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MARKTWO

I. NAPSNet

Reuters ("AUSTRALIA PROBES NORTH KOREA WEAPONS FOR IRAN SEIZURE", 2009/08/31) reported that Australia will investigate the case of a shipment of DPRK weapons seized from an Australian-owned ship en route to Iran to see if its laws were broken, Transport Minister Anthony Albanese said. Asked about the seizure, Albanese told Channel Nine the Australian government was "investigating the circumstances around this event." "Certainly in terms of the next step forward, we are investigating as to whether there have been any breaches of Australian laws. If there have been, that will be referred to the appropriate police authorities," Albanese said.

1. Interdiction of DPRK Vessel

Xinhua News ("TEHRAN REJECTS REPORTS ON DPRK ARMS SHIPMENT TO IRAN", 2009/08/31) reported that Tehran dismissed the reports on a ship of weapons from the DPRK to Iran as "Zionist" conspiracy, local Fars news agency reported. "At a time when Iran's cooperation with the International Atomic Energy Agency (IAEA) is in its best form, unfortunately, a number of Western media which are under the influence of the Zionist (Israeli) lobbies are trying to ... spread fabricated reports," Fars quoted the source as saying.

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2. Inter-Korean Relations

Agence France-Presse ("NORTH KOREA LIFTS CURBS ON BORDER WITH SOUTH KOREA", Seoul, 2009/09/01) reported that the DPRK Tuesday lifted restrictions on ROK traffic across the border. Operations have returned to normal after nine months of curbs, with 12 daily crossings permitted northbound to the Kaesong industrial estate plus 11 return trips a day, Seoul's unification ministry said. "Entry by South Koreans to the North is smoothly under way," said ministry spokeswoman Lee Jong-Joo.

Chosun Ilbo ("UNIFICATION 'WOULD REQUIRE 10% MORE TAX'", 2009/08/31) reported that the ROK will have to collect about 10 percent more tax for 60 years after unification, a think tank projects. In a report on the effects of inter-Korean economic integration published, the Korea Institute of Public Finance said if the ROK were to be unified in 2011, it would be possible to secure financial sustainability if the tax burden ratio was raised by about 2 percentage points for 60 years after unification. The research was conducted on the assumption that it would take 50- 60 years after unification to increase productivity in the DPRK to about 80-90 percent of the ROK's and that the DPRK would not qualify for ROK-level welfare.

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3. Inter-Korean Economic Relations

Yonhap News ("S. KOREA TO CALL FOR JOINT BODY ON TOUR TO N. KOREA: SOURCE", Seoul, 2009/08/31) reported that the ROK plans to propose to the DPRK that both sides set up a joint body to handle safety and other sensitive issues before resuming a key cross-border tour that remains suspended for more than a year, a source said. According to government sources, the two Koreas had once agreed to set up a joint government body to handle safety and other issues that may arise from the tour, but it was before the current ROK government of President Lee Myung-bak took office early last year.

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4. Sino-DPRK Relations

Reuters ("NORTH KOREA SENDS DELEGATION TO CHINA", Seoul, 2009/09/01) reported that the DPRK said on Tuesday it had sent a Foreign Ministry delegation to the PRC. In a short dispatch, the Korean Central News Agency said the group was led by Vice Minister for Foreign Affairs Kim Yong-il, but gave no other details.

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5. DPRK Economy

Honolulu Advertiser ("SITUATION IN NORTH KOREA DETERIORATING", 2009/08/31) reported that fresh information seeping out of the DPRK indicates that political repression and living conditions have become even more harsh than reported earlier. The DPRK's economic plight was underscored

when construction of a hydroelectric dam was suspended for lack of food for the workers. Their rations had already been cut to 500 grams from 700 grams a day. That's a little over a pound of food — for a day of physical labor in construction.

IFES NK Brief ("KIM JONG IL ANNOUNCES '6.25 ECONOMIC POLICY'", 2009/08/31) reported that DPRK Central Broadcasting reported on August 26 that Kim Jong Il had stressed in a speech to Party, military, and economic officials, 'There are now many things insufficient, and the number of things we don't have is not small, however these cannot be relieved by relying on another,' and, 'living on one's own efforts alone will provide more relief.' This indicates that even domestically, the DPRK central government does not have the power to control capital or pricing, and is encouraging each economic sector not to rely on higher offices, but rather, to solve their own problems.

