

NAPSNet Daily Report 05 September, 2003

Recommended Citation

"NAPSNet Daily Report 05 September, 2003", NAPSNet Daily Report, September 05, 2003,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-05-september-2003/>

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I. United States

1. US on DPRK Nuclear Test Threat

Agence France-Presse ("US WARNS NORTH KOREA ON NUCLEAR TEST THREAT," 09/05/03) reported that the US has delivered a veiled warning to the DPRK, saying it would face "consequences" if it made good on an alleged threat to conduct a nuclear test, as the DPRK staged a series of mass rallies this week in a show of public support for leader Kim Jong-Il. A senior US

official, briefing reporters Thursday on condition of anonymity, stopped short of saying the US would pull out of a six-nation bid to end the nuclear crisis should such a test take place. But he hinted that such a move would deal a serious blow to hopes of finding a negotiated way out of the crisis which erupted last October. "I don't want to downplay the threats that were made by the DPRK (North Korea) to have some kind of nuclear test, or to demonstrate the means that they would have to deliver nuclear weapons," the official said. "These words are very disturbing, and I hope that Pyongyang realizes that provocative actions can and will have consequences, whether it be to the atmosphere of the talks or something more than that." The US says the DPRK made the threat at six-nation crisis talks last week in Beijing, though Russia has denied that any such warning was given. The talks ended without any obvious signs of agreement but an undertaking to meet again at a date yet to be fixed. The senior US official said he was disappointed at the DPRK approach to the talks, describing it as "scripted" and corresponding to Pyongyang's perceptions of US positions, and not the US stance itself.

2. Carter on DPRK-US Standoff

The New York Times (James Brooke, "CARTER ISSUES WARNING ON NORTH KOREA STANDOFF," Tokyo, 09/05/03) reported that former President Jimmy Carter, who was credited with defusing the 1994 DPRK nuclear crisis, warned here today that the current standoff is the world's "greatest threat." "This paranoid nation and the US now are facing what I believe to be the greatest threat in the world to regional and global peace," Carter said. The Bush administration, which has avoided using the word "crisis" in referring to the DPRK's revival of its nuclear program, had no immediate comment on Carter's visit or message. Carter, who received the Nobel Peace Prize last year, met here today with Japan's prime minister, Junichiro Koizumi. On Sunday, he is to fly to Beijing, where he is to meet with top PRC leaders. Traveling on an agenda promoting aid to Africa, he said he had no plan to repeat his 1994 trip to Pyongyang, which opened paths to the first nuclear agreement with North Korea. "Unfortunately, both sides have violated some of those agreements," Carter said, criticizing Pyongyang for enriching uranium in order to make bombs. "At the same time, the US has refused direct talks, has branded North Korea as an axis of evil, has declared an end of no-first-use of atomic weapons, has invaded Iraq and has been intercepting DPRK ships at sea." Warning against pushing North Korea, he added, "That country is isolated, very fearful of outside threats, economically punished by longstanding sanctions, with a superb military technology and the ability to destroy hundreds and thousands of lives and most of Seoul, if a war should come." Carter urged a continuation of the six-party talks in Beijing that took place last week, with the participation of the PRC, Japan, Russia, the US and the DPRK and ROK. He also said the DPRK should renounce nuclear weapons and the use of violence in dealing with the ROK.

3. US DPRK Policy

Reuters (Arshad Mohammed, "STATE DEPT. OUTFLANKS PENTAGON ON IRAQ, NORTH KOREA," Reuters, 09/05/03) reported that the US State Department appears to have scored key victories over hard-liners in the Pentagon and elsewhere in the Bush administration by persuading the White House to shift its approach on the DPRK and Iraq. After initially insisting it would not offer the DPRK any "quid pro quos" to terminate its suspected nuclear weapons program, the Bush administration this week signaled it was willing to consider offering some incentives to Pyongyang. And after months of refusing to give the United Nations a major role in Iraq, the US this week said it would seek a new U.N. resolution to authorize a multinational force there, albeit under US command. In changing its approach on the DPRK, the White House appears to have resigned itself to the prospect that it is unlikely to persuade the DPRK to end its nuclear ambitions without giving it something in return. And while it is far from clear that the United Nations will acquire significant influence in

