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# NAPSNet Daily Report 4 December, 2008

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## **I. NAPSNet**

### **1. DPRK Nuclear Program**

Korea Herald ("ALLIES AGREE TO START VERIFYING N.K. NUKE DECLARATION BY MARCH", 2008/12/03) reported that the ROK, the US and Japan agreed to finalize the disablement of DPRK nuclear facilities by March 2009, Seoul's top nuclear envoy said. The chief nuclear negotiators from the three nations agreed at a meeting to fine-tune their strategies ahead of the next round of six-party talks aimed at ending the DPRK's nuclear ambitions. "South Korea, the United States and Japan agreed to cooperate to finish up the second phase of the denuclearization process by as early as the first quarter of next year, and enter into the third phase thereafter," Kim Sook, the ROK's nuclear negotiator, told reporters after the trilateral meeting.

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### **2. DPRK on Nuclear Program**

Xinhau Net ("DPRK OFFICIAL DAILY URGES U.S., S. KOREA TO DROP HOSTILE POLICIES TOWARD DPRK", Pyongyang, 2008/12/02) reported that the DPRK's official Minju Joson daily urged the US and the ROK to abandon their hostile policies towards the DPRK on the eve of a new round of nuclear talks. "It is a prerequisite to the denuclearization of the peninsula for the US to make a switchover in its hostile policy towards the DPRK, and for South Korean to discard the policy of confrontation with its fellow countrymen," said the newspaper in a commentary. It attributed the "nuclear issues" of the Korean peninsula to the US military presence and US-ROK joint military exercises against the DPRK.

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### **3. US Policy Toward the DPRK**

Kyodo News ("HILL FORESEES NO BIG CHANGES IN 6-WAY DENUKE PROCESS UNDER OBAMA", Tokyo, 2008/12/03) reported that top U.S. nuclear negotiator Christopher Hill indicated that he does not foresee "big changes" in the six-party talks on denuclearizing the DPRK after US President-elect Barack Obama takes office in January. Hill also told Kyodo News in Tokyo that he is not particularly worried about establishing a written six-way protocol for verifying the DPRK's declaration of its nuclear programs as he is more concerned about "getting to the actual verification process."

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### **4. Inter-Korean Relations**

Yonhap News (Byun Duk-kun, "SEOUL BLASTS PYONGYANG FOR BREACHING INTER-KOREAN AGREEMENTS", Seoul, 2008/12/03) reported that the ROK Defense Ministry accused the DPRK of breaching every existing military agreement between the two Koreas, at a hearing of the special committee of the National Assembly on inter-Korean relations. The ministry also said the DPRK continues to play only a "very passive role" in improving inter-Korean relations, claiming the DPRK has only honored agreements that are beneficial to them.

Chosun Ilbo ("N.KOREAN ARMY IN PROPAGANDA LEAFLET SWEEP", 2008/12/03) reported that the DPRK has mobilized soldiers in a campaign to sweep up propaganda leaflets from ROK activists, which are dropped in large quantities on the coastal areas in South Hwanghae Province, Radio Free Asia quoted DPRK sources in the PRC as saying. Harsher punishment has reportedly been given to North Koreans who have either kept or read them.

Yonhap News (Kim Boram, "FOREIGN MINISTER CITES NEED FOR PATIENCE WITH NORTH KOREA", Seoul, 2008/12/03) reported that the ROK will closely watch how the situation unfolds following the DPRK's retaliatory steps against Seoul, the foreign minister said Wednesday. "(The measure) is related to North Korea's discontent and displeasure regarding South Korea's nuclear policy toward it, and also the dropping of leaflets by civic groups criticizing Kim Jong-il," Yu Myung-hwan said. He also said that the ROK government didn't want to "provoke" the DPRK.

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### **5. ROK Military Readiness**

Korea Herald ("SEOUL STRENGTHENS MILITARY READINESS", 2008/12/03) reported that the ROK is tightening its military readiness posture along the Northern Limit Line following Pyongyang's Dec. 1 measure to strictly limit border passages, the ROK's Defense Ministry told a parliamentary committee yesterday. "We are stepping up our surveillance and control activities along the NLL against a possible aggression from the North on (the ROK's) naval or fishing vessels," said the ministry in its report to the National Assembly's special committee on inter-Korean relations.

Korea Times ("NATIONWIDE AIR DEFENSE DRILL DUE TONIGHT", 2008/12/03) reported that the

Joint Chiefs of Staff will hold a nationwide military exercise tonight to test combat readiness against a possible aerial infiltration. The exercise will be held throughout the nation, except Jeju Island, the JCS said Wednesday. More than 30 aircraft, including 11 KF-16 jet fighters and eight UH-1H utility helicopters, will participate in the one-hour exercise, it said.

