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CONTENTS

I. [United States](#)

1. [US-DPRK Relations](#)
2. [Kim Dae-jung's US Visit](#)
3. [DPRK Economic Outlook](#)
4. [US Arms Sales to Taiwan](#)
5. [Cross-Straits Relations](#)
- II. [Republic of Korea](#)
 1. [US Policy towards DPRK](#)
 2. [Korean War Peace Treaty](#)
 3. [Inter-Korean Railway Project](#)
 4. [Red Cross Talks](#)
 5. [DPRK-Spain Relations](#)
 6. [DPRK Singer to Perform in US](#)
- III. [People's Republic of China](#)
 1. [DPRK's Economic Reform](#)
 2. [PRC Position on Role of UN](#)
 3. [Mini-Three Links](#)
 4. [Taiwan's Mainland Policy](#)
 5. [PRC-US Disputes on Macao](#)
 6. [PRC-Iran Relations](#)

I. **United States**

1. **US-DPRK Relations**

Reuters (Elaine Monaghan, "ALBRIGHT SORRY TO LEAVE N.KOREA ISSUE UNFINISHED," Washington, 1/5/01) reported that US Secretary of State Madeleine Albright said on January 5 that she was sorry to end four years in office without making a deal with the DPRK, but said there was still a chance for the US to come to terms with DPRK. Albright said in an interview, "There was, and I believe is, an opportunity to end the last vestige of the Cold War. There are a lot of things I'm sorry I have to leave kind of unfinished, and the North Korea issue is one of them. I do think that Kim Jong-il was not what people had thought he was, that he also sees the fact that this system cannot go on functioning the way it has. He was interested in making some arrangement that would limit his

development of missiles in exchange for our launching of civilian satellites." Albright also praised ROK President Kim Dae-jung and his "sunshine policy."

2. Kim Dae-jung's US Visit

Agence France Presse ("S.KOREAN PRESIDENT TO SEEK BUSH SUPPORT FOR RECONCILIATION WITH NORTH," Seoul, 1/6/01) reported that ROK President Kim Dae-jung told the International Herald Tribune in an interview on Friday that he plans to visit the US soon after the inauguration of George W. Bush to persuade Bush to continue US President Bill Clinton's support for his "sunshine" policy towards the DPRK. The report said Kim did not express any fears of a sudden shift in US policy, but that other ROK officials seem worried that Bush's defense secretary, Donald Rumsfeld, may upset the DPRK by pushing ahead with a planned regional theatre defense missile system (TMD). Kim also said that the position of DPRK leader Kim Jong-il had changed since their inter-Korean summit, pointing to his acceptance of the presence of US troops on the peninsula as evidence of the DPRK's desire to improve relations with the US. Kim also said that the ROK would ask the DPRK to stop producing long-range missiles. In a separate interview with the newspaper, ROK Foreign Minister Lee Jung-Binn acknowledged, "Some are voicing concern over the possibility of changes in close cooperation" between the ROK and the US. However, Lee said that he did not expect "any significant shift away from the basic line" followed by the US Clinton administration. Lee said that he hoped to visit the US in February to set up a Kim visit possibly as early as March.

3. DPRK Economic Outlook

The Economist Intelligence Unit ("NORTH KOREA: COUNTRY OUTLOOK," 1/5/01) reported that the outlook for inter-Korean relations in 2001-02 is broadly good. The report said that inter-Korean relations will be "quite unlike anything seen during the past half-century." However, it said, the process of engagement between the ROK and the DPRK will not be smooth. It also stated, "the overall food situation remains unclear, but far from healthy." Politically, the report said that Kim Jong-il seems firmly in control, but what remains less clear is "when, or even whether, Kim Jong-il will formalize his new turn by convening a long overdue full congress of the ruling Korean Workers' Party (KWP)." The report also said that the DPRK and the ROK are clearly entering a new phase, with contacts of various kinds, if not always smooth, becoming normal rather than exceptional. Regarding the DPRK's relations with the US, the report predicted "a harder US line is under George W Bush. Nevertheless, continuity in US policy is more likely than radical change." The report said that a challenge for the DPRK will be to ensure that its spread of markets in recent years does not erode its overall political authority. Economically, the DPRK is now listed as the fifth worst country in the world for malnutrition under a new study by the UN Food and Agriculture Organization (FAO). Almost 60 percent of the DPRK's population was undernourished in 1996-98.

