

# **NAPSNet Daily Report Monday, January 22, 2007**

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# I. NAPSNet

## 1. US - DPRK Dialogue

New York Times ("N. KOREA: 'AGREEMENT' REACHED WITH U.S.", 2007-01-19) reported that the DPRK said it reached an agreement with the U.S. during talks this week, and the top U.S. nuclear envoy expressed optimism that progress could be made when wider arms negotiations reconvene. The DPRK's Foreign Ministry said three days of talks in Berlin had been held "in a positive and sincere atmosphere and a certain agreement was reached there." No further details were given. Hill said the talks laid the foundation for progress when six-nation nuclear negotiations resume and that he had agreed with his DPRK counterpart "on a number of issues." He also declined to elaborate. "I feel we do have a chance of making some progress at the next round, absolutely," he said. "We paid attention to the direct dialogue held by the (North) and the U.S. in a bid to settle knotty problems in resolving the nuclear issue," the North's ministry said in the statement, released by the country's official Korean Central News Agency.

[\(return to top\)](#) Chosun Ilbo ("CHOSUN ILBO: NUCLEAR ACTIVITIES", 2007-01-22) reported that the DPRK has allegedly agreed to halt nuclear activities including operations at a reactor in Yongbyon, and allow on-site monitoring by the International Atomic Energy Agency as the first steps to abandoning its nuclear program. The agreement came during a meeting of the chief nuclear negotiators of the U.S. and North Korea that ended Friday in Berlin. According to diplomatic sources in Seoul and Beijing, the DPRK's top nuclear envoy Kim Kye-gwan told his U.S. counterpart Christopher Hill that the DPRK will yield in return for economic and energy aid from the U.S. and assurances that the U.S. will seek to unfreeze the DPRK's US\$24 million in accounts with the Macau-based Banco Delta Asia. The U.S. will discuss conditions for the lifting of financial sanctions in separate bilateral talks scheduled this month. The North is expected to implement its part of the deal once it is finalized in the next round of the six-nation nuclear talks, which are likely to resume early next month. Pyongyang and Washington agreed to use the term "monitoring" rather than "inspection." Other sources said Pyongyang demanded that Washington consider transforming the armistice that ended the Korean War into a peace treaty as soon as it starts implementing the initial measures, and the U.S. gave a positive response. Hill flew from Tokyo to Beijing on Sunday to discuss the six-party talks. He said he expected the multilateral negotiations to reopen "in a couple of weeks." [\(return to top\)](#)

## 2. Six Party Talks Diplomacy

Kyodo News Service ("N. KOREAN NUKE NEGOTIATOR ARRIVES IN BEIJING FROM MOSCOW", 2007-01-22) reported that the DPRK nuclear negotiator Kim Kye Gwan arrived in Beijing on Monday from Moscow, where he met with his Russian counterpart as part of diplomatic moves ahead of the next round of the six-party talks on Pyongyang's nuclear programs. Kim, the DPRK's vice foreign minister, did not speak to reporters as he arrived at Beijing's international airport. During his stay in Moscow, Kim met with Alexander Losyukov, who is taking over as head of Russia's delegation to the six-way talks from Alexander Alexeyev, according to Russia's Itar-Tass news agency. Kim said after the talks that he had briefed Losyukov on the outcome of his meeting with U.S. nuclear negotiator Christopher Hill in Berlin last week, according to Itar-Tass.

[\(return to top\)](#) Asia Pulse ("SOUTH KOREA'S NUCLEAR ENVOY TO VISIT CHINA", 2007-01-22)

reported that ROK nuclear envoy will visit the PRC early this week to discuss the resumption of six-nation talks. Chun Young-woo's travel to Beijing will precede a visit from ROK Foreign Minister Song Min-soon scheduled for Feb. 25-27, they said. "We are discussing Chun's schedule with the Chinese side so that he will discuss the date for the next round of the six-way talks and other preparations," a diplomatic source in Seoul said, asking that he remain anonymous. Chun's Chinese dialogue partner in Beijing will be Vice Foreign Minister Wu Dawei who also heads his country's delegation to the six-nation talks which also involve Japan and Russia. Hill, now in Beijing, was scheduled to meet Wu later Sunday. After meeting ROK officials in Seoul on Saturday, Hill said host PRC will set a date for the next six-party meeting. [\(return to top\)](#) Kyodo News Service ("JAPAN'S ENVOY TO VISIT BEIJING TO ADJUST SCHEDULE FOR 6-WAY TALKS", 2007-01-22) reported that Japan's top envoy to the six-party talks will visit Beijing from to meet his Chinese counterpart and adjust the schedule for the anticipated resumption of the talks. The United States and PRC, which hosts the multilateral negotiations, agreed to resume the talks as soon as possible before the Chinese New Year holidays start Feb. 18. Kenichiro Sasae, director general of the Japanese Foreign Ministry's Asian and Oceanian Affairs Bureau, has said Japan expects the talks to be resumed "as soon as possible." Sasae will meet with Chinese Vice Foreign Minister Wu Dawei, who hosts the six-party talks, in Beijing, the sources said. [\(return to top\)](#)

