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MARKTWO

I.NAPSNet

1. DPRK Chemical Weapons

The Associated Press (Jae-soon Chang, "ANALYSTS: NKOREA'S CHEMICAL ARMS AS GRAVE AS NUKES", Seoul, 2009/06/18) reported that the DPRK's massive stockpile of chemical weapons is as threatening as its nuclear program, analysts said Thursday. An international security think tank warned that the DPRK's large chemical arsenal, as well as capabilities to produce biological weapons, are no less serious a threat to the region than the DPRK's nuclear arsenal. The independent International Crisis Group said the DPRK is believed to have between 2,500 and 5,000 tons of chemical weapons, including mustard gas , phosgene, blood agents and sarin. These weapons can be delivered with ballistic missiles and long-range artillery and are "sufficient to inflict massive civilian casualties" on the ROK .

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2. DPRK Missile Launch

Bloomberg News (Taku Kato, "NORTH KOREA RE-ISSUES SHIPPING BAN OFF EAST COAST, ASAHI SAYS", 2009/06/18) reported that the DPRK has warned ships not to enter an area off its eastern coast until June 30, the Asahi newspaper reported, a type of restriction that preceded a

nuclear test and missile launches last month. The no-travel zone covers an area 263 kilometers (163 miles) long and as much as 54 kilometers wide, Asahi said, citing Japan's coast guard, which intercepted a radio broadcast from the DPRK.

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3. US Interdiction of DPRK Vessels

CNN ("U.S. TRACKING N. KOREA SHIP WITH POSSIBLE WEAPONS, OFFICIAL SAYS", 2009/06/18) reported that the US military is tracking a DPRK ship believed to be carrying illicit weapons or technology, a senior U.S. official said. The ship, the Kang Nam, is a DPRK-flagged ship, according to two senior U.S. officials, and is currently in the Pacific. While the United States does not know what specifically is on the ship, the Kang Nam is a "repeat offender," known for having carried "proliferation materials," one senior defense official said.

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4. DPRK Financial Sanctions

US Department of the Treasury ("NORTH KOREA GOVERNMENT AGENCIES' AND FRONT COMPANIES' INVOLVEMENT IN ILLICIT FINANCIAL ACTIVITIES", 2009/06/18) reported that the Financial Crimes Enforcement Network ("FinCEN") is issuing this advisory regarding the involvement by DPRK government agencies and front companies in illicit activities. FinCEN advises all US financial institutions to take commensurate risk mitigation measures. FinCEN notes that with respect to correspondent accounts held for DPRK financial institutions, as well as their foreign branches and subsidiaries, there is now an increased likelihood that such vehicles may be used to hide illicit conduct and related financial proceeds in an attempt to circumvent existing sanctions. Financial institutions should apply enhanced scrutiny to any such correspondent accounts they maintain, including with respect to transaction monitoring.

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5. DPRK Economy

Washington Post Foreign Service (Blaine Harden, "GLOBAL INSURANCE FRAUD BY NORTH KOREA OUTLINED", 2009/06/18) reported that for Kim Jong Il's birthday each year, DPRK insurance managers prepare and stuff a gift of \$20 million in cash into two heavy-duty bags and send them, via Beijing, to their leader in Pyongyang, said Kim Kwang Jin, who worked as a manager for Korea National Insurance Corp., a DPRK state-owned monopoly. After the money arrived, Kim Jong Il sent a letter of thanks to the managers and arranged for some of them to receive gifts that included oranges, apples, DVD players and blankets. The \$20 million birthday present and the gratitude of its recipient were annual highlights of a sophisticated global insurance fraud that the DPRK has concocted to provide its communist leadership with hard currency. In interviews and court documents, Western insurers, U.S. officials and defectors such as Kim said the impoverished and isolated DPRK government has collected hundreds of millions of dollars from some of the world's largest insurance companies on large and suspicious claims for transportation accidents, factory fires, flood damage and other alleged disasters.

