

NAPSNet Daily Report 4 June, 2010

Recommended Citation

"NAPSNet Daily Report 4 June, 2010", NAPSNet Daily Report, June 04, 2010,
<https://nautilus.org/napsnet/napsnet-daily-report/napsnet-daily-report-4-june-2010/>

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MARKTWO

I. NAPSNet

1. ROK on Naval Ship Sinking

Yonhap News (Kim Deok-hyun , "DEFENSE MINISTER TO MOUNT CAMPAIGN ON SUNKEN SHIP AT SECURITY FORUM", 2010/06/03) reported that Defense Minister Kim Tae-young headed to Singapore for an annual security forum, which will include discussions about the DPRK and reining in its belligerent behavior. President Lee Myung-bak is making an unusual appearance at the forum of mostly defense chiefs and will give a keynote speech. Defense Minister Kim has scheduled a flurry of bilateral talks on the sideline of the three-day Asia Security Summit, including Ma Xiaotian, deputy chief of the General Staff of the PRC's People's Liberation Army.

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2. DPRK on UN Sanctions

Agence France-Presse (Lim Chang-won, "N.KOREA WARNS OF 'TOUGH RETALIATION' AGAINST UN ACTION", Seoul, 2010/06/04) reported that the DPRK warned Friday of retaliation if it is hauled before the UN Security Council over the sinking of the Cheonan. The DPRK accused Washington and its allies of having "an ulterior motive" in wanting to refer the issue to the Security Council, and dismissed the probe results as "sheer fabrication". "The US and the UNSC will find nothing to say about the toughest retaliation the DPRK is to take as it did in the past," a foreign ministry spokesman said in a statement carried by the official media. They will "never shrug off the responsibility for having blocked the denuclearisation of the Korean peninsula and sparked off a conflict," he said.

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3. DPRK on Inter-Korean Relations

Reuters ("NORTH KOREAN ENVOY WARNS WAR COULD ERUPT SOON", Geneva, 2010/06/03) reported that a DPRK envoy said that war could erupt at any time on the divided Korean peninsula because of tension with Seoul over the sinking of a ROK warship. "The present situation of the Korean peninsula is so grave that a war may break out any moment," Ri Jang Gon, the DPRK's deputy ambassador in Geneva, told the United Nations-sponsored Conference on Disarmament . The DPRK's troops were on "full alert and readiness to promptly react to any retaliation," including the scenario of all-out war, he told the forum.

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4. Inter-Korean Economic Relations

Yonhap News ("S. KOREAN FIRMS IN KAESONG ASK FOR SOFTER RESTRICTIONS", Seoul, 2010/06/03) reported that ROK firms operating in a joint inter-Korean industrial park asked the Seoul government to ease travel restrictions on the Kaesong complex in the DPRK. Bae Hae-dong, head of an umbrella association representing 110 businesses operating in Kaesong, called on Seoul to allow ROK workers to visit their factories freely and discontinue placing a quota on employees who can stay at the complex. The government, however, said it will maintain the travel restrictions because they are designed to protect ROK nationals.

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5. DPRK Military

Chosun Ilbo ("N.KOREAN SOLDIERS IN BORDER VILLAGE DON STEEL HELMETS", 2010/06/03) reported that DPRK soldiers stationed at the border truce village of Panmunjom started wearing steel helmets at the end of last month instead of their usual army caps, a ROK military spokesman said. The switch is apparently intended to show the DPRK's resolve as tensions mount on the peninsula since the sinking of the ROK Navy corvette Cheonan.

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6. UN Aid to the DPRK

Chosun Ilbo ("UNICEF TO SPEND \$130 MIL. ON AID IN N.KOREA", 2010/06/03) reported that the United Nations Children's Fund has announced plans to spend close to US\$130 million to support children and pregnant and nursing mothers in the DPRK from 2011 to 2015. According to Yonhap News, UNICEF has submitted a proposal to its board of directors outlining plans to provide some \$128 million worth of humanitarian assistance to DPRK mothers and children. Some 66 percent is expected to be spent on improving health and nutrition, while the rest will be used to finance medication for malaria and tuberculosis as well as lowering the mortality rate of newborns and mothers.