4. US Arms Sales to Taiwan

New York Times (Craig S. Smith, "TAIWAN IS LIKELY TO ASK THE U.S. TO SELL IT 4 DESTROYERS," Shanghai, 1/8/01) reported that Taiwan has signaled that it may ask the US Bush administration to sell it four Kidd-class guided-missile destroyers to counter the PRC's recently purchased Russian-made destroyers. The request would likely to be made before the US and Taiwan hold annual talks on arms sales in April. Scott McClellan, a spokesman for the Bush presidential transition committee, said on January 7, "The president-elect believes it is important for the United States to speak with one voice in foreign policy, and until January 20, that voice is the Clinton administration." On January 5, the commander in chief of Taiwan's navy, Admiral Lee Chieh, was

quoted by Taiwan's Central News Agency as saying that the US Defense Department had recommended that Taiwan acquire the Kidd-class destroyers to replace the island's World War II-era Gearing-class destroyers. The admiral said the four Kidd-class destroyers, costing a total of about US\$600 million, would give Taiwan's navy a chance to train for an eventual purchase of the Arleigh Burke-class destroyers. Asked whether the US Defense Department had received an official request from Taiwan to buy the Kidd-class destroyers, US Defense Department spokesman Kenneth W. Bacon said that by mutual agreement, neither the US nor Taiwan comments on arms sale requests. If the US Defense Department approves such a request, it notifies the US Congress, which can block the sale. [Ed. note: This article was included in the US Department of Defense's Early Bird news service for January 8, 2001.]

5. Cross-Straits Relations

Agence France Presse ("CHINA CLAIMS TO HAVE SOFTENED STANCE ON 'ONE CHINA' PRINCIPLE," Beijing, 1/6/01) reported that PRC Vice Premier Qian Qichen told representatives of Taiwan's two main opposition parties who were visiting the PRC that the three direct trade, transport and postal links between the PRC and Taiwan could be established as an "internal affair within one country." Her Jyh-huei, head of Taiwan's Kuomintang (KMT) delegation, told reporters on January 5, "Qian said that we might keep clear of political issues in order for the three links to take place via agreements between enterprises, associations and non-state organizations. That's quite a big breakthrough." Other Taiwanese representatives interpreted Qian's statements as meaning that as long as shipping and airline companies and port and airport officials on both sides of the Strait agreed to transport and trade terms, then the direct links could be opened. Such statements, if true, appeared to be a softening in the PRC's previous demand that Taiwan must first accept the "One China" principle before talks on the three links could begin. The PRC's official English-language China Daily on January 6 called the new PRC stance a "goodwill gesture" and a "slight softening" of the PRC position. Qian had also stressed that Taiwanese companies hoping to open up direct links with the mainland must accept a 1992 consensus on "One China" that opened the way for high-level talks between Taiwan's Straits Exchange Foundation (SEF) and the PRC's Association for Relations Across the Taiwan Straits (ARATS).

II. Republic of Korea

1. US Policy towards DPRK

Chosun Ilbo (Kwon Dae-yol, "NEW US ADMINISTRATION MAY CHANGE AGREEMENT WITH NK," Tokyo, 01/06/01) reported that US President-elect George W. Bush's next administration is looking to make an overhaul in the Geneva Agreement signed with the DPRK in 1994 in order to solve suspicions regarding the DPRK's nuclear missile project, the Nihon Keizai Shimbun reported from Washington on Saturday. Quoting several news sources close to President-elect Bush, the Japanese economic daily said that the US is strongly considering the possibility of changing its previous plan of constructing two light-water reactors in the DPRK at a cost of US\$4.6 billion, as stated in the Geneva Agreement, to that of building six oil fired power stations. The report said that one source claimed that the US- DPRK agreement has in fact fallen apart as the Korean Energy Development Organization (KEDO)'s light-water reactor project was delayed due to a capital shortage and that the DPRK has started to demand economic compensation. It continued that DPRK experts have started working on readjustment of the agreement after seeing that there has been no improvement in its energy supply as all attention has been focused only on the light-water reactor project. The Nihon Keizai added that there was a possibility of the DPRK opposing the changes, and that Japan should

watch developments as the Japanese government has stated that it would cover a large amount of the capital needed for the DPRK project.

