



NAPSNet Daily Report 10 June, 2003

Recommended Citation

"NAPSNet Daily Report 10 June, 2003", NAPSNet Daily Report, June 10, 2003,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-10-june-2003/>

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I. **United States**

1. ROK-US on DPRK Nuclear Weapons Possession

Agence France-Presse ("SOUTH KOREA, WASHINGTON SAY NO TO NKOREAN NUCLEAR WEAPONS," 006/10/03) reported that the ROK and US reiterated Tuesday that possession of nuclear weapons by the DPRK would not be tolerated in a muted response to the DPRK's public admission that it was seeking to develop them. ROK Foreign Ministry spokesman Kim Sun-Heung said Seoul's position on the DPRK's nuclear weapons drive was clear and consistent. "As we have said, we cannot tolerate nuclear weapons in North Korea," Kim said. The US reacted to the DPR's public admission with another blunt call for the DPRK to scrap its nuclear ambitions. "North Korea needs to fully and immediately dismantle their nuclear weapons program," spokesman Ari Fleischer said. North Korea admitted publicly for the first time on Monday that it was seeking nuclear weapons to counter the threat to the regime posed by the US. "We have no other option but to have nuclear deterrence if the US keeps its hostile policy and continues its nuclear threat towards the DPRK (North Korea)," the Korean Central News Agency (KCNA) said in a Korean language dispatch. Fleischer countered that the real threat to the DPRK people came from their own government "that starves its own people."

ROK President Roh Moo-Hyun, speaking to aides Tuesday following his return from a four-day visit to Tokyo, said that the ROK would continue to press for a diplomatic resolution to the nuclear crisis. "President Roh suggested that he would do his best to reach agreement with Japan and the US (on how to resolve the nuclear standoff) but would oppose other options except dialogue," spokesman Yoon Tae-Young said. At a May 14 White House summit, Roh and US President George W. Bush agreed that "further steps" -- widely viewed as economic pressure -- may be needed against the DPRK.

2. Powell on DPRK Nuclear Announcement

Reuters ("POWELL SAYS US UNSWAYED BY NORTH KOREAN STATEMENT," Santiago, 06/09/03) reported that US Secretary of State Colin Powell said on Monday the US would stick to its strategy of seeking a diplomatic solution with the DPRK through multilateral talks on its nuclear programs. Responding to the DPRK's most explicit public acknowledgment to date that it is seeking to make nuclear weapons, Powell said: "It will not change our strategy." "This does not mean we are on our way to war. We are not. The president (George W. Bush) continues to believe that there is an opportunity for a diplomatic solution, a political solution, but it's a solution that must come in a multilateral forum," he told a news conference in Chile. "We cannot allow North Korea to dictate to us who they will speak to on this issue because too many nations are affected. They all have to be able to speak to this issue and that's why we are continuing to press for a multilateral forum," he said. The DPRK has asked for direct bilateral negotiations with the US but they agreed to take part in trilateral talks in Beijing in April with both the US and the PRC. No more talks have been set. The DPRK announcement on Monday said the DPRK wanted nuclear weapons so it could cut its huge conventional forces and divert funds into an economy foreign analysts say is close to collapse. In a separate development, a senior US official said he believed the DPRK would soon agree to five-way talks on its nuclear ambitions, saying Pyongyang's long opposition to the format appeared to be weakening. Under the five-way format, Washington's east Asian allies, Japan and the ROK, would also take part, along with the PRC. Powell said: "We hope North Korea will come to the understanding that it must be multilateral and it must include Japan and the ROK as a minimum." He said the DPRK statement that it had nuclear weapons was not in itself very new because it had told the US as much and the US believed it may already have a few nuclear weapons. "They introduced a new element into their logic today when they said they would also do this as a cost-saving measure ... I'll have to reflect on that for a while," he added.

3. US on Multilateral DPRK Talks in August

Reuters ("ARMITAGE: MULTILATERAL N.KOREA TALKS LIKELY BY AUG.," Tokyo, 06/09/03) Five-country talks on North Korea and its nuclear ambitions could well take place within a month or in two at the latest, Japanese media quoted US Deputy Secretary of State Richard Armitage as saying Monday. Armitage was quoted by Kyodo news agency as saying that the chance of such talks, which would include Japan, the ROK, the US, the PRC and the DPRK, had become more likely because the DPRK's opposition to that format appeared to be weakening steadily. He added that the US, ROK and Japan would strongly call for multilateral talks at a trilateral meeting in Hawaii later this week and that the PRC would convey this stance to the DPRK. "North Korea won't able to ignore this," Armitage was quoted by Kyodo as saying. He justified the time frame by saying past experience had shown that this was frequently the amount of time it would take for diplomatic pressure to have an effect on the DPRK, adding that he felt the five-way talks were likely to take place by August. "A month, at the longest, two," he was quoted as saying.

