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### I. **United States**

**1. Japan Hostage Situation in Iran** Agence France-Presse ("CAPTORS THREATEN TO EXECUTE JAPANESE HOSTAGE IN IRAQ: MEDIATOR," 04/12/04) reported that the captors of three Japanese civilians will start killing them on Monday if Japan does not begin pulling its troops out of Iraq, a self-described Iraqi mediator said, quashing reports that they were about to be freed. The captors are "giving the Japanese government a 24-hour ultimatum which expires at 5:00 pm (1300 GMT), not open to extension, after which they will execute a first hostage," Mezher al-Delaimi, who was identified as head of the League for the Defense of Iraqis' Rights, told AFP by telephone. "The death sentence will be applied to the others 12 hours later" unless Japan meets a number of conditions, chiefly to pull its troops out of Iraq, Delaimi said. The "Iraqi resistance" is demanding that the Japanese government "spell out its official position on the Iraqi people's cause, apologize to the

Iraqis and withdraw Japanese troops from Iraqi territory," the self-styled mediator said. Delaimi had first made the announcement on Arab television channel Al-Jazeera.

## **2. PRC on Iraq PRC Hostages**

Agence France-Presse ("SEVEN PRC CITIZENS LATEST FOREIGNERS TO BE KIDNAPPED IN IRAQ," 04/12/04) reported that seven PRC citizens have become the latest foreigners to be kidnapped in Iraq, the PRC government said, and pledged no efforts would be spared to rescue them. The seven workers entered Iraq from Jordan early Sunday and were abducted in the flashpoint city of Fallujah, west of Baghdad, the foreign ministry and a PRC diplomat in the Iraqi capital said. The men were from eastern Fujian province, which has a long tradition of exporting illegal immigrants overseas in search of work. It was not clear why they were in Iraq although PRC companies have been muscling in on lucrative contracts in the rebuilding of the country. "We do not know who exactly they are, who kidnapped them and what was the motive behind that. We are still looking into it," Xu Jiang, second secretary at the PRC embassy in Baghdad stated. News Service identified the hostages as Xue You Gui, Lin Jing Bing, Lin Kong Ming, Li Gui Wu, Li Gui Bing, Wei Wei Long and Chen Xiao Jin. The oldest is 49, the youngest 18. "The PRC diplomatic team in Iraq has held an urgent meeting to discuss the measures to be taken," the foreign ministry said in a statement. It said Sun Bigan, chief of the mission that in February re-established the PRC embassy in Baghdad, would head a rescue team with the assistance of the PRC embassies in Jordan and Syria."

Agence France-Presse ("PRC PRESIDENT CONCERNED OVER HOSTAGES; COMPANIES WARNED OF DANGER," 04/13/04) reported that PRC President Hu Jintao said he was very concerned about the fate of seven PRC hostages in Iraq and urged officials their to do their utmost to free them. The seven workers entered Iraq from Jordan early Sunday and were abducted in the flashpoint city of Fallujah, west of Baghdad. Sun Bigan, head of the team responsible for the re-establishment of the PRC embassy in Baghdad, called an emergency meeting and formed a special task force, the official Xinhua news agency reported. Sun called the newly-appointed interim Iraqi interior minister and asked him to take every necessary measure to determine the identity of the kidnapers, the location of hostages and to rescue the seven safely, the report added. PRC diplomats are also contacting officials of the interim Iraqi governing body to help in the rescue of the hostages, it added. The hostages' disappearance came a day before Vice President Dick Cheney was expected to arrive for talks in Beijing from Tokyo, where his visit has been overshadowed by the kidnapping of three Japanese civilians in Iraq.