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6. DPRK Education

Xinhua News ("DPRK TOP LEADER URGES COUNTRY TO STRESS EDUCATION", 2009/08/31) reported that Kim Jong Il, top leader of the DPRK, called on the country to attach great importance to education, the official KCNA news agency reported. During a visit to the Munchon Secondary School in the southeastern province of Kangwon, Kim said that education determines the rise or fall of the country. Kim also stressed that schools should intensify computer education at the primary level.

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7. US-ROK Security Alliance

Korea Herald ("S. KOREAN FM, U.S. CONGRESSIONAL LEADER DISCUSS ALLIANCE", 2009/08/31) reported that ROK Foreign Minister Yu Myung-hwan met with a visiting US Congress leader and discussed the Seoul-Washington alliance, the DPRK nuclear issue, and the free trade agreement between the ROK and the US, Yu's ministry said. Eni Faleomavaega, chairman of the Subcommittee on Asia, the Pacific, and the Global Environment, arrived here Sunday for a week-long stay. The Congressman from American Samoa will also deliver a keynote speech at an international forum on conservation in the Demilitarized Zone, a buffer zone between the rival Koreas that is rich in wildlife.

Korea Times (Jung Sung-ki, "ALLIES TEST JOINT INTELLIGENCE TEAM", 2009/08/31) reported that the US military is sharing more information on the DPRK with its ROK counterpart, following the DPRK's nuclear and missile tests earlier this year, the top American military officer said. The move was reflected during the recent Ulchi Freedom Guardian (UFG) joint exercise of the two militaries. The allies tested a combined intelligence group and a new war plan to prepare for the transition of wartime operational control of ROK troops from the U.S. military to the ROK in 2012, US Forces Korea (USFK) Commander Gen. Walter Sharp said.

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8. ROK Anti-Beef Demonstrations

Yonhap ("PROSECUTION RELEASES REPORT ON CANDELIT RALLIES", Seoul, 2009/08/31) reported that an estimated 932,000 people rallied on nearly 2,400 occasions in the ROK last year to protest the government's decision to resume imports of U.S. beef. According to the "White Paper on Investigation Into Candlelight Protests," 1,050 protesters were summarily indicted and 43 were arrested in connection with the rallies that took place over 106 days. The report by the Seoul-based Supreme Public Prosecutors' Office said the rallies that intensified between May 2 and Aug. 15 cost 1.5 trillion won (\$1.2 billion) in economic damage. Over 680,000 riot police officers were mobilized to deal with the protests, the report said, adding about 100 of them were injured.

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9. ROK-Australia FTA

Yonhap ("KOREA, AUSTRALIA LAUNCH 2ND ROUND OF FREE TRADE TALKS", Seoul, 2009/08/31) reported that the ROK and Australia on Monday launched their second round of free trade negotiations as they exchanged tariff concessions lists, officials said. During the negotiations that run through Friday, both sides will discuss key issues such as tariff concessions, and service and investment, they said.

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10. Japanese Textbook Controversy

Chosun Ilbo ("MORE SCHOOLS IN JAPAN USE OFFENSIVE HISTORY TEXT", Seoul, 2009/08/31) reported that the board of education in Aichi Prefecture decided Thursday to adopt a history textbook that is heavily criticized by the ROK and the PRC for not including full accounts of distorting Japan's World War II abuses. This month two other regional boards of education including Tokyo's Sugunami-ku decided to allow schools to use the textbook.

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11. ROK-Japan Relations

Yonhap News ("PRESIDENT LEE, HATOYAMA AGREE TO WORK FOR CLOSER SEOUL-TOKYO TIES", Seoul, 2009/08/31) reported that ROK President Lee Myung-bak telephoned Yukio Hatoyama, head of the Democratic Party of Japan (DJP) who is expected to become the country's new prime minister, on Monday and expressed hope that the leaders of the neighboring countries will share the correct history perception for future-oriented relations. Lee congratulated Hatoyama, saying his party's sweeping victory in Sunday's general election is expected to "serve as a chance for South Korea and Japan to move together toward the future," presidential spokeswoman Kim Eun-hye said.

