# NAPSNet Daily Report Tuesday, July 13, 2004

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United States


- 1. US Offer to DPRK
  2. DPRK on US Proposal
  3. Russian Proposal on DPRK Nuclear Issue
  4. US on DPRK Nuclear Issue
  5. US - DPRK Relations
  6. Inter-Korean Relations
  7. Inter-Korean Reunions
  8. Korean Energy
  9. Sino-DPRK Relations
  10. Sino-DPRK Military Relations
  11. ROK Energy Development
  12. ROK Nuclear Plant Shut Down
  13. ROK Terror Warning
  14. ROK Cyberattacks
  15. ROK Labor Unrest
  16. US Ballistic Missile Defense Program
  17. Abductee Reunion
  18. US on Abductee Reunion
  19. ROK - Japanese Relations
  20. Japanese - DPRK Relations
  21. Japanese AIDS Fight
  22. PRC AIDS Fight
  23. Cross - Straights Relations
  24. PRC Foreign Trade
  25. PRC Protest
  26. PRC Domestic Dissent

27. PRC Graft Punishment
28. PRC Foreign Investment

II. Japan

- 29. Japan Constitutional Revision
30. Sino-Japanese Relations
31. Japan Defense Agency Annual Report
32. International Meeting on Security
33. Japan-ROK Relations
34. Japan's Nuclear Cycle Cost Estimation Scandal
35. Russian Oil Export

Preceding NAPSNet Report

# I. United States

## 1. US Offer to DPRK

Korea Times ("US OFFERS 5-POINT PROPOSAL TO N. KOREA", 2004-07-13) reported that the US outlined "five corresponding measures" in return for a nuclear freeze by the DPRK in a package of proposals offered in the last round of six-party talks in Beijing in late June, the ROK's Foreign Ministry confirmed on Monday. According to a press release posted on the ministry's Web site, the U.S. offer included heavy fuel oil; a provisional security guarantee; longer-term energy aid; direct talks about the lifting of economic sanctions and removing the DPRK from its list of terrorist states; and retraining of nuclear scientists during a three-month "preparatory period" of dismantlement. The ministry report stated that Washington had also said it would give a "permanent" guarantee not to invade the DPRK or seek to topple the Kim Jong-il regime if Pyongyang carried out the nuclear freeze as a first step toward full denuclearization.

(return to top)

## 2. DPRK on US Proposal

Yonhap ("NORTH KOREA'S UN ENVOY REACTS "COOLLY" TO US OFFER", 2004-07-12) reported that a senior DPRK diplomat reacted coolly Monday 12 July to a recent US suggestion that the DPRK could reap "surprise" benefits if it abandons its nuclear ambitions. Han Song-ryol, deputy chief of the DPRK's mission to the United Nations, dismissed the latest US offer as "nothing new", saying the offer calls for the North to disarm first before receiving anything in return. "We are not interested in that," Han said in a telephone interview with Yonhap News Agency. Han stressed the two sides should take "simultaneous actions" to resolve the 21-month standoff.

(return to top)

## 3. Russian Proposal on DPRK Nuclear Issue

Korea Times ("'GAS FOR NUKES' PROPOSAL GAINS MOMENTUM", 2004-07-13) reported that with

the US appearing to soften its line at the six-way talks, momentum is building behind a proposal to offer Russian gas to the DPRK as part of a compensation package in return for scrapping its nuclear programs. Russian officials have expressed hope at the possibility of piping natural gas from deposits off Sakhalin Island through the DPRK to the ROK. Last month, Russian Foreign Minister Sergei Lavrov visited Seoul and Pyongyang, and reportedly discussed the feasibility of the pipeline. Valery Yazev, the chairman of Russia's parliamentary committee on energy, is also backing the proposal, projecting that it would take about $5 billion and four years to implement once an international consensus was reached. Under a possible proposal, Pyongyang would be able to tap the pipeline at a subsidized price to ease its serious energy shortages, while Seoul would get direct access to gas at market rate.