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## 6. ROK Economy

Chosun Ilbo ("NATIONAL INCOME PLUNGES TO LOWEST SINCE IMF CRISIS", Seoul, 2008/12/03) reported that the ROK's gross national income plunged to the lowest point since the financial crisis in the late 1990s during the third quarter this year. A Bank of Korea estimate said that ROK's real GNI during the third quarter fell 3.7 percent against the previous quarter, the lowest since it fell 9.6 percent in the first quarter of 1998. Furthermore, during the third quarter, GDP increased a mere 0.5 percent. With major economic indicators such as production, investment and consumption in the doldrums, GDP is expected to record zero or minus growth in the fourth quarter.


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## 7. ROK Carbon Exchange

JoongAng Ilbo ("KOREA GETS 1ST CARBON EXCHANGE", Seoul, 2008/12/04) reported that the nation's first carbon exchange will be established in Naju, South Jeolla, next May. Fawoo Technology, a local manufacturer of light-emitting diode lamps, entered into a memorandum of understanding with Naju and Germany-based Tuv-Sud to set up a carbon exchange by investing 5 billion won (\$3.4 million). Fawoo plans to join hands with the Asia-Pacific branch of Tuv-Sud to cooperate the carbon exchange. "We want to predominate in the nation's carbon exchange scene," said Yoo Young-ho, president of Fawoo during yesterday's press conference which was held at Lotte Hotel, Sogong-dong, central Seoul. The ROK was not required to cut down carbon emissions by 2012, but it has been encouraged to voluntarily set up a carbon exchange. Yoo also said they expect to earn 31 billion won in sales after the opening of the exchange.

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## 8. US-Japan Relations

Kyodo News ("U.S. TIES HINGE ON COLLECTIVE DEFENSE: AEI", Washington, ) reported that Japan must loosen its restrictions on collective self-defense to strengthen its alliance with the United States, according to a report recently published by a U.S. think tank. The report identifies the ban on collective self-defense as a "fundamental" question as Tokyo and Washington seek to expand combined efforts on missile defense,  maintaining air superiority, maritime security and strike operations. The report was authored by Michael Auslin, a resident scholar in Asian studies at the American Enterprise Institute, and Christopher Griffin, a legislative assistant on defense policy to Sen. Joseph Lieberman.

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## **9. Japan on Cluster Bomb Ban**

Kyoto News ("JAPAN, OVER 100 OTHER COUNTRIES SIGN CLUSTER BOMB BAN IN OSLO", Oslo, Norway, 2008/12/03) reported that Japan joined about 100 other countries in signing a landmark treaty in Oslo on Wednesday banning the use and stockpiling of cluster bombs, although major producers such as the United States, China and Russia were not among them. In Tokyo, Prime Minister Taro Aso described the treaty as bearing "historic significance" and said Japan will work on getting other nations to join the ban. In order to compensate for deficiencies in military capabilities as a result of the ban, the Japanese Defense Ministry has included a request for around 7.3 billion yen to acquire advanced single-warhead munitions to replace banned weapons in its budget request for fiscal 2009 beginning in April.

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## **10. Japanese Economic Stimulus**

Bloomberg (Mayumi Otsuna, "JAPAN LDP MEMBER WANTS 30 TRILLION YET IN SPENDING, KYODO SAYS", Tokyo, 2008/12/03) reported that Japan's government should spend an extra 30 trillion yen (\$316 billion) over the next three years to spur the economy, a senior ruling Liberal Democratic Party member said, according to Kyodo News. The unidentified lawmaker said the additional spending should be drawn up when the government prepares next year's annual budget proposal, the news agency reported, without saying where it obtained the information.

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## **11. Japanese Imperial Leadership**

Bloomberg (Taku Kato, "JAPAN EMPEROR CANCELS DUTIES, HAS IRREGULAR HEARTBEAT", Tokyo, 2008/12/03) reported that Japan's Emperor Akihito canceled official duties today and tomorrow after being diagnosed with an irregular heartbeat, according to the Imperial Household Agency. Akihito's blood pressure increased yesterday after he complained of chest pains two weeks ago, according to an agency spokesman who declined to provide his name. Akihito is resting in Tokyo, he said. The 74-year-old monarch underwent prostate cancer surgery in January 2003 at the University of Tokyo Hospital.

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## **12. Japanese Carbon Capture**

Bloomberg (Shigeru Sato, "TOSHIBA TO BUILD FIRST PILOT CARBON-CAPTURE PLANT IN JAPAN", Omuta City, Kyushu, 2008/12/03) reported that Toshiba Corp., Japan's largest maker of semiconductors, said it will build its first pilot carbon-capture plant as it seeks to diversify into the clean-energy technology business. Toshiba will spend between 1 billion yen (\$10.7 million) and 1.5 billion yen on the prototype at its coal-fired power station in Omuta City on the southern island of Kyushu, spokeswoman Kaori Hiraki said by phone from Tokyo. Work on the plant will start early next year with operation slated to begin by August. Toshiba forecasts about 20 carbon-capture plants will be installed at coal power plants worldwide by 2015, and demand for the new technology will grow,

Hiraki said.

