

# NAPSNet Daily Report Monday, February 05, 2007

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## **I. NAPSNet**

### **1. DPRK on Six Party Talks**

Asahi Shimbun ("N. KOREA SEEKS MASSIVE AID FOR NUCLEAR DEAL", 2007-02-05) reported that DPRK said it is prepared to stop its nuclear reactors in exchange for at least 500,000 tons of oil annually (on a larger scale than the oil promised in the 94 Agreed Framework) or an equivalent energy package. Joel Wit, a former State Department official who was in charge of the DPRK under the Clinton administration, and David Albright, a nuclear specialist at the Institute for Science and International Security (ISIS), a private think tank, visited the DPRK from Jan. 30 at the invitation of Pyongyang. They talked to The Asahi Shimbun after meeting with top DPR Korean officials, including Vice Foreign Minister Kim Kye Gwan, Pyongyang's representative in the six-party talks. Aside from the energy demands, Pyongyang also wants to be removed from a U.S. list of states that sponsor terrorism and for Washington to lift its financial sanctions, the U.S. experts said. Detailing the demands, Wit and Albright said they were told Pyongyang was ready to stop operations at its nuclear facilities in Yongbyon, north of the capital, and resume International Atomic Energy Agency (IAEA) inspections after a more than four-year hiatus. It said it was willing to reactivate monitoring cameras at the facilities. However, the officials also said that Pyongyang would not allow IAEA inspectors to check on reactors or enter facilities where spent nuclear fuel rods are reprocessed. Furthermore, as a condition for the final abandonment of its nuclear program, Pyongyang demanded that the light water reactors, whose construction was assumed in the U.S.-DPRK nuclear agreement, be built and handed over, Wit said. The DPRK also sought normalization of diplomatic ties with the United States, Wit said.

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### **2. US on Six Party Talks**

Associated Press ("U.S. SAYS NORTH KOREA MUST ABANDON NUKES", 2007-02-05) reported that Christopher Hill said the DPRK must get out of the nuclear business if it wants energy or economic aid, adding he believed the DPRK was prepared to negotiate at the coming talks in Beijing. However, he refused to speak on news reports that Pyongyang is prepared to freeze a key reactor and accept inspectors in exchange for 500,000 tons of heavy oil and other conditions. Hill was to meet with Japanese officials before leaving for Beijing on Wednesday. The next round of talks is to start in the Chinese capital on Thursday among delegates of the two Koreas, Japan, the U.S., PRC and Russia.

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### **3. ROK on Six Party Talks**

Chosun Ilbo ("WASHINGTON, SEOUL 'MULLING ENERGY AID FOR N.KOREA'", 2007-02-05) reported that the ROK and U.S. have reportedly agreed to discuss providing heavy fuel oil to the DPRK if it undertakes to start dismantling its nuclear program under a statement of principles

singed in September 2005. The two did not discuss provision of heavy oil ahead of the next round of six-party nuclear talks with the DPRK which opens in Beijing on Feb. 8, the U.S. top nuclear envoy Christopher Hill said after a dinner meeting with his RO Korean counterpart Chun Young-woo. But he pointed out that the 2005 statement of principles contains provisions on fuel and economic aid to Pyongyang. An ROK government official said that no one would be taken aback if the provision of heavy fuel oil to the DPRK resumes, since this has already been part of a deal with the DPRK before. The issue will be who shoulders the burden of paying for it, as a series of news reports say Washington and Tokyo are less than enthusiastic. The U.S. supplied 500,000 tons of heavy oil a year to the DPRK until the second nuclear crisis in 2002, which the ROK government estimates cost US\$150 million. Japan's Asahi Shimbun quoted Joel Wit, a former State Department official, as saying the DPRK would want 500,000 tons of heavy oil a year or a corresponding amount of electricity until it is given a light-water nuclear reactor and will not agree to scrap its nuclear program until then.

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## **4. Japan on Six Party Talks**

Kyodo News ("JAPAN HAS LIMITS ON TAKING PART IN ENERGY AID TO N. KOREA: YACHI", 2007-02-05) reported that Vice Foreign Minister Shotaro Yachi said he sees limits to Japan's taking part in energy assistance for the DPRK in response to possible steps Pyongyang may take toward denuclearization in the upcoming six-party talks. Chief Cabinet Secretary Yasuhisa Shiozaki said separately that the DPRK needs to take concrete steps toward denuclearization before receiving aid and indicated that Japan will not consider providing energy assistance unless there is progress on the abduction issue. Japan could face criticism for undermining the efforts of the five parties to present a common front to Pyongyang.

