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I. United States

1. US-DPRK Relations

The Washington Post (Thomas E. Ricks and Glenn Kessler, "U.S., N. KOREA DRIFTING TOWARD WAR, PERRY WARNS: FORMER DEFENSE SECRETARY SAYS STANDOFF INCREASES RISK OF TERRORISTS OBTAINING NUCLEAR DEVICE," 07/15/03, Page A14) reported that former defense secretary William Perry warned that the US and the DPRK are drifting toward war, perhaps as early as this year, in an increasingly dangerous standoff that also could result in terrorists being able to purchase a DPRK nuclear device and plant it in a US city. "I think we are losing control" of the situation, said Perry, who believes the DPRK soon will have enough nuclear warheads to begin exploding them in tests and exporting them to terrorists and other US adversaries. "The nuclear program now underway in North Korea poses an imminent danger of nuclear weapons being detonated in American cities," he said in an interview. Perry added that he reached his conclusions after extensive conversations with senior Bush administration officials, ROK President Roh Moo Hyun and senior officials in the PRC. Perry is the most prominent member of a growing number of

national security experts and Korea specialists who are expressing deep concern about the direction of US policy toward the DPRK. Only last winter Perry publicly argued that the DPRK problem was controllable. Now, he said, he has grown to doubt that. "It was manageable six months ago if we did the right things," he said. "But we haven't done the right things." He added: "I have held off public criticism to this point because I had hoped that the administration was going to act on this problem, and that public criticism might be counterproductive. But time is running out, and each month the problem gets more dangerous." In a two-hour interview in his office at Stanford University, Perry said that after conversations with several senior administration officials from different areas of the government, he is persuaded that the Korea policy is in disarray. Showing some emotion, the usually reserved Perry said at one point, "I'm damned if I can figure out what the policy is." Nor, having had extensive contacts with Asian leaders, does Perry believe that the multilateral diplomatic approach is working. "I see no evidence of that," he said. "The diplomatic track, as nearly as I can discern, is inconsequential." Perry's comments, while unusually blunt from a former senior policymaker, reflect an increasing consensus among other specialists that the administration, distracted by Iraq, has allowed the DPRK crisis to spiral out of control. Rather than escalate in this way, Perry said, the administration should engage in "coercive diplomacy," which he explained as, "You have to offer something, but you have to have an iron fist behind your offer." He didn't specify what should be offered, but others have suggested that the DPRK would like economic aid, trade deals, diplomatic recognition or a nonaggression pact.

2. Japan, US on Interdiction

Kyoto News (JAPAN, U.S. AGREE TO CLAMP DOWN ON N. KOREA 'IRREGULARITIES'," Tokyo, 7/15/03) reported that Japan and the US agreed Tuesday to tighten measures to crack down on the DPRK's drug smuggling, missile-related trade, currency counterfeiting and other illegal activities, officials of both countries said. Deputy Chief Cabinet Secretary Shinzo Abe and visiting US Deputy Assistant Secretary of State Donald Keyser reached the agreement during their talks at the premier's office, a Japanese official said. US Ambassador to Japan Howard Baker, who joined the meeting, told reporters that participants discussed their "mutual desire to control illegal DPRK activities." "It is unforgivable that Kim Jong Il obtains revenues through such irregularities" as illicit trading activities and forging bank notes, one of the US participants was quoted as telling the meeting. The Japanese official said Abe and Keyser did not discuss the nuclear issue and prospects for multilateral talks to involve Japan and the ROK as well as the US, PRC and the DPRK.

3. DPRK Nuclear Program

Kyoto News ("N. KOREA TELLS U.S. IT HAS FUEL TO MAKE 6 NUKES: DAILY," New York, 07/15/03) reported that DPRK officials told the US last week the DPRK had completed producing enough plutonium to make half a dozen nuclear bombs and that they intended to move ahead quickly with making the weapons, the New York Times reported Tuesday. The daily quoted senior US officials as saying that it was unclear whether the DPRK was bluffing or if it had indeed succeeded in producing the material undetected. The DPRK's latest declaration came July 8 in New York during an unannounced meeting between DPRK diplomats at the United Nations and Jack Pritchard, a US State Department official who handles DPRK issues, the Times said. .