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6. US on DPRK Missile Test

Honolulu Advertiser ("GATES: MISSILE INTERCEPTORS ON WAY TO HAWAII AHEAD OF NORTH KOREA TEST", 2009/06/18) reported that Defense Secretary Robert Gates said today he has ordered the U.S. military to take defensive measures should the DPRK attempt to fire a ballistic missile toward Hawaii. "I think we are in a good position, should it become necessary, to protect American territory," Gates told reporters at the Pentagon. Gates said he has directed the deployment of missile interceptors to Hawaii and the positioning of a radar system near the state.

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7. US-ROK 5 Party Talks

The Chosun Ilbo ("S.KOREA, U.S. MOOT NEW DIALOGUE FRAMEWORK FOR N.KOREA", 2009/06/18) reported that President Lee Myung-bak and U.S. President Obama agreed on a new approach to the DPRK nuclear issue. The U.S. will serve as the main negotiating partner of the DPRK under the new plan representing five nations in the six-party talks. First, the U.S. will engage in talks with the DPRK after discussions with the ROK, PRC, Japan and Russia. Then the four nations will give the U.S. "bargaining rights" after working out a joint plan regarding what price the DPRK should pay unless it abandons its nuclear weapons. Talks will now follow a double track policy -- the U.S. will prepare to impose sanctions on the DPRK through five-way talks on the one hand, and will invite the DPRK to multilateral talks through the U.S.-DPRK dialogue channel on the other.

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8. Russo-DPRK Relations

The Associated Press ("RUSSIA PLAYS DOWN N. KOREA THREATS", Moscow, 2009/06/18) reported that Russian Foreign Ministry spokesman Andrei Nesterenko played down the DPRK's belligerent threats Thursday, suggesting that the nation's rhetoric may be more menacing than its actual intentions, and also signaled to Pyongyang that it should be thankful the sanctions imposed by the U.N. security Council after its recent nuclear test were not harsher. Nesterenko said he would not interpret DPRK threats "in such a direct way," though he strongly criticized the DPRK and said there would be serious consequences if the threats were carried out.

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9. Inter-Korean Relations

Agence France-Presse ("NORTH KOREA ACCUSES SOUTH OF DRIVING TO BRINK OF WAR", Seoul, 2009/06/18) reported that the DPRK accused the ROK of escalating tensions on the Korean peninsula to the brink of war. Rodong Sinmun, the official daily of the DPRK's ruling party, said the U.S. and its allies had launched a smear campaign against Pyongyang at the U.N. Security Council and drastically raised the danger of invading the North. It accused ROK "warmongers" of triggering "war hysteria" by publicizing war games exercises through the media in order to divert public

attention away from their policy failures.

Associated Press (Kwang-tae Kim, "SKOREA REJECTS NORTH'S DEMAND ON FACTORY PARK", Seoul, 2009/06/19) reported that the ROK on Friday rejected the DPRK's demand for a massive increase in wages and rent at the Kaesong Industrial Park. The two sides agreed to meet again on July 2, said Unification Ministry spokesman Chun Hae-sung. DPRK officials, however, said they may ease restrictions on border traffic for ROK workers in the complex, Chun said. "We urged a quick resolution of security issues, including a quick release of our worker detained more than 80 days," Chun told reporters

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10. Inter-Korean Maritime Border

Yonhap (Sam Kim, "N. KOREAN VESSEL NEARED EAST SEA BORDER WITH S. KOREA: SPOKESMAN ", Seoul, 2009/06/18) reported that a DPRK patrol boat approached the boundary between the DPRK and ROK in the East Sea earlier this week but retreated after receiving a warning message, a ROK defense spokesman said Thursday. But Won Tae-jae at the Ministry of National Defense denied a local media report that the boat on Tuesday crossed the Northern Limit Line (NLL), the de-facto maritime border on both sides of the DPRK and ROK.