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7. DPRK Economy

Asia Pulse News ("N. KOREAN DRINKERS FLOCK TO PYONGYANG PUBS AS DEMAND INCREASES", 2010/06/03) reported that there are more than 150 beer houses in Pyongyang, which provide customers with a variety of draft and bottled beer, the official state media reported on May 27. "More than 150 beer parlors in different parts of Pyongyang are alive with customers every day," said the Korean Central News Agency (KCNA). On the back of increasing demand for alcohol, Taedong River Beer Factory has recently modernized its production and management system, which are all computer-controlled, and has also set up new facilities.

Bloomberg ("NORTH KOREA PROFITS FROM BRAZIL WORLD CUP GAME WITH JERSEY DEAL", 2010/06/03) reported that the DPRK is returning to the World Cup after 44 years, and venturing into the sports marketing industry that evolved in its absence. Ahead of the June 11 start of the tournament, the soccer team of Kim Jong Il's regime has snared a 4 million-euro (\$4.9 million) jersey contract over four years, according to Daniele Nastro, marketing director of sports apparel maker Gegea s.r.l. "Perhaps it's a sign of incipient capitalism," Jim Hoare, a retired British diplomat who served in Pyongyang, said.

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8. DPRK Energy Exports

Agence France-Presse ("OIL FIRM SAYS N.KOREA EXPLORATION TO START IN A YEAR", 2010/06/03) reported that the head of a London-based energy firm that signed a deal to search for oil off the DPRK said on Thursday he hoped to start exploring in a year but was closely monitoring tensions on the peninsula. Aminex PLC executive chairman Brian Hall told AFP he expected "field work in about a year" off the communist nation's east coast and aimed to "find substantial reserves". He added: "Naturally we will keep a very close eye on the tensions on the peninsula, as we have done during previous incidents, but our project is of a long-term nature and well thought through."

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9. Alleged DPRK-Myanmar Nuclear Cooperation

Associated Press (Denis D. Gray, "REPORT: MYANMAR SEEKING NUCLEAR WEAPONS", Bangkok, 2010/06/04) reported that documents smuggled out of Myanmar by an army defector indicate its military regime is trying to develop nuclear weapons and long-range missiles, and the DPRK is probably assisting the program. The Norway-based Democratic Voice of Burma said Friday the defector had been involved in the nuclear program and smuggled out extensive files and photographs describing experiments with uranium and specialized equipment needed to build a nuclear reactor and develop enrichment capabilities. But the group concluded in a report that Myanmar is still far from producing a nuclear weapon. On Thursday, U.S. Senator Jim Webb announced he was postponing a trip to Myanmar because of the allegations.

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10. Japanese Nuclear Technology and the DPRK

Bloomberg News (Shigeru Sato and Yuji Okada, "TOKYO ELECTRIC DENIES N. KOREAN SPY AT ATOMIC PLANT", 2010/06/03) reported that Tokyo Electric Power Co., Asia's biggest utility, denied a magazine report that a spy working for the DPRK has infiltrated the world's biggest atomic generator, the Kashiwazaki-Kariwa nuclear plant in northern Japan. Shukan Bunshun, a weekly news magazine published by Bungeishunju Ltd. in Tokyo, reported today that a male agent is employed at the plant as an engineer, and that the Niigata prefectural police are investigating. There's no investigation, a prefectural police official, who declined to give his name because of department policy, said .

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11. DPRK-Japan Relations

Xinhua News ("DPRK SAYS HATOYAMA RESIGNS BECAUSE OF ANTI-DPRK POLICY", 2010/06/03) reported that the DPRK said that Japanese Prime Minister Yukio Hatoyama resigned because of his "anti-DPRK policy" and failure to keep his promise to relocate a US marine base. The frequent replacement of Japanese prime ministers and instability of the political situation in Japan over recent years "were closely linked with the hostile policy pursued by the Japanese authorities toward the DPRK," the official KCNA news agency said. "It proves that the hostile policies against the DPRK were anachronistic ones going against the wishes of the Japanese people and the trend of history," it added.