Agence France-Presse ("IRAQI KIDNAPPINGS GIVE CHINA AND JAPAN RUDE AWAKENING," 04/12/04) reported that with their citizens taken hostage in Iraq, Asian powers the PRC and Japan have had a rude awakening to the harsh realities of engaging with the world. The PRC is trying to come to terms with news that seven of their compatriots -- all presumed to be civilians -- had been kidnapped half a world away and were now caught up in a conflict their government had told them was someone else's problem. For both the PRC and Japan, the events have come as a stark reminder that in an age of a rapidly shrinking world, no major power can escape the maelstrom of global events. This could trigger a fundamental re-think of some basic political tenets in both the PRC and Japan, observers said. Rightly or not, the PRC consider themselves the heirs to a culture that has been essentially defensive and non-aggressive for millennia, if not directly in favor of non-engagement with the outside world. That tradition is now rapidly drawing to a close, as a result of 25 years of economic reform accompanied by increasingly active PRC diplomacy. "As China reaches out to the world community, it's going to face the same problems as the world community," said David Zweig, a China expert at the Hong Kong University of Science and Technology. "And one of the biggest problems the world faces at the moment is the threat of terrorism," he said. That is an

inevitable, if regrettable, part of the game, and it is all but unthinkable that the PRC would reverse its course towards greater engagement with the world, observers said. "I'm sure they're willing to pay the price. They don't have much choice," said Zweig. "They need economic cooperation."

### **3. DPRK-Libya Arms Deal Termination**

Donga Ilbo ("LIBYA TO TERMINATE ARMS DEAL WITH NORTH KOREA," 04/12/04) reported that Libya said that it will end all military trade with North Korea and convert its Scud-B missiles, limiting its firing range. The New York Times reported on April 11 that American and British officials said, "Libya will declare these plans publicly" while conveying the result of their discussions in London and in Tripoli, the Libyan capital. The New York Times wrote that Libya has accepted the request of the US and Great Britain to renounce its arms deal with North Korea and either to destroy or convert its Scud-B missiles, which have a range of 300 kilometers and warheads with a payload of 1,000 kilograms of explosives, to shorter-range, less destructive weapons intended for defensive use. American officials said Libya's latest decision was yet another indication of their desire to carry out their pledge made back in December 2003 to abandon their weapons of mass destruction. Libya has already disassembled the Scud-C missiles with a range of 800 kilometers that it secretly purchased from North Korea, along with equipment and materials related to nuclear and chemical weapons and turned them over to the US last month.

### **4. DPRK Working Level Talks**

Reuters ("BACK NORTH KOREA WORKING LEVEL TALKS MAY START APRIL 27," Tokyo, 04/27/04) reported that the first round of six-way "working level" talks on the DPRK's nuclear ambitions may start on April 27 in Beijing, a Japanese newspaper said on Sunday. Quoting sources close to the talks, the daily Mainichi Shimbun said the discussions, to be held by officials from the participating countries, were likely to last from three to four days, but no further details were available. Officials from Japan, the US and the ROK said on Friday that they want the first round of "working level" talks to take place by the end of the month.

### **5. PRC on US Taiwan Relations Act**

Agence France-Presse ("CHINA URGES US TO SCRAP 25-YEAR-OLD TAIWAN RELATIONS ACT," Beijing, 04/12/04) reported that the PRC urged the US to scrap its Taiwan Relations Act, 25 years after Congress passed the law that requires the US to defend Taiwan if the island is attacked. "The so-called Taiwan Relations Act, enacted unilaterally by the US, has infringed on China's sovereignty and interfered in China's internal affairs," PRC Foreign Ministry spokesman Kong Quan said in a statement on the ministry's website. "The US ... should end the implementation of the Taiwan Relations Act and not send the wrong message to 'Taiwan independence' forces, so as not to harm peace across the Taiwan Straits and the steady development of Sino-US relations," said Kong. Kong's statement came the day before US Vice-President Dick Cheney was scheduled to visit the PRC.

### **6. PRC-US Relations**

Agence France-Presse ("CHINA CONCERNED ABOUT TAIWAN AS CHENEY ARRIVES FOR TALKS," 04/12/04) reported that US Vice President Dick Cheney's visit to Beijing will be geared toward maintaining a recent warming in bilateral ties, although the kidnapping of PRC citizens in Iraq has cast a shadow over the trip. While the US' increasingly unpopular occupation of Iraq and the abductions by an armed group near Fallujah are likely to be raised, the PRC is expected to focus on