Iraq, the Pentagon seems to have accepted it needs more foreign troops to provide security and was unlikely to get them without a new U.N. resolution. "The realities and especially the political realities have caused the White House to recognize that sticking with the intransigent line the Pentagon and others have been advocating in both cases carries political risk as well as foreign policy risk," said Jim Steinberg, a former deputy national security adviser to President Bill Clinton who said he did not have inside information on the administration's deliberations. "This is turning foreign policy into a potential liability for him rather than a plus," the Brookings Institution scholar added, suggesting US casualties in Iraq and threats from the DPRK could hurt Bush's 2004 re-election prospects. The Bush administration is loathe to admit it is changing tack on the DPRK or on Iraq and the State Department, which has often lost battles to the Pentagon, is reluctant to crow about having won a round against the hard-liners. Indeed Secretary of State Colin Powell denounced as "total fiction" a Washington Post story suggesting he and the US military Joint Chiefs of Staff together persuaded the White House to go back to the U.N. on Iraq despite misgivings among the Defense Department's top civilian officials. "There is absolutely no substance to this mischievous, fictional story about Colin Powell and the Joint Chiefs of Staff colluding in some way. We didn't do it," Powell said. The story, however, is widely believed in Washington.

The Associated Press (George Gedda, "US SOFTENS TERMS IN NORTH KOREA TALKS," Washington, 09/05/03) reported that the Bush administration has dropped its insistence that the DPRK meet US nuclear disarmament demands before it can be offered economic assistance and other benefits. A senior State Department official outlined the more conciliatory US position on Thursday in reviewing the outcome of six-nation talks in Beijing last week on the impasse over the DPRK's nuclear weapons programs. The DPRK "would not have to do everything" before getting something in return, said the official, who briefed reporters on the condition that he not be identified. Previously, the administration insisted that the DPRK would have to dismantle its nuclear programs in a verifiable, irreversible way before the US would be willing to offer concessions. White House press secretary Scott McClellan said on Friday that the US and other countries involved in the latest diplomatic discussions in Beijing "made it very clear that we are always willing to talk about what is possible if North Korea changes its behavior." He said the administration is moving forward on a multilateral approach, exactly as the president has spelled out in the past. "North Korea is learning that the international community is not going to reward bad behavior," he said. "They must change their behavior and begin to take concrete steps to dismantle its nuclear weapons program."

Agence France-Presse ("WHITE HOUSE DENIES POLICY SHIFT ON NORTH KOREA," Washington, 09/05/03) reported that the US denied it had made a significant shift on DPRK policy and was contemplating a sequence of inducements for the DPRK to renounce nuclear weapons. The Bush administration had previously insisted that the DPRK must verifiably dismantle its nuclear weapons production before it could expect benefits in return from the US. A senior administration official indicated on Thursday that some US unspecified measures could be offered to Pyongyang before a final settlement was reached. "It would not be correct to say that they would have to do everything, before they would hear anything," the official said. The New York Times quoted other unnamed senior officials as saying that the US team at six-nation crisis talks in Beijing last week told the DPRK that Washington could offer intermediate measures like food and aid to reward a change of DPRK behavior. President George W. Bush has frequently warned he will not submit to what he sees as "blackmail" by buying off the DPRK's weapons programs, a line which has been seen as precluding any step by step inducements from Washington. White House spokesman Scott McClellan did not specifically rule out such an approach but said Friday that Pyongyang must act first. "Nothing can happen until North Korea changes its behavior and begins to take concrete steps to dismantle its nuclear weapons program," said McClellan. "North Korea must end, verifiably and irreversibly, its nuclear weapons program. There is a strong message going to North Korea. North

Korea is learning that the international community is not going to reward bad behavior," he said.

4. PRC-US Relations

The Associated Press (George Gedda, "POWELL SEES TIES WITH CHINA AT HIGH POINT," Washington, 09/05/03) reported that citing shared concerns about North Korea's nuclear weapons programs and other issues, Secretary of State Colin Powell said Friday US relations with the PRC are at their highest point in more than 30 years. Powell said relations have prospered despite continuing differences with the PRC over such issues as human rights, the PRC's proliferation activities and the continuing absence of political reform in that country. "The relations have improved for reasons that transcend all of these particulars," Powell said. "Neither we nor the PRC leaders believe that there is anything inevitable about our relationship - neither inevitably bad nor inevitably good." He suggested that common views on the DPRK have helped to bring the two sides together. As examples, he mentioned Sino-American opposition to the DPRK's possession of nuclear weapons and to that country's practice of drug- and gunrunning and currency counterfeiting operations. Speaking of the overall relationship, Powell said: "Today, I would submit, US relations with China are the best they have been since President Nixon's first visit" there in February 1972. Others in the administration have been less prone than Powell to speak optimistically about the PRC. Last year, CIA director George Tenet said PRC exports of missile technology are inimical to US interests and "complicate the threat that we face, our forces face and our allies face, particularly in the Middle East." Also, Deputy Defense Secretary Paul Wolfowitz said last year it is unclear whether an increasingly strong PRC will emerge as a force for peace in East Asia or as a "threatening power."

