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## CONTENTS

### I. [United States](#)

1. [DPRK on Nuclear Talks](#)
  2. [DPRK Rejection of US Nuclear Demand](#)
  3. [DPRK Economic Relations](#)
  4. [PRC-India Military Ties](#)
  5. [US on Hong Kong Democratization](#)
  6. [PRC on US Hailing of Taiwan Presidential Election](#)
  7. [Japan Troops in Iraq](#)
  8. [ROK DPRK Illegal Money Transfers](#)
  9. [DPRK European Bank Shut Down](#)
  10. [Japan Meishin Trading House Export Ban](#)
- II. [CanKor E-Clipping Service 1. Issue #158](#)

### I. **United States**

#### 1. **DPRK on Nuclear Talks**

Reuters ("NORTH KOREA SEEN STICKING WITH NUCLEAR TALKS," 03/29/04) reported that the DPRK remains committed to the six-party nuclear talks, a senior Seoul official said on Monday after the top diplomats of China and South Korea met in Beijing Monday. As ROK Foreign Minister Ban Ki-moon held talks with his PRC counterpart, the ROK and the DPRK held family reunions in the first inter-Korean dealings since the DPRK canceled meetings over the impeachment of the South's president. "North Korea has yet to make any change to its position of resolving the nuclear issue through the six-party nuclear talks," the ROK official quoted Chinese Foreign Minister Li Zhaoxing as telling Ban, according to Yonhap news agency. Li, who visited the DPRK last week and met Kim Jong-il, returned saying the DPRK had a positive attitude toward the six-country negotiations.

#### 2. **DPRK Rejection of US Nuclear Demand**

New York Times (Joseph Kahn, "NORTH KOREA REJECTS U.S. DEMAND TO SCRAP ITS NUCLEAR PROGRAMS," Beijing, 03/28/04) reported that DPRK radio on Saturday explicitly rejected the

formula the US has put forward as its bottom-line position in talks aimed at ending the DPRK's nuclear programs, raising doubts about whether the fitful negotiations are making even limited progress. The statement carried by Radio Pyongyang and monitored by news agencies in the ROK came just after a visit to the DPRK by the PRC's foreign minister, Li Zhaoxing, and shortly before a visit to the region by Vice President Dick Cheney that is planned for April. It used typically unrestrained language in accusing the US of secretly planning a war. "The present situation on the Korean peninsula remains dangerous owing to the reckless moves of the US war hawks and their followers to unleash a war of aggression against the DPRK so that a nuclear war may break there anytime," it said. Li said this week that the DPRK was ready to "push forward" with a third round of talks involving the US, the ROK, the US, Japan and Russia. The DPRK has said it is willing to end its nuclear programs. But in the latest statement, it appears to be setting the stage for another inconclusive effort. The statement rejected the US demand for a "complete, verifiable, irreversible dismantling" of the country's nuclear programs.

### **3. DPRK Economic Relations**

Financial Times (Andrew Ward, "N KOREA SEEKS TO BOOST TRADE WITH OUTSIDE WORLD," Seoul, 03/29/04) reported that the DPRK has ordered its economic officials to increase trade with the outside world and focus on making businesses profitable, signaling acceleration in the DPRK's market reforms. Pak Pong-ju, the DPRK's premier, told the country's Supreme People's Assembly that the economy must make "leaping progress" this year by increasing exports, raising output and absorbing foreign technology. The comments supported growing evidence that the DPRK is gradually liberalizing its economy, in spite of the international dispute about its nuclear weapons program. The DPRK has made a series of market reforms over recent months in an effort to reverse years of economic decline that has left the country's 22m people chronically short of food and electricity. Several recent visitors and Pyongyang-based diplomats have claimed that economic liberalisation is leading to the first signs of change in the country's rigid society, as people become more capitalistic and less reliant on the state. "More has changed in North Korea over the past year than in the 50 years before that," said one visitor. The word "reform" remains taboo in the DPRK because its use would be an admission of communism's failure. But Pak referred to "modernization" of the economy in his address to last week's annual meeting of parliament. He said the "changed environment" required greater economic co-operation with the outside world. "All units of the national economy should wage a mass movement to build their own strong export bases (and) expand and develop foreign trade," he said, according to the state news agency.