(return to top)

## 4. US on DPRK Nuclear Issue

Donga Ilbo ("BUSH AGAIN URGES NORTH KOREA TO ABANDON ITS NUCLEAR WEAPON PROGRAM ", 2004-07-13) reported that U.S president George W Bush once again urged the DPRK and Iran to abandon nuclear weapon development on July 12. President Bush said in his speech at the Oak Ridge National Nuclear Laboratory in Tennessee where nuclear weapons from Libya are stored, "We`re working with responsible governments and international institutions to convince the leaders of North Korea and Iran that their nuclear weapons ambitions are deeply contrary to their own national interests," Bush said. Bush claimed: "Three years ago, a private weapons proliferation network was doing business around the world. This network, operated by the Pakistani nuclear scientist A. Q. Khan, was selling nuclear plans and equipment to the highest bidder, and found willing buyers in places like Libya, Iran, and North Korea," insisting, "We have ended one of the most dangerous sources of proliferation in the world, and the American people are safer."

(return to top)

## 5. US - DPRK Relations

Chosun Ilbo ("DEFENSE NEWS, "U.S. DEVELOPS MISSILE TARGETING N.K.'S NUCLEAR FACILITIES ", 2004-07-13) reported that the U.S. army is reported to have developed a missile capable of destroying the DPRK's suspected underground facilities of nuclear weapons. This new missile, according to a U.S. defense weekly, will first be deployed with U.S. forces stationed in the ROK, to bring about changes to the security situation on the Korean peninsula. American defense weekly, the Defense News says the U.S. army has successfully test-fired a missile that is designed to target the DPRK's possible hidden nuclear weapons and facilities. In its Monday edition, Defense News reported, the new missile has been upgraded in its penetration ability to better detonate hidden targets. Quoting words from U.S. Department of Defense officials, it says U.S. forces serving in the ROK will be the first to be equipped with six of these missiles, when its development program ends in a year.

(return to top)

## 6. Inter-Korean Relations

Yonhap ("SEOUL TO SEND 100,000 TONS OF RICE AID OVERLAND TO N. KOREA ", 2004-07-13) reported that the DPRK will open its land border to receive ROK rice aid for the first time since Seoul began providing food assistance in 1995, the Unification Ministry said Tuesday. The aid, one-fourth of the 400,000 tons of rice Seoul committed to loaning its impoverished neighbor last month,

will be sent via overland routes in the eastern and western sections of the heavily fortified border at a date to be fixed later, ministry officials said.

(return to top)

## 7. Inter-Korean Reunions

Joongang Ilbo ("SEOUL AIDE GETS SCRUTINY FROM NORTH KOREANS", 2004-07-13) reported that Moon Jae-in, senior presidential secretary for civic and social affairs, had to wait for 40 minutes yesterday at a DPRK office that was checking some of the South's participants in the family reunion now going on at a DPRK resort. The inspection took place as he was about to leave for the ROK. Mr. Moon, who joined his mother from the ROK to meet his mother's sister at the reunion, was detained because he had brought his son with him and the son was not listed on the original reunion roster. The extra security was triggered by an incident on Monday when an unidentified ROK visitor who wanted desperately to meet his DPRK friend.

(return to top)

## 8. Korean Energy

Yonhap/Asia Pulse ("N KOREA'S ENERGY SUPPLY ONLY 8 PCT OF S KOREA'S", 2004-07-13) reported that the DPRK's energy supply was equivalent to only 8 per cent of the ROK's in 2000, the South's Korea National Oil Corp. said Tuesday. The DPRK had an energy supply of 15.69 million tons of energy in 2000, as compared to a supply of 192.89 million tons of energy in the ROK, the corporation said. In the DPRK, 72 per cent of its energy was coal-based, 16 per cent water-based and 7 per cent oil-based. Its dependency on oil imports dropped drastically after the collapse of communism in other countries in the 1990s. In the ROK, more than half of energy was derived from oil, while atomic power supplied a significant portion. The DPRK registered a ratio of energy consumption to gross domestic product of 0.93, while the ROK posted a ratio of 0.42, meaning the efficiency of energy use in the ROK was more than double that of the DPRK. Energy consumption in the DPRK is expected to increase fivefold by 2020, growing at average annual rate of 8 per cent, while its energy structure is to diversify, the ROK company said, quoting the International Institute of Energy Economics of Japan.