5. Powell on US-ROK Relations

The Washington File ("US COMMITTED TO CLOSE RELATIONSHIP WITH SOUTH KOREA SECRETARY OF STATE POWELL'S REMARKS," 09/03/03) reported that the US remains committed to a close relationship with South Korea, both as an ally in terms of security and as a partner in dealing with North Korea's programs for weapons of mass destruction, says Secretary of State Colin Powell. "There is absolutely no change or slackening in the commitment that the US has to the safety and security of our partner and ally in South Korea," Powell told the press September 3 after meeting with the Republic of Korea's Minister of Foreign Affairs and Trade Yoon Young-Kwan. "As we continue with future discussions on the DPRK situation, we will consult in the closest possible manner with South Korea," Powell added. "[A]s partners, we have an open relationship where we can share ideas in full candor and with the desire of reaching a common understanding on the way forward." Powell emphasized that "[w]e are looking for a diplomatic solution. We are working in concert with all of North Korea's neighbors ... to find a peaceful solution. We have made it clear, the President has made it clear on many occasions, I have made it clear, that we have no intention of invading North Korea, of attacking North Korea."

Read the full transcript here: <http://usinfo.state.gov/topical/pol/conflict/03090306.htm>

6. Hong Kong Anti-Subversion Legislation

Agence France-Presse ("HONG KONG GOVT WITHDRAWS ANTI-SUBVERSION LEGISLATION, CHINA HAS NO COMMENT," 09/05/03) reported that Hong Kong's government has withdrawn plans to introduce controversial security legislation which sparked the territory's worst political crisis since 1997, Chief Executive Tung Chee-hwa said. Tung said Friday plans to revive the bill with a second round of public consultation later this month had been put on hold indefinitely because

talks with community groups showed there was still widespread concern in the city over the law. Tung said it was clear "we have to take stock and review things before holding further consultation to win support from the community." "In order to give people enough time to understand the law, we decided to postpone it," he said of the bill, which critics and opponents say threatens Hong Kong's political, religious and media freedoms. "We will legislate the law only after we have had sufficient consultation," he said, adding "there is no timetable on the process at the moment."

7. Japan DPRK Ferry

Agence France-Presse ("NKOREAN FERRY LEAVES JAPAN AFTER PASSING INSPECTIONS," 09/05/03) reported that a controversial DPRK ferry left here on schedule after Japanese officials confirmed the repair of defects which had delayed its previous departure nine days ago. The Man Gyong Bong-92 left the port Friday on the Sea of Japan (East Sea) coast, 250 kilometres (155 miles) north of Tokyo, for its home port of Wonsan in North Korea. As the ship prepared to depart around 10:00 am (0100 GMT), dozens of the 260 passengers lined up on the decks to wave small DPRK flags at members of the pro-Pyongyang General Association of Korean Residents in Japan (Chongryong) who were seeing them off. From the opposite side of the port, right-wing groups staged protests against the DPRK ship. But no protesters were allowed to come near the vessel or the DPRK nationals at the quayside as some 1,600 police and other officials were deployed. The passenger-cargo ferry, previously suspected of smuggling money and drugs, last called at the port last week on its first visit to Japan in seven months. When it arrived here on Thursday, the ship was met by anti-DPRK protesters including relatives of Japanese citizens kidnapped by DPRK agents during the Cold War era. Japanese officials said the ship -- the only direct link between Japan and North Korea -- passed an inspection for safety defects identified during its last port call. The second port call in nine days came as the Stalinist state rushed shipments of goods in time to celebrate next week's 55th anniversary of its founding, analysts said. The ship is scheduled to return to Niigata on September 16 and again on September 30.

