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I. United States

1. KEDO Press Release on Project Suspension

KEDO released the following press release that read on November 21, 2003 that read: The Executive Board of the Korean Peninsula Energy Development Organization (KEDO), consisting of the US, the Republic of Korea, Japan, and the European Union, given that the conditions necessary for continuing the Light-Water Reactor (LWR) project have not been met by the Democratic People's Republic of Korea (DPRK), has decided to suspend the LWR Project in the DPRK for a period of one year, beginning December 1, 2003. The future of the Project will be assessed and decided by the Executive Board before the expiration of the suspension period. The suspension process will require preservation and maintenance both on-site and off-site. KEDO continues to consult with the DPRK in this process. Suspension implies that KEDO and the DPRK will continue to observe the applicable provisions of the agreements and protocols concluded between them.

2. US on KEDO Suspension

The Associated Press (James Spielmann, "US, OTHER NATIONS, HALT WORK ON DPRK REACTORS," New York, 11/21/03) reported that the US, ROK, Japan and the European Union on Friday said they are halting construction work on two nuclear reactors in the DPRK, which is suspected of secretly developing atomic weapons. All four are members of the Korean Peninsula Energy Development Organization (KEDO) executive board, which has been building the light-water reactors as part of a 1994 deal between the US and North Korea. The reactors were meant to come online in 2007. The one-year work suspension will begin Dec. 1, KEDO said in a statement read by spokesman Roland Tricot at its New York headquarters. But it was unclear if construction would ever resume as long as the US remains at odds with the DPRK over the weapons issue. The KEDO board is to meet by year's end to decide what happens next. State Department spokesman Adam Ereli said Thursday the US position was that "there's no future for the reactor project."

3. US-ROK on DPRK Nuclear Diplomacy

Agence France-Presse ("US, ROK ENVOYS DISCUSS WAYS TO EASE NUCLEAR CRISIS," 11/22/03) reported that top US and ROK envoys fine-tuned a security assurance for the DPRK ahead of planned nuclear crisis talks hours before a US-led consortium suspended an energy project in the communist state. James Kelly, Washington's chief negotiator on the DPRK, held a second and final day of "in-depth" talks with ROK Deputy Foreign Minister Lee Soo-Hyuck here, officials said. "We are cooperatively moving towards the understanding of North Korea's concerns," Lee said after his 80-minute closed-door meeting with Kelly Friday. "But it is difficult to say which level of security assurance will be provided at the second round of talks because it depends on how the nuclear problem can be addressed (by the DPRK side)." Lee and Kelly had several hours of "tense" informal talks on top of a formal two-hour meeting Thursday where they worked on the wording of a security guarantee for the DPRK meant to entice the DPRK back to the second round of nuclear crisis talks in December. "They are discussing detailed wording," Foreign Ministry spokesman Kim Sun-Heung told AFP Thursday, adding that the process was in its "early stages." But both ROK officials and Kelly remained tight-lipped on the details of the discussion.

4. US Asian Diplomacy

Reuters ("US ENVOY ON N.KOREA HEADS HOME AFTER SEOUL VISIT," Seoul, 11/21/03) reported that the top US envoy on the DPRK ended a low-key, three-day visit to the ROK on Friday and headed to Washington to continue diplomatic efforts next week to arrange talks aimed at halting the DPRK's nuclear programs. US Assistant Secretary of State James Kelly and his hosts shed no light on when or whether six-way nuclear talks involving the two Koreas, the US, the PRC, Russia and Japan might be reconvened. Delegates from the six states met inconclusively in Beijing in August and are expected to meet again in December. Kelly, who visited Japan and the PRC early this week, told reporters on Wednesday he was working to line up six-way talks next month, but a December meeting was not certain. He will host Russia's point man on the DPRK next week in Washington. ROK Assistant Foreign Minister Lee Soo-hyuck, said a key issue in the Seoul meetings was the security offer to be made to North Korea in exchange for scrapping its nuclear weapons programs. But he gave no details.