### **4. PRC-India Military Ties**

Agence France-Presse ("CHINESE, INDIAN DEFENCE MINISTERS AGREE TO BOOST MILITARY TIES," 03/30/04) reported that the PRC and Indian defence ministers agreed on measures to strengthen links between their armed forces, officials said, in a new sign of improving ties between the two most populous nations. PRC Defence Minister Cao Gangchuan, who arrived in India Friday, was given a ceremonial guard of honour before he met his Indian counterpart, George Fernandes. Delegation-level talks were also held, an official said. "Both sides presented new proposals to strengthen and develop defence exchanges and confidence-building," India's defence ministry said in a statement. They had both invited each other's officers to witness military exercises in the "interest of building familiarity, trust and confidence", it said. "It was agreed that training, including Chinese-language training in defence institutions in India, sports and cultural exchanges and friendly interaction between border personnel would be increased."

## **5. US on Hong Kong Democratization**

Agence France-Presse ("US steps into row over Hong Kong democracy," 03/29/04) reported that the US Consulate in Hong Kong has stepped into the debate on electoral reform here, saying it believed "greater democratization" was in the best interests of the former British colony. The statement marks the US' first open remarks on the issue since a war of words exploded last month between Hong Kong democrats and the city's rulers in China, who oppose any transition towards democracy. "The US supports greater democratization in Hong Kong through electoral reform and universal suffrage," a statement from the consulate said. "We believe that an open society with the highest possible degree of autonomy and governed by the rule of law is essential to maintaining stability and prosperity in Hong Kong." The statement said "events of the past year", including an anti-government march by half a million people on July 1, "amply demonstrated the desire of the people of Hong Kong to advance the democratisation process." "What is most important at this juncture in Hong Kong's ongoing evolution is ... (that it) move towards a government that more fully represents the interests of the people."

## **6. PRC on US Hailing of Taiwan Presidential Election**

Agence France-Presse ("CHINA CRITICISES US FOR HAILING TAIWAN PRESIDENT'S ELECTION VICTORY," 03/27/04) reported that the PRC sharply criticized the US on Saturday for congratulating Taiwanese President Chen Shui-bian on his election victory, deeming it "interference in Chinese internal affairs." "We are resolutely opposed to this US gesture, which is mistaken and constitutes an interference in Chinese internal affairs..." a foreign ministry statement said. "There is only one China in the world and Taiwan is a part of it," said the statement posted on the ministry's website. Its foreign ministry said Saturday: The US side has always promised to respect the One China policy and ... has on several occasions expressed its opposition to Taiwan independence and to any declaration by Taiwan authorities to make unilateral changes to the statute or move towards independence. "The US should abide by its words," it said.

## **7. Japan Troops in Iraq**

Agence France-Presse ("FINAL BATCH OF JAPANESE TROOPS ENTERS IRAQ FROM KUWAIT," 03/29/04) reported that a final batch of some 120 Japanese soldiers entered Iraq from Kuwait, on their way to help with the humanitarian mission in the southern part of the country, a military spokesman said. "The last group of Japanese ground Self-Defense Forces crossed the borders into Iraq at about 8:00 this morning (0500 GMT). They drove in a convoy of 40 military vehicles," Lieutenant Colonel Shigeru Yamasaki, head of the Task Planning and Liaison Unit, told AFP. The soldiers had arrived in Kuwait on March 22 for training at a US military camp in the desert. The training included a live-fire exercise at a range close to the borders with Iraq. They will bring the number of Japanese troops stationed in the southern Shiite city of Samawa, some 270 kilometers (170 miles) south of Baghdad, to about 530, Yamasaki said. Some 20 to 30 Japanese soldiers will continue to be stationed in Kuwait at Camp Virginia to prepare for the rotation of troops, expected to begin in the next two months.

## **8. ROK DPRK Illegal Money Transfers**

Agence France-Presse ("FORMER SKOREAN OFFICIALS CONVICTED OF SENDING MONEY TO NORTH KOREA," 03/28/04) reported that the ROK's highest court has convicted a former intelligence chief and three others of illegally sending money to The DPRK ahead of a landmark

inter-Korean summit in 2000, officials said. The Supreme Court said it was upholding lower court rulings for former national security adviser Lim Dong-Won, Hyundai Asan head Kim Yoon-Kyu and two former state bank chiefs. It approved suspended sentences of up to three years for the four. Lim, who also served as intelligence chief under the government of former President Kim Dae-Jung, and others were accused of helping Hyundai Group withdraw loans from a state bank and remit 450 million dollars to The DPRK. The money transfer took place just days before the summit, sparking accusations the government of Nobel Peace Prize winner Kim Dae-Jung used bribes to set up his meeting with DPRK leader Kim Jong-Il. The ROK's foreign exchange law bans remittances to the DPRK as the two Koreas are still technically at war. Chief justice Kim Yong-Dam ruled the accused should have sought a national consensus before remitting money through legal channels. "The cash remittance should not have been a prerequisite for the summit," he said. The case also implicated Hyundai Group chief Chung Mong-Hun and two top presidential aides -- Park Jie-Won and Lee Ki-Ho, who quit office when Kim Dae-Jung stepped down in early 2003. Lee was given a suspended sentence of three years but did not appeal, while Park is still on trial. Chung committed suicide last year.

