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# NAPSNet Daily Report 26 March, 2009

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## **I. NAPSNet**

### **1. DPRK Missile Program**

Reuters (Andrew Gray, "NORTH KOREA PLACES MISSILE ON LAUNCH PAD: REPORT", Washington D.C., 2009/03/25) reported that the DPRK has positioned what is believed to be a Taepodong-2 long-range ballistic missile on its launch pad at a facility in Musudanri, Japan's Kyodo news agency reported on Wednesday, citing "sources close to Japan-U.S. relations." The DPRK has given international agencies notice of the rocket's planned trajectory that would take it over Japan, dropping booster stages to its east and west.

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### **2. Japan on DPRK Missile Program**

Bloomberg (John Brinsley, "JAPAN PLANS TO SHOOT DOWN NORTH KOREAN MISSILE, NIKKEI REPORTS", Tokyo, 2009/03/25) reported that Japanese Prime Minister Taro Aso will order the country's military to shoot down any ballistic missile launched by the DPRK that threatens to land near Japan, the Nikkei newspaper reported. Aso will direct Defense Minister Yasukazu Hamada on March 27 to order Japan's Self-Defense Forces to prepare for a possible launch, Nikkei said, citing unidentified government officials.

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### **3. ROK on DPRK Nuclear Program**

Yonhap (S. KOREA TO DISPATCH ADVANCED WARSHIP TO MONITOR N. KOREAN ROCKET, "", Seoul, 2009/03/26) reported that the ROK plans to dispatch an advanced destroyer to the East Sea to monitor the DPRK's rocket launch, officials said Thursday. "The Sejong the Great destroyer will conduct monitoring activities in the East Sea," an official said.

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### **4. US, PRC on DPRK Missile Program**

Yonhap News (Lee Chi-dong, "N. KOREA ROCKET LAUNCH TO TEST U.S., CHINA DIPLOMACY", Seoul, 2009/03/25) reported that DPRK's planned rocket launch is expected to pose a major diplomatic challenge for the world's two leading powers, putting to test the U.S. and the PRC's negotiating capability, officials and experts here said Wednesday. The situation is further complicated by the possibility that the North will actually succeed in sending a satellite into orbit as it says it plans to do, becoming the world's 11th nation to do so, they pointed out. Whether the launch succeeds or fails, regional powers will face a dilemma. The U.S. government of President Barack Obama will be confronted with its first grave test on the DPRK issue and the PRC's regional influence will also be tested.

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### **5. DPRK Detention of Journalists**

Reuters (Jack Kim, "U.S. CHANGES STANCE ON REPORTERS HELD BY NORTH KOREA", Washington D.C., 2009/03/25) reported that the U.S. State Department said on Tuesday it had seen media reports that two journalists detained by the DPRK had been charged with spying, but backed away from suggestions that it had independently confirmed this. "The U.S. is aware of South Korean press stories reporting on South Korean sources claiming that the DPRK is investigating the two journalists for 'espionage,'" State Department spokesman Robert Wood said in a statement. "We are in touch with the DPRK through various channels, and the only statement that the DPRK has made to us says only that the DPRK believes that the two journalists crossed the DPRK border illegally," Wood added in his written statement.

Washington Post (Blaine Harden, "DETAINED AMERICAN JOURNALISTS SEEN AS LEVERAGE FOR NORTH KOREA", Tokyo, 2009/03/25) reported that two American journalists detained last week by DPRK soldiers are likely to become bargaining chips for the DPRK, according to analysts and politicians in the ROK. No matter what charges are made against the journalists, the DPRK will probably use them -- and the timing of their release -- as leverage in negotiations with the United States and other countries over aid, nuclear weapons and the planned test launch of a rocket, several analysts said. Other DPRK watchers in Seoul said that the DPRK could try to use the release of the journalists as a way to improve relations with the United States, by returning them quickly.

