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I. United States

1. DPRK Rationing System

Reuters (Teruaki Ueno "N.KOREA SCRAPS RATIONS IN PRO-MARKET MOVE -DIPLOMAT," Tokyo, 07/19/02) reported that the DPRK has started to scrap its decades-old state rationing system in what would be a major step towards a market economy in one of the most food-deprived countries on earth, a diplomatic source said on Friday. The DPRK under the leadership of "Dear Leader" Kim

Jong-il began to introduce the new system in June, prompting a sharp increase in wages and prices, said the diplomatic source, speaking on condition of anonymity. "This is an epoch-making event," the source said, referring to the erosion of a pillar of socialist central planning in place since the communists swept to power in 1947. "The rationing system will be replaced with a new economic system in which all transactions and economic activities are settled with the won," he said. The tentative experiment with what appear to be market reforms will also extend into industry. Officials at state-owned enterprises were gathered earlier this month and told of changes that mean their state-owned factories and companies would now be required to end their reliance on state subsidies and become self-sustaining concerns, the source said. The new system will apply to all of the DPRK's 22 million people whether working in farms, in industry or as government bureaucrats, the source said

2. PRC Domestic Politics

Reuters (John Ruwitch, "BETS OFF AS CHINA LEADERSHIP GUESSING GAME HOTS UP," Beijing, 07/19/02) carried an article that wrote that PRC leaders may or may not be gathering at a beach resort this week to agree amicably on, or perhaps argue acidly about who will run China when all, or maybe just a few, of the elders retire in September or October. That's for sure, analysts say. Maybe. With speculation about China's much-anticipated leadership transition reaching fever pitch, all bets are off. There is only one thing even the most seasoned China watchers are certain of: the process to be followed when the PRC's elite gather at Beidaihe resort is clear as mud. "The long and short of my real knowledge on what's going to happen at Beidaihe this year is that I really don't know what's going to happen," said a Beijing-based Western diplomat who spends most waking hours studying China's leadership. "I think anyone who tries to claim that they do, in fact, may be rumour mongering. They probably don't know really what's going on and they may, in fact, have an agenda," said the diplomat, who declined to be identified.

3. Japan Domestic Politics

Agence France-Presse ("JAPAN'S KOIZUMI ORDERS MINISTERS TO SHOW CONCRETE REFORM MEASURES," 07/19/02) reported that Japan's Prime Minister Junichiro Koizumi ordered seven cabinet ministers to draw up concrete measures by late August to cut budgets, targeting bloated public works, farm subsidies and several other areas. "I want you to show in your plans how reforms in systems and policies should be in the ministries in fiscal 2003 (to March 2004), and over the medium-term," Koizumi told the ministers in a meeting, according to a government statement. He said he hoped to see "concrete reform ideas that are beyond mere ambitions." Chief Cabinet Secretary Yasuo Fukuda told a press conference the government needed to "review fiscal spending strictly" to achieve true reform. Asked whether saved money should be used to finance tax cuts, Fukuda said: "It will certainly be considered." The premier urged the ministers to make "top-down" decisions on reform measures for intensive debate in late August at the Council on Economic and Fiscal Policy. The seven addressed were the ministers for home affairs, education, health and welfare, agriculture, trade, land and infrastructure minister, and science and technology.

4. Taiwan on PRC Military Build Up

The China Post (I-wei, J. Chang, "TAIWAN CAN'T OVERLOOK MILITARY BUILD-UP," Taipei, 07/19/02) reported that Vice Minister of National Defense Kang Ning-hsiang warned yesterday that there "will be problems" if Taiwan or other countries in the region overlooks mainland China's ongoing military build-up. Kang made the remarks at a public hearing at the Legislative Yuan held to

discuss a recent Pentagon report warning that the PRC was catching up to Taiwan militarily. According to Ministry of National Defense personnel director Wu Ta-peng, the chief of staff is taking a very careful look at the report and will be mapping out ways to respond to any new contingencies presented by Beijing's growing arsenal. Former MND official Suai Hua-min also warned that Taiwan might not be able to count on the US to come to its aid if the PRC launches a large-scale attack. People First Party legislator Ku Chung-lien pointed out that Taiwan is sometimes the "odd-man out" when it comes to US-PRC relations and should be prepared to face any hostilities on its own. "Taiwan has to look out for herself and not depend on someone else," Ku said.

