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I. NAPSNet

1. Inter-Korean Relations

Reuters ("NORTH KOREA SLAMS SOUTH FOR SPY SATELLITE LAUNCH", 2006-08-01) reported the DPRK's ire over the ROK's launch of a scientific satellite that can also spy on the North. "The prevailing situation compels the North to step up its moves to bolster the invincible war deterrent for self-defense in every way under the banner of Songun," said a DPRK spokesman, referring to Pyongyang's military-first policy. The ROK's 900-kg (2,000 lb) Arirang-2 satellite, launched in Russia, can take high-resolution pictures of the earth's surface, a government agency said. Experts said it would be the country's most advanced surveillance satellite.

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2. Inter-Korean Crossfire

BBC ("N AND S KOREAN GUARDS TRADE FIRE ", 2006-08-01) reported that DPRK and ROK troops exchanged gunfire for the first time since October. According to ROK military officials, DPR Korean soldiers fired two shots towards an ROK guard post in the demilitarised zone. They say six shots were fired back but there are no reports of casualties. The ROK has asked the United Nations Military Armistice Commission, which monitors the truce between the two countries, to investigate the shooting incident.

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3. Sanctions on DPRK

The Australian ("US AND JAPAN TO PENALISE N KOREA ", 2006-08-01) reported that US and Japanese governments are preparing wide-ranging sanctions against the DPRK. ROK military officials demanded an apology after a border post was hit by at least one shot from the northern side on Monday night. Pyongyang cancelled an inter-Korean commemoration of Liberation Day, the August 15 anniversary of Japan's defeat in World War II in 1945, blaming devastating floods. But analysts in Seoul believe the DPRK may be deliberately curtailing external contacts following UN Security Council condemnation of the missile tests and news that the PRC had joined the US in a crackdown on alleged currency counterfeiting and money-laundering through Macao, a Chinese territory.

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4. PRC-DPRK Relations

Reuters ("CHINA GRAPPLES WITH NORTH KOREA'S ILLICIT DEALINGS", 2006-08-01) reported that the PRC-DPRK relationship has come under scrutiny with reports that the state-owned Bank of China has frozen DPRK-related assets at its Macau branch. But analysts say the move which probably took place months ago was likely motivated by commercial concerns and the credibility of its financial sector -- and does not represent a major policy shift in Beijing. Most analysts played down claims that Beijing froze assets at Bank of China in Macau because it suspected the DPRK of printing fake Chinese yuan currency. Analysts say the PRC, a major market for DPRK drugs and fake goods, is still the biggest victim of Pyongyang's illicit activities. Earlier this year, China's central bank warned lenders to be on guard against counterfeit US\$100 notes, an irritant the PRC's fragile banking system can ill-afford. "China has serious problems in its banking sector, and the Chinese

authorities are sensitive about matters that could call into question the integrity of their banks," said Marcus Noland, an expert on DPRK economy at the Institute for International Economics in Washington.

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5. DPRK Floods

Korea Herald ("CIVIC GROUP SENDS FLOOD RELIEF TO NORTH KOREA", 2006-08-02) Reported that the ROK-based Join Together Society announced it will send 130 million won (\$138,000) worth of flood relief to the DPRK tomorrow. The Join Together Society said it shipped 100 tons of flour, 38,000 packs of instant noodles and living necessities such as clothes, shoes and candles. The move came after the ROK stopped aid packages following the DPRK's test-fire of seven missiles into the East Sea last month.

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6. Japan Defense Review

The Associated Press ("JAPAN REPORT OUTLINES GOALS FOR MILITARY", 2006-08-01) reported that Japan's military is undergoing a major transformation to give it more government clout and a bigger role in international peacekeeping while aligning it more closely with US forces, a government report said. The annual report by Japan's Defense Agency stressed that Tokyo is under increasing pressure to defend itself from possible attack by DPRK ballistic missiles. The report — while careful not to call the PRC a threat — also urged Beijing to provide more information on its military expenditures to ease tensions in the region.