4. US on DPRK Nuclear Program

The Associated Press (Terence Hunt, "U.S. SEEKS TO VERIFY N. KOREA NUKE CLAIM," Washington, 07/15/03) reported that the Bush administration said Tuesday it is a serious matter that

the DPRK claims it has completed producing enough plutonium to make nuclear bombs. The administration said it could not verify the information and would try to deal with the issue through diplomatic discussions. "North Korea has made a lot of claims in the past and it is not something at this time that we can confirm the accuracy of," White House press secretary Scott McClellan said. He said the US would continue working with the PRC, Japan and the ROK "toward our shared objective of a complete, verifiable and irreversible elimination of North Korea's nuclear weapons program." The DPRK's claim poses a major challenge for President Bush, who has flatly stated that a nuclear-armed DPRK will not be tolerated. "We will not submit to blackmail or grant inducements to the north to live up to its obligations," McClellan said. "North Korea has a clear choice between two paths. The international community has made clear that continued pursuit of nuclear weapons will only lead to further isolation and a deteriorating situation for the regime in Pyongyang. The United States and North Korea's neighbors have indicated we are prepared to talk to the North about a better path based on the elimination of its nuclear weapons program." Asked if Bush might resort to military force against the DPRK, McClellan said, "The president never takes options off the table, but it's something that we want to address in a multilateral way."

5. Australia on DPRK Nuclear Threat

Agence France-Presse ("AUSTRALIA DISMISSES THREAT OF NUCLEAR STRIKE BY NORTH KOREA," Sydney, 07/15/03) reported that Foreign Minister Alexander Downer shrugged off the threat of a nuclear strike by the DPRK against Australia if it takes part in a US-led operation to stop ships trafficking weapons of mass destruction. The executive director of the Center for Korean-American Peace, Kim Myong-Chol, who purports to be a spokesman for Pyongyang, told ABC television from Tokyo late Monday that the DPRK would hit back against US ships interdicting DPRK vessels. He warned that the DPRK would retaliate with a nuclear missile attack on major cities such as New York and Washington and if Australia was part of the interdiction, it would also be attacked. "If Australia becomes part of American manipulation against North Korea, North Korea reserves the right to strike back on Australia -- that is the official North Korean position," he said, "North Korea can reach Australian mainland anytime. Unfortunately, Australia has no capacity to reach North Korea." But Downer dismissed the threat saying said Kim Myong-Chol's comments carried no authority and the DPRK did not have weapons with the range to reach Australia. "We don't believe for a minute North Korea would launch some kind of nuclear attack against Australia, or have the capacity to fire nuclear missiles that sort of distance. That's if they have any capacity to fire nuclear missiles at all." Downer also said the maritime force proposed to stop trafficking in illicit weapons and drugs would operate within the frame of international law and it did not appear at this stage that any changes would be needed to strengthen international law to allow the operation to go ahead. "Certainly so far that hasn't been the conclusion of the group of 11 countries which have been looking at this, because they do think that there is quite a strong legal foundation already in place to be able to interdict ships carrying nuclear weapons or nuclear weapons components," he said.

6. Russia on DPRK Nuclear Crisis

Chosun Ilbo (Chung Byung-sun "RUSSIAN ATOMIC CHIEF CHIMES IN ON CRISIS," 07/15/03) reported that Russia's atomic energy minister, Alexander Rumyantsev, said Monday that there was no proof that the DPRK possesses nuclear warheads. Rumyantsev said in an interview with Russia's ITAR-Tass news agency that Russia will be reacting and taking measures against DPRK's claim to have completed reprocessing the spent nuclear fuel rods at Yongbyon. If someone is making threats with a bomb, safety measures must be taken, he said. The minister also emphasized that if the DPRK nuclear issue is discussed at the United Nations, Russia will be doing its best to solve the issue

peacefully. Russia's nuclear-related agencies have not been in touch with the DPRK for the past decade, Rummyantsev said. The former Soviet Union, however, supported the DPRK's construction of atomic generators and had been in close contact with Pyongyang's nuclear-related officials.