4. US on Japan's Role in Iraq

The Associated Press ("US URGES JAPAN TO GET INVOLVED IN IRAQ," Tokyo, 006/10/03), Agence France-Presse ("ARMITAGE ENCOURAGES JAPAN TO SEND TROOPS TO WAR-TORN IRAQ," 006/10/03) and Reuters ("US WELCOMES POSSIBLE JAPANESE TROOP ROLE IN IRAQ, Tokyo, 06/09/03) reported that US Deputy Secretary of State Richard Armitage urged Japan on Tuesday to get "onto the playing field" in Iraq, a show of support for controversial talk in Tokyo of sending troops to help rebuild the country. Prime Minister Junichiro Koizumi wants to submit legislation allowing the military to aid reconstruction. But critics say it would violate Japan's constitution. "I'm hoping the nation will decide to get out of the stands and onto the playing field," Armitage told reporters at a Tokyo conference to raise money for Sri Lankan civil war reconstruction. Koizumi's spokesman Yu Kameoka, said the prime minister hopes to introduce the legislation in the current session of Parliament, scheduled to end this month, but gave no details. According to media reports, the proposed law would expire in four years and enable Tokyo to send its military to non-combat areas of Iraq, where they would back up US peacekeeping forces and offer humanitarian assistance. Koizumi supported the US-led war in Iraq, but had limited his support to verbal statements and \$100 million in financial aid. Japan's pacifist constitution prohibits the use of force to solve disputes and restricts the use of the Japanese military to a self-defensive role. But a newspaper poll conducted by the major daily Yomiuri Shimbun newspaper in late April showed 65 percent of Japanese supported sending the Self Defense Forces to Iraq to help with its reconstruction. To allow Parliament to debate the proposed law, the ruling coalition will likely have to extend the current session past its June 18 ending date, reports have said. Since the ruling coalition led by Koizumi's Liberal Democratic Party controls a majority of Parliament, the legislation would likely pass.

5. Russia-DPRK Relations

Reuters ("RUSSIA READY TO HELP IN NORTH KOREA CRISIS," Helsinki, 006/10/03) reported that Russia said Tuesday it was willing to help defuse the standoff between the US and the DPRK over their nuclear ambitions. Monday, the DPRK made its most explicit acknowledgement yet that it was seeking nuclear weapons. The US responded, saying it would continue to seek a diplomatic solution through multilateral talks. "If these parties deem it necessary that Russia should play a more active part in this dialogue we will be ready," Foreign Minister Igor Ivanov told a news conference through a translator. Ivanov is in Finland for a two-day meeting of Baltic foreign ministers and other officials in the western city of Pori. The DPRK, which wants direct bilateral talks with the US, said Monday it wanted nuclear weapons so it could cut its huge conventional forces and divert funds into an economy foreign analysts say is close to collapse.

6. DPRK on Drug Smuggling Charges

Agence France-Presse ("NORTH KOREA CLAIMS DRUG-SMUGGLING SHIP 'NON-GOVERNMENTAL,' 006/10/03) and Reuters ("N.KOREA REJECTS US DRUGS, FAKE MONEY CHARGES," Seoul, 006/10/03) reported that the DPRK said on Tuesday US allegations that the DPRK exported illegal narcotics and counterfeit money were groundless and a shameful attempt to ostracize the impoverished communist state. The DPRK has since the 1970s been accused of trafficking drugs and latterly counterfeiting cash. The US and its allies say the money is helping fund the North's drive to develop nuclear weapons and are tightening checks on cargo from the North to choke off illicit money. "There is no need for the DPRK to do such illegal acts as 'drugs trafficking' and 'counterfeiting of money' overseas," the DPRK's official KCNA news agency said. "This is part of the Bush administration's foolish and shameful moves to ostracize the DPRK," the agency said. The KCNA said that the DPRK had built its own economy and was carrying out economic reforms, for

which it would welcome help, particularly in running markets selling farm produce and industrial goods. It said US accusations about drugs and counterfeiting were a challenge to those efforts. KCNA also took a separate swipe at Australia, where the 30-strong crew of the DPRK-owned and Tuvalu-registered vessel Pong Su have been accused of aiding and abetting the import of heroin and taken into custody. It reiterated that the DPRK had nothing to do with the case, in which a huge haul of heroin was seized. The agency set out a range of economic reform measures introduced last year, including raising prices and some wages. Foreign analysts say this has had disastrous inflationary consequences that have brought the possible collapse of the economy closer. Tuesday's report on the DPRK's economic reforms came after KCNA's announcement on Monday that the DPRK was developing nuclear weapons so it could cut conventional forces and divert funds to the economy. The US swiftly dismissed this argument and called on the DPRK to take part in multilateral talks on its nuclear plans. The DPRK favors bilateral talks with the US.

