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I. United States

1. DPRK Nuclear Working Groups

Agence France-Presse ("SKOREA HOPES FOR WORKING GROUP NUCLEAR TALKS IN TWO WEEKS," 03/02/04) reported that the ROK's chief negotiator to six-nation talks aimed at ending the DPRK's nuclear drive said he hoped a first working group meeting on the issue would be held in two weeks. "We said in comments (during the talks in Beijing last week) that the meeting should open two weeks later," Deputy Foreign Minister Lee Soo-Hyuck said in an interview with Seoul-based radio broadcaster CBS. The US, PRC, Russia, Japan and both the ROK and DPRK agreed after the Beijing talks, their second on the nuclear issue, to launch working level meetings to discuss various technical issues. They also agreed to a third round of talks by June. The dates and venues of the working level meetings were not finalized.

2. DPRK-US Relations

Reuters ("POWELL APPEARS TO DANGLE CARROT TO NORTH KOREA," Washington, 03/02/04) reported that US Secretary of State Colin Powell on Tuesday appeared to dangle the carrot of economic aid for the DPRK if it abandons its suspected nuclear arms programs. In a speech on US Asia policy, Powell said last week's six-party talks on finding a diplomatic solution to end the DPRK's nuclear ambitions had shown "a good deal of progress" even though they ended with only an agreement for more talks. While the US has previously ruled out any "quid pro quo" if the DPRK gives up its nuclear ambitions, it has offered to give it security guarantees and has left the door open for other nations to provide inducements. The US effectively suspended its idea of a "bold approach" to the DPRK potentially involving economic and other benefits when US officials in October 2002 accused the DPRK of having a clandestine nuclear arms program that violated its international commitments. Senior US officials have since suggested that approach could be revived as the nuclear issue was settled. "The US, South Korea, Japan, China and Russia have made it clear to North Korea that a better future awaits them -- that none of these nations is intent on attacking them or destroying them or exhibiting hostile intent," said Powell. "Instead, we want to help the people of North Korea who are in such difficulty now but it must begin with North Korea's understanding that these (nuclear) programs must be ended in a verifiable way," he added. "If North Korea takes the necessary steps, as we move forward North Korea will see that the other members of the six-party group, and the rest of the world, will welcome them and do everything we can to help them." A senior American official, who asked not to be named, said the US team had made clear at the Beijing talks that economic benefits could flow to Pyongyang once it dealt with the nuclear issue. "We presented three stages ... agreement on dismantlement, security assurances and, as the verifiable dismantlement was under way, there would be people forthcoming to offer other kinds of assistance... including eventual (diplomatic) recognition," the US official said.

Agence France-Presse ("DEMOCRATS PRESS FOR MORE-DIRECT TALKS WITH KOREA," Washington, 03/01/04) reported that the top Democratic presidential hopefuls are calling for more-direct talks with the DPRK on its nuclear weapons programs, but stressing a readiness to use force against the DPRK if necessary. Senators John Kerry and John Edwards, vying to face President George W. Bush in November's election, spoke in a campaign debate Sunday after new six-party talks on the DPRK ended in Beijing with little sign of progress. Kerry, the front-runner for the nomination, reiterated his call for head-to-head negotiations with the North Koreans on a comprehensive agreement to wean them off their nuclear ambitions. "I would put all of the issues of the peninsula on the table, not just the nuclear issue, but the economic, the human rights, the deployment of forces," he told the forum sponsored by CBS television. "I believe that between China, Japan and South Korea and our own interests, and the state of the economy in North Korea and their own interests, there is a deal to be struck," he said. The Massachusetts legislator criticized the Republican White House for failing to follow up the direct initiatives launched by former president Bill Clinton with the North Koreans. "This administration has made the world less safe because they were unwilling to continue that dialogue," Kerry said. He added the multi-party talks might be making some progress but it is "minimal, it is so slow, and it's begrudging. They are not doing the kind of direct, head-to-head negotiations." Asked whether he would take military action if the DPRK possessed nuclear arms and posed a threat to its neighbors, Kerry said, "Of course I'd do whatever is necessary to protect the security of the US." "Bill Clinton moved quite authoritatively when the Straits of Taiwan were being threatened by China. I would do the same thing."

3. US on DPRK Drug Trafficking

Agence France-Presse ("US ATTACKS NORTH KOREA'S "STATE" DRUGS TRAFFICKING POLICY," 03/02/04) reported that the US said its "axis of evil" foe the DPRK was almost certainly running state-sanctioned drugs trafficking operations for profit. The seizure last year of a DPRK ship off

Australia implicated in drugs trafficking and a string of other incidents "reflect official involvement in the trafficking of illicit narcotics for profit," the department said. Such evidence makes it "highly likely, but not certain, that the DPRK is trading narcotic drugs for profit as state policy," the department said in its annual International Narcotics Control Strategy report. The DPRK ship, the Pong Su, was seized by Australian police in April 2003 after apparently delivering 125 kilograms of heroin to criminals at an isolated beach, the report said. Another incident, which the report connected to the DPRK came in Pusan, ROK, last June when customs officers grabbed 50 kilograms (100 pounds) of methamphetamine from a PRC vessel which had stopped at the port of Najin, DPRK.