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## 6. ROK-EU Trade Relations

Yonhap ("MORE TALKS NEEDED TO CONCLUDE S. KOREA-EU FTA: OFFICIAL", Seoul, 2009/03/26) reported that the ROK and the European Union (EU) will require further talks on a so-called duty drawback scheme before finalizing their free trade accord, ROK Trade Minister Kim Jong-hoon said Thursday. "Duty drawbacks are allowed under the World Trade Organization, and those countries which are competing with us in the European market also have this scheme," Kim said. He said more talks are necessary to narrow differences between the two sides on the issue. Lee is scheduled to meet his EU counterpart Catherine Ashton in London on April 2 to finalize the deal.

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## 7. ROK Economy

Korea Times (Lee Hyo-sik , "'KOREAN ECONOMY IS HITTING BOTTOM'", Seoul, 2009/03/25) reported that the ROK economy has hit bottom and is laying the foundation for a substantial rebound, the new head of the state-funded Korea Development Institute (KDI) said. Hyun Oh-seok, a former professor at the Korea Advanced Institute of Science and Technology (KAIST) Business School, said Wednesday that the world's 13th largest economy will draw a V-shaped or U-shaped recovery path, rather than an L-shaped one, over the next few years. His remarks indicate he thinks the economy will experience a short-to-mid term downturn, rather than a prolonged recession, before improving.

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## 8. ROK Hybrid Car

US News and World Reports ("KIA INTRODUCES ITS FIRST HYBRID, IN KOREA", Seoul, 2009/03/25) reported that Kia has just introduced its first mass production hybrid model based on the new Forte compact sedan in its home market of South Korea." The Forte is Kia's newest small car, scheduled to replace the Spectra in the U.S. next year. The Forte hybrid shown in Korea uses a 1.6-liter four-cylinder engine fueled by liquefied petroleum gas (propane) and is the first production vehicle to use a lithium polymer battery," The combination is reportedly good for the equivalent of 41 mpg, and makes 124 horsepower.

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## 9. Japanese-Czech Emissions Trading

Bloomberg (Shigeru Sato and Yuji Okada, "JAPAN CLOSE TO SEALING CARBON-CREDIT DEAL WITH CZECHS", 2009/03/25) reported that Japan, struggling to meet a 2012 target for reducing greenhouse gases, is in the final phase of talks to buy carbon credits from the Czech Republic and aims to clinch the accord next month, a trade ministry official said. Japan wants to buy the rights to emit as much as 40 million tons of the heat-trapping gases, mainly carbon dioxide, the official said. Japan, which is currently in talks with Hungary, Poland and Russia to buy credits, has seen negotiations delayed because of disagreements over contract conditions including prices, the official said. The trade ministry had originally planned to buy all 100 million tons of certified emission

reduction credits or AAUs by March 2008. Nations can buy either to comply with Kyoto targets.

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## 10. Japanese Economy

Associated Press (Tomoko A. Hosaka, "JAPAN'S EXPORTS TUMBLE ON GLOBAL SPENDING FREEZE", Tokyo, 2009/03/25) reported that Japan's exports tumbled faster than ever in February as a deteriorating economy forced consumers on every continent to put the brakes on buying new cars. The country's carmakers, which until last year boasted massive profits, are among the biggest casualties of Japan's deepest recession since the end of World War II. Iconic brands Toyota, Honda and Nissan face what could be their bleakest business year ever. Demand, particularly of motor vehicles, plunged in all regions of the world including North America, Europe and Russia. The International Monetary Fund expects Japan's economy to contract 5.8 percent for the 2009 calendar year, though many economists predict it could be far worse.

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## 11. Japanese Politics

Kyodo News ("SCANDAL-HIT OZAWA BACKED BY MOST LOCAL CHAPTERS OF DPJ: KYODO SURVEY", Tokyo, 2009/03/25) reported that embattled Democratic Party of Japan President Ichiro Ozawa on Wednesday received the backing of most of the party's local chapters after his decision to remain in his post despite the indictment of his secretary in a fundraising scandal. Forty-five of the 47 prefectural chapter executives surveyed by Kyodo News on Wednesday responded that they support Ozawa's decision to remain in the main opposition party's top post. But the survey also highlighted skepticism about his ability to lead the party to victory in the House of Representatives election, which must be held by the fall.