7. Taiwan SARS Developments

The Associated Press (Annie Huang, "TAIWAN STRUGGLES WITH NEW SARS OUTBREAK," Taipei, 06/09/03) The chief of a Taiwanese hospital at the center of a new SARS outbreak resigned Monday, while Singapore told construction companies and factories to check workers daily for fevers to guard against a second wave of infections there. In Beijing, thousands of people braved a drizzle to visit the national library, which reopened Monday in the latest sign of recovery for the city hardest hit by SARS. But readers were checked for fevers, a key symptom of the virus, and were urged to wear masks before being allowed to use the newly sterilized books. The library was shut at the height of the city's SARS crisis in April, when authorities also closed schools, cinemas and gymnasiums. The PRC and Hong Kong each recorded one new SARS death Monday. Together, the two account for about 80 percent of the 785 fatalities worldwide. At least 8,300 people have been sickened by severe acute respiratory syndrome since it first emerged in November. In Canada, a hospital 40 miles east of Toronto stopped admitting new patients Monday after reporting 14 possible SARS cases.

8. PRC Yang Bin Corruption Trial

The Associated Press (Audra Ang, "CHINA TO TRY TYCOON FOR ALLEGED CORRUPTION," Beijing, 006/10/03) reported that a prominent PRC-born tycoon named by the DPRK to head a special capitalist-style trade zone will be tried for bribery and fraud in a PRC court, officials said Tuesday. This week's trial of Yang Bin will cap a bizarre tangle of politics and power involving the PRC and the DPRK's economic experiment. Yang Bin was detained in October. The trial begins Wednesday in the Shenyang Intermediate People's Court in the northeastern industrial city of Shenyang, said a court official who refused to give his name. Another court official, who would give only her surname, Liu, said Yang is charged with six counts including fraud and both paying and taking bribes. Yang, a Dutch citizen, was ranked No. 2 on Forbes magazine's list of the PRC's richest businesspeople in 2001, with a fortune estimated at \$900 million. But his businesses has declined since his arrest, and his current net worth is unknown. It was unclear what penalties Yang could face if convicted. Yang, 40, says he made his fortune selling orchids. His company, Euro-Asia Agricultural Holdings Ltd., branched out into other businesses, including building a Dutch-themed real-estate development in Shenyang. Yang moved to the Netherlands in 1987 and won asylum after the 1989 Tiananmen Square democracy protests. He ran a Dutch textile firm and returned to China with \$20 million seven years later to start his flower business. Yang was noted for his lavish lifestyle, fast cars and travel by private plane. His October detention came just days after he was picked in September to head the DPRK's Sinuiju Special Administrative Region, touted as a groundbreaking undertaking to show by the regime of Kim Jong Il to open up to the world. Yang's arrest led to questions about possible strains over the DPRK's effort to create an economic zone that might compete with the PRC.

Yang was placed under house arrest in October. Official media say authorities began investigating him after ordering him to pay back taxes. He said he had agreed to tax authorities \$1.2 million. In November, Yang was formally arrested on charges of fraud, offering bribes and illegally occupying farmland.

9. Japan Domestic Economy

The Associated Press (Audrey McAvoy, "JAPAN OKS BANK BAILOUT PLAN FOR RESONA," Tokyo, 006/10/03) reported that Japan formally approved a \$16.6 billion plan Tuesday to bail out the country's fifth largest bank to prevent its problems from sparking a broader financial crisis. The government will spend 1.96 trillion yen to buy newly issued shares from Resona Holdings and will gain control of 70 percent of voting rights in Resona, effectively nationalizing the bank. "We take the gravity of the injection seriously," said Kenji Kawada, Resona Holdings' new president. "This seriousness will form the foundation of the bank and will serve as the starting point for the revival of the group." The government decided on May 17 to bail out Resona after plunging stock prices, loan write-offs and stricter accounting standards left the bank short of capital. Prime Minister Junichiro Koizumi said then the injection of public money would be designed to ward off a crisis in the banking system. Whether the government can make the bank profitable and clear bad loans off its balance sheets will be a key test of Koizumi's ability to carry out his promised reforms. Japan's banks are weighed down by bad loans to unprofitable companies in the heavily indebted construction, retail, and selected manufacturing sectors. The failure of banks to call in loans to some of their major problem debtors has crippled their profitability and threatened their financial health. The burden of bad loans also has made banks more cautious about lending to new borrowers, which has weighed down the economy. And while many of the banks have recently moved to get tough on deadbeat borrowers, others have struggled to clear their balance sheets of bad loans as a deteriorating economy pushes more companies out of business. The Tokyo stock market's decline to 20-year lows has further eroded the health and profitability of Japanese banks since they invest funds there.

