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CONTENTS

I. United States

1. ROK Domestic Cabinet Reshuffle
2. PRC-US Relations
3. PRC on US Plan to Oust Saddam
4. PRC Missile Development
5. Powell on PRC Military
6. PRC Foreign Direct Investment
7. Taiwan Missile Developments
8. US-Russia Relations
9. US-Russia Arms Treaty

II. People's Republic of China 1. DPRK-ROK Relations
2. DPRK-Japan Relations
3. Eighth Anniversary of Demise of Kim Il Sung
4. PRC-US Relations
5. Across Taiwan Straits Relations

I. United States

1. ROK Domestic Cabinet Reshuffle

Reuters (Paul Eckert and Judy Lee, "S.KOREA PICKS FIRST FEMALE PM, REPLACES 6 MINISTERS," 07/011/02) and Agence France-Presse ("KIM APPOINTS FIRST WOMAN PREMIER, FIRES DEFENSE MINISTER," 07/11/02) reported that ROK President Kim Dae-Jung appointed a woman as prime minister and sacked the defense minister in a reshuffle aimed at rallying his weakened administration. Chang Sang replaced the outgoing prime minister, Lee Han-Dong. Chang currently heads the Ehwa Women's University. It was the first time in the ROK that a woman has been made premier. President Kim named Lee Jun, a former chairman of the defense ministry's reform committee, to replace Kim Dong-Shin who faced flak for a naval skirmish with the DPRK in

which five ROK soldiers were killed. Other ministries affected by the reshuffle include justice, culture and tourism, information and communication, health and welfare as well as maritime affairs and fisheries. "The president has taken in reform-minded figures armed with expertise in order to enhance stability and efficiency of the state administration in line with people's wish," his spokesman Park Jie-Won said Thursday. "Defense Minister Kim Dong-Shin had expressed the wish to hold himself responsible for the Yellow Sea skirmish in order to avoid further controversy that hurts the morale of the military," he said. The cabinet shake-up drew criticism from the opposition GNP, which branded the prime minister nominee as "supine." It raised issue with the returning of an one-time justice minister, Kim Jung-Kil, to his old post and the retention of Lee Keun-Shik as government administration minister. These are two key posts involved in managing elections. The GNP also noted with dissatisfaction that its demand for replacing the spy agency head, Shin Kun, and top presidential aide Lim Dong-Won, who helped create the Sunshine Policy, was "flatly ignored." The GNP, which controls parliament, has yet to indicate whether it will confirm Chang as prime minister. Should the National Assembly reject her nomination, the president would have to suggest a new name.

2. PRC-US Relations

Reuters (Carol Giacomo, "US PANEL EXPECTED TO URGE TOUGHER CHINA SANCTIONS," Washington, 07/11/02) reported that a US congressional commission, concerned that the PRC is thwarting US efforts to curb the spread of weapons of mass destruction, is expected to propose tougher sanctions to force the PRC to act, congressional sources say. The US-China Security Review Commission, created by Congress to study the Sino-American economic relationship, will advance the recommendations in a new study due to be released on July 15. They are expected to include limiting PRC access to US capital markets and prohibiting transfer of certain US science and technology resources to the PRC, the sources said. Many commission members maintain a highly skeptical view of the PRC, and their report is expected to be extremely controversial, especially among US businesses that are heavily invested in propelling the PRC's economic growth. "The commission is clearly going to recommend some major changes in proliferation policy," one congressional source with access to the report told Reuters.

3. PRC on US Plan to Oust Saddam

Agence France-Presse ("CHINA OPPOSED TO US PLANS TO TOPPLE IRAQ'S SADDAM HUSSEIN," 07/11/02) reported that the PRC said it is opposed to US plans to oust Iraqi President Saddam Hussein, arguing that the Middle Eastern country's sovereignty should not be violated. "(Iraq's) sovereignty and territorial integrity should be completely respected," foreign ministry spokesman Liu Jianchao said at a press briefing. "We maintain that in dealing with state-to-state relations we should abide by the UN Charter and norms governing international relations. We are opposed to the willful threat or use of force," he said. Liu's comment came after US President George W. Bush vowed Monday to use "all tools" at his disposal to remove Saddam. Bush said that the world would be a safer place once Saddam had been overthrown, adding that he was personally engaged in "all aspects" of planning to achieve that goal. The New York Times reported recently that a top secret US military document has outlined a massive, three-pronged attack on Iraq by land, sea and air with as many as 250,000 troops and hundreds of warplanes.