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## **5. Russia on Six Party Talks**

Itar-Tass ("RUSSIAN OFFICIAL GIVES PRELIMINARY TIMETABLE FOR NORTH KOREA TALKS", 2007-02-02) reported that the Russian delegation is leaving for Beijing on 6 February to hold bilateral meetings with participants in the six-party talks. Russian Deputy Foreign Minister Aleksandr Losyukov, who is leading the Russian delegation, told ITAR-TASS that the talks, scheduled to begin Feb. 8, were likely to last till 12 February. "If the agreements between the USA and North Korea are confirmed and turn out to be viable, they could possibly serve as the basis for reaching some agreements at the six parties' plenary meetings. Certain agreements that apparently were reached between the US and the DPRK in Berlin made it possible to continue with a new round of the six-way talks," Losyukov said. At the same time, he added that "there should be no great expectations".

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## **6. US Congressman On DPRK**

Yonhap News Agency ("US CONGRESSMAN SAYS SEEKING MEETING WITH NORTH KOREA'S KIM JONG-IL", 2007-02-02) reported that US congressman Tom Lantos, chairman of the House Foreign Affairs Committee is planning a visit to Pyongyang this spring and is seeking a meeting with Kim Jong Il. He told Yonhap News Agency that he had candid discussions with DPRK officials during his previous trips to Pyongyang. "That convinced me that there is great value in continuing a

dialogue," he said. He visited the North twice, in January and August of 2005. Lantos, a Democrat from California, is also a strong advocate of human rights, a topic Pyongyang is averse to publicly address but did discuss with him. "My hosts in Pyongyang knew of my involvement in the issue, and they brought it up," he said.

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## **7. DPRK on Nuclear Test**

Yonhap News ("NK OFFICIAL BOASTS NUCLEAR WEAPONS TEST AHEAD OF SIX-PARTY DISARMAMENT TALKS", 2007-02-05) reported that a top DPRK official said his country's nuclear weapons test helped the country build "an invincible revolutionary army and powerful war deterrent" which enables it to defend itself from any outside aggression. The remarks by Chae Thae-bok, chairman of the Supreme People's Assembly, came three days ahead of the resumption of the Six Party Talks.

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## **8. BDA on Counterfeit Screening**

Associated Press ("MACAU BANK SAYS HSBC HELPED IT AUTHENTICATE U.S. DOLLAR DEPOSITS BY NORTH KOREA", 2007-02-02) reported that HSBC, one of the world's biggest banks, helped screen large deposits of cash from DPRK customers for the Banco Delta Asia. The Macau lender, Banco Delta Asia, said it was a "small, family-owned institution" that didn't have the technology to check big batches of U.S. currency for fake bills, according to a letter by the bank's attorney available Friday on the U.S. Treasury Department's Web site. "Such deposits were sent to HSBC New York for analysis before being finally credited to the depositor's account," according to the Oct. 18 letter. HSBC spokesman Gareth Hewett in Hong Kong declined to comment on the specifics of the case. This week, a U.S. Treasury envoy Daniel Glaser said his agency's suspicions of illegal financial activity were confirmed by two days of talks with Pyongyang officials that ended Wednesday. Many large banks like London-based HSBC Holdings PLC help smaller institutions with bank note trading services, such as transporting currency, counterfeit screening and exchanging damaged bills. Banco Delta Asia's lawyer said in the letter that "money could have been laundered, but there is no specific evidence that the bank was aware that it was being used for this purpose."

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## **9. Inter-Korean Relations**

Chosun Ilbo ("RUMORS ABOUND OF ANOTHER INTER-KOREAN SUMMIT", 2007-02-02) reported that Cheong Hyung-keun, a senior lawmaker with the opposition Grand National Party, insisted during a GNP meeting Thursday that a "reliable source" told him that working-level negotiations are underway between Seoul and Pyongyang to hold a summit between president Roh Moo-hyun and Kim Jong-il in Seoul on Liberation Day, Aug. 15. A source from the National Intelligence Service denied the rumors, as did other government officials. "It's not worth even a minute's consideration," said an official from the Unification Ministry. "If those sources who say things that don't exist are ever disclosed, we'll deal with them strongly."

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## 10. Aid for DPRK Disease Outbreak

Yonhap News Agency ("AID GROUP PROVIDES INFECTIOUS DISEASE MEDICINE FOR N. KOREA", 2007-02-01) (LexisNexis) SEOUL Feb. 1: reported that a RO Korean aid group said it will provide medicine to the DPRK this week to help prevent the spread of scarlet fever and typhoid. "We will ship 80 million won (US\$80,000) worth of medicines for the North next Tuesday," said the South-North Sharing Community, an aid organization affiliated with the National Unification Advisory Council. Last month, the ROK's Unification Ministry said the government will not provide any medical aid because the DPRK is capable of tackling the infectious diseases. Since December, however, two RO Korean civic groups delivered shipments of penicillin and antibiotics to the DPRK, saying scarlet fever and other communicable diseases are spreading fast.