(return to top)

## 9. Sino-DPRK Relations

Kyodo News ("N. KOREA ASKS CHINA TO PROVIDE FUEL FOR MILITARY PURPOSES", 2004-0--13) reported that the DPRK has asked the PRC to provide fuel to be used for military purposes but Beijing has spurned the requests out of fear that the fuel could be used for missile and nuclear development, military sources familiar with bilateral relations said Tuesday. The DPRK asked for fuel, including a special type that maintains combustion efficiency even under freezing temperatures, several times from last year, the sources said. The PRC, however, has not agreed to the requests because the fuel could be used for combustion experiments to develop long-range ballistic missiles and for nuclear development, they said. 'U.S. intelligence agencies think that the size of the combustion trace and the amount of liquid fuel used hint that the test is part of an experiment to develop the Taepodong-2 missile,' the newspaper quoted a diplomat as saying.

(return to top)

## 10. Sino-DPRK Military Relations

Yonhap ("N.K.'S DEFENSE CHIEF HOLDS TALKS WITH CHINESE COUNTERPART ", 2004-07-13) reported that DPRK Minister of People's Armed Forces Kim Il-chol held talks with PRC Defense Minister Cao Gangchuan here, the North's Korean Central News Agency (KCNA) reported Tuesday. In a dispatch from Beijing, the KCNA said the two top military officials exchanged opinions on further developing friendly relations between the two countries and issues of mutual concern in a cordial atmosphere.

(return to top)

## 11. ROK Energy Development

The Canadian Press ("SOUTH KOREA TAPS 1ST NATURAL GAS FIELD, DENTING DEPENDENCE ON FOREIGN IMPORTS ", 2004-07-13) reported that resource-poor ROK has tapped its first natural gas field, a small undersea reserve that will help offset the country's complete dependence on imports. Korea National Oil Corporation extracted the natural gas Sunday from a field off the southeast coastal city of Ulsan, according to corporation official Park Il-beom. The ROK currently imports all its natural gas, or about 20 million tons a year. The new site, dubbed the Tonghae-1 gas field, has reserves of about five million tons when processed into liquefied form, worth about $1.2 billion US ($1.6 billion Cdn). The field will produce about 400,000 tons a year, roughly two per cent of the ROK's annual needs, over the next 15 years, Park said. "The success is meaningful in that it proved the existence of gas in South Korea, and the whole process was done through Korean technology," Park said.

(return to top)

## 12. ROK Nuclear Plant Shut Down

Reuters ("SOUTH KOREA SHUTS NUCLEAR POWER PLANT OVER STEAM LEAK", 2004-07-13) reported that the ROK shut a nuclear power plant after a steam leak was discovered on Sunday, a spokesman for state utility Korea Hydro and Nuclear Power Co. (KHNP) said on Monday. The spokesman for the company, which operates all 18 of the ROK's nuclear power reactors, said it would take several days to fix the problem at the 950-megawatt (MW) plant. The reactor in Yonggwang, in the south of the country, was closed at 0721 am on Sunday (2221 GMT on Saturday), he said, stressing there had been no radioactive leak. Two other reactors in Yonggwang were shut for more than three months for safety checks late last year, after a radioactive leak was found at one of the twin reactors, driving up demand for alternative fuels including oil and natural gas.

(return to top)

## 13. ROK Terror Warning

Chosun Ilbo ("KOREANS FACE REALITIES OF TERRORIST THREAT ", 2004-07-13) reported that with the shock of the Kim Sun-il killing still fresh, threats have been recently issued against airports and other major nation facilities, leading to growing insecurity that Korea is not a country safe from terror. First came "anti-Korean" terrorism threats by Southeast Asians and ethnic Koreans in the PRC against Korean embassies abroad and the office of the prime minister early this year. On Monday morning, the Korea Air Traffic Control Center's Aeronautical Information Service received an email saying that a terrorist connected with Al-Qaeda was coming to Korea on a plane that day.