2. Korean War Peace Treaty

The Korea Herald (Kim Ji-ho, "NORTH STILL WANTS TO NEGOTIATE WITH U.S. ON PEACE TREATY," Seoul, 01/08/01) reported that the DPRK on Saturday reiterated its position that it should be negotiating with the US, not the ROK, to replace the armistice with a peace treaty on the Korean Peninsula. Radio Pyongyang, the DPRK's official broadcaster, said, "The United States' abandonment of its hostile policy against us and the conclusion of a peace treaty between Chosun and the United States will be the most important step in easing tension and preventing war in our nation." Last October, when the US and the DPRK announced their joint communique, the DPRK agreed that "there are a variety of available means, including the four-party talks" for forging permanent peace arrangements. The communique was hailed by ROK officials as an indication that the two parties concluding the peace treaty could be the ROK and the DPRK. However, Saturday's Radio Pyongyang reports demonstrate that the DPRK's stance has not yet changed, observers said. [Ed. note: This article was included in the US Department of Defense's Early Bird news service for January 8, 2001.]

3. Inter-Korean Railway Project

The Korea Herald (Kang Seok-jae, "FOREIGN CAPITAL NEEDED FOR S-N RAILWAY," Seoul, 01/08/01) reported that the ROK government should induce foreign capital to help facilitate restoration work on the severed railway between Seoul and Shinuiju in the DPRK, a study has recommended. In a report on "Restoration of Kyongui (Seoul- Shinuiju) Line and Northeast Asia Cooperation," Park Hong-kyu, a research fellow of the Institute of Foreign Affairs and National Security (IFANS), raised the need for the ROK's early inducement of foreign capital for the inter-Korean railway project. In that sense, he said, the European Union's joint government-private sector case studies on various transportation networks would be of much help to the inter-Korean railway project.

4. Red Cross Talks

The Korea Herald ("RED CROSS TALKS FOR FAMILY REUNIONS TO RESUME IN MARCH," Seoul, 01/08/01) reported that the ROK's Red Cross chief said on Sunday that Red Cross talks between the two Koreas will resume in March to discuss building permanent meeting places for separated families. Appearing on a KBS-TV debate program, Korea National Red Cross (KNRC) President Suh Young-hoon also said that he would do his utmost to expand the number of reunited families when the third round of Red Cross negotiations open. "To enhance transportation convenience and save costs for family members, I hope the meeting places will be established at border areas and in as many locations as possible," Suh said.

The Korea Herald ("CHIEF NEGOTIATOR FOR RED CROSS TALKS," Seoul, 01/06/01) reported that the ROK National Red Cross (KNRC) has appointed Professor Lee Byung-woong of Hanseo University to represent the ROK in the Red Cross talks on family reunions. Lee, 60, a veteran inter-Korean negotiator and executive committee member of the Korean Council for Reconciliation and Cooperation (KCRC), will lead the ROK delegation for the inter-Korean Red Cross talks as a special aide to the KNRC's head, officials said. Lee, former KNRC secretary-general, participated in Red Cross meetings from 1985-1998 and led the ROK team in Red Cross working-level talks from 1992-1998

5. DPRK-Spain Relations

The Korea Herald (Shin Yong-bae, "NORTH KOREA, SPAIN LIKELY TO ESTABLISH DIPLOMATIC TIES SOON," Seoul, 01/07/01) reported that the DPRK will establish ambassadorial-level relations with Spain, possibly as early as this month, ROK officials said Saturday. "The two countries are pushing to announce their setup of diplomatic ties within this month," said a Foreign Ministry official, asking to remain anonymous. She said that the DPRK and Spain tentatively agreed to open ties during working-level talks that took place December 20-21 in Madrid, adding that Kim Chun-kuk, director general for European affairs at the DPRK's Foreign Ministry, attended the meeting.

6. DPRK Singer to Perform in US

Chosun Ilbo ("NK SINGERS TO PERFORM IN US," Seoul, 01/08/01) reported that the Associated Press said Sunday that DPRK opera singers will visit the US for performances next month. A pro-DPRK group of Korean-Americans based in New York will be hosting the "Korean Concert for Unification" from February 8-16 in major US cities including Washington DC, New York, Chicago, and Los Angeles. The tour is intended to promote awareness of the DPRK in the US. Performers are soprano Cho Chon-ok, baritone Ho Kwang-u from the DPRK National Symphony Orchestra, and many more. The concert is drawing attention for being scheduled after the inauguration of US President-Elect George W. Bush. The visit will be the first time DPRK singers perform in the US.

