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Preceding NAPSNet Report

MARKTWO

I. NAPSNet

1. DPRK Nuclear Program

Yonhap News (Sam Kim, "N. KOREA MAY DOUBLE PLUTONIUM STOCK IN HALF DECADE: U.S. SCHOLAR", 2009/05/13) reported that the DPRK may double its stockpile of plutonium for nuclear weapons by 2013, producing enough for one bomb each year with its existing fuel, a U.S. expert said. Siegfried Hecker, a Stanford University professor who has visited the DPRK multiple times, also said Pyongyang may have started work on its 14,000 unused fuel rods as early as this month. The DPRK could "produce at most 6 kilograms of plutonium per year for the next two to four years with its existing stocks of fresh fuel," he said, adding related activities "could have started as early as this month."

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2. Inter-Korean Economic Cooperation

Chosun Ilbo ("N.KOREA MUST RELEASE DETAINED S.KOREAN FIRST", 2009/05/13) reported that in a meeting on April 21, the DPRK asked for a wage raise for DPRK staff at the Kaesong Industrial

Complex and higher land rental. Three weeks later, the date has yet to be set, and differences of views have yet to be ironed out in preparing for them. Meanwhile, a Hyundai Asan staffer at the industrial park identified as Yoo has been held incommunicado for the 44th day. The association of ROK firms operating in the industrial park said in an April 28 statement that guaranteeing the personal safety of South Koreans at the complex is a basic prerequisite to its development and failure to ensure it a serious obstacle to its future. It is self-evident that no business can survive if it fails to guarantee the personal safety of staff.

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3. Russia on DPRK Missile Program

Chosun Ilbo ("RUSSIA OFFERS USE OF TERRITORY FOR N.KOREAN SATELLITE LAUNCHES", 2009/05/13) reported that during his trip to the region last month, Sergei Lavrov made a little-noted statement. Speaking through an interpreter, he said Moscow is willing to help Pyongyang launch satellites into space from its territory. "Russia is cooperating with many countries in the peaceful exploration of space, including launching satellites by our boosters. We have such agreements with South Korea and we are ready to develop similar projects with North Korea, and hope our proposal will be examined," said Lavrov.

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4. Inter-Korean Relations

Korea Times (Na Jeong-ju, "AUDITOR SLAMS MISHANDLING OF MATERIALS TO NK", 2009/05/13) reported that the Ministry of Unification came under fire for its lax monitoring of strategic materials that may have entered the DPRK and could be used to manufacture weapons of mass destruction. Last year, the ministry allowed ROK firms to take more than 2,000 computers to the DPRK for business purposes without taking enough security measures, according to the Board of Audit and Inspection (BAI), the state auditor. "The ministry's lax monitoring on materials that can be used to manufacture weapons not only poses a serious threat to national security, but also is not helpful for the South's cooperation projects with the North.''

Yonhap News ("RED CROSS MULLS GENE BANK FOR SEPARATED FAMILIES ", 2009/05/13) reported that the ROK 's Red Cross said that it will push to set up a gene bank for senior citizens who have separated families living in the DPRK. Kim Young-chul, secretary general of the Korea National Red Cross (KNRC), said that his agency has been in discussions with the Unification Ministry on establishing the so-called "separated family gene bank" for humanitarian purposes. The genetic data would allow for the chronicling and verification of separated families in the future and allow their posthumous reunion.

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5. US-ROK Joint Evacuation Drill

Xinhua News ("U.S. FORCES IN S. KOREA TO HOLD EVACUATION EXERCISE", Seoul, 2009/05/13) reported that the US Forces Korea (USFK) said its 10,000 noncombatant members will conduct a

semi-annual evacuation exercise. Family members of about 28,500 American troops stationed here and civilians working for the Department of Defense will be subject to the drill, the USFK said, without revealing the time of the exercise. During the exercise, only a few dozen volunteers are to fly to Japan while others are positioned into evacuation centers here.