On Friday, the Incheon Airport Authority received a letter from Thailand saying that in between July and August, Indian terrorist elements would blow up an airplane going to the United States. Police investigations revealed that two days before, the U.S. Embassy in Korea received the same letter. Moreover, someone posted on an Arab website a threat to attack ships carrying U.S. military goods, leading the government to issue urgent terrorism warnings to local maritime companies. 31-year-old Byeon Hye-seung said, "I feel like Korea, too, has been caught in the whirlpool of terror started by the Sept. 11 terrorist attacks... Knowing that I, too, could become a target of terrorism, it doesn't seem like someone else's problem when news of a suicide bombing appears in the international news."

(return to top)

## 14. ROK Cyberattacks

Reuters ("SEOUL: HACKERS IN CHINA ATTACK GOVERNMENT SERVERS", 2004-07-13) reported that hackers based in the PRC have attacked the ROK government computers via two kinds viruses, prompting the country to tighten security in cyberspace, a spy agency said on Tuesday. Two types of viruses -- the Peep Trojan and Backdoor Revacc -- have assaulted 278 computers in the ROK, and the attacks were spreading, the National Intelligence Agency (NIS) said. "Since the National Intelligence Service first noticed the hacking in June, we have found that China was the last place to dispatch them (viruses)," the government agency said. "The government views this incident as a threat to national security...and will cope with it together with related ministries and the police agency," the NIS said in a statement. According to the agency's investigation, 10 government institutes related to national security have been the targets of cyberattacks, including the National Assembly, Korea Atomic Energy Research Institute and National Maritime Police Agency. Hackers had stolen 122 passwords for email IDs owned by parliamentary staffers and lawmakers.

(return to top)

## 15. ROK Labor Unrest

The Associated Press ("S. KOREAN BANK WORKERS END 18-DAY STRIKE", 2004-07-13) reported that workers have ended an 18-day strike at the Citigroup-owned KorAm Bank after reaching an agreement with management on job security. KorAm's 2,500 unionized workers began the strike June 25, demanding wage hikes and job guarantees in the wake of a takeover by U.S.-based Citigroup earlier this year. Citigroup is expected to merge its Citibank Seoul branch with KorAm around September, and workers fear the merger will result in layoffs. The decision to end the strike came late Monday, and workers were expected to resume normal operations Tuesday.

(return to top)

## 16. US Ballistic Missile Defense Program

Times Colonist ("CANADA'S TOP NORAD MAN BACKS U.S. MISSILE PLAN ", 2004-07-13) reported that Canada's top soldier at Norad, the joint Canada-U.S. aerospace command, says the Liberal government should join the proposed U.S. ballistic missile defense shield. "It just makes sense to me to be part of missile defense, when you're part of all the other defense functions," Lt.-Gen. Rick Findley, also Norad's deputy commander, said in an exclusive interview inside the southern U.S. Rocky Mountain military fortress. "Why wouldn't you want to be part of that last chunk? We already do missile warning." Findley's candid assessment is the strongest indication to date that Prime Minister Paul Martin is ready to sign on to U.S. President George W. Bush's missile shield for North

America. With or without Canadian involvement, the Bush administration plans in October to begin deploying a series of land-based interceptor missiles that would shoot down an incoming nuclear or biological warhead from a rogue state such as the DPRK.

(return to top)

## 17. Abductee Reunion

Reuters ("EX-US SOLDIER MAY RECEIVE MEDICAL CARE IN JAPAN ", 2004-07-13) reported that Japanese officials have sounded out an ex-U.S. soldier, accused of deserting to the DPRK, about going to Japan for medical treatment, Japanese media said on Tuesday, but it was unclear if that would avert his arrest. Charles Robert Jenkins, a 64-year-old North Carolina native, was reunited with his Japanese wife in Indonesia last week after spending four decades in the DPRK. Jenkins met and married his wife, Hitomi Soga, in the DPRK after she was kidnapped by Pyongyang agents in 1978. Soga was repatriated with four other Japanese abductees in 2002, but had to leave Jenkins and the couple's two DPRK-born daughters behind. Jenkins wants to go to Japan, Japanese officials say, but fears being handed over to U.S. authorities for court martial.