5. PRC-US Trade Relations

Agence France-Presse ("US AMBASSADOR SUMMONED AGAIN BY BEIJING OVER TRADE ROW," 11/22/03) reported that US ambassador to China has been summoned for a second time following Washington's decision to slap import quotas on some PRC textile products, state press said. Clark

Randt was called in by PRC Vice Minister of Commerce Ma Xiuhong for an emergency meeting Thursday, a day after he was hauled in by Vice Foreign Minister Zhou Wenzhong. The PRC warned the US bilateral trade will be hurt if import quotas are slapped on textile products. Ma told Randt the US decision would negatively impact PRC-US trade and harm the US' domestic interests. She said the PRC "hopes the US will fully recognize the negative impact on normal trade between the two countries caused by abusing safeguard measures on fabric products", and urged the US to withdraw "its wrong decision." The State Department reacted neutrally to the two encounters. "We value a dialogue on trade matters, including the issue of textiles," said State Department deputy spokesman Adam Ereli. "We are aware of PRC concerns regarding our decision to request consultations with China," he said. "Once we formally request consultations, we will engage in a dialogue with PRC officials as to what the final level of the quota will be. "This is part of a sustained dialogue with the PRC that we think is important, that we think can resolve outstanding issues." As the row rumbled on, US Federal Reserve chairman Alan Greenspan called for action to counter "creeping protectionism" in the US and elsewhere that threaten the global economy. The influential Federal Reserve chief warned, without specifically naming the disputes, that protectionism was a threat to the international economic recovery fueled by freer global trading.

6. PRC-Taiwan Relations

Agence France-Presse ("PRC SCHOLARS WARN AGAINST TAIWAN INDEPENDENCE BID DURING 2008 OLYMPICS," 11/21/03) reported that leading PRC scholars warned Taiwan against using the 2008 Beijing Olympics as an opportunity to seek independence, as they reinforced a recent wave of war threats from the mainland. The PRC is unconcerned that an overly belligerent attitude in the run-up to presidential elections in Taiwan next year would be counter-productive by firming support for pro-independence politicians, they said. The PRC will state its position in strong terms when it feels the need to react to what it considers pro-independence forces, said Xu Bodong, president of the Institute of Taiwan Studies under the Beijing Union University. "There will be no election holidays," Xu told reporters in Beijing. "Likewise, there will be no Olympic breaks." Xu and other scholars specializing in Taiwan issus were speaking at a briefing held at a time when the PRC is stepping up its rhetoric against the island. "The timetable for Taiwan independence is in fact the timetable for the mainland to be compelled into adopting non-peaceful means," Xu said. The PRC's ire has been triggered by plans by Taiwan's cabinet to hold historic referenda on a half-completed nuclear power plant and joining the World Health Organization alongside next year's presidential vote. In a gesture to ease concerns from the PRC and the US, the Taiwan government led by President Chen Shui-bian has ruled out holding a vote on Taiwanese independence. But Chen said last month that Taiwan needs a new constitution, sparking heated debate on the island and fears in Beijing that the island is trying to inch towards independence. Some observers have speculated that Taiwan might move towards independence five years from now during the Olympic Games, taking advantage of the intense global attention paid to this part of the world. But Xu warned Friday that any such attempt might backfire. "If the separatist forces try to exploit the year 2008 to seek Taiwan independence and make a new constitution, that will be a challenge to the entire Taiwan people, and to the ethnic PRC overseas," he said. "The Olympics will be a grand gathering of all humanity. Seeking Taiwan independence at that time would be a challenge to entire humanity," he said.