8. ROK Political Corruption

Asia Pulse ("KOREAN CONGLOMERATES VOW TO FORGO ILLICIT POLITICAL FUNDS," Seoul, 09/05/03) reported that the ROK's chaebol, or conglomerates, declared today that they will no longer provide illegal political funds. The move by the Federation of Korean Industries, the nation's chaebol lobbying group, followed a series of corruption scandals involving politicians arrested or suspected of having received slush funds from businesses. The latest scandal involved SK Shipping, a unit of SK Group suspected of having offered tens of billions of won in slush funds to Kwon Roh-kap, an aide to former President Kim Dae-jung. Kwon was arrested on Aug. 15 on charges of receiving 20 billion won (US\$17.1 million) from the Hyundai Group just before general elections in 2000. He was also suspected of receiving slush funds from SK. SK Group Chairman Son Kil-seung currently serves as head of FKI. "The local business circles regret successive reports of politico-chaebol collusion have disappointed the public," said FKI Vice Chairman Hyun Myung-kwan. "Companies will now try to win back the public confidence by reinforcing efforts for transparency and ethical management." South Korea's family-controlled conglomerates have been under intense public criticism for their collusive ties with politics. They have been often accused of greasing the palm of politicians with bribes. Confronted with mounting anti-chaebol sentiment, the FKI and its 200 member companies met Friday to adopt a new ethics code requiring them to forgo bribes to politicians and make their books more transparent. The code outlined in a statement calls for members to strictly abide by the current legal limits on corporate entertainment expenses and political donations and set new guidelines for gifts and expenses for congratulations and condolences for interested parties. The code also bans the use of business organizations and their members for political purposes. The

statement also includes plans to increase in-house anti-corruption checks. The group will ask its ethics panels to closely oversee the implementation of the code, the statement said.

9. US Treasury Secretary Snow on PRC Foreign Exchange Reuters ("SNOW SEES CONCESSIONS IN CHINA OVER FOREX," Phuket, 09/05/03) reported that US Treasury Secretary John Snow said on Friday he expects "further concessions" from the PRC on exchange rate policy. He also told CNBC television in an interview he expected "good resumption" of US job growth and economic expansion in the third and fourth quarters would be well above three percent. Speaking at the end of an Asian tour that took him to Japan, the PRC and a meeting of APEC finance ministers in Phuket, Thailand, Snow said he saw "real movement" in his talks with PRC officials on the country's policy of keeping its yuan currency pegged to the dollar. "I was encouraged by the PRC government's statements. I was encouraged by the private meetings I had, and I think there has been real movement here. I think we are going the right way," he said. Snow rejected the idea of imposing punitive tariffs on PRC goods if that country does not adopt a market-based exchange rate. "We don't view that as the way to deal with this problem," he said. "The PRC authorities listened carefully, they made some concessions, and I think there will be further concessions." Snow said the PRC was a "great trading partner of the US and an ally in many, many things...but we have a different point of view."

10. Tibet Dalai Lama Return

Agence France-Presse ("DALAI LAMA WOULD RETURN TO TIBET ONLY WITHOUT CONDITIONS: BRITISH PRESS," 09/05/03) reported that the Dalai Lama would willingly return to Tibet and end nearly half a century of exile if China allowed him back "without preconditions", the spiritual leader said in a British newspaper interview. "I'm hopeful to see Tibet, to see my old place with my own eyes, and try to cool down the situation," the Dalai Lama, 68, told the left-wing Guardian newspaper in an interview published Friday. The Dalai Lama fled the Potala Palace for India in 1959 as PRC troops crushed an abortive uprising in Lhasa. PRC officials said August 26 that if the Dalai Lama is permitted to return it is highly unlikely he would be allowed to live in the ornate palace atop a high hill in the heart of the Tibetan capital. "You ask under what circumstances? China should give me the green light, without preconditions," the Dalai Lama told a Guardian journalist in Dharamsala, north India on Wednesday. The next day the spiritual leader and Nobel laureate embarked on a trip to the US where his press secretary said he would hold talks with US President George W. Bush. The White House has declined to confirm that a meeting with Bush was planned and the PRC said it had protested over the trip.

11. PRC SARS Transmission Research

Agence France-Presse ("NEW RESEARCH SUGGESTS SARS JUMPED FROM ANIMALS TO HUMANS IN SOUTH CHINA," 09/05/03) reported that new research has added weight to the theory a SARS-like virus jumped from animals to humans in south PRC, highlighting fears of another outbreak of the deadly disease. Scientists in Hong Kong and China's southern Guangdong province compared samples from SARS patients with a SARS-like coronavirus taken from animals eaten as delicacies, including rodent-like palm civets, in a live animal market in Shenzhen. They concluded that the animals had a coronavirus that was 99.8 percent identical to the virus that causes Severe Acute Respiratory Syndrome in people, Science journal reported in this week's edition. "Our findings suggest that the markets provide a venue for the animal viruses to amplify and transmit to new hosts, including humans and this is critically important from the point of view of public health," the research said. As well as civet cats, the virus was also found in a raccoon dog and a ferret badger.