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12. Sino-Japanese Relations

Xinhua News ("SINO-JAPANESE TIES NOT TO BE AFFECTED AFTER DPJ ELECTED", 2009/08/31) reported that at a time when Japan's political scene is undergoing sweeping changes, experts say that PRC-Japan relations are not likely to be affected after the DPJ assumes reins of government. Japan's foreign policy is to undergo a series of adjustments following the DPJ's ascendancy, but Zhu Jianrong, a professor of humanities at Toyo Gakuen University, said that the general trend for bilateral ties will not change. "As far as economy and trade are concerned, China and Japan are among the closest partners in the world, and they need each other, " said Zhu.

Mainichi Shimbun ("MAJORITY OF CHINESE, JAPANESE STILL HAVE 'NEGATIVE IMPRESSION' OF EACH OTHER: SURVEY", 2009/08/28) reported that relations between Beijing and Tokyo have thawed somewhat, as illustrated by PRC President Hu Jintao's visit to Japan last May. Public sentiments toward one another, on the other hand, have showed little sign of improvement, partially because of the food poisoning scandal over PRC-made frozen dumplings, and the ongoing territorial dispute over the Senkaku (Diaoyu) Islands. Genron NPO, a Japanese nonprofit organization, and China Daily, a state-run PRC English-language newspaper, jointly conducted an opinion survey on mutual relationship between Japan and the PRC. 65.2 percent of PRC interviewees answered they had "negative" or "relatively negative" impressions of Japan, while among Japanese, 73.2 percent felt the same way toward the PRC.

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13. US-Japan Relations

Agence France Press ("US EXPECTS 'STRONG ALLIANCE' WITH NEW JAPAN PM", Washington, 2009/08/31) reported that the White House said it expected a "strong alliance" with Japan 's incoming center-left government, after voters ended a half-century of nearly unbroken rule by the conservative Liberal Democratic Party . President Barack Obama's administration hopes to hold early consultations with the next government in Tokyo on a range of issues including the ongoing stand-off with nuclear-armed DPRK , a State Department official said. "We are confident that the strong US-Japan alliance and the close partnership between our two countries will continue to flourish under the leadership of the next government in Tokyo," White House spokesman Robert Gibbs said in a statement.

Associated Press (Eric T" "We are not shifting away from the U.S., but want to figure out how to play a more complementary role," DPJ lawmaker Fujisue said. "The Japan-U.S. alliance is still the main pillar of our foreign policy."almadge, "RECOVERY, US TROOPS PRIORITY FOR NEW JAPAN LEADER", Tokyo, 2009/09/01) reported that one of Yukio Hatoyama's first challenges will be with key ally Washington over a plan to move 8,000 U.S. Marines off Okinawa. "We are not shifting away from the U.S., but want to figure out how to play a more complementary role," DPJ lawmaker Fujisue said. "The Japan-U.S. alliance is still the main pillar of our foreign policy."

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14. Japan on US Nuclear Posture

Global Security Newswire ("JAPAN COULD PRESS U.S. TO ADOPT "NO-FIRST-USE" NUKE POLICY", 2009/08/31) reported that Japan's main political opposition party might press the United States to adopt a "no-first-use" nuclear weapons policy if the faction replaces the sitting government after the nation's elections Sunday, two anti-nuclear activists wrote in a *Japan Times* commentary. Katsuya Okada, secretary general of the opposition Democratic Party of Japan, has indicated he believes the United States could move to a no-first-use policy.

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15. Japan Missile Defense

Kyodo News ("DEFENSE MINISTRY SEEKS Y176 BIL TO BOLSTER MISSILE DEFENSE", 2009/08/31) reported that the Defense Ministry said it is seeking 176.1 billion yen to build up Japan's ballistic missile shield after the DPRK rocket launches earlier this year, as part of an overall 4,846.0 billion yen request for appropriations in the fiscal 2010 budget. The 176.1 billion yen request also includes outlays for Japan-U.S. joint development of a ballistic missile defense system based on Aegis destroyers.