4. PRC Missile Development

Reuters (Jeremy Page, "CHINA'S NEW MISSILE SEEN AS PART OF FIGHTER PACKAGE," Beijing,

07/11/02) reported that the PRC may well have tested Russian AA-12 missiles, but these have long been expected as part of a package of Su-30 fighter jets and are unlikely to accelerate an arms race with Taiwan, defence analysts said on Thursday. While they would enhance the PRC's dog-fighting ability, Taiwan would maintain air superiority for the next few years as it already had indigenous and French air-to-air missiles and more than twice as many modern fighters as the PRC. But hawks in the US and Taiwan, fearful of losing that edge, are using the reported missile test to press the US government to deliver AM-120 AMRAAM missiles bought by Taiwan but stored in US for fear of sparking an arms race. "Every China-watching analyst around knew three years ago in 1999 that the Russians had agreed to sell China a wide range of advanced missiles as part of the Su-30 deal and that included the AA-12," said Robert Karniol, Asia-Pacific editor of Jane's Defence Weekly. "That they've received the AA-12 and tested them is interesting but it's essentially a two-sentence footnote, not front-page news."

5. Powell on PRC Military

The Associated Press ("POWELL NOT WORRIED ON CHINA MILITARY," Washington, 07/11/02) reported that US Secretary of State Colin Powell and visiting Australian Foreign Minister Alexander Downer agreed Thursday that the PRC's military buildup is no cause for concern. With the PRC's economy growing at a rate of about 7 percent a year, it is only natural that part of the new wealth is used to improve the PRC's military, Powell and Downer said at a joint news conference. "We are monitoring it very carefully," Powell said. On Wednesday, the People's Liberation Army opened two military bases to scores of foreign journalists, a show of equipment and soldiers designed to depict a military capable of protecting the world's most populous nation. Powell said the PRC's new wealth should be used to benefit the Chinese people. "We know some will be used to modernize the military," he said. For his part, Downer said "we don't have any great concern." Nor, he said, had Australia detected any strategic change in the PRC's military direction that would cause concern. At the same time, the Australian minister thanked the Bush administration for its efforts to provide trade benefits to his country and urged Congress to act on the proposal. Powell and Downer agreed the relationship between their two countries is good.

6. PRC Foreign Direct Investment

Reuters ("CHINA FOREIGN INVESTMENT JUMPS 18.7 PERCENT," Beijing, 07/11/02) reported that the PRC said on Thursday foreign direct investment jumped a year-on-year 18.7 percent in the first half of 2002, showing the country's cheap labor and promise of more open markets are still irresistible to overseas businesses. The PRC pulled in US$24.58 billion in foreign direct investment, or FDI, from January to June, Vice Minister of Foreign Trade Ma Xiuhong told a news conference in Hong Kong. The figures indicated a huge US$7.66 billion was invested in June alone. FDI in the first five months totaled US$16.92 billion. Contracted FDI, an important indicator of future investment was a shade under $44 billion in the first half, a rise of 31.5 percent that implied a roaring June after relatively sluggish 7.3 percent growth in the first five months. "There is a continual production shift form overseas to China, from Japan, Korea and Taiwan. China is becoming a global manufacturing centre. I think this trend will continue," said Pu Yonghao, senior economist for Greater China with Nomura International in Hong Kong. "You had a big wave before WTO entry because people were anticipating WTO accession. At the end of last year there was a big surge. Obviously at the beginning of this year the initial wave has slowed a bit," Pu said. The PRC attracts more capital than any other developing nation and state media have forecast the figure could hit US$50 billion this year. While Hong Kong now accounted for 33 percent of foreign direct investment, that compared to more than 35 percent last year and 38 percent in 2000, Pu said. "A lot of the money is coming direct to China, so the role of Hong Kong as a global capital market is diminishing," Pu said.

7. Taiwan Missile Developments

Reuters (Jim Wolf, "NEW ARMS RACE LOOMS BETWEEN CHINA AND TAIWAN," Washington, 07/11/02) reported that advanced air-to-air missiles earmarked for Taiwan will be ready for delivery starting as soon as October, their manufacturer said on Wednesday. Raytheon Co., which is assembling the AIM-120 AMRAAM missile at its Tucson, Arizona, facility, said it would complete delivery of its 15th annual production batch, including Taiwan's 120, over the following year, by autumn 2003. The first "Lot 15" missiles were to be shipped in October to the U.S. government, which purchased them for Taiwan under its Foreign Military Sales program, said Colleen Niccum, a Raytheon spokeswoman. In Beijing, a foreign ministry spokeswoman slammed any such weapons transfer as interference in the PRC's internal affairs that could damage US-Chinese relations. At the same time, the PRC has stoutly defended its own military modernization.