They also found people who worked at the market carrying coronaviruses but without any sign of illness. However the study, conducted by scientists from the University of Hong Kong and the Guangdong Centre for Disease Control and Prevention, stressed that there are still important unanswered questions about the route of transmission of the virus to humans. "It is not, however, clear whether any one or more of these animals are the natural reservoir in the wild," the report said. "It is conceivable that civets, raccoon dog and ferret badgers were all infected from another, as yet, unknown animal source, which in fact is the true reservoir in nature."

12. Japan Domestic Economy

Reuters (Tim Ahmann, "JAPAN NEEDS TO DO MORE TO SPUR ECONOMY," Washington, 09/05/03) reported that Japan needs to step up efforts to tackle its underlying economic woes because big risks to recovery remain despite an improved outlook, the International Monetary Fund said on Friday. "The economy remains vulnerable to significant downside risks, notably those associated with fragilities in corporate and financial sector balance sheets," the IMF warned in its annual review of the world's second-largest economy. While welcoming an improvement in Japan's economic outlook, the international lender said more aggressive efforts were needed to boost the economy through monetary policy and to restructure the ailing financial and corporate sectors. "A sustained and strong economic revival is not yet in prospect," it said. The IMF said Japan's economy should expand 2 percent this year, which would be a big step up from last year's meager 0.2 percent advance. For 2004, it forecast a 1.5 percent increase in gross domestic product. At the same time, it said Japan's consumer price index would likely fall 0.3 percent this year and that the unemployment rate would probably average 5.5 percent, the historic high it reached in January. The lender said problems at financial firms and debt-laden companies would continue to hamper growth if not resolved.

II. Republic of Korea

1. ROK-US Ammo Disposal

Chosun Ilbo (Yoo Yong-won, "NEW DEAL REACHED FOR DESTROYING OLD AMMO", 09/04/03) reported that The Defense Ministry said Thursday that ROK and U.S. authorities had revised elements of their agreement on the disposal of outdated ammunition, which critics say is unfair for ROK. Signing the agreement to change the War Reserved Stock for Allies system were Choi Dong-jin, chief of the ministry's acquisition office, and Charles Campbell, U.S. Forces Korea chief of staff. The revision calls for a suspension of the normal methods of disposing outdated ammunition - burning or detonating it - and the construction of high-tech facilities to recover reusable components and safely treat the rest. According to the new agreement, U.S. will no longer be able to bring in for disposal here old ammunition from U.S. forces based outside of U.S. or ROK. Also, ammunition owned by the USFK but judged dangerous for the environment cannot be treated in the new facilities. Also, ROK military will be allowed to dispose of its ammunition without consulting the USFK, which it had to do in the past. The new environmentally-friendly treatment facilities will be built by 2006 and cost W49.6 billion (\$42 million), half paid by Washington, half by Seoul. They will be able to treat up to 10,000 tons of old ammunition, and will save W120 billion won over the next 15 years by eliminating management and storage costs.

2. ROK-US on DPRK Diplomacy

Chosun Ilbo (Joo Yong-jung, Washington, "YOON TALKS DPRK WITH BUSH, POWELL", 09/04/03)

reported that Foreign Minister Yoon Young-kwan said Thursday that U.S. President George W. Bush understood the importance of the six-way talks and expressed his strong will to lead the talks to success. Before meeting with his U.S. counterpart, Colin Powell, Yoon visited the White House and had a 20-minute discussion with President Bush. Yoon also said that Bush was interested in ROK's economic situation, and asked about the national sentiment on DPRK. Powell, after his talks with Yoon, held a press conference and said that Washington and Seoul had a comprehensive DPRK policy and would be working toward a diplomatic solution to DPRK nuclear problem. He also said the countries would continue efforts to block DPRK from its sales of narcotics. Powell also said the Bush administration did not plan to urge the United Nations Security Council to deal with DPRK nuclear issue, implying that the six-nation talks may soon be resumed or that the option would be reserved until DPRK makes an unexpected action. Powell emphasized that Washington and Seoul have been strong allies for the past 50 years, and confirmed that there has been no change or weakening of the U.S. pledge to guarantee the protection and security of its ally. Yoon said he discussed the U.S. propositions to DPRK with Powell, but Powell did not give specifics about the Bush administration's next move.