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12. ROK-Japan Relations

Yonhap News ("S. KOREA HOPES FOR CONTINUED DEVELOPMENT OF TIES WITH JAPAN UNDER NEW LEADER", 2010/06/03) reported that the ROK expressed hope that its relations with Japan will continue to move forward under a new leader who will succeed Yukio Hatoyama as prime minister. "Basically, Japan's Democratic Party has a position of considering it is important to strengthen South Korea-Japan relations," ROK Foreign Minister Kim Young-sun told reporters. "We anticipate the mature and future-oriented partnership ties will continue under a new prime minister."

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13. Japanese Politics

Associated Press (Tomoko A. Hosaka, "NAOTO KAN ELECTED JAPAN'S PRIME MINISTER", Tokyo, 2010/06/04) reported that Japan's parliament installed Naoto Kan as the new prime minister Friday. "We will work together as one in the face of the tough political situation and the upcoming upper house elections and fight together unified," he said to party members. "Our first priority is to regain the trust of the people."

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14. Japan-US Security Alliance

Reuters ("CHANGE IN JAPAN WILL NOT WEAKEN ALLIANCE: WHITE HOUSE", 2010/06/03) reported that the change in Japan's leadership will not weaken the U.S. alliance with Japan, a White House official said. "Japan is one of our best friends in the world and that alliance is not going to change because of a change in leadership in that country," White House spokesman Bill Burton told reporters.

Kyodo News ("GATES HOPES JAPAN'S NEW PM WILL CLARIFY IMPORTANCE OF BILATERAL ALLIANCE", 2010/06/03) reported that US Defense Secretary Robert Gates expressed hope that the next Japanese prime minister will clarify the importance of the Japan-US alliance soon after taking office. On the relocation of US Marine Corps' Futenma Air Station, Gates indicated that the United States will strive to reduce the burden of people in Japan's Okinawa Prefecture in hosting US bases.

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15. Russo-Japanese Territorial Dispute

Kyodo News ("HATOYAMA'S EXIT TO BRING NEW IMPASSE TO TALKS WITH RUSSIA: PAPER", 2010/06/03) reported that Japanese Prime Minister Yukio Hatoyama's imminent resignation as prime minister will bring a new stalemate to talks aimed at forging a peace treaty between Japan and Russia, the Kommersant newspaper said. An Itar-Tass News Agency dispatch from Tokyo said Hatoyama failed to produce results in his eight months in office on the bilateral territorial dispute involving Russian-held islands off Hokkaido, despite promising to make progress within six months to one year. No one will take responsibility for the promise made, the dispatch said.

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16. Sino-US Relations

Reuters ("GATES SAYS CHINA'S PLA MAY BE TRYING TO THWART TIES", 2010/06/03) reported that Defense Secretary Robert Gates said he believed the PRC military was thwarting efforts to improve military-to-military relations in an apparent split with the country's political leadership. "My opinion (is) that the PLA is significantly less interested in developing this relationship than the political leadership of the country," Gates told reporters. "I'm disappointed that the PLA leadership has not seen the same potential benefits from this kind of a military-to-military relationship as their own leadership and the United States seemed to think would be a benefit," he said.

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17. Sino-Burmese Relations

The Los Angeles Times ("CHINA'S WEN JIABAO, MYANMAR LEADERS TO DISCUSS SENSITIVE TOPICS", 2010/01/03) reported that when PRC Premier Wen Jiabao sits down with Myanmar's senior military leaders during the first visit to the isolated nation by a top PRC leader in 16 years, they are expected to announce several economic agreements and promise to continue six decades of strong

diplomatic ties. As the PRC ramps up its Myanmar investments in roads, dams, mines, fisheries and pipelines — public works designed in part to transport its southern neighbor's energy reserves north — Beijing is keen to ensure its investments are safe and won't become the target of sabotage.

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18. Sino-Mongolia Relations

Xinhua News Agency ("CHINA, MONGOLIA AGREE TO BOOST COOPERATION IN ENERGY, TRADE", 2010/06/02) reported that visiting PRC Premier Wen Jiabao and his Mongolian counterpart Sukhbaataryn Batbold agreed to deepen bilateral cooperation in various areas including energy, trade and environmental protection. The PRC and Mongolia should strengthen exchanges and cooperation and advance the partnership of good-neighborliness and mutual trust between the two countries, Wen said in talks with Batbold in Ulan Bator.