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## 12. Sino-US Relations

Kyodo ("CHINA DEVELOPING 'DISRUPTIVE' MILITARY TECHNOLOGIES: PENTAGON", Washington, 2009/03/25) reported that the PRC is developing "disruptive" technologies, the US Defense Department reported Wednesday. "China's ability to sustain military power at a distance remains limited," the Pentagon said in its annual report to Congress on Beijing's military power. "But its armed forces continue to develop and field disruptive military technologies, including those for anti-access/area-denial, as well as for nuclear, space, and cyber warfare, that are changing regional military balances and that have implications beyond the Asia-Pacific region," it said. "The PLA's modernization vis-a-vis Taiwan has continued over the past year, including its build-up of short-range missiles opposite the island," it said. "In the near-term, China's armed forces are rapidly developing coercive capabilities for the purpose of deterring Taiwan's pursuit of de jure independence. These same capabilities could in the future be used to pressure Taiwan toward a settlement of the cross-strait dispute on Beijing's terms while simultaneously attempting to deter, delay, or deny any possible U.S. support for the island in case of conflict," it said.

Associated Press ("CHINA CRITICIZES NEW US REPORT ON ITS MILITARY", Beijing, 2009/03/26)

reported that the PRC on Wednesday criticized a newly released U.S. Defense Department report . PRC Foreign Ministry spokesman Qin Gang said that the PRC has pursued peaceful development and that its military policy is defensive in nature. "We urge the U.S. side to respect this fundamental fact, drop the Cold War mentality and bias ... and stop making groundless accusations against China so as not to further damage the two countries' military relations," he said. "It is a gross distortion of facts and interference into China's internal affairs ."

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## **13. Australia on Sino-US Relations**

Associated Press (Rohan Sullivan, "AUSTRALIA'S RUDD TO AMERICA: CHINA IS NOT AN ENEMY", Sydney, 2009/03/26) reported that Australia Prime Minister Kevin Rudd during a visit to Washington urged Americans not to view the PRC as an enemy. Rudd said, "I think China represents a huge opportunity for us all for the 21st century," noting it has a big part to play as "the center of global economic gravity" shifts toward the Asia-Pacific region. "Therefore, when you look at China in the future, I don't think anything is to be served by simply assuming it's all going to go bad," Rudd said. He said the "smart course of action" for the United States and Australia would be to help integrate China into global political, economic and security institutions and engage Beijing on climate change . "Now, if China was to turn its back on that or not be responsible, the world would soon know," Rudd said. "They're not perfect. They've done some bad things in the past. But let's look at the opportunities, rather than simply assume it's all threat and all risk."

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## **14. Sino-African Food Aid**

Agence French Presse ("CHINA SETS UP \$30MLN AFRICA FOOD FUND", Rome, 2009/03/25) reported that the PRC has set up a 30 million dollar trust fund to back agricultural projects, mainly in Africa, carried out by the Food and Agriculture Organisation, the UN food agency said Wednesday. The money is aimed at helping developing countries to improve farming output with a view to achieving Millennium Development Goals , the Rome-based FAO said in a statement, adding that Beijing had joined the FAO's "donor community" with the agreement. The fund will last three years, with Beijing releasing 10 million dollars (7.4 million euros) a year.

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## **15. US on PRC Supercurrency Proposal**

Reuters ("GEITHNER SAYS "QUITE OPEN" TO CHINA'S SDR PROPOSAL", New York, 2009/03/25) reported that Treasury Secretary Timothy Geithner on Wednesday said he is "quite open" to the PRC's suggestion of moving toward a currency system linked to the International Monetary Fund's Strategic Drawing Rights. Geithner, responding to a question, said he hadn't read Zhou's proposal but added, "as I understand it, it's a proposal designed to increase the use of the IMF's Special Drawing Rights. I am actually quite open to that suggestion." However, he said it should be viewed as an "evolutionary building on the current architecture rather than moving us to a global monetary union."