7. PRC on DPRK Nuclear Crisis

The Associated Press (Jae-Suk Yoo "CHINA ASKS N. KOREA FOR NUCLEAR DIALOGUE," Seoul, 07/15/03) reported that the PRC appealed Tuesday for dialogue to resolve a nuclear standoff with the DPRK, amid conflicting claims over how close the DPRK is to making atomic bombs. On Monday, an envoy of PRC President Hu Jintao reportedly urged DPRK leader Kim Jong Il to accept US-proposed talks aimed at resolving the nine-month-old crisis. The PRC also said the security concerns of the DPRK, which fears a US attack, were "rational" and must be resolved. The comment appeared to be part of an effort to fashion a compromise between the US and the DPRK. "China has been very clear that it remains open and flexible on the participants and the formalities of the talks on the nuclear question," said the PRC's Foreign Ministry spokesman Kong Quan. "We've been saying that various parties should stick to a peaceful solution to the nuclear question," he said. "We hope the Beijing talks can be continued." In the DPRK on Monday, Kim met PRC Deputy Foreign Minister Dai Bingguo, who gave Kim a letter from Hu, according to KCNA, the DPRK's state-run news agency. The contents were not disclosed. "We maintain that the nuclear issue must be resolved peacefully and the rational security concerns of the DPRK must be addressed," said Kong, the PRC Foreign Ministry spokesman.

8. PRC Interest Rates Protest

The Associated Press ("MAN BURNS MONEY TO PROTEST INTEREST RATES," Hong Kong, 07/15/03) reported that a man decided he literally had money to burn and angrily set fire to thousands of dollars in cash because his savings had earned virtually no bank interest. Newspapers and officials said Tuesday that Chan Pak-yu, 63, burned 22,000 Hong Kong dollars (US\$2,800) to protest interest rates that have fallen to near zero. He was outraged when he realized his nest egg of HK\$346,580.05 (US\$44,400) had generated only HK\$17.50 (US\$2.24) at the Hongkong & Shanghai Banking Corp. over the past six months, the South China Morning Post reported. On Monday Chan withdrew all but 5 Hong Kong cents (0.6 U.S. cents) and started burning the cash, according to the Oriental Daily News. News accounts described Chan as a homeless scavenger who lives on next to nothing despite his savings. Police were called to the scene and found Chan with seven bank notes ablaze. Chan later calmed down and stopped burning money, said police spokeswoman Carrie So. She said she could not confirm other details from the news reports. The Oriental Daily News said Chan later put his money back in the bank, minus HK\$22,000 (US\$2,800) he had destroyed.

9. PRC Mudslides and Flooding

The Associated Press (Christopher Bodeen "12 BODIES FOUND FROM MUDSLIDE IN CHINA," Beijing, 07/15/03) reported that search crews recovered the bodies of 12 people killed in a mudslide in central PRC, state television reported Tuesday, while the death toll mounted from floods across the country. Twelve more people are still missing after the mudslide rumbled through a hilly region of Hubei province on Sunday, Chinese Central Television reported. More than 500 people have died so far this year in floods and landslides from annual rains inundating the central and southern PRC. At least 1.6 million people have been forced from their homes in two hard-hit eastern provinces, Jiangsu and Anhui. The official Xinhua News Agency said earlier that damage to homes and agriculture had topped \$870 million there and in neighboring Henan province. In Sichuan province,