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16. Japan Politics

Kyodo News ("JAPAN BUREAUCRACY APPEARS UNRUFFLED BY DPJ'S SWEEPING VICTORY", 2009/08/31) reported that central government officials appeared unruffled by the Democratic Party of Japan's landslide victory. "It's just like when the president changes in a private company," said a high-ranking Finance Ministry official, who refused to be named. "All we have to do is to follow the policy of our new head." Mochizuki, vice minister of economy, trade and industry, told reporters that civil servants need to accelerate their efforts to become more familiar with the DPJ's basic visions for Japan's future.

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17. Japan Climate Change

Bloomberg News ("JAPAN UTILITIES, REFINERS SAY DPJ CARBON PLAN TOUGH ON INDUSTRY ", 2009/08/31) reported that refiners led by Nippon Oil Corp. and utilities including Tokyo Electric Power Co. said the Democratic Party of Japan's carbon target is tough on industry and called on the newly elected government to say how it can reach the goal. The DPJ has pledged to reduce emissions by 25 percent from 1990 levels by 2020. The goal is "a very high hurdle," the Petroleum Association of Japan said in a statement released in Tokyo. The cuts will have a "severe impact," the Federation of Electric Power Companies said in another statement.

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18. Japan Nuclear Power

The Asahi Shimbun ("REPROCESSING PLANT STARTUP DELAYED", 2009/08/31) reported that the

full startup of the spent nuclear fuel reprocessing plant here will be postponed until December 2010 or even later due to technical problems, sources said. Japan Nuclear Fuel Ltd. has decided to postpone completion of the plant's final commissioning test, which was scheduled for August, by at least 14 months, the sources said. Electric utilities had urged an early start for reprocessing because the storage facility for spent fuel is nearly full.

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19. Cross Strait Relations

Agence France-Presse ("DALAI LAMA PRAISES TAIWAN DEMOCRACY, ANGERS CHINA", 2009/08/31) reported that the Dalai Lama praised Taiwan's democracy on the first full day of a tour that the PRC has warned will hurt improving ties with the island. While members of the Beijing - friendly ruling elite said they had no plans to meet Tibet 's exiled spiritual leader , he urged Taiwan to cherish its democracy, which is often contrasted with the mainland's stern one-party rule. "You enjoy democracy, you must preserve it. I tell my friends no matter what political party (they belong to)," he said. "I myself am totally dedicated to the promotion of democracy."

Associated Press (Annie Huang, "TAIWAN SEEKS TO SMOOTH RUFFLED CHINESE FEATHERS", Taipei, 2009/09/01) reported that the PRC has canceled or postponed the planned Taiwan visits of at least two important delegations, and nixed ceremonies meant to mark the expansion of direct air service between the sides, Nationalist Party spokeswoman Chen Shu-rong said Tuesday. Chen said the cancellations appeared linked to the Taiwan visit of the Dalai Lama. Chen declined to comment on news reports that the party sent an emissary to the PRC last week to seek its understanding on the visit, but acknowledged that it is using its normal channels of communications to try to mitigate Beijing's anger.

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20. Sino-Indian Territorial Dispute

Hindustan Times ("INDIA, CHINA HOLD BORDER TALKS, HOPE FOR STRONGER TIES", 2009/08/31) reported that India and the PRC began two-day talks in New Delhi to find "a fair, reasonable and mutually acceptable solution" to their complex boundary dispute and hoped the discussions would further strengthen their "strategic partnership". The talks will focus on devising a framework that will enable the two countries to delineate the final boundary between them. "The government attaches high priority to our relations with China. We are not only neighbours, but we also enjoy a strategic and cooperative partnership," Narayanan said as the two sides began the delegation-level talks.