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## **13. US-PRC Strategic Economic Dialogue**

Associated Press (Joe McDonald, "US, CHINA HEADED FOR POSSIBLE CURRENCY CLASH", Beijing, 2008/12/03) reported that the United States and the PRC are headed for a possible clash over currency as they open wide-ranging talks on the future of their economic relations. U.S. officials say Treasury Secretary Henry Paulson will press Beijing to let its yuan rise against the dollar to ease trade tensions at the two-day Strategic Economic Dialogue starting Thursday. But with the PRC's exporters suffering, the yuan plunged Monday in government-controlled trading — a possible message to Washington to go easy on the issue. In addition to the currency issue, the talks are to cover cooperation in energy conservation and environmental protection, among other topics. Paulson's delegation includes the U.S. secretaries of agriculture, labor and health, the U.S. trade representative, officials of the Treasury and Commerce departments, and others.

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## **14. Sino-Russian Arms Deal**

United Press International ("CHINA, RUSSIA STILL AT ODDS OVER IL-76 SALES DEAL", Hong Kong, 2008/12/03) reported that the dispute over a deal involving the PRC's import of 38 Russian aircraft -- 30 Il-76 transport aircraft and eight Il-78 air-to-air refueling tankers -- has not been completely resolved. The Kremlin has not agreed to transfer its production technology for the large aircraft to the People's Republic of China, nor have the two sides initiated negotiations on this particular issue, according to a source from the Russian aviation industry. It is because of this that the PRC has turned its attention to Ukraine to try to purchase the Antonov An-70 air transport instead.

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## **15. PRC Economic Growth**

Shanghai Daily (Wang Yanlin, "CHINA TO SET STRATEGY FOR 8% GDP GROWTH", 2008/12/03) reported that the PRC's top economic policy makers will meet next week to decide how to secure growth of at least 8 percent, outpacing the World Bank's more pessimistic forecast of 7.5%, government officials said yesterday. The minimum growth rate that the PRC needs to absorb the millions of people entering the workforce every year is widely regarded to be 8 percent. Also yesterday, the Chinese Academy of Social Sciences predicted that the PRC economy could sustain growth of around 9 percent next year because of the concerted world effort to counter the financial crisis. Other economists were more optimistic. Zhang Liqun, a researcher at the State Council, said the nation's economy may grow 10 percent next year.

Financial Times (Geoff Dyer, "OUTPUT IN CHINA HIT BY GLOBAL WEAKNESS", Beijing, 2008/12/03) reported that PRC manufacturing slumped in November, according to two surveys released on Monday as recessions in Europe, the US and Japan began to hit the PRC's export machine. The record falls in activity in both surveys underlined the rapid deceleration in the PRC

economy in recent months, which has raised fears of heavy job losses and prompted shifts in fiscal and monetary policy. Eric Fishwick, economist at CLSA in Hong Kong, said: "Another grim month for Chinese manufacturing and the first in which weakness in overseas demand overtook what has been mainly a domestic slowdown."

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## **16. PRC Consumer Spending**

New York Times (Andrew Jacobs, "CHINA'S ECONOMY, IN NEED OF JUMP START, WAITS FOR CITIZENS' FISTS TO LOOSEN", Beijing, 2008/12/03) reported that PRC government analysts are looking to consumers, especially the country's hundreds of millions of high-saving peasants, to consume at a higher rate to boost economic growth. "If we can boost people's confidence and they spend more money, it will not only be beneficial to China but it will help stabilize the world's economy," Zhu Guangyao, the assistant finance minister, said. Although high savings rates can be found across Asia, the Chinese propensity to save is rooted in deep-seated memories of scarcity and a tattered social safety net that forces people to save up for education, retirement and medical costs.

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## **17. PRC Civil Society**

Associated Press (Min Lee, "JET LI: CHINA READY FOR VOLUNTEERISM 'EXPLOSION'", Hong Kong, 2008/12/03) reported that Jet Li said the PRC is ready for an explosion of volunteerism amid its growing prosperity as he put aside his acting duties to discuss charitable efforts Wednesday at former President Bill Clinton's donor conference in Hong Kong. Speaking at a panel discussion at the Clinton Global Initiative Asia conference, the 45-year-old action film star said volunteerism and charity are rare in the PRC but are now on the rise as the country becomes more prosperous after two decades of capitalist-style economic reforms. Now PRC citizens are eager to help others in need, Li said, saying he expects "an explosion of the Chinese people's generosity pent-up over the past 100 years."