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

Yonhap ("LACK OF COOPERATION MAY FORCE US MILITARY ACTION ON N KOREA: PERRY", 2007-01-19) reported that former U.S. Secretary of Defense William Perry warned that unless the ROK and PRC exert pressure on Pyongyang to denuclearize, the United States may be forced to take military action. Testifying at the House Foreign Affairs Committee, Perry called for "coercive action" to stop North Korea from completing a large reactor that he said could churn out up to 10 nuclear bombs a year. "The best venue for coercive diplomacy would be the six-party talks," he said, referring to the six-nation denuclearization talks involving South and North Korea, the U.S., China, Russia and Japan. "But we have spent more than three years in those talks with no results, so the talks are a necessary but not a sufficient condition for success." The most feasible form of coercion, he said, could come from Seoul and Beijing, which can threaten to cut off food and oil supplies. "If China and South Korea do not agree to applying coercion, the United States may be forced to military action which, while it certainly would be successful, could lead to dangerous, unintended consequences," Perry said.

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

Agence France Presse ("JAPAN DEMANDS NKOREA SHUT REACTOR", 2007-01-19) reported that Japan demanded that the DPRK close its nuclear facility and allow UN inspectors to visit as it prepares for another round of six-nation disarmament talks. Foreign Minister Taro Aso also rejected the DPRK's demands for the United States to lift sanctions on a bank accused of money-laundering on behalf of the impoverished regime. US negotiator Christopher Hill, who was in Seoul Friday after meeting his DPRK counterpart in Berlin, said he expected six-way negotiations to resume before mid-February. Hill will visit Tokyo on Saturday for talks with his Japanese counterpart Kenichiro Sasae.

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## 5. US on UNDP Ops in DPRK

Associated Press ("U.S. SAYS U.N. AGENCY AIDED N. KOREA", 2007-01-20) reported that the United States accused the UN agency for development of funneling millions of dollars in cash aid to DPRK authorities and questioned if the funds had been used for other activities including nuclear weapons development. U.S. deputy ambassador Mark Wallace charged that the U.N. Development Program in the DPRK operated "in blatant violation of U.N. rules" for years. He demanded an immediate outside audit, focusing on concerns that Pyongyang converted development funds "to its own illicit purposes."

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## 6. UNDP Response

United Nations Press Release ("BACKGROUND ON UNDP AND NORTH KOREA", 2007-01-19) reported that "operations in North Korea fully comply with decisions of the Member States on its Executive Board (which includes the U.S.) and with resolutions passed recently by the UN Security Council." The UNDP also said they welcomed the recent call by General Secretary Ban for full investigation of all UN programs and "will seek the Executive Board's guidance" on the current allegations. The statement also says that none of the regular audits (most recently in 2004) has ever raised concerns that funds were used for nuclear arms programs. "All programme resources are allocated for specific projects under four programme areas (environment, economic management, social sector spending and rural agriculture)." The expectation is that UNDP will manage roughly 50% of the projects itself, with national governments managing the other 50%, in order to build their local capacities. Recent developments in the DPRK, however, have led UNDP to insist on directly managing the vast majority of its project activity there. For example, of UNDP's approximately \$6.5 million in programme expenditure on the most recent country programme (2005 - 2006), only \$337,000 was executed by the DPRK authorities. "This means," according to the UNDP statement "that all but \$337,000 of UNDP's most recent programme expenditure in North Korea can be accounted for." The UNDP says that "as a matter of deliberate policy, UNDP insists on unrestricted access to project sites" and will continue to work on the principle of "no access-no assistance".

[\(return to top\)](#) Associated Press ("U.S. SAYS U.N. AGENCY AIDED N. KOREA", 2007-01-20) reported that UN Secretary-General Ban Ki-moon responded quickly to U.S. accusations that the U.N. development agency funneled millions of dollars in cash aid to the DPRK authorities, calling on all U.N. funds and programs to conduct an urgent outside investigation into their operations. Ban's decision to press for outside audits not only of the U.N. Development Program's activities in the DPRK but of all U.N. programs indicated he was determined to avoid a repetition of the scandal over the U.N. oil-for-food program in Iraq which bubbled for months before former Secretary-General Kofi Annan agreed to an independent investigation. [\(return to top\)](#)