(return to top)

## 18. US on Abductee Reunion

Agence France-Presse ("JAPAN NOTIFIED JENKINS WANTED IN US ON DESERTION CHARGES: PENTAGON SPOKESMAN", 2004-07-13) reported that the US has notified Japan that a US Army sergeant who allegedly defected to the DPRK nearly 40 years ago was still wanted on charges of desertion, a Pentagon spokesman said. Charles Robert Jenkins, 64, who left the DPRK last week for a reunion with his Japanese wife in Indonesia has expressed a desire to move to Japan, a Japanese foreign ministry official said. "We have notified the government of Japan that Sergeant Jenkins has been charged with desertion," said Lieutenant Commander Flex Plexico. "We consider the charges serious, and the best course of action is to resolve in the matter in accordance with the UCMJ (Uniform Code of Military Justice)," he said.

(return to top)

## 19. ROK - Japanese Relations

Korea Herald ("ROH, KOIZUMI TO DISCUSS N.K.; KOREA, JAPAN LEADERS WILL HOLD SUMMIT IN JEJU NEXT WEEK ", 2004-07-13) reported that President Roh Moo-hyun and Japanese Prime Minister Junichiro Koizumi are expected to focus on ways to settle the DPRK's nuclear issue when they hold a summit on the southern island of Jeju next Wednesday. The meeting of the two leaders attracts particular attention as it comes at a time when the participants in the six-party nuclear talks are reviewing specific proposals to end the prolonged nuclear tension and positive signs are surfacing. "The top priority goes to the North Korean nuclear issue," Foreign Minister Ban Ki-moon said when asked about the agenda of the Seoul-Tokyo summit. The presidential office also said Roh and Koizumi will discuss the peaceful settlement of the nuclear problem, as well as measures to enhance bilateral cooperation, when Koizumi makes a two-day visit to Jeju at Roh's invitation. Government officials believe the upcoming talks will help the two countries enhance cooperation on issues pertaining to the DPRK, especially the nuclear standoff, as Japan has recently demonstrated a softer stance toward the country.

Donga-Ilbo ("OFFICIAL REPORT ON KOREA-JAPAN SUMMIT ", 2004-07-13) reported that Cheong

Wa Dae officially reported on July 13 that President Roh will be holding a summit with Japanese Prime Minister Junichiro Koizumi in Jejudo on July 21, and is planning to discuss current issues such as the peaceful solution of nuclear problems of the DPRK. Kim Jong-min, spokesman of Cheong Wa Dae, said at the briefing, "On the afternoon of July 21, the two leaders will have a summit talks, joint press conference, and dinner party. On July 22, they will be walking together and holding friendly talks." This summit talks will be held in response to the President Roh's invitation during his visit to Japan in June. Kim, the spokesman, added "The two will broadly discuss issues related to cooperation to establish 'the era of peace and prosperity in Northeast Asia,' a peaceful solution of the nuclear problem of the DPRK, a better relationship between Korea and Japan, and support for the interim government of Iraq."

(return to top)

## 20. Japanese - DPRK Relations

Kyodo ("N KOREA RECEPTIVE TO JAPAN HIJACKERS' REPATRIATION", 2004-07-12) reported that the DPRK will conditionally cooperate with Japan in the repatriation of four of the nine Japanese radicals who hijacked a Japan Airlines (9205.TO) plane to the DPRK in 1970, a senior DPRK Foreign Ministry official said Monday, Kyodo News reported. In a meeting with a Japanese mission led by former House of Representatives member Shinya Totsuka, Song Il Ho pledged Pyongyang's active cooperation in the matter if the four hijackers and the Japanese government enter into talks, Kyodo reported. The official Korean Central News Agency reported earlier this month that the four Japanese hijackers have been seeking the North's help in realizing their return to their homeland and that the North is against their repatriation, according to Kyodo.