7. Mongolia-Japan DPRK Policy

BBC ("MONGOLIAN PM CONVEYS JAPANESE POLICY IN TALKS WITH DPRK LEADERS," Tokyo, 11/21/03) reported that Mongolian Prime Minister Nambaryn Enhbayar told Japanese leaders Friday, November 21, that he has conveyed Japan's policy on the DPRK to the DPRK's leaders in Pyongyang prior to his trip to Tokyo in an effort to help resolve outstanding security issues

surrounding the North, Japanese officials said. In separate talks with Japanese Prime Minister Junichiro Koizumi and Foreign Minister Yoriko Kawaguchi, Enhbayar expressed appreciation for Japan's assistance to Mongolia and explained Mongolia's decision to allow Japan to pick up the remains of Japanese soldiers killed in fighting in 1939 near the border between Manchuria and Mongolia. Enhbayar said he told DPRK leaders during his trip to Pyongyang that Japan is placing top priority on resolving the issue of abductions of Japanese citizens by the DPRK, and is seeking a comprehensive solution to security issues including the DPRK's missile and nuclear weapons development before normalizing bilateral ties, according to the officials. Enhbayar met with DPRK parliament chief Kim Yong-nam and Premier Pak Pong-ju in Pyongyang earlier this week on his way from Ulaanbaatar to Tokyo, they said. Enhbayar later told a news conference that Kim Yong-nam, the North's No 2 leader, told him the abduction issue "is solved formally within the Pyongyang Declaration." A Mongolian official explained that the prime minister did not mean Kim Yong- nam had claimed the abduction issue has been settled. The premier was trying to say "the Pyongyang Declaration contains the mechanism to find resolutions to all questions of bilateral relations between the DPRK and Japan," the Mongolian official said.

8. Hyundai-DPRK Business Relations

Korea Herald (Kim So-Young, "HYUNDAI FEUD MAY STALL N.K. PROJECTS," 11/21/03) reported that when a ferry carrying 882 ROK passengers arrived at North Korea's Geumgang mountain resort in 1998, it marked the beginning of civilian exchanges between the two Koreas, breaking nearly 50 years of virtually non-existent inter-Korean relations. The landmark Mt. Geumgang tour program is one of the inter-Korea business projects being promoted by Hyundai Group over the last five years. But doubts have arisen over the future of Hyundai Group's DPRK business projects as KCC Group, Hyundai's new largest shareholder, said last week it would reconsider the ventures if they remained unprofitable. KCC Group and its honorary Chairman Chung Sang-young, brother of the late Hyundai founder Chung Ju-yung, took managerial control of at one time Korea's largest family-owned conglomerate by acquiring a controlling stake in Hyundai Elevator Co., the de facto holding company of its parent group. But the story has taken another turn as Hyundai Group Chairwoman Hyun Jeong-eun, wife of former Chairman Chung Mong-hun who earlier jumped to his death, announced plans to offer 100 million new shares, almost twice the existing number, which could dilute KCC's control over the group, for sale to the public. To spur individual investment, the company head pledged to offer bonus shares to those who invest in the public shares. Hyun appealed for the public to rescue Hyundai by buying new stocks, saying she would never abandon the DPRK businesses out of respect for her husband's will, who committed suicide in August amid a probe into his role in the transfer of millions of dollars to the DPRK. Although losses from N.K. businesses have been escalating, including an estimated loss of $685 million by the tour program alone, she said the ventures should not be understood in a purely economic manner. But critics said that Hyun's proposed stock offering amounted to nothing but an attempt to regain control of the group, taking advantage of public consensus that the DPRK business ventures should continue.

9. EU-DPRK Financial Restructuring

Financial Times (Andrew Ward, "EUROPEAN INVESTORS MOVE INTO N KOREA," Seoul, 11/21/03) reported that a group of European investors has agreed to set up a capital company in the DPRK - a move that could herald further reform of the secretive state's communist economy and signal increased openness towards foreign investment. International Development Capital, the proposed company, would help restructure the DPRK's fragile financial system and act as a facilitator for foreign investment. The establishment of a bond market and credit card settlement system would be among the company's possible roles, according to Tony Michell, president of Euro Asian Business

Consultancy, a UK-based organisation involved in the project. About 20 financial institutions and individuals, mostly from Europe, are involved in the scheme, under the umbrella of the London-based Northern Development Consortium. The consortium has signed a provisional agreement with Pyongyang and is awaiting final approval to set up the company jointly with North Korea's ministry of finance. Park Suhk-sam, head of DPRK research at the ROK central bank, said the proposal would be a significant step towards reform of the country's financial system.

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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