3. Yongsan Base Relocation

Chosun Ilbo (Yoo Yong-won, "YONGSAN BASE RELOCATION PLANS UPDATED", 09/04/03) reported that ROK and U.S. have begun to sketch a new "unified agreement" that will replace two agreements made in 1990 for the relocation of the Yongsan base. The two old pacts were subjects of controversy, as critics said they were unfair and perhaps illegal. The new agreement will be sent to the National Assembly for ratification this year. Both countries agreed at the fourth round of the meetings themed "Future of the Alliance Policy Initiative," which ended Thursday, that large portions of the 1990 agreements were unrealistic. ROK representative Cha Young-gu, chief policy-maker at the Defense Ministry, said that a fifth round of meetings would be held next month in Seoul to draft the new unified agreement, as well as agreements for implementation and engineering purposes. The 1990 agreements state that when relocating U.S. Army base, ROK must take full responsibility for consequent losses incurred by businesses on the base, such as the PX commissaries. Critics also pointed out that the old agreements contain no mention of U.S. responsibility for environmental damage. ROK has promoted an all-out revision but U.S. Forces Korea has taken a passive attitude concerning the revision of certain provisions. The two nations said that the specific amount of land from the Yongsan base to be returned, and the number of remaining soldiers and facilities in that area, would be thoroughly discussed as soon as the end of this month. ROK government plans to reserve 10 to 20 percent of the 833 acres of land in Yongsan for the USFK. But differences in opinion are expected, as the USFK reportedly may ask for a larger portion for the purpose of housing and building schools and hospitals. The USFK also wants U.S. quarters outside of the Yongsan base, such as the Han-nam Village complex which houses 600 households, to be relocated inside the base, in accordance with U.S. anti-terror measures. But ROK government said it would be difficult to solely bear all the expenses for the housing construction necessary. Both sides agreed that the transferring the main headquarters of the firepower conflict execution committee, set up to prepare for a DPRK long-range missile attack, would begin with a joint ROK-U.S. evaluation team. In August 2005, the team would assess whether ROK had the independent abilities in terms of military strategies, and make a decision on the question of handing over the headquarters. If ROK were found to be lacking in its preparations, the evaluations will be held every six months afterward.

III. Japan

1. Japan-DPRK Relations over DPRK Passenger-Cargo Ship

Asahi Shinbun ("N.KOREAN SHIP GETS GO-AHEAD TO DOCK," 09/04/03) reported that with repairs apparently made, the DPRK passenger-cargo ship Man Gyong Bong-92 has been cleared to dock today in Niigata. The transport ministry said it had received a report from the ship's agent Tuesday night attesting that safety violations detected by Japanese authorities the last time the ship was in port late last month have been corrected. The 9,672-ton vessel left its home port of Wonsan early Wednesday with 197 people on board, including 74 crew members, and is expected to dock today at around 1 p.m., about four hours later than initially scheduled, sources said. However, before the vessel is allowed to dock, it must undergo another thorough Port State Control inspection by the ministry. Through an agent, operators of the ship submitted a report to the ministry late Tuesday on the defects found by Japanese authorities late last month. The report, several dozen pages long, was delivered to the ministry by fax. Written in English, the document also included photographs of the repairs. Manuals of some shipboard equipment were also included. Prior to the ministry receiving the report, the agent for the ship submitted a request to the Niigata prefectural government to permit the vessel to dock. The ship's departure for DPRK was delayed for over nine hours last week when it failed the safety inspection. It was allowed to leave port on condition the defects would be corrected as soon as the ship reached DPRK. The ship is scheduled to leave Niigata-Nishi Port on Friday with 210 passengers, among them those who hope to return in time to celebrate the 55th anniversary of DPRK's founding on Sept. 9, according to sources. Until recently, the ship regularly plied the Niigata-Wonsan route 20 to 30 times a year. The ship is believed to have been engaged in clandestine activities like weapons' parts smuggling and drug trafficking.