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11. DPRK-Japan Relations

Kyodo News ("N. KOREA WOULD ATTACK JAPAN IN EVENT OF WAR: U.S. SCHOLAR", Washington, 2009/06/17) reported that the DPRK would attack Japan if another war with the reclusive country erupted as a result of efforts to implement recently strengthened U.N. sanctions against Pyongyang over its second nuclear test, a U.S. scholar said Wednesday. Selig Harrison, Asia Program director at the Washington-based Center for International Policy, sounded the warning during a House Foreign Affairs Committee subcommittee hearing on DPRK policy.

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12. Sino-DRPK Relations

The Chosun Ilbo ("BEIJING CALLS OFF PLANS TO SEND ENVOY TO PYONGYANG", 2009/06/18) reported that the PRC has reportedly decided against sending State Councilor Dai Bingguo as a special envoy to the DPRK this month. The Tokyo Shimbun Daily says Beijing's decision comes after Pyongyang conducted a second nuclear test on May 25, when the DPRK vaguely notified the PRC of the test only half an hour before it was carried out. This reportedly angered officials in Beijing, who were preparing to send Councilor Dai following Pyongyang's April 5 missile test to urge the reclusive state to halt such provocations.

The Joong-Ang Daily (Jeong Yong-soo and Yoo Jee-ho, "REPORTERS' GUIDE ARRESTED IN CHINA", 2009/06/18) reported that the ROK guide who accompanied two American journalists sentenced to a labor camp in the DPRK last week has been arrested by the PRC security authorities, said a ROK

pastor who organized the reporters' trip in March. The pastor believes the PRC arrested the guide to "question him about the journalists' situation."

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13. DPRK Leadership

The Korea Times (Do Je-hae, "'N. KOREA'S CONSTITUTIONAL CHANGE PAVED WAY FOR POWER SUCCESSION'", 2009/06/18) reported that the DPRK's amendment of its Constitution in April was part of arrangements to facilitate the hereditary succession in leadership from Kim Jong-il to his son Jong-un, experts in inter-Korean relations in Seoul said Thursday. The 12th Supreme People's Assembly on April 9 adopted the first revisions to the DPRK's Constitution in 11 years, while re-electing Kim Jong-il to the country's most powerful post of chairman of the National Defense Commission. The DPRK legislature also appointed confidantes of Kim as Cabinet members, vice-chairmen and members of the National Defense Commission, apparently aimed at bolstering Kim's authority ahead of uncertainties associated with a transition of power.

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14. ROK Space Program

Xinhua News ("S KOREA NOTIFIES INT'L AGENCIES OF SPACE ROCKET LAUNCH", 2009/06/18) reported that the ROK made an official notification to international civil aviation and maritime agencies of its rocket launch scheduled for next month, the government said. The notification was made to the International Civil Aviation Organization and International Maritime Organization. The ROK plans to launch the Korea Space Launch Vehicle-1 (KSLV-1), carrying a 100-kilogram scientific satellite, from its Naro Space Center located in the southwest on July 30.

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15. PRC, ROK Energy Security

Yonhap (Park Sang-soo, "S. KOREA, CHINA VYING FOR OVERSEAS RESOURCE MINES", Seoul, 2009/06/18) reported that the ROK is seeking to acquire overseas oil fields, gas wells and mineral mines in a bid to boost its energy security, but its moves are often thwarted by the cash-rich PRC, industry sources said Thursday. The latest case involves the race for acquisition of Addax Petroleum between the ROK's state-run oil company and the PRC's Sinopec Group.

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16. ROK Civil Society

Yonhap News (Shin Hae-in and Kim Eunjung, "TEACHERS, CHRISTIAN LEADERS JOIN ANTI-GOVERNMENT CAMPAIGN", Seoul, 2009/06/18) reported that thousands of ROK teachers and Christian leaders released separate statements Thursday demanding protection of civil liberties and public-sector reforms, joining in a campaign critical of the current administration. "The government must fully reform its administrative style and policies, which have caused a democratic crisis," said

the statement signed by some 10,000 teachers at public elementary and high schools nationwide. About 1,000 members of a progressive Protestant church association also released a statement calling many of Lee's policies anti-democratic and claiming they suppress human rights.