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6. ROK Cyberattacks

Yonhap News ("CHINESE MILITARY TRIED TO HACK INTO S. KOREAN EMBASSY IN U.S.: REPORT", Seoul, 2009/05/13) reported that t he PRC military attempted to hack into computers at the ROK Embassy in the United States last year, a ROK Air Force publication said. According to the annual publication that details the defense capabilities of global powers, the PRC operates a "Red Hacker" unit of about a million hackers mainly attacking the U.S., Japan and Taiwan. The case marks the first time the ROK has made it public that it believes the PRC military has tried to hack into its diplomatic office abroad.

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7. ROK-Australian Trade Relations

Korea Times ("KOREA, AUSTRALIA TO BEGIN FTA TALKS", 2009/05/13) reported that the ROK and Australia have agreed to hold talks on a free trade agreement (FTA) starting next week, according to the Ministry of Foreign Affairs and Trade. Trade Minister Kim Jong-hoon and his Australian counterpart Simon Crean will announce the start of negotiations during the fifth Ministerial Joint Trade and Economic Commission in Melbourne between May 17 and 19. The two sides also plan to discuss ways to expand trade and investment and seek cooperation regarding green growth and energy, the ministry said in a statement.

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8. ROK Energy Supply

The Korea Herald ("KOREA, KAZAKHSTAN EXPAND ENERGY TIES", Astana, 2009/05/13) reported that the ROK and Kazakhstan yesterday signed an agreement to promote comprehensive bilateral cooperation involving energy, trade, infrastructure, culture and various other fields. Companies from both countries also inked nine memorandums of understanding to jointly develop resources, build a power plant and establish internet networks in the largest country in Central Asia. Under the plan, the two countries will hold talks at least once every two years to help increase cooperation in nuclear energy development, which will include joint development and construction of small- and medium-sized nuclear reactors.

Chosun Ilbo ("RUSSIA TO BEGIN PROVIDING CRUDE OIL TO ASIA-PACIFIC STARTING NEXT YEAR", 2009/05/13) reported that crude oil produced in Siberia is set to be supplied to the ROK and the Asia-Pacific region for the first time during the latter half of next year. Russian authorities say crude oil will be provided to these regions as soon as the construction of an oil pipeline connecting Eastern Siberia with the Pacific Ocean is completed. For Russia, this plan will diversify its supply lines which are now concentrated in Europe and accelerate development of the Siberian oil field.

The ROK, relying heavily on Middle East oil reserves, will also benefit from the completion of the pipeline as it will be able to secure a cheaper alternative source of crude oil.

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9. Russo-Japanese Territorial Dispute

The Yomiuri Shimbun ("CAN ECONOMIC TIES SOLVE ISLANDS ROW WITH RUSSIA?", 2009/05/13) reported that Russia no doubt finds Japan's advanced technology and investment capabilities very attractive. Now is the time to closely watch Moscow's next move, with an eye to determining whether anticipated progress in bilateral economic cooperation will play a role in helping overcome the gridlock in the dispute over the sovereignty of the four Russian-held northern territories. Meanwhile, the Russian economy is rapidly slowing down. In fact, Moscow's foreign currency reserves have decreased over the past year by more than 30 percent. Circumstances seem to be becoming more and more favorable for Japan as it seeks to settle the territorial dispute by using bilateral economic cooperation as leverage.

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10. Japan Economy

The Associated Press ("JAPAN LOWER HOUSE OKS RECORD EXTRA BUDGET", Tokyo, 2009/05/13) reported that Japan's lower house of parliament approved a record extra budget of nearly 15 trillion yen ($156 billion) to finance stimulus measures aimed at lifting the world's second-largest economy out of recession. The extra budget will finance projects to support the unemployed and small businesses, as well as environmental measures. The opposition-controlled upper house is expected to vote down the extra budget, which opponents call wasteful spending aimed at buying votes ahead of imminent elections.