Asahi Shinbun ("NORTH KOREAN SHIP RETURNS TO MIXED NIIGATA RECEPTION," Nigata, 09/05/03) reported that the DPRK ship Man Gyong Bong-92, believed to have been engaged in clandestine activities like weapons' parts smuggling and drug trafficking, returned to Niigata-Nishi Port on Thursday afternoon to a predictably noisy clutch of protesters, and a phalanx of customs, immigration and Japan Coast Guard inspectors. Not everybody was demonstrating, however. Some were singing and waving DPRK flags. The 9,672-ton DPRK vessel docked on schedule around 1:15 p.m., and was to depart around 10 a.m. today. The first step was the immediate inspection of the ship by nine transportation ministry officials under Port State Control, who confirmed that four safety violations found during the ship's last port call Aug. 25 had been corrected. About 100 inspectors from the maritime and customs agencies combed the ship, alert to earlier allegations it had been used for smuggling and espionage activities. No violations were found. Under international treaties, a vessel that clears PSC inspection is not subject to another similar inspection for six months. Niigata prefectural government officials granted permission for the Man Gyong Bong-92 to dock just four hours before it arrived. Permission was conditional on having a Tokyo-based agent for the DPRK vessel bonded to deal with any financial responsibilities during its port call. The prefectural government had refused to issue docking permits out of concern for who would be responsible for compensation in the event of an accident. As the ship tied up, about 120 protesters on shore began shouting, "Give our children back." In the crowd were the parents of Kaoru Hasuie, one of five Japanese abducted by DPRK agents who returned last year after a 24-year absence. A counter-demonstration was staged by about 100 happy pro-Pyongyang residents in Japan, including women wearing traditional Korean costumes and waving DPRK flags. The ship was to depart today for Wonsan with 260 passengers and 100 tons of cargo. It is scheduled to return on Sept. 16 and again on Sept. 30.

2. APEC Forum

Kyodo (Takehiko Kajita and Varunee Torsricharoen, "APEC FINANCE CHIEFS CLASH OVER FOREX FLEXIBILITY," Phuket, 09/04/03) reported that finance ministers from the 21-member Asia-Pacific Economic Cooperation (APEC) forum locked horns Thursday over a US-led effort for the rest of the

regional economies to tacitly urge PRC to revalue its currency. On the first day of their two-day annual meeting on the Thai resort island of Phuket, they failed to agree on the wording of their joint statement to be issued after their talks over the issue, conference sources said. The US pushed for including strong words such as "more flexible exchange rate management that is consistent with their specific circumstances," the sources said. However, PRC, along with other APEC economies with fixed exchange rate regimes like Malaysia and Hong Kong, were opposed to the idea, they said. PRC manages the yuan in an 8.2760-8.2800 per dollar band, a range that has been increasingly criticized by Japan, ROK, the US and Europe as undervalued and supporting its export industries. PRC has consistently played down calls for a revaluation. PRC, Malaysia and Hong Kong preferred softer words "appropriate exchange rate policies that facilitate orderly and balanced external adjustment," the sources said. Senior officials from the US, Japan, PRC, Malaysia and Hong Kong on Thursday compared notes on the issue and managed to hammer out a compromise text to be submitted to the ministers on Friday, a Thai official said without elaboration. US Treasury Secretary John Snow is in Phuket to persuade other APEC economies to speak with one voice on the issue of the exchange rate regimes, but China was represented only by Vice Finance Minister Lou Jiwei. Japan was also represented by Vice Finance Minister for International Affairs Zembei Mizoguchi as Finance Minister Masajuro Shioakawa had to cancel his trip to Phuket after being hospitalized. Thai Prime Minister Thaksin Shinawatra told reporters after delivering an opening speech at the meeting that APEC economies discussed regimes of Asian currencies in general, rather than focusing on the PRC yuan in particular. Thaksin said PRC's decision as to an appropriate time to float the yuan was an internal matter. "It is an internal PRC affair and internal strategy as well," he said. "They will consider when they should float, when they should peg. I think it is up to them. I think they understand very well when they should do it." Thaksin said he predicted no changes in the PRC exchange rate regime in the near future, but said Thailand should benefit from the change if one occurs in the future. In his opening address, Thaksin urged the APEC finance ministers "to give serious thought to the possibilities of innovative and improved ways and means of achieving greater economic openness and financial integration among the APEC economies." "I suggest in particular that your utmost consideration be given to the development and promotion of the regional bond initiative," he said. "The Asian Bond will be the new financial architecture for this 'world of differences.' The Asian Bond, one would hope, will be a new instrument to eliminate severity of the 'cycle of change' in the economic life of a country," he said. He said the Asian Bond would be a "rational option" as a savings instrument for Asia and the Pacific. The ministers will wrap up their Phuket talks with an informal meeting Friday, to be followed by a joint news conference and a golf tournament in the afternoon.