5. Inter-Korean Relations

The Associated Press (Lee Soo-Jeong, "DESPITE NAVAL CLASH, SOUTH KOREA PERMITS CIVILIAN CONTACT WITH NORTH KOREA," Seoul, 07/19/02) reported that a group of 15 ROK religious and civic leaders left for the DPRK Friday to promote civilian exchanges, despite a recent naval clash between the ROK and DPRK. The delegation, led by Catholic priest Kim Jong-soo, will arrive in the DPRK Saturday by way of Beijing, said Ahn Jung-hee, a spokesperson for a coalition of pro-unification activist groups. The trip sets the stage for the ROK and DPRK to resume contact - albeit unofficial - since their navies fought a bloody gunfight near the disputed western sea border four weeks ago. Also Saturday, a DPRK passenger plane will land at a remote ROK airport on the east coast, to test the feasibility of air services that the DPRK wants to start under an agreement with a US-led consortium to build two power-generating nuclear reactors in the DPRK.

6. US PRC Sanctions

Reuters (Elaine Monaghan, "US SLAPS CHINA FIRMS, INDIAN FOR IRAN-IRAQ ARMS," Washington, 07/19/02) reported that US sanctions are being slapped on nine PRC firms or people and an Indian man accused of helping "rogue states" Iran or Iraq amass weapons of mass destruction, a US official said Friday. The sanctions on the PRC involved three cases of sales of advanced conventional arms and chemical and biological weapons components to Iran between September 2000 and October 2001, The Washington Times reported on Friday. This would be the fourth time since September that the US had penalized PRC companies for transferring arms-related material or technology to Iran, it added. "It's nine Chinese entities and one Indian individual," the official said. "It's the nature of this kind of sanction that they re-sanction for newly determined activity." It was unclear what impact the new sanctions would have beyond lengthening the punishment, as many of those targeted are already under similar sanctions under other laws. The US official declined to name the firms and business people, saying Congress still had to be notified. But he said the Indian man was a corporate officer in an Indian firm and the PRC list included a man who has been sanctioned in the past.

II. Republic of Korea

1. DPRK Missile Sale

Joongnang Ilbo (John Hoog, "SEOUL IS SANGUINE ABOUT LIBYA VISIT," Seoul, 07/19/02) reported that officials in the ROK are dismissive about the visit of Kim Yong-nam, DPRK's titular No. 2 official, to Libya and Syria, two of DPRK's best customers for missiles.Mr. Kim and his party, including Trade Minister Ri Kwang Gun, met with senior officials in Libya on July 15, according to press reports from both countries. Libya's leader, Momar Kadhafi, who has been trying to repair his ties with US, did

not meet Mr. Kim; he was on a visit to several African countries at the time. Mr. Kim and his party arrived in Syria on July 16, according to the DPRK Central News Agency; in contrast to his low-key reception in Libya, he was met at the airport in Damascus by President Bashar al-Assad. At a time when DPRK's relations with US, Japan and ROK are again rocky, Mr. Kim's journey raised questions about those sales versus DPRK's interest in trying to ease tensions with US, which is in the forefront of efforts to induce DPRK to end them. A Foreign Ministry spokesman, Kim Euy-taek, said he had no information on the trip; an official familiar with African affairs at the ministry said the visit was nothing more than the North's diplomatic attempt to reinforce its economic cooperation and cultural exchanges.

2. KEDO Project in DPRK

Joongang Ilbo ("KEDO TO DISCUSS ON COMPENSATION PROTOCOL WITH N.K.," Seoul, 07/19/02) reported that the international consortium in charge of building two light water reactors in DPRK arrived in Pyeongyang by air to discuss on measures in case of accidents or damage during the construction, Tuesday. The KEDO group headed by chief counsel Edward Lynch is expected to remain in Pyeongyang till Saturday. This is the second time the two sides address legal measures and other financial circumstances in case of accidents during construction of the twin light water reactors since last May.