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## 11. Hyundai Asan Tourism Project

Korea Herald ("HYUNDAI ASAN TO BOOST NORTH KOREA TOURISM", 2007-02-05) reported that since Hyundai Asan's tour businesses have been held back by the DPRK's mixed messages and frequent changes in Seoul's policy toward Pyongyang, they plan to attract 400,000 RO Korean tourists and fast-track the official launch of tours of the DPRK city of Kaeoeng. Hyundai Asan president and CEO Yoon Man-joon paid a tribute to the family graveyard of the late Chung Ju-yung and Chung Mong-hun with Hyundai Asan executives. Yoon asked them to put forward their best efforts to meet the 2007 business target, Yonhap News reported. Hyundai Asan's tourism plan in Kaesong was dampened when the DPRK requested to sign a deal with another Korean company, Lotte Tours Co., in August 2005, despite the earlier contract with Hyundai Asan. The biggest blow to Hyundai Asan last year was the DPRK's nuclear test on Oct. 9. With the tension created on the Korean peninsula after the nuclear test, the number of Mount Kumgang tourists plummeted, causing the failure of Hyundai Asan to meet the initial target of 400,000 visitors. The number reached only 240,000 last year. Hyundai Asan's posted sales of 235 billion won (\$249 million) and an operating profit of 2 billion won last year, which is a disappointing performance according to experts. This year, Hyundai Asan said it will beef up its profitability by launching a new tour package to inner Kumgang, a golf course at the mountain resort, and offering a Kaesong tour. According to the company, it will open a new tour of inner Kumgang in April, have a test round at the golf course in June and open it in late October, aiming to attract more tourists.

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## 12. US-ROK FTA Agreement

Korea Times ("US MAY ACCEPT KAESONG GOODS", 2007-02-05) reported that the United States might recognize goods made at the joint Inter-Korean Industrial park of Kaesong as RO Korean products in a proposed free trade agreement (FTA) if there is a "change in circumstances". The U.S. Ambassador to Seoul Alexander Vershbow said in a meeting with Unification Minister Lee Jae-joung that, although it seems unrealistic at the moment to recognize the Kaesong products as RO Korean, there is room left to negotiate within the proposed FTA. "Lee stressed that U.S. recognition of the goods produced in Kaesong as South Korean will contribute to bringing about a lasting peace on the Korean Peninsula," a ministry official said after the meeting. "Ambassador Vershbow said 'if,' but he did not elaborate on what kind of change under what kind of circumstances." Vershbow's remarks could be interpreted as a sign of change in U.S. strategy since Washington has so far refused to deal with the issue as an official agenda item in the ongoing negotiations for a RO Korea-U.S. FTA.

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## 13. Japan Elections

The Los Angeles Times ("TROUBLES MOUNT FOR JAPAN'S RULING PARTY", 2007-02-05) reported that Japan's ruling party concluded another rocky week in office Sunday by losing a high-profile mayoral race and winning a regional governor's election by a closer-than-expected margin, a rebuke from voters for an administration increasingly seen as clumsy and adrift. The setback came as Liberal Democratic Party politicians continued the loose-lipped habits that have given Prime Minister Shinzo Abe's 4-month-old government a reputation for lacking discipline.

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## 14. Japan Bird Flu Outbreak

The Associated Press ("JAPAN CONFIRMS DEADLY BIRD FLU OUTBREAK", 2007-02-05) reported that Japanese authorities confirmed the country's fourth outbreak of the virulent H5N1 strain of the bird flu virus at a poultry farm in the country's south. About two dozen chickens were found dead at the farm in Shintomi, southwestern Miyazaki state, last month. The birds had been infected with the H5N1 strain deadly to humans, the Agricultural Ministry said Saturday.

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## 15. Japan on Iraq War

Agence France-Presse ("JAPAN CALLS US POLICY IN IRAQ 'NAIVE'", 2007-02-05) reported that Japan's foreign minister has criticised the US policy in Iraq as "very naive" and blamed it for spiralling unrest there, in another swipe at US tactics by the key Washington ally. Taro Aso said in Kyoto that the then US defence secretary Donald Rumsfeld "started off the war, but the operation after the occupation was very naive."