4. PRC-DPRK Glass Factory Financing

Yonhap ("CHINA SAID TO FINANCE THE DPRK FACTORY AFTER TALKS 'SINCERE ATTITUDE,'" Beijing, 03/02/04) reported that the PRC will provide financing for the construction of a glass plant in the DPRK, as the DPRK showed a sincere attitude during last week's multilateral talks on its nuclear activities, according to a source familiar with the matter Tuesday 2 March. Although the second round of six-nation nuclear talks that ended Saturday were not fully satisfactory, the PRC had decided to provide 50 million US dollars to help its poverty-stricken neighbor build a glass plant near Pyongyang, as was promised last year, the source said. The financing assistance, which will be the largest single amount of aid from the PRC in recent years, was originally pledged when PRC parliamentary leader Wu Bangguo visited the DPRK in October last year. During Wu's visit, the DPRK had agreed "in principle" to participate in the second session of talks. The funds are likely to come in install;ments over the years so that the PRC can halt the assistance if the DPRK does not cooperate in international efforts to resolve the 16-month standoff, according to the source.

5. Inter-Korean Economic Talks

The Associated Press (Soo-Jeong Lee, "NORTH, SOUTH KOREA HOLD ECONOMIC TALKS," Seoul, 03/02/04) reported that a DPRK delegation arrived in South Korea Tuesday for talks on the construction of cross-border railways and roads and an industrial complex in the communist state. The economic discussions, the eighth between the two sides since a historic inter-Korean summit in 2000, are to last four days. The ROK and the DPRK last met for economic talks in November. Both sides are expected to focus on the details of rail and road links across their heavily armed border, and on an industrial park in the DPRK city of Kaesong. The DPRK and ROK officials broke ground for the park last June. Political and military tensions have delayed work on the transportation projects, and the two sides have failed to meet a number of deadlines. ROK officials say inter-Korean projects would accelerate if the nuclear dispute is resolved. Official talks were scheduled to start on Wednesday. The 27-member DPRK delegation plans to return home Friday.

6. Inter-Korean Humanitarian Aid

Agence France-Presse ("SOUTH KOREA GIVES NORTH KOREA FERTILIZER, CONSTRUCTION AID," 03/02/04) reported that the ROK's government said it would provide the DPRK with 200,000 tons of fertilizer aid this year in response to a request from the starving communist state. It will also put aside 47 billion won (40 million dollars) from its cooperation fund to help build infrastructure such as roads in an inter-Korean industrial park in the DPRK's Kaesong City. "The cost of the fertilizer aid, including purchase, transportation and deliveries, will be some 70 billion won (60 million dollars)," the Unification Ministry said in a report to the National Assembly. At inter-Korean high-level talks here last month, the DPRK asked for more fertilizer aid this year, expressing gratitude for past assistance from the ROK. Since 2000, the ROK has given the DPRK one million

tons of free fertilizer, including 200,000 tons last year. Aside from the fertilizer aid, the government will offer one million dollars through the United Nations Children's Fund (UNICEF) to help feed malnourished children and another 900,000 dollars through the World Health Organization, the ministry said.

7. US PRC Democratization Efforts

Agence France-Presse ("US SHELLS OUT 39 MILLION FOR DEMOCRACY IN CHINA," 03/02/04) reported that the US has shelled out more than 39 million dollars over five years in a bid to promote democracy in communist-ruled PRC, according to a new report. Money has flowed to grass roots democracy projects and financed some joint initiatives with arms of the PRC government and judicial authorities, said the report by the General Accounting Office (GAO). The report was compiled at the request of members of the House International Relations committee, said the GAO, which admitted the issue of democracy aid to the PRC was often contentious. "The provision of foreign assistance funds to programs focusing on China continues to be controversial due to concern about some PRC government human rights practices and certain of its economic, political and security policies," said Jess Ford, the GAO's director of International Affairs and Trade. Congress authorized the provision of US funds for democracy programs in the PRC in 1999. Between 1999 and 2003, the US provided more than 39 million dollars to such programs, according to the figures collated by the GAO, the audit branch of Congress. Average spending has been steadily rising year by year, from about 2.3 million dollars in 1999 to about 14.4 million in 2002 and 2003, the report said. The State Department provided nearly half of the cash, in line with its goal of promoting democracy and improving governance in China, the report said.