3. DPRK in ARF?

The Korea Herald ("N.K. MINISTER RECONFIRMS PARTICIPATION IN ARF," Seoul, 07/19/020 reported that North Korean Foreign Minister Paek Nam-sun recently reconfirmed his plan to attend the upcoming ASEAN Regional Forum (ARF) in Brunei, a diplomatic source in Seoul said Thursday. "Minister Paek informed the host country less than a week ago that he would attend the meeting," the source said, requesting not to be named. The source, however, noted that it is still unclear whether Paek will actually appear at the forum, scheduled for July 31. He mentioned that the DPRK minister canceled his plan to participate in last year's ARF in Vietnam just three days before the meeting began. Foreign ministers from ROK, US, PRC and Japan will attend the Brunei meeting, in which delegations from 23 ARF members will discuss regional security issues, including anti-terrorism measures. Diplomatic watchers are paying keen attention to the possibility of Paek meeting with US Secretary of State Colin Powell on the sidelines of the ARF to discuss relations between the two countries in the wake of the recent cancellation of the US plan to send an envoy to the DPRK

4. DPRK Miltary Readiness

Joongang Ilbo ("KIM JONG-IL HAPPY WITH EFFORTS IN TRADE, MILITARY," Seoul, 07/19/02) reported that DPRK Chairman Kim Jong-il expressed gratitude to the Ministry of Trade and other bureaus within the cabinet that put sincere efforts to promote "military business", the official Korean Central News Broadcast reported Thursday. "All the workers of the Ministry of Trade are working very hard to set up good conditions for soldiers to train, under the nation's direction to arm all people and fortify the whole country," reported the Central Broadcast. Other bureaus also reportedly received compliments for remaining alert against "outside invaders" and reminding people to always be ready. The news added further gratitude went to other workers in Hyeryong Basic Food Factory and the People's Committee of North Hamgyong province for their roles in modernizing factory facilities.

5. US Congressmen to DPRK

Joongang Ilbo ("CONGRESSMEN MAY TRY AGAIN FOR N.K. VISIT," Seoul, 07/19/02) reported that an US congressional delegation headed by Representative Kurt Weldon, Republican of Pennsylvania, is reportedly trying again to visit DPRK. A government source in Seoul said Tuesday, Mr. Weldon, a senior member of the House Armed Services Committee, is again pushing for a trip to DPRK with 10 other representatives from both the Republican and Democratic parties. But, the source said, nothing is confirmed yet. "Considering that it didn't go well on the first try in May, we shouldn't rush to any conclusions yet," the source said. In May, Mr. Weldon proposed taking a five-member congressional delegation to Pyeongyang to discuss a DPRK-US academic exchange. The group was greatly disappointed when DPRK refused to issue them visas for what was intended to be a goodwill gesture.

III. People's Republic of China

1. ROK Domestic Politics

China Daily ("KIM AIMS TO WIN SUPPORT BY SHAKING UP CABINET," Seoul, 07/13-14/02, P4) carried a report saying that South Korean President Kim Dae-jung's cabinet reshuffle on July 11 is seen by political observers as an attempt to seek public support before the December presidential election. The most notable aspect of the shake-up was the nomination of a woman as prime minister, said the report. It said, the designation of Chang Sang, president of Ewha Women's University, is viewed as an effort by Kim to regain public confidence in his administration before his presidential term ends. Local media in Seoul said, according to the report, that Kim had no choice but to reshuffle the cabinet, given his awkward situation caused by continual scandals involving government officials and two of Kim's own sons and also last month's inter-Korean naval clash. The report said, most citizens of the ROK have welcomed the reshuffle decision. People hope that Chang's academic background and freshness will help steer the current government in the right direct, said the report.

2. DPRK-Russian Relations

China Daily ("RUSSIAN FM TO VISIT DPRK," Seoul, 07/17/02, P11) said that Russia's foreign minister will soon visit DPRK, the ROK's official news agency reported on July 16 following an earlier announcement from Seoul of a three-day visit by the minister to ROK.

3. DPRK-Chinese Relations

People's Daily ("TREATY MARKED," Beijing, 07/12/02, P4) reported that a reception was held on July 11 to mark the 41st anniversary of the signing of the Treaty of Friendship, Cooperation and Mutual Assistance between China and DPRK. It said President of the PRC-DPRK Friendship Association Li Shuzheng and DPRK Ambassador to the PRC respectively made speeches at the reception. Over 100 concerned people attended the activity, said the report.

4. PRC-US Relations

People's Daily ("US REPORT HAS 'VERY EVIL MOTIVES': FM SPOKESMAN," Beijing, 07/16/02, P4) reported that Chinese Foreign Ministry spokesman Kong Quan on July 16 refuted a recent US report

as it had "very evil motives." It reported that Kong made the remarks in Beijing when asked to comment on the first annual report presented to the US Congress by the US-PRC Security Review Commission. Kong said a so-called US-PRC Security Review Commission of the US had issued a report which full of outdated "Cold War mentality" and groundlessly played up "China threat". The report also proposed irresponsibly trade and technology blockade against the PRC, said Kong. He said the PRC is a peace-loving country, and the PRC's development could only benefit world peace, stability and development.