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## 16. Australia Japan Security Relations

China View ("AUSTRALIA, JAPAN TO SIGN DEFENSE, SECURITY PACT", 2007-02-05) reported that Australia and Japan are expected to sign a defense and security agreement soon which may open the way for Japanese troops to train on Australian soil. The co-operation pact, still under negotiation, will bring a new dimension to Australia's relations with its biggest trading partner, providing for joint military exercises, regular meetings between foreign and defense ministers, exchanges of officials and closer work on regional challenges.

[\(return to top\)](#) MCW News ("AUSTRALIA MOVES TO ASSURE CHINA", 2007-02-05) reported that Australia has moved to reassure the PRC that it has nothing to fear from a new defence agreement being negotiated between Japan and Australia. Alexander Downer, Australia's foreign minister, said that the pact was not a response to the PRC's military expansion. Downer stressed that any agreement would not commit Australia to go to Japan's aid in the event of war. The pact would be Japan's only bilateral security agreement outside its alliance with the US. [\(return to top\)](#)

## 17. Sino-Japanese Territorial Dispute

Kyodo News ("JAPAN DEMANDS CHINA PREVENT RESEARCH SHIP INTRUSION INTO EEZ", 2007-02-05) reported that the Japanese government expressed strong displeasure over what it said was a PRC research ship's intrusion into Japan's exclusive economic zone without prior notice. The ship, believed to be conducting surveillance activities, was detected Sunday morning some 30 kilometers west-northwest of Uotsuri, the main islet of a group of disputed islands in the East China Sea. Both Japan and PRC claim sovereignty over the island chain.

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## 18. PRC Military

Kyodo ("CHINA MILITARY OFFICIAL SAYS COUNTRY NOT ENGAGED IN ARMS RACE", 2007-0-05) reported that a senior PRC military official has said that while the PRC is trying to upgrade its military capability, its arms development is purely defensive and the country does not intend to engage in any arms race, the PRC's state-run media reported Friday.

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## 19. Sino-US Trade Relations

Washington Post ("U.S. TAKES CHINA TO WTO OVER SUBSIDIES", 2007-02-05) reported that the Bush administration filed a trade case yesterday against the PRC in a dispute involving government subsidies. The complaint, filed with the WTO, alleges that the PRC is using government support and tax policies to bolster local companies in competition against US and other foreign firms. The action will trigger a 60-day consultation during which trade negotiators will try to resolve the dispute. If that fails, a WTO hearing panel will be convened to handle it.

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## 20. PRC African Diplomacy

Reuters ("CHINA'S LEADER VISITS SUDAN AND FOCUSES ON GROWING ECONOMIC TIES", 2007-02-05) reported that PRC President Hu Jintao pledged a new level of cooperation between his country and Sudan during his visit to the country. Western leaders had hoped that Mr. Hu would use his trip to press President Omar Hassan al-Bashir to accept United Nations peacekeepers in Darfur. But Mr. Hu's two-day visit focused more on growing economic links than on bringing peace to western Sudan.

[\(return to top\)](#) BBC News ("CHINA PRESIDENT HEADS TO NAMIBIA", 2007-02-05) reported that PRC President Hu Jintao is expected to arrive Namibia on Monday, and is expected to sign a bilateral accord with the country. There is rising local concern about the PRC's commercial success in Namibia, as PRC companies are unburdened by the country's minimum wages and labour laws and frequently undercut local construction companies. [\(return to top\)](#)

## 21. Cross Strait Relations

Reuters ("CHINA UNBLOCKS TAIWAN NEWSPAPER WEB SITES ", 2007-02-05) reported that the PRC has allowed access to Internet versions of two of Taiwan's top daily newspapers after blocking

them for years for fear they would spread anti-Communist propaganda, a Taiwan official said. Taiwan's Mainland Affairs Council said that users in the populous Pearl River Delta and other parts of China over the past two weeks had accessed previously blocked Web sites run by the China Times (news.chinatimes.com) and the United Daily News (<http://udn.com/NEWS/>) A search of the sites in Beijing found the United Daily was accessible but the China Times was still blocked.

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## 22. Hong Kong Leadership

The New York Times ("HONG KONG: LEADER AGREES TO DEBATE PRO-DEMOCRACY RIVAL", 2007-02-05) reported that Donald Tsang, Hong Kong's chief executive, agreed to debate his challenger, Alan Leong, before the 796-member Election Committee votes on March 25. The campaign debate will be a first for the territory, but television signals from Hong Kong during the debate are likely to be blocked in mainland PRC because Mr. Leong favors introduction of full democracy in Hong Kong.

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## 23. PRC Climate Change

Shanghai Daily ("CHINA TO TACKLE CLIMATE CHANGE", 2007-02-05) reported that the PRC is preparing its first plan to battle climate change, a senior policy adviser said in Beijing yesterday. The national program will probably set broad goals for coping with emissions and changing weather patterns.

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