demanding the US do more in containing an independence-minded Taiwan. "The Taiwan issue is the most important and most sensitive issue in Sino-US relations," He Yafei, director general of the PRC foreign ministry's department of North American and Oceanian Affairs, told journalists last week. "We think the signals the US sends should be consistent... especially now when the situation in Taiwan is very complicated and sensitive." The PRC has been encouraged by statements from the Bush administration that it does not support Taiwan independence, and welcomed pressure from the US that toned down Taiwan President Chen Shui-bian's moves toward greater independence during campaigning ahead of Taiwan elections last month. But, with Chen's re-election in the March 20 vote, the PRC remains convinced that the island is moving toward formal independence, and will seek more US cooperation to counter this, including an end to the US's ongoing arms sales to Taiwan, He said.

## **7. Hong Kong Democracy Protests**

Agence France-Presse ("HONG KONG CALLS FOR DEMOCRACY A HEADACHE, AND A PUZZLE, FOR CHINA," 04/12/04) reported that pro-democracy campaigners have trumpeted the success of a weekend protest calling for Hong Kong to be allowed to elect its leaders from 2007. Pro-democracy legislator Martin Lee, who has been in the forefront of Hong Kong's democracy movement, said Monday he was delighted by Sunday's protest, attended by an estimated 15,000 people. The protestors, angered by the PRC's statement last week that it alone had the right to give democracy to Hong Kong, chanted demands for free elections in 2007. The protest "went very well," Lee stated. "Democracy is a right. Why shouldn't we have the right? A lot of Asian countries have democratic elections ... Hong Kong is no less ready than any other country," he said. Of course, such attitudes trouble the authorities in the PRC. Last week, the PRC announced that it, and it alone, would set the timetable for any reform. And that was what brought the pro-democracy activists out onto the streets on Sunday. This pressure by Hong Kong -- shown in Sunday's march and in protests by 100,000 people on January 1 and 500,000 people last July -- is a puzzle to most mainland PRC. Caroline Ma, a 27-year-old investment research manager in Shanghai, told AFP last week that people in that city, and elsewhere on the mainland, could not understand what Hong Kong people were asking for. "Chinese people are not that interested in politics, especially Shanghainese," she said. In Hong Kong too many people have limited interest in politics or, even if they are interested, believe there is nothing that can be done to change the attitudes in Beijing. "You can't oppose China because it's always done exactly what it wanted," said Ngai Hon-keung, a mini-bus driver during a break in Hong Kong's busy Aberdeen fishing port. "It doesn't care about what the others want. They don't have to explain." But elections for local councils in Hong Kong earlier this year saw a surge in the vote of the pro-democracy parties opposing the parties loyal to the PRC-backed administration of Chief Executive Tung Chee-hwa. And the city's Democratic Party is hoping this push for democratic reform will be carried on in further protests and in a new round of elections on September 12.

## **8. Taiwan New Foreign Minister Appointment**

Agence France-Presse ("TAIWAN APPOINTS INDEPENDENCE ACTIVIST AS NEW FOREIGN MINISTER," 04/11/04) reported that a pro-independence activist has been appointed as Taiwan's new foreign minister, after his predecessor stepped down following the resignation of the head of the de facto US diplomatic mission in Taipei amid a policy row. Premier Yu Shyi-kun announced that Chen Tan-sun, a pro-independence Democratic Progressive Party (DPP) parliamentarian and former head of an independence lobby group, would replace the outgoing Eugene Chien. "We believe Chen has the wisdom to overcome the diplomatic difficulties facing the country," Yu said. Twenty-six countries recognize Taiwan, which the PRC says is not an independent country but is part of its territory waiting to be reunified, by force if necessary. Chien offered to step down Friday following

the resignation of Therese Shaheen, head of the de facto US diplomatic mission to the island, the American Institute in Taiwan (AIT). Chien said he had bungled the handling of Shaheen's resignation, but declined to elaborate. Some observers said his decision was linked to his push for Shaheen's congratulations on President Chen Shui-bian's March 20 re-election. She eventually congratulated Chen before the White House issued a message. Shaheen was managing director of the Washington head office of the AIT, set up in 1979 to handle US-Taiwan ties after Washington switched diplomatic recognition to Beijing that year. In her resignation letter Shaheen cited family reasons for her resignation but senior State Department officials said they had expected her to quit as she had drawn intense criticism for failing to properly represent US policy on Taiwan and the PRC.