Xinhau Net ("OFFICIAL: NGOS CAN PLAY BIGGER ROLE IN CHINA'S HUMAN RIGHTS PROTECTION ", Beijing , 2008/12/03) reported that the rapid growth of non-governmental organizations (NGOs) in the PRC has played an increasingly important role in human rights protection, but more needs to be done to give them a better environment for development, a PRC official said. The number of PRC NGOs, including non-profit mass organizations, institutions and foundations, increased to 386,000 in 2007 from 266,000 in 2003, said Wang Qiyan, director of the Policy Research Center under the Ministry of Civil Affairs. In a paper presented to a human rights seminar here, Wang described the NGOs as "the third force and mechanism with a special advantage, besides the government and the market, to contribute to the improvement and protection of human rights."

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## **18. PRC Renewable Energy**

Reuters (Michael Szabo, "E-CONCERN TO LEAD \$1 BLN CHINA WIND FARM INVESTMENT",

London, 2008/12/02) reported that clean energy company Econcert will partner with China National Offshore Oil Corp and Sinohydro to invest 863 million euros (\$1.09 billion) to build four PRC-based wind farms, the companies said on Tuesday. Construction of the wind farms, which will generate around 720 megawatts (MW) of renewable energy, will begin in 2009, Netherlands-based Econcert said in a statement. "Traditional energy suppliers focus on conventional models and solutions, but this is no longer sustainable in any sense," Econcert Chairman Ad van Wijk said. 'Sustainable energy is the only long term viable option.'

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## **19. PRC Unrest**

Xinhau Net ("200 WORKERS IN S. CHINA CITY BLOCK HIGHWAY FOR LABOR CONTRACT DISPUTE", 2008/12/02) reported that about 200 workers of a smelting factory gathered and blocked a highway for about two hours in a south PRC city for labor contract dispute early Monday morning. The employees with Shaoguan Smelting Factory in Shaoguan City, Guangdong Province, gathered at the factory's gate at around 8:30 a.m. to protest that the factory refused to continue to sign the labor contracts as they expected. The gathering blocked national highway 106 and halted traffic for two hours. They evacuated after the factory agreed to sign the new contracts in the way they expected.

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## **II. PRC Report**

### **20. Sino-Singapore Relations**

Xinhua Net (Zhang Yongxing, "SINO-SINGAPORE FRIENDSHIP ASSOCIATION CELEBRATES 15TH ANNIVERSARY", ) reported that Sino-Singapore Friendship Association held a large dinner party to celebrate its 15<sup>th</sup> anniversary of establishment. Singapore Foreign Minister Yang Rongwen and other nearly 250 guests attended on invitation. The president of Sino-Singapore Friendship Association Pan Guoju said at the dinner party that in the past 15 years, the Association is applying itself to promote cultural and educational cooperation of the two counties all along, and also organizes related official quarters and people of literary and art circles to go to Singapore for training and communication. The achievements of the Association cannot do without the support of the government and related organizations, and the Association should continue to move forward, said Pan.

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### **21. PRC Civil Society**

China Women Network ("REFORM AND OPENING-UP AND FAMILY EDUCATION FORUM HELD IN BEIJING", 2008/12/02) reported that Reform and Opening-up and Family Education Forum which was co-sponsored by All China Children and Women Federation, China Family Education Association and China Children Center was held in Beijing on November 29, 2008. On the forum people have reviewed the process of theory and practice of family education in the past 30 years, exchanged

relevant experiences, and put forward policy suggestion on further innovation and development. Over 200 representatives from all related circles have come to the forum.

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### **III. ROK Report**

## **22. ROK Policy toward DPRK**

PRESSian (Yang Sung-chul, "YANG SUNG-CHUL, 'WILL LEE MAKE EVERYTHING IN VAIN?'" , 2008/12/04) said in a column that Yang Sung-chul, former US ambassador, said that the Lee Myung-bak Administration is rather stepping backward in its DPRK policy. He emphasized that the DPRK nuclear problem should be dealt within the framework of six-party talks, while the inter-Korean relationship should be resumed by the two Koreas. Yang added that concerning Obama Administration's DPRK policy, it seems that they will possibly work on dismantling the nuclear weapons while trying to hold the summit talks with the DPRK at the same time. He also chose security, stability, safety, and relief as the four necessities of the Korean Peninsula which can be achieved by the improvement of the relationship with the DPRK and other neighboring nations, as well as the economic growth.

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## **23. Inter-Korea Relations**

TongilNews ("PROPAGANDA BILLS SHOULD BE ABANDONED BY LAW", 2008/12/03) reported that several social organizations such as the ROK Progressive Union urged the Unification Ministry to take actions to prevent anti-DPRK organizations from releasing propaganda bills toward the DPRK. They held a press meeting with 40 members of civil organizations and asked the Ministry to react with more responsibility. They added that the confliction over the propaganda bills is not a matter of ideology, but that of common sense.

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