## 7. Inter-Korean Relations

Asia Pulse ("SOUTH KOREAN UNIFICATION MINISTER TO VISIT KAESONG COMPLEX", 2007-0-22) reported that Lee Jae-joung, Seoul's Unification Minister, is to travel to Kaesong to make a first-hand assessment of the industrial complex. About 20 RO Korean factories employ about 11,000 DPRK workers in Kaesong. "Today, the North sent an invitation card saying that it will allow the minister to enter downtown Kaesong," said Yang Chang-seok, spokesman for the Unification Ministry. His one-day visit comes after the DPRK informed ROK officials that it withdrew plans to change its partner for tours of Kaesong, the capital of the Koryo Dynasty (918-1392). Despite its

earlier contract with Hyundai Asan, the DPRK requested a new deal with Lotte Tours Co. in 2005. However, the ROK government rejected the request, saying the change can happen only when Hyundai Asan voluntarily concedes or pulls out of the business. The DPRK has banned ROK officials from entering downtown Kaesong since July last year, however it is unclear whether the DPRK lifted the ban or allowed the new minister to take a tour of the city, but "it is likely that the North will continue to allow that to happen because of the decision to push for the partnership with Hyundai," a ministry official said, asking to remain anonymous.

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## **8. Conflict Within DPRK Leadership**

Donga Ilbo ("N. KOREAN ENERGY OFFICIAL DISMISSED", 2007-01-19) reported that Park Bong Ju, the DPRK's prime minister, was chastized and Ju Dong Il, in charge of electricity and coal was dismissed for suggesting electricity allocated for Kim Jong Il's accommodations be reduced and recycled into the national grid. Citing an official close to the DPRK regime, the Mainichi Shimbun said Ju's remarks at an energy officials' meeting last spring came under controversy. In the mean time, Park had requested export limits and the regime had temporarily banned export to the PRC when he said, "When we continue to export our coal to China, North Koreans will not heat their homes and business activity will be frozen." The National Defense Commission, of which Kim is the Chairman, urged export resumption for foreign reserves in an effort to boost its military power. Thus, exports to the PRC were resumed. The newspaper reports that Park received an order from the party leadership, saying, "You had better spend some time working on your self-control."

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## **9. Winter in the DPRK**

Sunday Telegraph ("NORTH KOREANS CUT OFF AND FREEZING TO DEATH", 2007-01-21) reported that more than 300 people are thought to have perished from cold so far this winter in the DPRK's mountainous north, victims of temperatures as low as -30C. Even in Pyongyang, the air is thick with the smell of coal dust, as families light fires on the floors of their apartments to keep out the bitter, cold winds that blow south from Siberia. Outside Pyongyang, the situation is yet more desperate. A six-mile drive from the city, poor farmers trudge through the snow with bundles of brushwood on their backs. The inhabitants of Koogang, around 200 miles north-east of the capital, set fire to tables and chairs, even tearing down the wood from their own homes in a desperate attempt to keep warm. The World Food Programme estimates that the DPRK will be 900,000 tons short of the amount of food needed to feed its 23 million population this year. Aid efforts have been complicated by sanctions, imposed after a nuclear test in October last year.

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## **10. ROK Bird Flu Outbreak**

Chosun Ilbo ("NEW BIRD FLU CASE DETECTED IN KOREA", 2007-01-22) reported that a poultry farm in Cheonan, Chungcheong Province was found to be infected with the highly contagious avian influenza virus Saturday, the fifth outbreak this winter. The Ministry of Agriculture and Forestry culled 386,000 chickens and other poultry from 23 farms within a 3km radius of the farm Sunday.

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## 11. Japan-Nagasaki Victim Lawsuit

Kyodo News ("HIGH COURT REVOKES ORDER TO COMPENSATE S. KOREA A-BOMB SUFFERER", 2007-01-22) reported that the Fukuoka High Court overturned a lower court ruling that ordered the Nagasaki city government to pay healthcare benefits to relatives of a deceased ROK atomic-bomb sufferer, saying the time limit for the plaintiff to seek the money has run out. Presiding Judge Koji Maki said in handing down the ruling that the court recognizes that Choi Gye Chol had the right to receive the benefits for three years from 1980, when he became eligible to do so in light of a rule that was effective at the time.

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## 12. Russo-Japanese Territorial Dispute

Asahi Shinbun ("JAPAN, RUSSIA PLAN 'STRATEGIC DIALOGUE'", 2007-01-22) reported that Japan and Russia will begin high-level political dialogue on trade, energy and other issues to pave the way for smoother negotiations on the dispute over the Northern Territories. Vice Foreign Minister Shotaro Yachi will visit Moscow from Jan. 23 for the first round of the so-called strategic dialogue. Other senior officials will visit Russia to meet with their counterparts to discuss strengthening the investment environment for development projects concerning Russia's petroleum and natural gas resources.