III. People's Republic of China

1. DPRK's Economic Reform

Global Times (Zhang Xinghua, "KIM JONG-IL ADVOCATES REFORM," 01/09/01, P2) carried an article on changes in the DPRK in the new century. The sign of change first appeared, Zhang said, on January 1 in the form of joint editorial by the DPRK's Party newspaper, army newspaper and Youth Daily proposing to reform the economy by introducing modern technology and improving its economic management structure to answer the requirement of the new environment and new climate. On January 4, Rodong News published part of the speeches of Kim Jong-il, stressing that new ideas should be used to solve problems in a new era. For these new signs, Zhang commented that due to the long-term planning economy in the DPRK, the real implementation of new ideas needs some time. Without relevant regulations and laws to ensure and guarantee the smooth transition, the focus of the DPRK's economic reform will still be in the process of adjustment and economic recovery. The article also leaves some space for the DPRK domestic reaction to Kim Jong-il's proposal. Currently, all walks of life are studying the joint editorial and Kim's speech. Those ordinary citizens who were interviewed expressed their optimistic views on the DPRK's future under the leadership of Kim Jong-il.

2. PRC Position on Role of UN

China Daily (Meng Yan, "NATION WISHES TO SEE A POWERFUL UN," 01/08/01, P1) reported that Shen Guofang, PRC deputy permanent representative to the UN, said that the PRC hopes that the UN will be able to play a more powerful and fairer role in preventing regional conflicts in the new century. He made the remarks on Saturday in New York during a two-hour online discussion with Internet surfers on the Qiangguo Forum, a bulletin board managed by the People's Daily online. When answering the question if NATO would ever eclipse the UN, he said that the UN's role in maintaining world security and peace is irreplaceable, although it keeps in close contact with

regional organizations such as NATO. "Any peacekeeping action taken by regional organizations should be empowered by the UN, and NATO has realized that," he said. On the reform of the UN, Shen said that it mainly concerns the way that the world body operates and the expansion of the Security Council. "It has not been agreed whether to increase the number of non-permanent of permanent member states. It is too early to talk about specific countries at this stage," he said. "The Chinese Government is concerned about how to increase the number of developing countries represented at the UN."

3. Mini-Three Links

China Daily (Huang Xiangyang, "FIRST SHIPS FROM TAIWAN ARRIVE IN XIAMEN," 01/03/01, P1) reported that the first ships to sail from Taiwan to the mainland in 51 years arrived at a port in Xiamen on January 2 morning. Two ships, loaded with almost 200 local government officials, tourists and reporters, came into Heping Port at 11:50 am after a two-hour journey. The voyage took place after a decision by the Taiwan authorities to open direct trade, shipping and postal links between the outlying Taiwanese islands of Jinmen and Matsu and the port cities of Xiamen and Fuzhou in Fujian Province, also dubbed the mini-three links, which formally began on January 2. The opening is largely symbolic, as there has been traffic and other contact between the Taiwanese islands and Xiamen for years, although contact is banned under Taiwanese law. Three hundred people went to the port to welcome the Taiwan delegation, most of whom have either relatives or friends in Taiwan. They consider the opening of the mini-three links as a positive beginning---but far from enough.

China Daily (Liu Li, "OFFICIALS MEET TO TALK ABOUT LINKS," 01/08/01, P2) and China Daily (Xing Zhigang, "BEIJING OFFERS GOODWILL GESTURE TO TAIPEI FOR LINKS," 01/07/01, P1) reported that delegations from the Kuomintang Party and the New Party from Taiwan met officials of the PRC Ministry of Foreign Trade and Economic Cooperation on Saturday to discuss how to push ahead with three direct links across the Taiwan Straits. Assistant Minister An Min appealed to the Taiwan authorities to open up direct commercial, shipping and communications links to promote economic and trade exchanges that are "direct and two-way" and "mutually beneficial." The mainland will continue to encourage Taiwan entrepreneurs to develop trade and invest on the mainland, said An. The legitimate rights and interests of Taiwan business people on the mainland will be protected, he said. According to the heads of the two delegations, Her Zyh-huei and Fung Hu-hsiang, the Kuomintang Party and the New Party are willing to make active efforts to realize the three direct links. After a separate meeting with Fung Hu-hsiang, Li Yafei, secretary-general of the PRC semi-official negotiating body, told a briefing, "Both sides hoped, or demanded, that the Taiwan authorities dismantle existing obstructions to direct links."