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21. Sino-Russian Trade Relations

The Associated Press ("CHINA SAYS MOSCOW MARKET DISPUTE RESOLVED", 2009/08/31) reported that the PRC said Monday it has resolved tensions with Russia over the closure of a Moscow market that hurt thousands of PRC traders, saying merchants have retrieved most of their goods. The two sides also agreed to cooperate in regulating informal "gray market" trade, said Sun

Yongfu, director the Chinese Ministry of Commerce's Europe division. "It is basically resolved," Sun said at a news conference.

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22. PRC Exports

Telegraph ("WORLD FACES HI-TECH CRUNCH AS CHINA EYES BAN ON RARE METAL EXPORTS", 2009/08/31) reported that a draft report by the PRC's Ministry of Industry and Information Technology has called for a total ban on foreign shipments of terbium, dysprosium, yttrium, thulium, and lutetium. Other metals such as neodymium, europium, cerium, and lanthanum will be restricted to a combined export quota of 35,000 tonnes a year, far below global needs. The PRC mines over 95pc of the world's rare earth minerals, mostly in Inner Mongolia. The move to hoard reserves is the clearest sign to date that the global struggle for diminishing resources is shifting into a new phase.

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23. PRC Space Program

RIA Novosti ("CHINA TO BEGIN CONSTRUCTION OF ORBITAL SPACE STATION IN 2020", 2009/08/31) reported that the PRC will begin the construction of its own orbital space station in 2020, the Sina news service said on Monday, citing a top official with the country's manned spaceflight program. Gu Yidong said that the PRC would sent two or three space labs into orbit in 2010-2015, while the basic module of the space station is to be orbited by 2020. The spacecrafts will "form the basic orbital complex of the Chinese space station" when docked together, he said.

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24. PRC Environment

Agence France-Presse ("AIR POLLUTION REDUCING 'GOOD' RAINS IN CHINA: STUDY", 2009/08/31) reported that air pollution has over the past 50 years led to a reduction of the light rainfall in the PRC essential for the country's agriculture and water resources , a PRC researcher said Monday. A recent study conducted in Sweden , the United States and China showed that the number of days with light rainfall (less than 0.1 millimetre per day) dropped by 23 percent in the PRC from 1956 to 2005. That was because of air pollution particles that reduced the formation of rain clouds, researcher Deliang Chen of Gothenburg University told AFP.

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25. PRC Energy Supply

CCTV ("CHINA TO EXPAND GEOTHERMAL ENERGY", 2009/08/31) reported that the Ministry of Land and Resources says the PRC will focus on the development of geothermal energy in the next five years. Data released by the ministry shows that there are more than one-thousand geothermal energy fields around the country, and nearly a quarter of them have been developed. The country's utilization of geothermal energy is number one in the world. The ministry says geothermal energy

could help cut carbon dioxide emissions by 25 million tons each year.

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26. PRC Climate Change

China Daily ("MOVING FORWARD WITH CARBON CAPTURE PLANS", 2009/08/31) reported that the world's largest carbon capture project launched by a coal-fired power plant broke ground in July in Shanghai. After completion, which is scheduled before the end of this year, the project will capture as many as 100,000 tons of carbon dioxide annually.

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II. PRC Report

27. PRC Environment

Beijing Morning News ("BEIJING LAUNCHES RENEWABLE RESOURCE DAY", 2009/08/31) reported that Beijing Renewable Resources Day was formally launched on August 29. Metal, plastic, paper and other types of renewable wastes will be mainly collected from the residents. Cooperative residents will be given material reward.

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28. PRC Energy Supply

Economic Daily ("CHINA RURAL BIOGAS CONSTRUCTION ACHIEVES GOOD RESULT", 2009/08/31) reported that according to the Department of Agriculture, in the past six years, the central finance has invested totally 19 billion RMB on rural biogas construction. By using biogas, more than 4500 million tons of carbon dioxide emission has been reduced.

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29. PRC Civil Society and the Environment

People's Daily ("OUTPUT VALUE OF ENVIRONMENTAL PROTECTION INDUSTRY TO EXCEED ONE TRILLION NEXT YEAR", 2009/08/31) reported that China's environmental protection industry is growing by a rate of 12%-15%. It is expected the output value of the environmental protection industry will exceed one trillion RMB next year, sources with the Fourth Green Fortune China Forum said today.

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