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19. Cross-Strait Relations

The Associated Press ("TAIWAN PRESIDENT FACES HURDLES IN KEY CHINA DEAL", 2010/06/03) reported that Taiwanese President Ma Ying-jeou is facing domestic and PRC hurdles in his pursuit of a key PRC trade pact that could bring about the closest relations between the longtime rivals since their split amid civil war in 1949. The Taiwanese opposition's call for a referendum on the pact is also gaining momentum with its claim that Taiwanese should be allowed to decide on a deal that could make the island overly reliant on the PRC economy and threaten its political independence. Despite the obstacles, the cross-strait pact is almost certainly going to be signed this year, with the Ma administration repeatedly pledging to see it through in June.

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20. PRC Ethnic Unrest

Xinhua Net ("NORTH CHINA PORT CITY REPORTS FIGHT AMONG MIGRANT WORKERS", 2010/06/03) reported that police authorities in north PRC's port city of Tianjin Tuesday confirmed a brawl among migrant workers at a Xinjiang-style restaurant last week. Two groups of non-local migrants brawled after quarreling at a grill in Hedong District on May 25, said a statement from the district public security bureau. The group who were beaten later returned to the grill with more people to take revenge, but found that their opponents had left, said the statement. Scuffles then broke out between them and restaurant workers from the PRC's far western Xinjiang region, leaving four restaurant staff slightly hurt and some property damaged.

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21. PRC Media Control

CNN ("CHINA'S CENSORSHIP COULD LEAD TO A BRAIN DRAIN", 2010/01/03) reported that students are leaving the PRC for the opportunity to study in Hong Kong instead. "We are a small

elite who can afford freedom beyond China's great firewall," says "Li Cheng" from Shanghai. "I live in one country, but it feels like having two identities," Li said. "In Shanghai, I use special software to access sites blacklisted by the government, like Twitter or the uncensored version of Google. "In Hong Kong, I am taught to integrate these tools in my research."

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22. PRC Resource Development

The New York Times ("CHINA WEIGHS TIGHTER CONTROLS ON RARE ELEMENTS", 2010/06/03) reported that the PRC is planning to tighten its control over its rare earth minerals by allowing just a handful of state companies to oversee the mining of the scarce elements, which are vital to some of the world's greenest technologies. The State Council, the PRC's highest legislative body, is weighing a proposal to put the government in control of private and unauthorized mines that produce rare earth minerals, a strategic resource that much of the world depends on, according to China Daily, the official English-language newspaper.

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23. PRC Environment

Agence France-Presse ("CHINA 'NOT VERY OPTIMISTIC' ON CUTTING EMISSIONS", Beijing, 2010/06/03) reported that the PRC said it was "not very optimistic" that its efforts to slash emissions were working. Beijing issued a similar warning a month ago, prompting speculation that it could miss its emissions reduction targets . The country's vice minister for environmental protection, Zhang Lijun, told a press conference that sulphur dioxide emissions had risen by 1.2 percent year-on-year in the first quarter of 2010 -- the first jump since 2007.

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II. PRC Report

24. PRC Environment

Xinhua Net ("CHINA SOLICITS PUBLIC OPINION TO PROTECT POLLUTED LAKE", 2010/06/03) reported that a draft regulation on the protection of water resources and ecological environment of the Taihu Lake, the third largest freshwater lake in the PRC, was made public Wednesday to solicit opinions. According to the draft, local authorities must readjust their economic structure and eliminate outdated industries with high water consumption and pollution.

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25. PRC Disaster Relief

China News Net ("EMERGENCY RESPONSE PLAN LAUNCHED FOR FLOOD RELIEF IN GUANGXI",

2010/06/03) reported that China National Committee for Disaster Reduction and the Ministry of Civil Affairs Wednesday launched an emergency response plan to help victims of the rainstorms and flooding in Guangxi Zhuang Autonomous Region, which has left at least 30 dead. The committee and the ministry will send a working team within 24 hours to the disaster zone and allocate relief materials within 48 hours.

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