## **9. US-Japan Relations**

Agence France-Presse ("CHENEY, KOIZUMI HOLD TALKS AMID HOSTAGE CRISIS IN IRAQ," 04/12/04) reported that US Vice President Dick Cheney has met Japan's Prime Minister Junichiro Koizumi amid mounting fears for the lives of three Japanese civilians kidnapped in Iraq and threatened with execution. Koizumi was expected to ask Cheney for US help in rescuing the three who were abducted last week and believed to be held in Fallujah, the battered Sunni Muslim stronghold west of Baghdad. Their captors have threatened to execute them from Monday unless Japan withdraws its 550 troops in Iraq to carry out humanitarian work. Cheney is expected at his meeting with Koizumi to urge Japan, a key US ally in Asia, to stay the course on Iraq despite the hostage crisis. In his meeting with Koizumi, Cheney is also likely discuss the 18-month-old standoff over the DPRK's nuclear drive. The vice president will next visit the PRC and the ROK. Another issue likely to be on Cheney's agenda is Japan's ban on US beef imports, which followed the discovery of the first US case of mad cow disease in December. Prior to the ban Japan was the number one export market for US beef, which represented almost a third of its beef consumption. It has argued that the US must screen all slaughtered cows for bovine spongiform encephalopathy (BSE) and remove all "risk materials", such as the brain, spinal cord and eyes, before it will lift the ban. The US insists that testing only higher-risk animals, such as older cows, would suffice. Foreign Minister Yoriko Kawaguchi and Chief Cabinet Secretary Yasuo Fukuda also joined the Koizumi-Cheney meeting, officials said.

## **10. DPRK on ROK Politics**

Agence France-Presse ("NORTH KOREA CAMPAIGNS FOR FRIENDLY LEGISLATURE IN SOUTH KOREA," 04/12/04) reported that the DPRK has stepped up its campaign to influence the outcome of this week's ROK legislative elections, believing its own economic future is at stake, analysts said. A new balance of power in the ROK's parliament will have a significant impact on the DPRK, as the National Assembly, elected for a four-year term, controls government spending, including aid to the DPRK. In the run up to the April 15 elections, the DPRK has been outspoken about ROK politics and notably last month's impeachment of ROK President Roh Moo-Hyun, viewed as sympathetic to the DPRK. DPRK state media has urged ROKs to vote against conservative political forces which led the impeachment, an act the DPRK claims was part of a US conspiracy. "They regard the parliamentary elections as a face-off between pro-US conservatives and liberals loyal to Roh in South Korea," said Koh Yu-Hwan, a DPRK expert and professor of Dongkuk University in Seoul.

## **11. Inter-Korean Railway**

Yonhap ("TWO KOREAS FIX SCHEDULE TO OPERATE INTER-KOREAN TRAINS," 04/12/04)

reported that the ROK and DPRK have agreed to operate trains on two inter-Korean rails now under construction on the peninsula's east and west coasts between 8 am and 5 pm if they are connected across the demilitarized zone. The trains will be operated between both sides' stations closest to the military demarcation line. The two sides also agreed to inform the other side of the daily train operation schedule before operation time. According to a 16-clause agreement on inter-Korean train operation adopted and initialed in Kaesong, DPRK, on Saturday, the parties agreed they will replace their train staff and locomotives on January 1 every year. The ROK and DPRK also agreed to use a common frequency for wireless communications with the trains. The agreement calls for both sides to form a joint committee for inter-Korean train operation to handle all operational issues, including accidents, fares and facility improvement. The joint committee is to consist of five to 11 members from each side and will open a regular meeting once a year and can conduct other meetings if necessary.