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7. Japan on SCO

Agence France-Presse ("JAPAN PM KOIZUMI DENIES CHECKING UP ON SHANGHAI GROUPING", 2006-08-01) reported that Japanese Prime Minister Junichiro Koizumi said he had no intention of using his upcoming visit to Mongolia to check an emerging alliance among the PRC, Russia and Central Asian nations. "I don't have any intention of driving a wedge into it or doing something like that," he told reporters at his office. Mongolia is an observer member of the Shanghai Cooperation Organization, an intergovernmental grouping founded in 2001 by leaders of the PRC, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.

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8. Asian Free Trade Agreement

Kyodo ("JAPAN TO PROPOSE 16-NATION FTA IN ASIA DURING ASEAN MEETING", 2006-08-01) reported that Japan will officially present its proposal of establishing a 16-nation free trade zone in Asia and Oceania during a ministerial meeting of the Association of Southeast Asian Nations and its partners slated for late August in Kuala Lumpur. The 16 nations are the 10 ASEAN members, Japan, the PRC, the ROK, India, Australia and New Zealand, which inaugurated the East Asian Summit last December for eventual creation of a regional community.

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9. Japan Postal Reform

BBC News ("JAPAN UNVEILS POST SHAKE-UP PLAN", 2006-08-01) reported that Japan Post Corporation, the company set up to privatise the country's postal service, has revealed a 10-year privatisation plan. Under the plan Japan Post will be split into four entities; banking, insurance, mail delivery and counter services. The privatisation will begin in 2007 and is set to be completed by 2017.

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10. Hong Kong Surveillance Law

Agence France-Presse ("RIGHTS FEARS AS HONG KONG POISED TO PASS SNOOPING LAW", 2006-08-01) reported that Hong Kong legislators are poised to pass a law this week granting authorities broad surveillance powers which human rights campaigners fear will erode civic freedoms in the southern PRC city. The Interception of Communications and Surveillance Bill will allow authorities to seek a judge's permission to monitor private communications with telephone wire taps, email scans and other covert techniques.

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11. Cross Strait Relations

Reuters ("CHINA MARKS ARMY DAY WITH WARNING FOR TAIWAN", 2006-08-01) reported that the PRC marked "Army Day" on Tuesday with a warning from its defense minister that the mainland would never tolerate Taiwan independence, but he stopped short of directly threatening the use of force against the self-governed island. Cao Gangchuan also vowed that the PRC's military modernization would continue, in remarks carried in the Liberation Army Daily that were thick with political rhetoric but lacking specifics on new arms purchases or weapons expenditure.

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12. PRC Bunker

The Associated Press ("MASSIVE BUNKER CONSTRUCTED IN SHANGHAI", 2006-08-01) reported that Shanghai has constructed a massive underground bunker complex capable of sheltering 200,000 people from a nuclear attack, a local newspaper reported. The newspaper said the complex has water, electricity, lighting, ventilation and protective doors, and can support life for as long as two weeks.

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13. PRC Gun Control

The Associated Press ("CHINESE POLICE SEIZE THOUSANDS OF GUNS", 2006-08-01) reported that PRC police have seized about 6,000 illegal firearms and tons of explosives in a two-month crackdown across three provinces, the government said Tuesday. About 5,500 weapons were taken in the southwestern province of Sichuan. Other seizures took place in the northeastern provinces of Liaoning and Jilin.

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14. PRC Rural Poverty

Washington Post ("TWO CHINESE VILLAGES, TWO VIEWS OF RURAL POVERTY", 2006-08-01) reported that Dacitan and Sale are Muslim villages populated by members of the ethnic Hui minority, and both are stark examples of the cost of the PRC's blistering economic growth. While cities are booming, drawing migrant workers from the countryside and demonstrably improving life in some rural towns, other communities are shrinking. In the case of Dacitan, the women are left behind for months at a time as the men search for work; in Sale, the men say that few women want husbands in a poor, isolated village such as their own.

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15. PRC Rural Unrest

The Associated Press ("CHINA CHURCH DEMOLITION LEADS TO CLASH", 2006-08-01) reported that police clashed with 3,000 Christians protesting the forced demolition of a partially built church in eastern PRC, leaving four people with serious injuries, a human rights group said. The demolition work went ahead despite the clash, in which about 20 people were hurt, the Hong Kong-based group said.

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