8. US-Russia Relations

The Associated Press ("RUSSIA, U.S. NEED CLOSER COOPERATION TO PREVENT IRAN FROM GETTING NUCLEAR WEAPONS, EXPERTS SAY," Moscow, 07/011/02) reported that Russia and the United States must improve cooperation and increase intelligence sharing to prevent Iran from developing the capability to deploy nuclear weapons, US and Russian experts said Thursday. US experts also said Russia needs more resources and better enforcement of export controls to prevent the proliferation of nuclear technology that could help Iran develop weapons of mass destruction. Russia's nuclear cooperation with Iran has jumped to the very top of the agenda between Russia and the US, which strongly objects to Moscow's role in completing a civilian nuclear power plant at Bushehr. Russia is the only major nuclear power now assisting Iran in developing atomic energy, said Gary Samore, a senior fellow at the London-based International Institute for Strategic Studies and a former official on proliferation issues in the Clinton administration. The United States believes Russia's US$800 million deal to build the 1,000-megawatt pressurized water reactor in Bushehr could help Iran develop nuclear weapons. Samore said the U.S. approach to pressuring the Russians to restrict its nuclear cooperation with Iran has had "mixed" results. He said intelligence sharing remains difficult, and hostility leftover from the Cold War still hindered closer cooperation between intelligence services.

9. US-Russia Arms Treaty

Reuters (Vicki Allen, "SENATE PANEL QUESTIONS RUSSIA ARMS TREATY," Washington, 07/09/02) reported that US democratic senators on Tuesday questioned whether President Bush's arms reduction treaty with Russia could backfire by making more nuclear weapons material available to rogue nations and extremists, though most said they supported the accord. Secretary of State Colin Powell, appearing before the Senate Foreign Relations Committee, urged the Senate to move quickly to ratify the accord Bush struck in May with Russian President Vladimir to slash both nations' nuclear arsenals by some two-thirds over 10 years. "By deeply reducing strategic nuclear warheads while preserving both Russia's and America's flexibility to meet unforeseen future contingencies, the Moscow treaty will enhance the national security of both countries," Powell said. But Committee Chairman Senator Joseph Biden, a Delaware Democrat, said since the treaty allows weapons to be stored instead of destroyed, it might give rogue nations access to more nuclear materials from Russia's poorly secured facilities. Democratic senators said the brief agreement to reduce each country's deployed strategic nuclear warheads to between 1,700 and 2,200 from about 6,000 left many questions unanswered, with no requirements to destroy weapons or to verify reductions, and no schedule to scale back arsenals. "The gaping hole in this treaty is lack of verification and accountability," said Senator John Kerry, a Massachusetts Democrat.

II. People's Republic of China

1. DPRK-ROK Relations

People's Daily (Zhao Jiaming, "DPRK: S. KOREA SENDS WARSHIPS ACROSS BORDER," Pyongyang, 07/11/02, P3) reported that The DPRK said on July 10 that two ROK warships entered its territorial waters on July 10 in what it dubbed as a "premeditated provocation." "This ...is a premeditated provocation to ignite a new armed clash by further aggravating the situation in these waters," the DPRK's navy said in a statement carried by the North's official news agency, according to the report. It said, the DPRK noted that matters had "become extremely tense since the armed clash on June 29."

People's Daily (Zhao Jiaming, "DPRK REITERATES NORTHERN BOUNDARY LINE ILLEGAL," Pyongyang, 07/10/02, P3) reported that a spokesman for the Panmunjom Mission of DPRK's People's Army in a statement issued on July 7 denouncing the US and the South Korean forces for bringing forward the so-called "northern boundary line". The spokesman said that the US and the ROK bellicose elements have been opposed to the proposal of the Korean People's Army (KPA) for scores of years to discuss and clearly fix the military demarcation line in the west sea. In the wake of the recent incident in the West Sea, the spokesman said, the KPA side clarified that the issue can be solved only when the Military Demarcation Line in the sea is discussed and fixed. The spokesman said, the KPA side is not opposed at all to the ROK's request to salvage the recently sunken warship. However, he said, the south side should inform the KPA side of the date and time of salvaging operation, ships and equipment to be involved, their operating waters and other details in advance to prevent unexpected new clashes during the operation as it has to be undertaken in the waters under the military control of the north side.

China Daily ("ROK PLANS 'FOOTBALL DIPLOMACY'," Seoul, 07/06-07/02, P8) reported that ROK top football official said on July 5 that he would consider inviting the DPRK's top leader, Kim Jong-il, to watch a football friendly between the DPRK and the ROK if it helped ease tensions on the divided peninsula. Ties between the two, always tense, have soured since a naval clash in which four ROK sailors were killed on June 29, said the report. It reported that DPRK said on July 5 that it too had suffered losses in the sea battle, but it would not say how many. The two sides blamed each other for the battle, yet just one day later the DPRK's football association chief sent a letter to his ROK counterpart, Chung Mong-joon, congratulating the ROK on its surprising performance in the World Cup. Asked whether Chung would invite Kim Jong-il to the planned September 8 football match in Seoul, he said: "Yes, if it helps ease tensions." Chung was speaking on the sidelines of a ceremony officially disbanding the ROK World Cup squad, said the report.