## **12. DPRK Kim Jong-il PRC Visit**

Joongang Ilbo (Oh Young-hwan, "KIM JONG-IL REPORTEDLY READY FOR BEIJING TRIP," 04/11/04) reported that diplomatic sources and senior officials with expertise on the DPRK said yesterday that DPRK leader Kim Jong-il is planning a rare trip out of his country to visit the PRC, possibly as early as next month. The officials said they believe this could mark a breakthrough in the DPRK nuclear standoff. After a series of high-level contacts between the DPRK and the PRC late last year, the two countries reached an agreement for Kim to visit Beijing. The PRC is awaiting North Korea's final confirmation of the date, the ROK sources said. "During his meetings with China's top legislator Wu Bangguo in October last year, with Wang Jiarui of China's Communist Party in January this year, and with PRC Foreign Minister Li Zhaoxing last month, Kim said he would visit China," a senior diplomat said yesterday on condition of anonymity. "It is my understanding that China has welcomed Kim's proposal." Wu is chairman of the Standing Committee of the National People's Congress of China and Wang is minister of the Department of Liaison of the Central Committee of the Communist Party of China. "The date of Kim's visit to China has not yet been finalized," the source said. "We will have to wait and see if Kim will also tour the three northeastern provinces on the DPRK border, which he has expressed an interest in." If Kim's visit takes place, it will be his third visit to China since he assumed leadership. It will also be Kim's first meeting with the PRC's Hu Jintao administration. The official said the visit will likely take place in May because Kim cannot miss an event in the DPRK: April 15 is the birthday of the late DPRK President Kim Il Sung.

## **13. DPRK on Japan Port Ban Bill**

Yomiuri Shimbun ("N. KOREA ISSUED THREAT OVER BILL TO BAN PORT CALLS," Hiroshima, 04/11/04) reported that senior DPRK officials urged Japan not to enact a bill designed to prevent DPRK vessels from entering Japanese ports in their April 1-2 meetings with Taku Yamasaki, former vice president of the Liberal Democratic Party, LDP Secretary General Shinzo Abe said Saturday. The officials reportedly told Yamasaki and House of Representatives member of the party Katsuei Hirasawa during their unofficial meeting in Beijing earlier this month that if Japan did enact the bill, it would be unable to resolve the abduction issue for 20 or 30 years, Abe said in a lecture he delivered in Hiroshima. The LDP and New Komeito on Tuesday submitted to the Diet the bill, which would allow the government to prevent specified vessels from entering Japanese ports. "It's clear that they intended to have Yamasaki convey this message to Prime Minister (Junichiro) Koizumi," Abe said. "But regardless of whether a working-level meeting between Tokyo and Pyongyang is held, the bill must be debated thoroughly according to prescribed rules and enacted during the current Diet session."

## 14. PRC Domestic Economy

The Associated Press (Elaine Kurtenbach, "CHINA PLEDGES TO GUARD AGAINST INFLATION," Shanghai, 04/12/04) reported that battling soaring investment that it says threatens the fragile financial system and is fueling inflation, China's central bank is boosting the reserves banks are required to hold in an attempt to restrain excess lending. "Excessively fast growth in lending could add to inflationary pressures or cause a bubble in asset prices that could add to the amount of bad loans, adding to financial risks," the People's Bank of China said in a notice issued Monday. Regulators fear that excessive lending by commercial banks is supporting booms in real estate development and in certain industries - such as auto manufacturing, steel and aluminum - that could lead to supply gluts and trigger a financial crisis. Outstanding bank loans have already grown by more than 20 percent so far this year from last year. The central bank's move followed a pledge by the PRC's Cabinet to do more to curb excessively fast growth in lending for construction projects and to counter other "conspicuous contradictions" in the economy. "Some problems are still developing, including excessively fast expansion of investment," the state-run Xinhua News Agency reported, summarizing the outcome of a Cabinet meeting on the economy Friday. "Investments are irrational," said the report, posted on Xinhua's Web site. "There are too many new projects and the scale of construction is too big. In some industries blind investments and the problem of low quality, redundant construction is very severe." The central bank announced late Sunday that most banks will be required to hold reserves equal to at least 7.5 percent of their outstanding loans and other capital commitments. The level for some weaker banks was set at 8 percent. The step takes effect April 25 and is the third tightening of reserve requirements in eight months. The bank set the reserve requirement at 7 percent in August.

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.

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