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11. Japan Politics

The Asahi Shimbun ("DEPUTY CHIEF CABINET SECRETARY RESIGNS OVER ONSEN TRIP WITH WOMAN", 2009/05/13) reported that Deputy Chief Cabinet Secretary Yoshitada Konoike resigned after a magazine reported he took a private trip to an onsen with a woman using a free train pass intended for lawmakers official duties. Konoike, 68, an Upper House member belonging to the Liberal Democratic Party faction led by Prime Minister Taro Aso, tendered his resignation to Aso, citing health reasons. The scandal could deal a blow for the Aso government at a time when things appeared to be turning around.

Kyodo News ("OKADA, HATOYAMA DECLARE CANDIDACIES FOR DPJ LEADERSHIP ELECTION ", Tokyo, 2009/05/13) reported that Democratic Party of Japan Vice President Katsuya Okada and Secretary General Yukio Hatoyama said they will run in Saturday's election to succeed scandal-hit Ichiro Ozawa as president of the main opposition party. The focus of the race between the two former DPJ chiefs is likely to be on whether the party will continue to pursue Ozawa's policies, as Hatoyama is close to Ozawa while Okada is supported by junior and middle-ranking lawmakers who have maintained a distance from the outgoing leader.

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12. USFJ Base Relocation

Kyodo News ("ACCORD ON MARINES' GUAM TRANSFER FROM OKINAWA OFFICIALLY ENDORSED", Tokyo, 2009/05/13) reported that the Japanese Diet officially endorsed an accord that commits Japan and the United States to following through on the planned transfer of U.S. Marines from Okinawa to Guam by 2014. Although the opposition-controlled House of Councillors voted it down earlier in the day, parliament backed the accord in line with the constitutional superiority of the House of Representatives, which has already given its approval.

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13. Japan Nuclear Safety

The Asahi Shimbun ("REACTOR MALFUNCTIONS AFTER RESTART", Kashiwazaki, 2009/05/13) reported that an emergency cooling system at the recently restarted Kashiwazaki-Kariwa Nuclear Power Station's No. 7 reactor malfunctioned twice Monday, but there were no reports of radioactive leakage, officials said. The reactor had just begun test runs on Saturday, the first time since the power station suspended operations following the 2007 Niigata-Chuetsu-oki Earthquake.

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14. PRC Military

Time Magazine (Ishaan Tharoor, "CHINA'S NAVY GROWS AND THE WORLD WATCHES WARILY", 2009/05/13) reported that PRC president Hu Jintao trumpeted his country's emergence as a budding maritime power, while assuring foreign observers that the PRC "would never seek hegemony, nor would it turn to arms races with other nations." In response to the PRC's gains — which include putting out three new submarines a year since 1995 — neighboring countries have also set about beefing up their fleets. Just a week after the ceremonies in Qingdao, Vietnam announced its purchase of six kilo-class submarines from Russia. On May 2, the Australian government published a white paper outlining a twenty year, $74 billion plan to revitalize its navy so it could be ready, if need be, to counter a "major power adversary" — a thinly veiled reference to how some defense officials there imagine the PRC's military project.

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15. PRC Maritime Boundary

United Press International ("CHINA, VIETNAM, MALAYSIA SPAR ON SEA LAW", Beijing, 2009/05/13) reported that the PRC says a bid by Vietnam and Malaysia to challenge its territorial claims in the South China Sea is illegal and invalid. The deadline for submissions to the U.N. Convention on the Law of the Sea to set sea boundaries is Wednesday, and the joint petition submitted by Vietnam and Malaysia questioning the outer limits of the PRC's continental shelf in the South China Sea has brought rebukes from Beijing, China Daily reported. "China has indisputable sovereignty, sovereign rights and jurisdiction over South China Sea islands and their adjacent

waters," Foreign Ministry spokesman Ma Zhaoxu said.

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16. Sino-Russian Relations

Xinhua News ("CHINA'S TOP LEGISLATOR: CHINA-RUSSIA PARTNERSHIP ENJOYS FAST GROWTH", 2009/05/13) reported that the strategic partnership of cooperation between the PRC and Russia is currently showing all-round momentum and rapid growth as high-level contacts remain frequent, the RPC's top legislator said. Wu Bangguo, chairman of the Standing Committee of the National People's Congress, made the remark during a meeting with Russian President Dmitri Medvedev. He said Medvedev's visit to the PRC helped lay the foundation for continuous growth of the strategic partnership between the two countries.