2. DPRK-Japan Relations

China Daily ("AGING HIJACKERS TO RETURN," Tokyo, 07/11/02, P11) reported that four ageing members of an extreme-left Japanese organization that hijacked an air-liner to the DPRK 32 years ago may soon return home and face trial. Yukio Yamanaka, who heads a support group for the Red Army hijackers, said on July 10 that the four had completed official preparations in DPRK, and were ready to return home if and when Tokyo gives the green light. Once in Japan, the report said, the members will almost certainly be arrested.

3. Eighth Anniversary of Demise of Kim Il Sung

People's Daily (Zhao Jiaming, "8TH ANNIVERSARY OF DEMISE OF KIM IL SUNG COMMEMORATED," Pyongyang, 07/09/02, P3) reported that General Secretary of DPRK's Labor Party Kim Jong Il together with leading members of the National Defense Committee of the DPRK and commanding officers of the Korean People's Army, visited the Kumsusan Memorial Palace and paid homage to Comrade Kim Il Sung, great leader of the Korean people, on July 8, eighth anniversary of demise of late President Kim Il Sung. Then, the report said, Kim Jong Il looked round the orders, medals and honorary titles the president received and the train used by him during his on-site guidance and foreign trips and the car used by him in the last period of his life, remembering him with deep emotion.

4. PRC-US Relations

China Daily (Hu Xiao, "SEARCH FOR PILOTS' REMAINLS ALLOWED," 07/10/02, P1) reported that PRC Foreign Ministry said on July 9 that the PRC is permitting a search by the US for the remains of two pilots linked to the Cold War era. "The Chinese side has agreed that the US side may, in the near future, send personnel to China to inspect the area where US military personnel presumably went missing during the Cold War period," said PRC Foreign Ministry spokesman Liu Jianchao. It is reported that two US pilots went missing over Northeast China during a spying mission about 50 years ago. The PRC has for many years cooperated with the US in searches for missing US soldiers in the spirit of humanity and to further promote friendly relations between the two countries, Liu said. The report said, the eight-member search team from the US Army's Central Identification Laboratory in Hawaii is scheduled to leave on July 15 and investigate the crash site near the town of Antu in the PRC's Jilin Province.

5. Across Taiwan Straits Relations

People's Daily (Gong Wen, "MAINLAND CONCERNED ABOUT SAFETY OF FISHERMEN," Beijing, 07/11/02, P2) reported that the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of the PRC addressed the wider issue of cross-Straits fishing cooperation in Beijing on July 10 after a fire at sea involving fishermen from the PRC mainland. According to a MOFTEC official, a Taiwanese boat accommodating mainland fishermen caught fire off Kaohsiung, in southern Taiwan, on July 9. Of the 128 people on board, 127 were rescued and one was still missing, he said. The official said the mainland side was concerned about the issue. It sent its regards to the fishermen and hoped Taiwan would look after them, treat the 10 injured fishermen, search for the missing man, and always keep the mainland informed, said the report. The official said cooperation between the mainland fishermen and Taiwanese fishing companies benefited both sides, but the incident highlighted once again the problem of the mainland fishermen's lack of legal rights. To make progress in cross-Straits fishing cooperation and safeguard mainland fishermen's legal rights, the official said he hoped non-governmental organizations from both sides would set up a forum as soon as possible to negotiate over remaining issues. He also hoped the Taiwan authorities would take effective measures to safeguard mainland fishermen's rights in the interests of better cross-Straits fishing cooperation, said the report.

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

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Ilmin Internationl Relations Institute
BK21 The Education and Research Corps for East Asian Studies
Department of Political Science, Korea University, Seoul, Republic of Korea

Center for American Studies,
Fudan University, Shanghai, People's Republic of China

International Peace Research Institute (PRIME),
Meiji Gakuin University, Tokyo, Japan

Monash Asia Institute,
Monash University, Clayton, Australia

Brandon Yu: napsnet@nautilus.org
Berkeley, California, United States

Timothy L. Savage: napsnet@nautilus.org
Berkeley, California, United States

Kim Young-soo: yskim328@hotmail.com
Seoul, Republic of Korea

Hibiki Yamaguchi: hibikiy84@hotmail.com
Tokyo, Japan

Saiko Iwata: saiko@akira.ne.jp
Tokyo, Japan

Hiroya Takagi: hiroya_takagi@hotmail.com
Tokyo, Japan

Peter Razvin: icipu@online.ru
Moscow, Russian Federation

Wu Chunsi: cswu@fudan.ac.cn
Shanghai, People's Republic of China

Dingli Shen: dlshen@fudan.ac.cn
Shanghai, People's Republic of China

John McKay: John.McKay@adm.monash.edu.au
Clayton, Australia

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Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org