rescuers were looking for 51 people swept away by landslides Saturday, reports said. Provincial officials said Monday that hopes were fading of finding survivors, and CCTV said no additional bodies have been found. One person has been confirmed dead in the disaster in Sichuan's Danba county, a mountainous area populated mostly by ethnic Tibetans. State television showed waters raging beside washed-out stone houses, bridges, roads and power poles. In Jiangsu, soldiers and farmers shored up dikes as flood waters hit record highs on the Huai River and Hongze Lake, one of the PRC's largest bodies of fresh water. Officials have blown up dams to divert flood waters and protect cities downstream. The Party secretary of Xuyi county, where 100,000 people have lost their homes, threatened to fire officials found negligent in fighting floods, Xinhua reported. Wary of illness spread by dirty water and poor hygiene, the Health Ministry ordered its officials in flood areas to file daily reports on disease outbreaks, CCTV said. Officials also were watching the giant Yangtze River in the central PRC, which floods almost annually, often with catastrophic results. About 400,000 people in Hubei have been mobilized to protect embankments as the highest water levels of the year on the Yangtze River entered the province, pushing the river above warning levels, Xinhua said.

10. PRC AIDS Problems

Agence France-Presse ("CHINA STARTS OFFERING FREE AIDS DRUGS BUT LACKS DOCTORS TO ADMINISTER THEM," Beijing, 07/15/03) reported that the PRC has begun providing free AIDS drugs to thousands of farmers who contracted the HIV virus after selling blood but the drugs are dated and there are not enough doctors to administer them, experts said. The lack of suitable doctors is partly responsible for many patients dropping out of the program because they cannot handle the side effects, including vomiting and diarrhea. "We have enough drugs but we don't have enough doctors who can administer the drugs," said Zhang Fujie, head of the program run by the PRC's Center for Disease Control. "Even in the biggest cities in China, there are only a few hospitals with doctors who can administer AIDS drugs," said Zhang, who estimated the PRC had fewer than 100 such experts. The program, which began three months ago, is being carried out as the PRC faces growing criticism for its tough tactics against rural AIDS sufferers demanding government help. In one incident that raised concern, police indiscriminately beat and arrested 13 people from Xiongqiao village in central Henan province during a night raid. Experts estimate as many as one million farmers contracted HIV/AIDS from government-approved blood-collection stations in this area. The free-drugs program highlights the two-pronged approach different levels of government in the PRC seem to be taking, experts said. Unable to afford the latest AIDS cocktail treatment drugs from international pharmaceutical companies, the PRC earlier this year began manufacturing four types of drugs whose patents have expired, Zhang said.

11. PRC Domestic Dissent

BBC News (Tim Culpan "HK UNREST FANS TAIWAN FEARS," Taipei, 07/15/03) reported that Protests in Hong Kong over Article 23 have prompted further denouncement by Taiwan's leadership of the PRC's "one country, two systems" model, and emboldened plans for a referendum law. Leaders in Taipei this past week have used opposition in Hong Kong to anti-subversion laws to illustrate the differences between Taiwan and the former British colony, and have pointed to the need for safeguards on Taiwanese freedoms. Most recently, Taiwan Foreign Minister Eugene Chien said that judging by the Hong Kong experience, the PRC can't be trusted with the "one country, two systems" model. "How could the international community believe that Beijing would settle its territorial disputes with Taipei in a peaceful manner if it could randomly scrap its guarantee of maintaining Hong Kong's free-wheeling economy for 50 years," Mr Chien told a seminar on Sunday. Mr Chien warned that the past six years since the handover to PRC rule have seen Hong Kong's freedoms continually undermined. "Once Article 23 is approved by the legislature, Hong Kong's