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## 16. UK on PRC Supercurrency Proposal

Agence French Presse ("BRITISH PM BRUSHES OFF CHINA'S CURRENCY CALL", London, 2009/03/25) reported that British Prime Minister Gordon Brown on Wednesday brushed off PRC's call for a new global reserve currency instead of the dollar, saying it would not be a major topic for next week's G20 summit. "I don't think of all the subjects at the G20 we're going to have a long discussion" about whether to have a new global currency, Brown, who will host the London summit, told a meeting webcast from New York. He added that a more "immediate issue" was to persuade countries like the PRC which held a large amount of foreign reserves to think of conducting themselves differently.

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## 17. PRC Currency

Chosun Ilbo ("CHINA IN BID TO MAKE YUAN INTERNATIONAL CURRENCY", Beijing, 2009/03/25) reported that the semi-official PRC News agency on Thursday said the Interior Ministry allowed companies based in the Yangtze River delta in Guangdong and Shanghai to use yuan along with U.S. dollars when trading with Hong Kong and Macau firms. The ministry appointed the Guangxi Zhuang Autonomous Region and Yunnan Province as test zones where trade transactions with the 10 ASEAN countries can be made in yuan. The measure ostensibly aims to eliminate exchange costs for struggling exporters and break out of the recession by diversifying export earnings, but experts see it as a bid to increase influence of the PRC currency.

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## 18. Cross-Straits Relations

Xinhua ("CHINESE MAINLAND WOULD CONSIDER TRADE PACT TO HELP TAIWAN", Beijing, 2009/03/25) reported that the PRC is willing to enter talks on a trade pact with Taiwan in order to help the island through the economic downturn, a PRC spokeswoman said Wednesday. "The mainland is willing to push forward such an agreement as long as it can benefit the peaceful development of cross-strait ties, the well-being of people on both sides, and can help Taiwan's economy tide over the challenges it faces," said Fan Liqing, of the State Council's Taiwan Affairs Office. A survey conducted by Taiwan authorities last week found more than 50 percent of the 1,083 people polled supported the authorities talking with the mainland on signing an economic cooperation pact.

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## 19. PRC International Exchange Students

Xinhua ("FOREIGNERS STUDYING IN CHINA EXCEEDS 200,000 IN 2008", 2009/03/25) reported that the number of foreign students in the PRC reached a record high of 223,499 in 2008, a 14.32 percent increase over 2007, an official with the Ministry of Education (MOE) said Wednesday.



Foreign students were attending 592 higher educational institutions throughout the country, Zhang Xiuqin, head of the international cooperation and exchange department said at a press conference in Beijing. "China has become one of the most popular destinations for foreign students because of its history and culture as well as improving government services," Zhang said. MOE statistics show that the ROK, the United States and Japan were the top three sources of foreign students in the PRC.

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## **20. PRC Migrant Workers**

Xinhua ("CHINA'S RURAL MIGRANT WORKERS TOP 225 MILLION", Beijing, 2009/03/25) reported that the PRC, the world largest agriculture country in terms of farming population, has 225.42 million rural migrant workers as of 2008, according to statistic from the National Statistics Bureau (NBS) on Wednesday. Among all the migrant workers, 62.3 percent or 140.41 million were working outside their home county, while the other 37.7 percent or, 85.01 million, worked in their hometowns. The NBS said 70 million migrant workers went back to hometowns before February. Currently, 56 million have returned to the cities, 45 million have found jobs, and the other 11 million are still unemployed.

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## **21. PRC Corruption**

Xin ("WEN URGES TOUGH HAND ON GRAFT", 2009/03/25) reported that the PRC said yesterday it will ban the construction of new government office complexes through 2010 and urged a tougher hand against corrupt officials. Premier Wen Jiabao urged stronger preventive measures and stronger punishment against graft, saying, "China faces the toughest year in its economic development since the turn of the century." Wen also urged closer scrutiny of projects that were closely related to people's livelihoods such as water conservation, railroads, other forms of transportation and urban construction. In addition, the premier called for strict supervision of officials' use of power to ensure they do not use public investment projects for their personal benefit.