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17. PRC Port Investment

United Press International ("CHINA REJECTS REPORT ON PORT PROJECT", Beijing, 2009/05/13) reported that the PRC rejected as "invalid" a published report that its investment in a Sri Lankan port is designed to provide a docking station for its navy. A PRC foreign ministry spokesman said the investment in the Hambantota port in south Sri Lanka is for "normal commercial activity" and is not a military project, the China Daily reported. Spokesman Ma Zhaoxu said recent published reports had claimed the Hambantota port will be used as "a refueling and docking station for the Chinese navy," the China Daily said.

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18. PRC Security

Agence France-Presse ("CHINA ARRESTS 1989 STUDENT PROTEST LEADER: BROTHER", Beijing, 2009/05/13) reported that a student leader of the 1989 democracy protests in the PRC has been arrested on fraud charges, his brother said, as authorities brace for the 20th anniversary of the demonstrations. Zhou Yongjun was a leader of the Beijing Students' Autonomous Union, one of the most visible groups in the protests at Tiananmen Square , which ended on June 4, 1989 in an army crackdown that killed hundreds, possibly thousands. Zhou's family was told of the charges against him by police in southwestern PRC, more than seven months after he was reportedly seized while trying to return from the US, his brother Zhou Lin told AFP.

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19. PRC Energy Supply

Bloomberg News ("CNOOC PARENT AGREES TO BUY AUSTRALIAN LNG FROM BG FOR 20 YEARS", 2009/05/13) reported that China National Offshore Oil Corp. agreed to buy liquefied natural gas from BG Group Plc's planned $6 billion Australian project as demand for cleaner fuels rises in the second-largest energy-consuming nation. China National will buy 3.6 million metric tons

annually from the Queensland Curtis LNG project for 20 years, the companies said in statements today. Beijing-based China National will acquire 5 percent of BG's reserves in Queensland's Surat Basin, the U.K.'s third-biggest gas producer said.

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20. PRC Environment

China Daily ("ENVIRONMENTALLY-FRIENDLY ECO-CITY TO BE BUILT IN XINJIANG", 2009/05/13) reported that the Xinjiang Uygur Autonomous Region is making preparations to build an environmental friendly eco-city in Beitun Town of Aletai, www.tianshannet.com reported on May 12. According to the plan, the new eco-city, with distinctive environmental features, will be built over a period of several years, ultimately becoming a political, economic and cultural center that will replace Aletai as the area's capital.

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21. PRC Climate Change

China Daily ("CHINA CALLS FOR DEEPER CO2 CUTS BY RICH NATIONS", 2009/05/13) reported that the PRC urged rich nations to sign up to tougher 2020 targets to cut carbon emissions, as UN-led negotiations intensify on a broader climate pact meant to rein in the pace of global warming. An official with China's National Development and Reform Commission (NDRC) said rich nations must commit to cutting emissions by 25-40 percent by 2020 as well as ramp up funding for developing countries. "The success of Copenhagen needs strengthened and deeper cuts and more aggressive targets from developed countries," said Li Liyan, deputy head of the Climate Change Office of the NDRC.

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II. PRC Report

22. PRC Environment

Xinhua Net (Han Hao, Luo Sha, "XINJIANG ENVIRONMENTAL PROTECTION PROJECT GETS 160 MLN YUAN FROM KUWAIT FUND FOR ARAB ECONOMIC DEVELOPMENT", 2009/05/13) reported that according to Ministry of Finance, the PRC has signed an agreement with Kuwait Fund for Arab Economic Development on May 10 th . The latter will loan about 160 million yuan to Xinjiang on its Boston Lake protection and governance, with an annual interest rate of 3% and a loan term of 25 years.

Business Agency ("CHINA TO INTRODUCE CARBON TAX PROGRAM FIRSTLY", 2009/05/13) reported that the PRC is studying to introduce environment tax, energy tax, and carbon tax, said an official of Ministry of Finance at China Energy Sustainable Development Forum held recently. And the carbon tax may be introduced firstly. This may have some impact on the PRC's coal enterprises,

though the tax collection standard may be set low at the first.