## **9. DPRK European Bank Shut Down**

Yonhap News ("NORTH KOREA'S ONLY BANK IN EUROPE FACES SHUTDOWN," Seoul, 03/29/04) reported that the DPRK's only bank in Europe may be forced to shut down due to a lack of business to handle, an ROK trade agency said Monday (29 March). Citing information from Austria's banking regulators, the ROK's Korea Trade-Investment Promotion Agency (KOTRA) said the DPRK's Golden Star Bank in Vienna has virtually halted handling all cash transactions since last month. "The European branch of the DPRK state bank fired two local employees this month to replace them with the staff from its headquarters in Pyongyang," a KOTRA official said. The DPRK bank denied that it would be folded. "We have no plan to withdraw the banking business," a spokesperson for the bank said in a recent interview with a local Austrian daily. The Austrian government said earlier that it found no legal ground to shut down the bank. The country's regulators had conducted a special audit on the bank late last year over allegations that it was involved in money laundering and other covert business to finance Pyongyang's military program. However, Golden Star has virtually suspended normal banking operations and it may face closure unless it can find new investors or customers, KOTRA officials said.

## **10. Japan Meishin Trading House Export Ban**

Agence France-Presse ("JAPAN IMPOSES BAN ON FIRM SUSPECTED OF AIDING NKOREA NUCLEAR PROGRAMME," Tokyo, 03/29/04) reported that Japan imposed a three-month export ban on a Tokyo-based trading house for an illegal attempt last year to ship devices to the DPRK that could be used for developing nuclear weapons. "We decided to impose an administrative punishment on Meishin because of the violation of the foreign exchange law and foreign trade control law," the Ministry of Economy, Trade and Industry (METI) said in a statement. According to the ministry, Meishin, which is run by a DPRK national, tried to ship three devices controlling electric currents, which could also be used for enriching uranium, to the DPRK through Thailand in April last year without the approval of the trade minister. "The stabilisers could have been used for developing nuclear weapons and missiles," it said, adding that the company would be completely prohibited from exporting from April 5 to July 4. In February, a Japanese court ordered Meishin to pay a fine of two million yen (19,000 dollars) and sentenced its president, Kim Hak-Chun, to one year in prison, suspended for three years, for the illegal trade.

## II. CanKor E-Clipping Service

### 1. Issue #158

The impeachment of ROK President Roh Moo-hyun startles the DPRK and strains inter-Korean relations. North Korea postpones inter-Korean economic talks, citing concerns of "political instability" in the South. The DPRK's official state press blames the USA for the impeachment, referring to it as a "coup" to "install an ultra-right pro-US regime". The first Chinese foreign minister to visit the DPRK in five years, Li Zhaoxing meets with officials in Pyongyang to set a date for "working group" meetings ahead of the third round of six-party talks. The DPRK threatens to boost its nuclear arsenal, blaming the US for lack of progress in the nuclear talks. The DPRK's Supreme People's Assembly approves the 2004 budget, 15.5 percent of which is earmarked for national defense. Alejandro Cao de Benos, who describes himself as official representative of the DPRK's Committee for Cultural Relations with Foreign Countries, and who also acts as webmaster of the DPRK's official website, sheds light on the origins and purpose of the site in an article written for CanKor. Reports from ethnic Korean-Chinese officials in Yanbian province indicate the North Korean government has eased requirements for cross-border visits into China. The number of refugee-defectors to settle in the ROK rises by twelve percent in 2003. This week's FOCUS, "Refugee-defectors -- beyond borders," explores the most precarious stage of the flight of North Koreans seeking asylum in South Korea: the transit from China's border regions to ROK embassies in Beijing or South-East Asia. Also highlighted are the aid groups assisting them. In this week's OPINION section, Nicholas Kristof cautions well-intentioned refugee groups against an "overdose on moral clarity" which threatens to hurt more than help those on behalf of whom they advocate.

For more information: <http://www.cankor.ca>

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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