3. Japan-DPRK Relations

The Asahi Shinbun ("PUSH FOR MORE TALKS ON ABDUCTION ISSUE," Vienna, 09/04/03) reported that Japan's Foreign Minister Yoriko Kawaguchi said here Tuesday that Japan will try to hold bilateral talks with DPRK on the abduction issue, even outside the six-nation framework to resolve the nuclear problem. In an exclusive interview with The Asahi Shimbun, Kawaguchi suggested the talks do not need to be linked to the process that kicked off in Beijing last week to get Pyongyang to abandon its nuclear weapons development program. "I don't think the talks between Japan and North Korea (on the abduction issue) will be limited to the times when six-nation talks are held," she said. During bilateral talks held on the sidelines of the Beijing meeting, DPRK delegates expressed their hope the abduction issue could be resolved on the basis of the Pyongyang Declaration that was signed between Prime Minister Junichiro Koizumi and DPRK leader Kim Jong Il at their historic Sept. 17, 2002, summit meeting. "Things appear to be moving in the right direction," Kawaguchi said. She also voiced her appreciation for the six-way process involving PRC, Russia and the US as well as Japan and both Koreas. The "common recognition" announced by host PRC at the end of the meeting

included an item which said the participating countries will explore a fair and reasonable solution that advances gradually and promotes the abolition of DPRK's nuclear programs while simultaneously guaranteeing the reclusive country's security. Meanwhile, Koizumi said in Tokyo on Tuesday that he welcomed the progress made in the six-way talks. He said the process paves the way for another round of talks. "I regard the six-nation talks as a major opportunity to resolve, with patience, the various issues between Japan and North Korea," Koizumi said in a lecture meeting at the Japanese Association of Corporate Executives. He called the Pyongyang Declaration an important political document, adding that DPRK is trying to resolve all outstanding issues with Japan on the basis of the declaration.

4. Japan-PRC Relations

Asahi Shinbun (Taketsugu Sato, "JAPAN, CHINA TO SWAP SHIP VISITS," Beijing, 09/04/03) reported that a PRC warship will make a port call in Japan for the first time since the Communists took over in 1949. In addition, a Maritime Self-Defense Force vessel and its crew will pay a visit to the Middle Kingdom. Dates of both visits will be determined later. The agreement to exchange port calls by ships from the two nation's navies was made Wednesday between Defense Agency Director-General Shigeru Ishiba and PRC Defense Minister Cao Gangchuan. The meeting was the first between Japanese and PRC defense ministers in five years. At the 1998 meeting, a deal was reached to exchange navy ship visits and to improve dialogue between the SDF and PRC's military. Gen Nakatani, then the Defense Agency chief, was to have visited Beijing in April 2002, but the trip was abruptly canceled after Prime Minister Junichiro Koizumi made the second of his controversial visits to Yasukuni Shrine. Plans for military exchanges were also put on hold. While Cao said he expected defense exchanges with Japan to resume, he also raised concerns about Tokyo's planned purchase of a US-made missile defense system. "It will upset the global strategic balance and could lead to further military competition," he told Ishiba. Ishiba explained the missile system was purely defensive and would not upset regional stability. The two ministers also discussed the situation on the Korean Peninsula. They agreed on the need for a peaceful resolution of the nuclear weapons development issue. While Ishiba raised concerns about missile proliferation and the abduction issue, Cao was noncommittal regarding the topics.

Asahi Shinbun (Kentaro Kurihara and Taketsugu Sato, "TAKING A NEW SHOT AT DEFENSE RELATIONS," Beijing, 09/05/03) reported that a PRC Foreign Ministry spokesman said Beijing wants Japan to stick to its exclusively defensive policy, a comment directed at legislation passed in recent years that has gradually widened the scope of operations for the Self-Defense Forces. One of the laws prepares Japan for a military attack. Another special measures law is designed to dispatch SDF troops to Iraq. When Ishiba explained Japan's proposed acquisition of a missile defense system, Cao said, "It will lead to a new escalation in defense spending." PRC also downplayed concerns about its high rate of military spending in recent years. Japan's Defense Agency officials said they hope to develop a relationship of trust with PRC that would match Tokyo's current ties with Moscow. The close relationship with Russia that has developed through mutual visits and joint training exercises would have been unthinkable even a few years ago. However, both Japan and PRC realize that one or two meetings will not solidify their relationship. As more visits by leaders continue, including the arrival Thursday of Wu Bangguo, chairman of the Standing Committee of the National People's Congress, Japan and PRC will gradually try to build on their defense dialogue.

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](#)

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Produced by [the Nautilus Institute for Security and Sustainable Development](#) in partnership with:

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