[\(return to top\)](#) The Los Angeles Times ("RUSSIA SEIZES JAPANESE BOAT", 2007-01-22) reports that Russian authorities seized a Japanese fishing boat carrying a crew of six in disputed waters between the two nations, the Japan Coast Guard reported. The vessel was captured off Kunashir, one of several disputed islands in a group the Japanese call the Northern Territories and the Russians call the Kurils. [\(return to top\)](#)

## 13. Sino-Japanese Relations

Xinhua ("CHINA, JAPAN FACE "IMPORTANT OPPORTUNITIES" FOR DEVELOPING TIES, SAYS TOP LEGISLATOR", 2007-01-22) reported that the PRC and Japan are facing "important opportunities" for developing bilateral relations, PRC top legislator Wu Bangguo said, calling for both countries to increase political trust and promote healthy bilateral ties. He also called for the two sides to expand cooperation in the fields of energy, environmental protection and technology, and increase personnel exchanges, especially the exchanges between the youth.

[\(return to top\)](#) The Associated Press ("JAPAN, CHINA PLAN MILITARY PORT EXCHANGE", 2007-01-22) reported that Japan and the PRC are hoping to send warships to each other's ports for courtesy calls soon to help ease tensions between the two Asian giants, an official said. The PRC navy is likely to visit a Japanese port in August, followed by a Japanese ship's return trip next year, the Nikkei newspaper reported Sunday. [\(return to top\)](#)

## 14. Japan on PRC Anti-Satellite Weapon Test

Japan Today ("JAPAN CONCERNED OVER CHINA'S SPACE MISSILE TEST", 2007-01-20) reported that Japan expressed concern over a PRC anti-satellite weapons test. Prime Minister Shinzo Abe urged the PRC to stick to its stated policy of peaceful use of space, saying, "China has also mentioned that standpoint." Chief Cabinet Secretary Yasuhisa Shiozaki said, "Regarding the use of a ballistic missile to destroy a satellite, the Japanese government is very concerned from the

viewpoints of national security and peaceful use of outer space."

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## **15. US on PRC Anti-Satellite Weapon Test**

The New York Times ("U.S. TRIES TO INTERPRET CHINA'S SILENCE OVER TEST", 2007-01-22) reported that US officials were unable to get even the most basic diplomatic response from the PRC after their detection of a successful test to destroy a satellite 10 days ago. They were uncertain whether the PRC's top leaders, including President Hu Jintao, were fully aware of the test or the reaction it would engender. Stephen J. Hadley, President Bush's national security adviser, raised the possibility that PRC's leaders might not have fully known what their military was doing.

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## **16. PRC on Anti-Satellite Weapon Test**

The Associated Press ("CHINA DENIES INTENT TO MILITARIZE SPACE", 2007-01-22) reported that PRC Foreign ministry officials have told a visiting US diplomat that the PRC's successful test of an anti-satellite weapon should not be seen as a threat and does not signal the beginning of a race to militarize space, the State Department said. Assistant Secretary of State Christopher Hill raised the issue with PRC officials over the weekend in Beijing.

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## **17. PRC-Vatican Relations**

The Los Angeles Times ("CHINA WELCOMES VATICAN MOVE TO MEND TIES", 2007-01-22) reported that the PRC's state-backed Catholic church welcomed a newly announced Vatican initiative to repair ruptured relations with the PRC and said a promised letter from Pope Benedict XVI to PRC Roman Catholics could be helpful. Liu Bainian, the often hard-line vice chairman of the PRC Patriotic Catholic Association, struck a conciliatory tone in response to the Vatican's announced diplomatic foray. "I am hopeful that it can improve Chinese-Vatican ties."

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## **18. PRC Banking Reform**

The New York Times ("CHINA TO REVAMP 4TH BANK IN PREPARATION FOR OFFERING", 2007-01-22) reports that the last of the PRC's four big state-owned banks, the Agricultural Bank of China, would be financially restructured to prepare it for a public stock listing. The Agricultural Bank of China, which has more than \$500 billion in assets and upward of 500,000 employees, could go public as soon as next year, some analysts said. Investors are betting that PRC's efforts to revamp its big banks will bolster profits and allow the banks to benefit from the country's spectacular economic growth.

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## **19. PRC Markets**

The Associated Press ("CHINESE STOCK MARKET LACKS SOLID FOUNDATION, REGULATOR

SAYS ", 2007-01-22) reported that the top PRC securities regulator warned Monday that the country's stock markets lacked long- term stability and required significant reforms, despite a sustained rally over the past year that has lifted valuations on both the country's bourses to unprecedented levels. In a speech published on the front page of the Shanghai Securities News, Shang Fulin, head of the PRC Securities Regulatory Commission, said that the recent "positive change" in the PRC stock market was only preliminary.

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