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## **22. PRC Energy Subsidies**

Shanghai Daily (Fu Chenghao, "FUEL PRICES CLIMB TODAY", Shanghai, 2009/03/25) reported that the National Development and Reform Commission, China's top economic planner, yesterday announced the first fuel price rises in nine months to reflect climbing crude oil prices. The guidance gasoline price was raised by 290 yuan (US\$42) a ton to 5,730 yuan, and diesel by 180 yuan a ton to 4,990 yuan, effective today. At the pump in Shanghai, the price of the most widely used 93-octane gasoline rose to 5.19 yuan a liter from 4.95 yuan, while 97-octane gas climbed to 5.52 yuan a liter from 5.26 yuan, and the zero-grade diesel increased to 4.88 yuan a liter from 4.71 yuan, a Sinopec Shanghai sales branch spokesman said.

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## 23. PRC Climate Change

Shanghai Daily (Lu Feiran, "FIRST OF 34 WIND TURBINES IS PUT UP", Shanghai, 2009/03/25) reported that the first wind turbine at the offshore wind power electricity plant near Donghai Bridge was installed over the weekend. The plant will have a total of 34 wind turbines and is expected to be in use before the 2010 World Expo. The 2.3 billion yuan (US\$337 million) plant will generate 260 million kilowatt hours of electricity yearly, a supply for 170,000 families, said the Shanghai Electric Co Ltd.

The Business Insider (Jay Yarrow, "CHINA READY FOR A CAP AND TRADE", New York, 2009/03/25) reported that Chicago Climate Exchange founder and CEO, Richard Sandor told attendees not to "underestimate China" when it comes to climate change initiatives. Furthermore, he said that the PRC will get on board with a trading scheme sooner than later, citing another meeting he had with a group of students studying emissions trading schemes at Peking University.

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## 24. PRC Tibet Issue

Bloomberg (Brian Womack and John Liu, "YOUTUBE BLOCKED IN CHINA FOR 2ND DAY AFTER TIBET CLIP", 2009/03/25) reported that YouTube was inaccessible in China for at least a second day after Tibet's government-in-exile released video it said showed Chinese police beating protestors. "China's government manages the Internet according to law," foreign ministry spokesman Qin Gang said yesterday at a briefing in Beijing in response to a question about YouTube. The ministry today referred questions about Google to Qin's comments.

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## 25. Asian Health

Xinhua ("FACIAL FLUSHING DRINKERS AT HIGHER CANCER RISK", Beijing, 2009/03/25) reported that U.S. and Japanese researchers find that Asians who get flushing when they drink too much alcohol have a higher risk of getting esophageal cancer, according to media reports Wednesday. The study said about a third of East Asians -- Chinese, Japanese and Koreans -- have an enzyme deficiency called aldehyde dehydrogenase 2 that results in problems in metabolizing alcohol, accompanied by a flushing face, nausea and a rapid heartbeat. Esophageal cancer is especially deadly with five-year survival rates ranging from 12 to 31 percent.

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## II. PRC Report

## 26. PRC Trade Unions

Shenzhen Evening News (Zhou Qian, "PUBLIC WELFARE CLASSES INCREASE QUALITY OF FEMALE WORKERS", 2009/03/24) reported that Shenzhen Federation of Trade Unions launched a quality education class for female workers in Yantian Zhenxing Shoe Company. It is understood that the municipal Federation of Trade Unions will give a total of 100 such classes this year, the content including legal knowledge, physical and mental health, occupational disease prevention, overall quality and so on. The Federation also presented books about family and health to female workers on the opening ceremony.

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## **27. PRC Civil Society and the Environment**

People's Daily online ("WUHAN VOLUNTEERS LAUNCH ENVIRONMENTAL PROTECTION ACTIVITY", 2009/03/24) reported that an environmental protection activity sponsored by Wuhan Green City (a civil environmental protection organization) was launched at East Lake of Wuhan city March 22<sup>nd</sup>. It hopes to make volunteers and the public take more concern about ecological environment of rivers and lakes in Wuhan, by way of walking along the rivers or lakes.

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