China Daily (Xing Zhigang, "BEIJING OFFERS GOODWILL GESTURE TO TAIPEI FOR LINKS," 01/07/01, P1) reported that on January 8, the PRC made a "major goodwill gesture" to Taiwan by slightly softening its stance on the precondition for establishing full trade, transport and communications links across the Taiwan Straits as soon as possible. He Shizhong, head of the Economic Department of the Taiwan Affairs Office under the State Council, said, "As long as (the three links are) conducted as internal affairs within one country, we will take pragmatic steps to work with them." He said that the PRC's three key principles on the direct cross-Straits links are that: 1) they should be operated as the domestic matters of one country instead of as state-to-state affairs, 2) they should be direct and bilateral, and 3) they should be mutually beneficial and reciprocal. He also stressed that once both sides entered the World Trade Organization, Taiwan must be considered a separate customs territory of China.

China Daily (Xing Zhigang, "EXPERT CRITICIZES TRADE PLAN'S SHORTCOMINGS," 01/03/01, P1) reported that Xu Shiquan, Director of the Institute of Taiwan Studies under the Chinese Academy of

Social Sciences, said that Taiwan's plan to partly ease a ban on direct cross-Straits transport, trade and postal services "has fallen short of real and full" bilateral links between the PRC and Taiwan. He argued that the so-called "mini-three links" proposal is "an utterly inadequate measure" for boosting cross-Straits economic and trade ties. However, he pointed out, the PRC is poised to support the plan and help put it in place, despite its "limited use," to improve cross-Straits ties. The newsletter said that Xu, an adviser to the Central Government on Taiwan Policy, could be interpreted as an "official" reaction to the plan. He said that the "mini-three links" scheme was a "unilateral discriminatory move" by the Taiwanese authorities, which used to regard small-scale trading between the islands off Taiwan and the mainland as smuggling. Through the plan, the Taiwan authorities aim to relieve increasing pressure, from both within the island and the international community, to lift the trade and transport ban completely, as well as relieve restrictions on Taiwanese investment in the mainland, Xu said.

4. Taiwan's Mainland Policy

Ta Kung Pao (Ma Ling, "CHINA TOP TAIWAN EXPERT TALKS ON CROSS-STRAITS RELATIONS," 01/03/01, PA3) carried an interview report on Xu Shiquan, Director of Taiwan Studies at the Institute of Chinese Academy of Social Sciences on cross-Straits relations since Chen Shuibian took power. He argued that Chen's policy to refuse the "one China" principle brought the relations to a much worse situation than Lee Teng-hui's period after he advocated "state-to-state relations." Besides, he added, Taiwan's stock market slumped and economic development slowed down, which are inconsistent with the people's expectations. On the mini-three links, he answered that the mainland has proposed full links for over 20 years, but the Taiwan authority has been playing for time, which in fact has undermined the interests of the Taiwan people. The Taiwan authority has always used the full links as its leverage for "one China, one Taiwan" or "two Chinas." The mini-three links is really self-deceptive. When questioned about the timeline, he said that time will not stand on either side automatically. It depends on positive attitudes. Currently time is beneficial to both sides and a win-win situation is likely to occur on the precondition that both sides take full advantage of it. However, he warned, after Chen took his power, Taiwan's precious time is elapsing.

5. PRC-US Disputes on Macao

Xinhua News Agency ("CHINA ABSOLUTELY OPPOSED TO 'US POLICY ON MACAO'," 01/04/01) reported that on January 4, PRC Foreign Ministry spokesperson Zhu Bangzao condemned the US over its decision to pass the amendment concerning Macao. Zhu said, "The US Congress has, in disregard of the opposition and representations of the Chinese side, inserted the amendment of the so-called 'US Policy on Macao' in the relative bill and President Clinton has signed it into law." It has made irresponsible remarks on Macao affairs in an attempt to interfere in the international affairs of Macao and infringe upon the sovereignty of China using the pretext of export controls and the question of human rights, he said. "We demand that the US strictly abide by the fundamental norms governing international relations and stop their interference in the internal affairs of China," Zhu concluded.

6. PRC-Iran Relations

Xinhua News Agency ("PRC AND IRAN LEADERS MEET," Teheran, 01/07/01) reported that visiting PRC Vice- President Hu Jintao said on January 6 that PRC is willing to increase its co-operation with Iran in regional and international affairs with the aim of safeguarding the interests of Third World countries. At a meeting with former Iranian President Hashemi Rafsanjani, Hu said that PRC wants

to develop a long-term and stable friendship with Iran on the basis of Five Principles of Peaceful Co-existence and through a joint effort with Iran. Rafsanjani, who now chairs Iran's powerful State Expediency Council, pointed out that Iran and the PRC are two countries very friendly to each other. In the past they have given one another support during hard times. Now they help each other with economic construction and often exchange views on international affairs, he added.

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We invite you to reply to today's report, and we welcome commentary or papers for distribution to the network.

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