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23. PRC Tourism

Xiunhua Agency (Qian Chunxian, "TOURISM INCOME OF QUAKE-HIT SICHUAN TO REACH 120 BLN YUAN THIS YEAR", 2009/05/13) reported that the tourism income in Sichuan is expected to reach 120 billion yuan this year which levels the figure before the quake, officials of the National Tourism Administration said Tuesday. Sichuan's travel industry earned 109 billion yuan in 2008, down 10 percent against 2007. The market begins to revive this year thanks to tourism promotion efforts, with a 12% year-on-year increase in the income for the first quarter, according to statistics from the administration.

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III. ROK Report

24. PRC on DPRK Nuclear Program

PRESSian ("US NEEDS TO BE FIRM FOR CHINA TO PERSUADE DPRK", 2009/05/13) writes that Jeong Sehyun, the former head of Ministry of Unification, has accompanied former president Kim Daejung's visit to the PRC. According to Jeong, the PRC stated that the DPRK seems irritated because the US has only discussed and reviewed policies, without coming up with a concrete policy. He also aded that China requested that it will try to persuade the DPRK while the ROK persuades the US as an ally so the US can come up with a clear vision, and that the ROK needs to be careful of Japan since Japanese conservative power is trying to expand military equipment including nuclear weapons through this opportunity.

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25. Inter-Korea Relations

PRESSian (Jeong Changhyun, "DJ MEDIATES SECRET DPRK-CHINA-US TALKS", 2009/05/14) writes that there are three important turning points for US-DPRK talks to resume. First of all, the two American reporters detained in the DPRK could become a turning point to start talking about it. Second, China's sending a special envoy to the DPRK could also become the first step. Third, the summit meeting between ROK President Lee Myung-bak and US President Barack Obama could become a turning point to bring about change in the DPRK policies of the US. Through these three turning points, the US and DPRK could agree on the importance of the six-party talks.

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26. DPRK Internal Situation

Goodfriends ("WHAT THE PEOPLE CAN GAIN FROM 150-DAY BATTLE", 2009/05/13) writes that Rodong Shinmun wrote a commentary on the 4 th that “our party appealed that the entire party, military, and people will make effort to begin a battle for 150 days.” The reason we have doubts for the 150-day battle is because it is unclear who is to benefit from this 150-day battle. It is heartbreaking to know that the people will suffer the pain.

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27. DPRK Detention of Journalists

Seoul Shinmun ("DPRK SHOULD FOLLOW THE EXAMPLE OF IRAN’S RELEASE OF THE US REPORTER", 2009/05/14) writes that the release of American journalist Roxana Saberi shows Iran's change of directions to better relationship with the US through a humanitarian move. However, it seems unclear when Euna Lee and Laura Ling, American journalists detained for two months, will be released. It is the same with Hyundai Asan employee detained in Kaesong. Since the DPRK announced its withdrawal from the six-party talks, the US Congress cut the entire DPRK energy support budget of 176.5 milion dollars previously decided by the Obama administration. Instead of holding people in suspense with 150-day battles, the DPRK should first unbar its gates.

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28. Asian Monetary Fund

Changbi (Wooshick Moon, "WILL CHIANG MAI MULTINATIONAL FUND DEVELOP INTO AMF?", 2009/05/14) writes that at the 12 th ASEAN+3 Finance Ministers Meeting held on the 3 rd at Bali, Indonesia, the countries decided the share of expenses of the Chiang Mai Initiative Fund for financial cooperation in Asia region. However, two problems need to be solved beforehand. One is how it will be connected with the IMF in case of supporting currency mobility within countries in Asia. The conditions for connection don’t seem to be easily solved. First, US’s standpoint plays an important role. Another condition for Chiang Mai Multinational Fund to work as an independent monetary organization is to establish surveillance system within the region. Lastly, the most important assignment of the ROK regarding the AMF is to locate the executive office of the Chiang Mai Multinational Fund in our country.

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