freedoms will be further restricted, and the free sentiment which has prevailed Hong Kong's market economy, will vanish," Mr Chien said. The vice-chairman of Taiwan's cross-strait policy body has expressed support for the plight of the Hong Kong people. "We really take a sympathetic view toward this demonstration of the Hong Kongese people, especially as we are a democratic state and also a liberal and open society," Chen Ming-tong, Vice-Chairman of the Mainland Affairs Council told the Taipei Correspondents' Club. The Taiwan Government is also trying to use the Hong Kong experience as leverage in its fight for the passing of a referendum law. With presidential elections just eight months away, President Chen Shui-bian is trying to draw attention away from the ailing economy and focus back on cross-strait relations. To that end, he's begun an earnest campaign to pass a new referendum law that will allow a national vote on key policy issues. Mr Chen's Democratic Progressive Party failed last Thursday to pass a draft of the law during a violent session of the island's legislature. The move towards holding a referendum, which picked up steam last month, has been viewed with suspicion and caution not only by the PRC, but by Taiwan allies such as the US and Japan. Defiant in the face of last week's legislative defeat, the president has pledged to push ahead with a referendum on or before the next election, even if a law is not passed at the legislature's next session. Even without the referendum law, said Mr Wu, the president can simply issue an executive decree to hold a referendum.

12. US-Russian Relations

Arms Control Today (J. Peter Scoblic "UNITED STATES, RUSSIA APPROVE NEW HEU DEAL CONTRACT," July/August 2003) reported that ending years of negotiation, the United States and Russia have approved a new contract that will allow a key nonproliferation agreement to move forward, the State Department announced June 19. The 1993 Highly Enriched Uranium Purchase Agreement requires the US to purchase, over 20 years, 500 metric tons of highly enriched uranium (HEU) derived from Russian nuclear weapons. Russia blends down the HEU to low-enriched uranium and ships it to the US for use in commercial power reactors. The so-called HEU deal is implemented in Russia by the government-run Techsnabexport (Tenex) and in the US by the privately owned USEC, Inc. Since 1995, Russia has converted approximately 150 metric tons of HEU from almost 6,000 nuclear weapons into low-enriched uranium fuel. Under the terms of the new contract, USEC will pay Tenex a market-based price for the blended-down uranium. The actual amount paid will be an average of international market prices over the past three years minus a discount, allowing USEC to make a profit when it resells the material to US and foreign power companies. According to a senior administration official, Russia will earn less revenue than it did under the previous contract, at least in the short term.

13. Russia and PRC Bid on Oil Deal

The Financial Times (Guy Dinmore, Bayan Rahman and Najmeh Bozorgmehr, "RUSSIA AND CHINA BID FOR IRAN OIL DEAL," 07/09/03) reported that Russia and the PRC are offering to develop Iran's largest oil field after a Japanese consortium bowed to US pressure last week and suspended negotiations on a deal worth more than \$2bn. The readiness of Russia and the PRC to enter talks over the giant Azadegan field demonstrates the difficulties facing the Bush administration in its efforts to halt Iran's suspected nuclear weapons program through economic sanctions. Iran warned that it would start talks with other foreign partners after Japan lost its preferential negotiating rights by a June 30 deadline. Industry officials in Tehran and Tokyo said the PRC and Russia, which are already involved in several big projects in Iran, stepped up as competitors. The loss of Azadegan to the PRC, which is a growing oil importer, would deal a serious blow to Japan. Both are competing for energy sources in the Middle East and are engaged in a high-stakes struggle to secure an oil pipeline from Russia. Japan moved quickly after losing oil rights in Saudi Arabia in 2000 by

promising Iran \$3bn in credits in exchange for priority negotiating rights over Azadegan. Helped by a visit to Tokyo by the Iranian president, Mohammad Khatami, the deal was seen as a diplomatic coup for Tokyo. But senior US officials, including Colin Powell, the secretary of state, and Condoleezza Rice, the national security adviser, succeeded last month in persuading the Japanese government to tell the consortium not to sign. The US said the contract would send the wrong signal to Iran just as the international community was coming together to put pressure on the country over its nuclear program. Russia is already under US pressure to stop the construction of a civilian nuclear reactor in southern Iran which is subject to inspections by the International Atomic Energy Agency.

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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