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17. US-Japan Security Alliance

The Asahi Shimbun ("COURT TELLS STATE TO OWN UP ON SECRET DEAL WITH U.S. OVER OKINAWA", 2009/06/18) reported that a Tokyo judge put the government on the defensive Tuesday by asking it to explain its lack of a secret document on Okinawa's reversion to Japanese sovereignty in 1972 when US records show the deal was struck in secrecy. Presiding Judge Norihiko Sugihara of the Tokyo District Court said the state has an obligation to "rationally explain" its long-held stance that it does not possess a copy of the secret agreement between the Japanese and U.S. governments of the time. He instructed the government to respond when the next hearing in the information disclosure case is held.

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18. Japan Politics

The Asahi Shimbun ("HATOYAMA BLASTS ASO IN DEBATE", 2009/06/18) reported that opposition leader Yukio Hatoyama took aim at Prime Minister Taro Aso's leadership abilities in their one-on-one Diet debate Wednesday, citing his younger brother's resignation in the recent postal row as an example of what ails the administration. "A judgment cannot be made, a judgment wavers and a judgment is mistaken," Hatoyama said, referring to Kunio Hatoyama's resignation as minister of internal affairs and communications last Friday. "From my standpoint, or for that matter, from the standpoint of most of the public, I believe you fired the wrong person." If Aso had hoped to use his second, much-ballyhooed debate with the opposition leader to bolster his ratings, the idea failed miserably.

Bloomberg News ("EIGHTY LDP MEMBERS BACK LEADERSHIP CHALLENGE TO ASO", 2009/06/17) reported that more than 80 ruling Liberal Democratic Party lawmakers support a leadership vote to challenge unpopular Prime Minister Taro Aso ahead of national elections this year, the campaign's organizer said. Taku Yamamoto, a four-term Diet member, said he expects to get "a lot more" support if the LDP loses next month's Tokyo assembly elections. He needs about 220 lawmakers and local party leaders on board to demand a leadership ballot. "If the Prime Minister chooses to become a leader of a self-destructive battle like the one the Japanese Imperial Army waged, there's nothing to be done about it," Yamamoto, 56, said in an interview in Tokyo yesterday. "It will be better if he and other LDP members agree to hold an intra-party contest earlier."

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19. Japan Energy

Agence-France Presse ("JAPAN TO HELP OTHER COUNTRIES DEVELOP NUCLEAR POWER", Tokyo, 2009/06/18) reported that Japan launched an organization Thursday to help other countries

promote nuclear power generation which is increasingly in demand in the age of global warming , officials said. The new body, the International Nuclear Energy Cooperation Council, comprises representatives from government branches, power utilities, nuclear power plant makers and research organizations. The council will train people from other countries who will take charge of designing and operating nuclear power stations . It will also help other countries develop infrastructure for the safe operation of nuclear power plants.

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20. Cross Strait Relations

DPA ("TAIWAN TO LAUNCH FIRST CRUISE SERVICE WITH CHINA IN SIX DECADES", 2009/06/18) reported that a Taiwan company said Thursday it will launch a regular cruise service with the PRC next week, making it the first such cross-strait service in six decades. Following Taiwan's dropping a ban on sea links with the PRC, the Excalibur International Marine Corp said it would launch the Taichung-Xiamen cruise starting Monday in conjunction with three travel agencies.

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21. Sino-Indian Relations

Agence-France Presse ("CHINA SLAMS ADB OVER INDIA FUNDING", Beijing, 2009/06/18) reported that the PRC angrily denounced Thursday the approval by the Asian Development Bank of a 2.9-billion-dollar funding plan for India , saying the scheme encroached on a territorial dispute between the Asian giants. "The Asian Development Bank, regardless of the major concerns of China, approved the India Country Partnership strategy which involves the territorial dispute between China and India," foreign ministry spokesman Qin Gang said, referring to a largely uninhabitable Himalayan region. The PRC is particularly concerned about a 60-million-dollar watershed protection project in the Arunachal Pradesh region.