10. PRC-Hong Kong Trade Pact

The Associated Press ("SOURCE: HONG KONG, CHINA NEAR TRADE PACT," Hong Kong, 06/09/03) reported that Hong Kong and the PRC are hoping to complete talks by the end of this month on a free trade agreement that will help lower business costs and promote bilateral trade and investment, an official said Tuesday. Similar to free trade agreements between countries, the pact, known as the Mainland/Hong Kong Closer Economic Partnership Arrangement, would cover trade in goods and services. The accord would also deal with facilitating trade, including customs cooperation and e-commerce businesses, said Albert Hui, a spokesman for the Commerce, Industry and Technology Bureau. Talks on an agreement began in January 2002. So far, there have been discussions on reducing and eliminating tariff and non-tariff measures. Hui declined to give any further details and it was unclear when the agreement will take effect. Hong Kong is hoping the pact will help it recover from economic doldrums that began with the 1997 Asian financial crisis and have deepened with the outbreak of severe acute respiratory syndrome, which has killed 288 people here and decimated the travel industry.

11. PRC-Russian Oil Co-operation

Reuters (Chen Aizhu, "SINOPEC LOOKS AT SAKHALIN, EYES 3RD CHINA LNG PLANT," Singapore, 006/10/03) reported that the PRC's No.2 state oil major, Sinopec is looking at Russia's Sakhalin vast gas reserves as a source of liquefied natural gas (LNG) for a possible third PRC import terminal,

company officials said on Tuesday. A Sinopec delegation led by chairman Chen Tonghai visited Sakhalin last week at the invitation of Sakhalin Energy, operator of the 9.6-million-tonne-per-year Sakhalin-2 LNG project in remote eastern Russia, which is due to start exports in 2006. "We were invited by Sakhalin Energy to study the project. At this stage it was only company-to-company contact. Nothing has been set on the government side," said a senior Sinopec official. Sinopec and domestic rival PetroChina, the PRC's largest oil and gas producer, want to carve out a spot in the country's fledgling LNG business, officials at the two firms have said. But neither has put up any formal proposal to Beijing for a third terminal. The smallest oil firm, CNOOC Ltd, is the lead party in the PRC's first two LNG terminal in Guangdong and Fujian provinces, which will have a combined annual capacity of 6.3 million tonnes and are slated to start operation in 2006 and 2007, respectively. "Sinopec wants to be part of China's natural gas development story. If we build China's next import terminal, taking a stake in an overseas supply source will be our first priority," said the official. LNG imports are part of the PRC's massive drive to jumpstart its underdeveloped gas industry and replace polluting coal, which is dominant in the country's energy mix. Natural gas current feeds only three percent of the PRC's energy needs. Analysts say the Sakhalin-2 project is ideally placed for the north Asian market and can help the region reduce a heavy dependence on energy supply from the volatile Middle East. Project partners are Royal Dutch/Shell, Japanese trading house Mitsui and Mitsubishi Corp.

12. PRC Snake Dilemma

The Associated Press ("BEIJING TRACKS DOWN SARS-SHUNNED SNAKES," Beijing, 06/10/03) reported that first SARS, now snakes. As China's capital begins to return to normal following the SARS outbreak, it faces a slithery new dilemma - what to do with all those snakes. Once prized by Chinese gourmets, snake meat has been shunned since researchers announced the fatal flu-like disease originated from wild animals. Restaurants in hard-hit Beijing that once served snakes are taking them off the menu and "secretly releasing" them into the streets, the Beijing Morning Post newspaper said Tuesday. The southern province of Guangdong, where the first cases of severe acute respiratory syndrome occurred, banned the sale of wildlife in restaurants in late May. Beijing has not imposed a similar ban, but the PRC capital already barred restaurants from serving many types of animals. Wayward snakes have become such a problem in some Beijing neighborhoods that the city Forestry Bureau has launched a "snake capture hot line." A woman who answered the hot line said more than 25 snakes had been caught in the past three weeks. "And we are going after one right now," said the zoo worker, who would only give her surname, Dong. Dong said the largest snake caught yet was six feet long "and as thick as a forearm." She said she didn't know what species were involved, but said none were poisonous. Captured snakes are taken to a "snake sanctuary" at the Beijing Zoo, the newspaper said. It said some will be added to the zoo's collection, while others that cannot be raised in captivity will be returned to the wild.

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.

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

Ilmin International Relations Institute

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