8. PRC Aids Humanitarian Crisis

Agence France-Presse ("US LAUNCHES 15 MILLION-DOLLAR PROGRAM TO FIGHT HIV-AIDS IN CHINA," 03/02/04) reported that just 10 percent of the PRC's HIV-AIDS cases know they have the disease, the US Center for Disease Control and Prevention (CDC) said as it launched a 15 million dollar campaign to help fight the crisis. The initiative is part of the Global AIDS Program, which is currently focusing on 25 countries including the PRC. It targets 10 provinces, including central Henan which has been hit by a major AIDS outbreak from farmers selling blood in unsafe government-run schemes. In the next five years, the US CDC's PRC office and the PRC's CDC will work together to use the funding to prevent HIV infections, and improve treatment, care and support. One goal is to help the PRC address the key problem of not knowing how many cases of HIV/AIDS there are in the country. The government estimates there are 840,000 HIV/AIDS cases, but international experts believe the real figure is much higher and have warned there could be 10 million cases by 2010. Many officials have no idea how many cases exist in their areas and those that do are reluctant to reveal them for fear of the economic consequences. Even with the official figure, only 10 percent of those people know they have HIV/AIDS and have been tested, PRC and US officials said. "That means 90 percent of China's HIV/AIDS patients don't know they have HIV/AIDS and each day that they don't know, they can infect others." In contrast, about 70 percent of those infected in the US know they have the disease.

9. Japan Anti-Terror Specialists

Agence France-Presse ("JAPAN PLANNING SPECIALIST UNITS FOR INTERNATIONAL, ANTI-TERROR ROLE," 03/02/04) reported that Japan's defense agency plans to create three specialist units of soldiers devoted to international missions, anti-terrorism and missile defense as early as

2006, a report said. The scale of the units is yet to be determined but they are likely to number more than 5,000 in total, the Nihon Keizai Shimbun said, adding they would consist mainly of ground troops. The plan will be included in new defense guidelines expected to be decided by the government this year, the business daily said without citing sources. Japan is fully reviewing its defenses for the first time in nine years to cope with changes in the international situation such as missile threats from the DPRK and the September 11 attacks on the US. The new units would be under the direct control of the head of the defense agency, a politician in the cabinet, with operational commands issued from the agency's headquarters in Tokyo.

10. Greenspan on Japan Economy

Dow Jones (Barney Jopson and Jennifer Hughes, "GREENSPAN WARNING TO JAPAN OVER RESERVES," 03/02/04) reported that the "awesome" scale of Japan's accumulation of dollar reserves could become "problematic" for the Japanese economy, Alan Greenspan, chairman of the US Federal Reserve, said last night. "It must be presumed that the rate of accumulation of dollar assets by the Japanese government will have to slow at some point and eventually cease," he said in a speech in New York. Greenspan has spoken about Asian central banks three times in the past month, stressing that their continuing intervention in the dollar cannot be sustained. However, it is unusual for him to single out a particular country's policy for such blunt commentary. Greenspan acknowledged that intervention was partly an anti-deflationary policy designed to reverse Japan's deflationary record. "In time, however, as the present deflationary situation abates, the monetary consequences of continued intervention could become problematic," he said. However, a drop in the level of official dollar buying from Asia would not necessarily cause an automatic dollar fall because it was "difficult to judge" how large the impact of dollar buying had been on the yen, while the euro's strength against the US currency was unrelated to Asian intervention, he said.

11. Taiwan Presidential Elections

Agence France-Presse ("TAIWAN OPPOSITION HITS OUT AT PRESIDENT OVER ECONOMY," 03/02/04) reported that Taiwan's opposition criticized President Chen Shui-bian's economic policies as it sought to draw attention away from the huge show of support for a weekend government-backed anti-PRC rally. Presidential candidate Lien Chan said "holding hands won't make the problems go away" following the 500 kilometre (310 mile) human chain protest against PRC missiles pointed at the island. The effect of the rally on the March 20 election remains unclear with opinion polls mixed over whether it helped Chen to wipe out his rival's small lead after lagging well behind for months. Chen's strategy of promoting a separate identity for Taiwan over the PRC and harsh criticism of the PRC has boosted his public opinion ratings in recent months, analysts said. The opposition is seeking to play up the economy after it plunged into recession during Chen's administration and unemployment rose sharply. Unemployment hit an unprecedented high of 5.17 per cent in 2002, two years after Chen came to power, although it dropped back to 4.53 percent in January this year. Lien, the chairman of the nationalist Kuomintang (KMT), criticized Chen over his "irrational" policies which he said hit foreign investment coming into Taiwan, the world's 17th largest economy. Foreign investment in Taiwan dropped from 7.61 billion US dollars in 2000 to 3.58 billion dollars in 2003, according to the economic ministry. "I don't believe people are willing to sacrifice everything just so they can hold hands," he said at a press conference in Taipei to announce the opposition's new economic team. "Holding hands won't make the problems go away for people who have no jobs or food on the table," said Lien.

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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