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22. PRC Unrest

BBC News ("CHINA AVOIDS MAJOR SOCIAL UNREST", 2009/06/18) reported that PRC government officials first started linking unemployment and social unrest at the end of last year when the economic crisis began to bite. This has led to an increase in labour disputes. There have also been protests, particularly in Guangdong province in southern PRC, where many of the country's exporters are based. But these have mostly been individual incidents that have not developed into a co-ordinated nationwide campaign for political change. That is partly because there are no independent unions or other non-government organisations in the PRC that could organise a national protest movement.

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23. PRC Income Disparity

China Daily ("CHINESE UPPER CLASS GROWING", 2009/06/18) reported that more than half of nearly 800 wealthy PRC recently polled believe the widening gap between the rich and poor is also creating an emerging upper class in the country. The survey, carried out by lifestyle magazine Best Life, interviewed 792 rich Chinese in 62 cities from 27 provinces through local chambers of commerce. Those interviewed were private entrepreneurs with personal assets of more than 10 million yuan (\$1.4 million). More than 80 percent of those polled also said the income gap between rich and poor in the country was too wide, the magazine reported this week.

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24. PRC Land Use Policy

Caijing Magazine ("OFFICIALS TO BE HELD ACCOUNTABLE FOR ILLEGAL AUTHORIZATION OF LAND USE", 2009/06/18) reported that on June 18, the PRC's ministries of supervision, of human resources and social security, and of land and resource issued a notice to clarify the vagueness of the previous regulation about officials' accountability for illegal authorization of land use. The notice said that although the previous regulation has no retroactive effect on the misconduct before June 1, 2008, officials who failed to carry out investigations into and halt the illegal land use during that time will face administrative punishment.

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25. PRC Environment

Agence-France Presse ("CHINA AIMS TO STOP TIBET DESERTIFICATION BY 2010", Beijing, 2009/06/18) reported that the PRC aims to halt the spread of the desert in Tibet by next year, hoping to stem the effects of years of mining, tree-felling and overgrazing, state media said. Tibetan authorities are trying to curb the spread with afforestation programmes and by closing some grasslands to herders.

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26. PRC Internet

The New York Times ("CHINA HOLDS FIRM ON SOFTWARE FILTER, U.S. FIRMS SAY", Beijing, 2009/06/18) reported that American computer makers say the PRC government has not backed down from a requirement that Internet censorship software be installed on all computers sold in the PRC after July 1, despite reports this week that the rule had been relaxed. Beijing wants to recruit 10,000 volunteers by the end of the summer to monitor Internet content, said an employee of the Beijing government's Spiritual Civilization Office. The directive makes clear that the PRC government intends to ensure universal use of Green Dam on new personal computers.

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III. ROK Report

27. Inter-Korea Sports Exchanges

Kyungyang Shinmun ("NORTH AND SOUTH BECOME ONE THROUGH SOCCER", 2009/06/19) reported that the two Koreas reached 2010 World Cup finals. It is the very first time for the two Koreas to reach finals together in 70 years of World Cup history. It has been 36 years when the two Germanys competed together. What makes it more meaningful is the timing, concerning the radical tension on the Korean Peninsula.

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28. Sino-ROK Relations

Segye Ilbo ("‘BUY CHINA’ CAUSES GLOBE’S OBJECTION AND REVENGE",) said in a column that the PRC’s ‘Buy China’ instruction commanded to local communities became a hot potato in global community. PRC is the nation whose trade surplus is the world's largest. Their attempt to spread protective trade conspicuously is like gambling. The ROK should pay attention to such change. The PRC is our biggest trade partner. The government has to be aware of what ‘Buy China’ action will cause and should prepare for appropriate reaction.

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