People's Daily ("CHINA URGES US NOT TO SEND WRONG SIGNALS TO TAIWAN," Beijing, 07/15/02, P4) reported that PRC Foreign Ministry spokesman Kong Quan said on July 14 that the PRC hopes the US will follow the principles of the three Sino-US joint communiques and stop sending wrong signals to separatists in Taiwan Province. The report said Kong made the remarks in response to a question on the annual report on the PRC's military force released by the US Defense Department which claims that the PRC is building up its military forces against Taiwan. Kong said that the PRC hopes the US government will make constructive contribution to the realization of peaceful reunification of PRC. He said that as a peace-loving country, the PRC has carried out a defensive military policy and has never taken part in the arms race. The PRC's defense budget is the lowest among the world's major countries, Kong said.

5. PRC-Russian Relations

China Daily (Shao Zongwei, "SINO-RUSSIAN LEADERS HAIL TREATY AS A SUCCESS," 07/17/02, P1) reported that leaders of the PRC and Russia on July 16 hailed the one-year-old Sino-Russian Treaty of Good-neighborliness and Friendly Cooperation as a success, attributing much of the progress in bilateral ties in the past year to the pact. In a letter of congratulations to his Russian counterpart Vladimir Putin, it reported, PRC President Jiang Zemin said it has been proven that the signing of the treaty was insightful and of strategic significance. He highlighted the increased exchanges on all levels in the past year and a higher political trust between the two countries. Under the treaty, the PRC and Russia have promoted the development of the Shanghai Cooperation Organization, and played an important role in maintaining peace and stability in the region, Jiang said.

China Daily (Shao Zongwei, "QIAN: INT'L CO-OP AIDS SECURITY," 07/18/02, P1) reported that PRC Vice-Premier Qian Qichen told visiting Russian Security Council Secretary Vladimir Rushailo on July 17 that international security needs the joint efforts of different countries. The security issue cannot be resolved by any one country alone but requires international cooperation, Qian was quoted as saying by a PRC Foreign Ministry spokesman according to the report. It reported that Qian stressed that the PRC and Russia share broad common interests in the field of security and should consult one another constantly. Qian told his Russian guest that the PRC supports the strengthening of counter-terrorism efforts within the Shanghai Cooperation Organization and the Commonwealth of Independent States, said the report. It said, Rushailo replied by saying that the PRC and Russia, both victims of terrorism, should further enhance their cooperation to fight against the evil.

6. US-Japan Relations

China Daily ("US BID-RIGGING CLAIM REJECTED," Tokyo, 07/16/02, P11) reported that a Japanese court on July 15 turned down a US claim for damages for losses due to alleged bid-rigging by 26 Japanese contactors for building a US military base near Tokyo. The ruling by the Tokyo District Court was the first on a lawsuit filed by the US against Japanese construction firms over bid-rigging at US bases in the country. It said that the US Government filed the damages suit against 53

Japanese firms in 1994, claiming they had illegally raised prices for 98 construction projects at Atsugi base in Kanagawa, southwest of the capital, from 1984 through 1990. The number of defendants later declined to 26 as the US Government dropped its claims against 27 of the 53 firms by reaching out-of-court settlements or for other reasons, said the report.

7. Across-Taiwan Straits Relations

People's Daily (Gong Wen, "TAIWAN URGED TO BETTER ACCOMMODATION FOR MAINLAND FISHERMAN," Beijing, 07/16/02, P2) reported that Taiwan should improve the living conditions of mainland fishermen working for the island province's shipping companies, urged an official from the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) of China. Diao Chunhe, chairman of the Cross-Straits Coordination Council for the Employment of Fishermen, under the ministry, said at a press briefing on July 15 that his council's request to send a delegation to visit fishermen injured when a boat caught fire was rejected by Taiwan authorities. Diao said, "We are seriously concerned about the health and security of these fishermen." He hopes better living conditions will be provided for fishermen to replace temporary shelter in boats and to prevent such accidents from happening again. "Action should be taken to protect the legal interests of mainland fishermen," the official added.

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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