes flight over the East Sea, then arrived at Yangyang Airport and returned to the DPRK with eight workers from the ROK Electric Power Corporation aboard. The successful test-fight created conditions for the two countries to open a direct air-route in the future, said the report.

2. ROK-PRC Relations

People's Daily ("FM TO VISIT ROK," Beijing, 07/24/02, P4) reported that PRC Foreign Ministry spokesman Kong Quan announced on July 23 that at the invitation of Minister Choi Sung-hong of Foreign Affairs and Trade of the Republic of Korea, PRC'sForeign Minister Tang Jiaxuan will pay an official visit to the Republic of Korea from August 2nd to 3rd.

3. PRC-US Relations

China Daily ("'CHINA THREAT' REPORTS REJECTED," Washington, 07/24/02, P1) reported that a PRC spokesman said in Washington DC on July 22 that two recent reports to the US Congress that regarded PRC as a threat were groundless and harmful to Sino-US relations. It reported that PRC Embassy spokesman Xie Feng said the report issued by the Pentagon and the other by the Sino-US Security Review Commission "are not true to the facts." Xie pointed out that the PRC's defense budget is the lowest of the world's biggest countries. "It is about one-19th of the US's and half of Japan's. So I don't think that, militarily, China poses any threat to any country," he told a news conference. The so-called "China threat" theory is really nothing new, Xie said. Whenever Sino-US relations reap some progress, some people who cling to the Cold-War mentality come back and trumpet this theory, he said. "The threat to Sino-US relations and the threat to world peace do not lie in China but rather in these people who have fabricated this 'China threat'," he said.

4. PRC-Russian Relations

People's Daily ("LI ZHAOXING MEETS RUSSIAN FM," Moscow, 07/23/02, P3) reported that PRC Vice Foreign Minister Li Zhaoxing, who was attending the second round of consultations of the Sino-Russian Working Group on Anti-terrorism, met with Russian Foreign Minister Ivanov on July 22. They exchanged their views on international and regional situations, PRC-Russian relations and the cooperation on anti-terrorism, the report said. It said the two sides expressed their satisfaction about current PRC-Russian relations and cooperation. They stressed according to the report that the PRC and Russia will continue to deepen their cooperation in all fields in order to creating a multi-polarized and democratic world and to commonly meeting globally new challenges.

People's Daily (Che Yumin, "JIANG MEETS RUSSIAN SECURITY COUNCIL SECRETARY," Beijing, 07/19/02, P1) reported that PRC President Jiang Zemin said on July 18 that the PRC and Russia should expand cooperation in a wide range of areas under the spirit of the Good-Neighborly Treaty of Friendship and Cooperation signed between the two countries last year. Jiang made the remarks during a meeting with Vladimir Rushailo, secretary of the Russian Security Council. During the meeting, Jiang said the treaty attracted much international attention after it was signed, demonstrating the signing of the document fitted in with the general trend of the time and the common desire of people across the world to have stability, peace and development. Over the past year, the PRC and Russia have both implemented the treaty in an earnest way, and this shows the treaty is in the long-term strategic interests of both countries and the common wish of the people in the two countries, Jiang said. Rushailo conveyed Russian President Putin's greetings to Jiang. He said it is always a strategic goal of Russia to maintain and develop its good-neighborly relations with the PRC. He told Jiang that the Russian side is making preparations for President Putin's visit to the PRC at the end of the year, and believes the visit will push forward bilateral relations.

5. Across-Taiwan Straits Relations

China Daily (Xing Zhigang, "TAIWAN LEADER'S THREAT DISMISSED," 07/23/02, P1) reported that Beijing on July 22 dismissed Taiwan leader Chen Shui-bian's threat to seek independence and risk war with the mainland, saying it was irresponsible and hurtful. "What he (Chen) said will do great harm rather than good to cross-Straits relations," said an official with the Taiwan Affairs Office of the State Council of China. The official, who declined to be identified, told China Daily that Chen should come up with more sincere and concrete moves instead of irresponsible remarks to benefit the development of cross-Straits ties. He made the comments after Chen apparently warned on July 21 that if the mainland doesn't respond to his goodwill, Taiwan might abandon hopes for closer relations and move towards independence. The warning, which Chen made in native Taiwanese dialect while avoiding the politically charged word "independence," was a departure from the speech he had originally prepared, according to local media report, China Daily said. Liu Guoshen, director of the Taiwan Research Institute of Xiamen University, said the announcement earlier that day by Nauru that it was severing diplomatic ties with Taiwan may have contributed to the tone of Chen's remarks.

China Daily (Feng Qihua, "TAIWAN MILITARY BUILD-UP DANGEROUS," 07/25/02, P4) reported that on July 23 Taiwan's military unveiled its 2002 defense report, the first of its kind since Chen Shui-bian took office. In the report, it said, Taiwan claimed that the current national defense policy is based on the concept of "prevention of war," and maintained that the modernization and restructuring of the armed forces are under the strategic guidance of "effective deterrence, resolute defense." The tone of this report is reminiscent of the US Pentagon Report on the Military Power of the People's Republic of China, which warned of a threat from the PRC, fabricated a phased PRC invasion into Taiwan, and called for closer cooperations between the US and Taiwan, said the article on China Daily. It said Taiwan's defense report makes it self-evident that the island expects that it can depend on the US to realize its rigorous and ambitious military restructuring objectives. According to the article, US support of Taiwan's military will not only hurt Sino-US relations but also bring dire consequences to Taiwan. With this American encouragement, the article said, Taipei's pro-independence forces might pursue "Taiwan independence" even more fervently. This could run the risk of pushing the island to the brink of war. If this is the case, it will simply be disastrous for Taiwan, said the article.

6. PRC's Commitment to WTO

China Daily (Meng Yan, "MINISTER VOWS TO KEEP WTO PROMISES," 07/22/02, P1) reported that Shi Guangsheng, minister of foreign trade and economic cooperation (MOFTEC) lashed out last weekend against "untrue" and "malicious" reports on China's implementation of its commitments to the World Trade Organization (WTO). "China has been working very hard to fulfill its commitments to the WTO since its accession to the organization last December. And China, as it has solemnly declared many times, will be a good member and is trying hard to carry out every word of its promises," said Shi on July 21 during the ministry's mid-year national conference on exports. Shi admitted that a lack of time has caused the PRC to be one or two months late in increasing quotas for some commodities, but said that some reports in the Western media accusing the PRC of willful dawdling "were not true and maliciously distorted." "China became a member at year's end and time quickly ran out before it was ready to raise its quota limits on some commodities in line with its promises." "We promised this wouldn't happen again and the Western media shouldn't exaggerate and manipulate this incident," he said.

III. CanKor News Clippings

1. CanKor Issue #93: DPRK Market Liberalization

Although still unconfirmed, anonymous diplomatic sources are spreading rumors of "epoch-making" changes in the DPRK's distribution system. Ration coupons are to be eliminated, prices and wages are to be increased, farms and state-owned enterprises are to become self-sustaining. Western press reports celebrate this as a leap towards a market economy, but UN sources fear that if these reports are true, more hardships will be in store for the poorest majority of the population, who are already suffering from severe shortages in the country's food distribution system. The first direct flight between North and South Korea has been tested successfully last Saturday, opening the door to regular air traffic that will transport people and supplies from the South for the construction of light-water reactors in the North. This week's FOCUS section contains CanKor's semi-annual summary of events related to the DPRK. CanKor is two years old today. Please visit: www.pcaps.iar.ubc.ca/cankor

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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