(return to top)

## 21. Japanese AIDS Fight

Yokohama ("OBLIVIOUS JAPAN MAY BE ON BRINK OF AIDS EXPLOSION", 2004-07-13) reported that in one corner of the busy club in the port city of Yokohama, near Tokyo, each person is ushered behind a curtain, steeling themselves as Tsuneo Akaeda draws their blood. Akaeda, a doctor, is casual in a baseball cap, but his mission is deadly serious: free AIDS tests, an attempt to check what experts say may be a looming explosion of the disease. Some say it may already be too late, noting that while the numbers still are relatively small, Japan is one of the only advanced nations where AIDS cases have not dropped dramatically. "There is no sense of urgency," Akaeda, 60, said. "But there are many people who have HIV, and, in five years, lots will get sick and everyone will be surprised. "Right now AIDS is like a ghost. It's sort of scary but since it's still noon, it's far from everybody's mind." But it is there. In 2003, 976 new HIV/AIDS cases were reported, the highest annual figure and about a tenth of all cases since 1985. Some experts warn cumulative numbers could jump to 50,000 by 2010 due to increased youth sexual activity, less condom use and official indifference, symbolized by falling budgets. "The ignorance is huge ... so this is a very dangerous situation," he added. "I think the estimate of 50,000 by 2010 might be an underprediction."

(return to top)

## 22. PRC AIDS Fight

The Associated Press ("CHINA APPEALS FOR HELP IN AIDS FIGHT ", 2004-07-13) reported that the PRC appealed Tuesday for outside help in its fight against HIV, with one of its top health officials telling the International AIDS Conference that his country lacks the resources to properly deal with

its emerging epidemic. "At present China is still facing challenges and difficulties in the fight against AIDS," Wang Longde, the vice minister of health in the PRC, said during a session on the role of Asian leaders in fighting the virus. The PRC lacks enough resources for prevention and control, and faces problems for traditional reasons and because of "discrimination against people living with AIDS," he said, without elaborating. "We would like to strengthen our collaboration and cooperation with all countries and international organizations, and we welcome assistance and support from multilateral as well as bilateral organizations," he added. The PRC says it currently has 840,000 people infected with HIV - 80,000 of whom have full-blown AIDS. But the United Nations' AIDS agency has warned that China could see 10 million HIV cases by 2010 if it doesn't act quickly.

(return to top)

## 23. Cross - Straights Relations

Reuters ("CHINA WAR GAMES, MISSILE TESTS FUEL TAIWAN TENSION", 2004-07-13) reported that the PRC made sure Tuesday that Taiwan was in no doubt that it will be the target of military drills this month when state media publicized the usually secretive exercises that coincide with ballistic missile tests. The PRC believes Taiwan President Chen Shui-bian will push for formal statehood after winning a second four-year term in March and is readying for a showdown with the island. The People's Liberation Army (PLA) is to stage a mock invasion of Taiwan this month, with SU-27 fighters battling for air superiority and supporting an amphibious landing in land, sea and air exercises on Dongshan island, less than 300 km (200 miles) from Taiwanese soil, state media said. The Russian news agency Itar-Tass said the PRC had notified Russia of plans to test-fire three ballistic missiles this month.

(return to top)

## 24. PRC Foreign Trade

The Associated Press ("CHINA PLANS CHECKS ON NON-STICK COOKWARE", 2004-07-13) reported that PRC officials said Monday they plan to inspect non-stick cookware following allegations that U.S. chemical giant DuPont failed to report potential health risks from a chemical used to make Teflon. Officials at Quality Supervision Bureaus in Beijing and the southern city of Guangzhou said they were preparing to conduct spot checks of cookware. That follows reports last week that the U.S. Environmental Protection Agency expects to take action against DuPont for failing to disclose information about the synthetic chemical perfluorooctanoic acid, known as PFOA or C8. "Any products that pose a threat to health will be removed from the shelves immediately," the state-run Xinhua News Agency reported.

(return to top)

## 25. PRC Protest

Agence France-Presse ("CHINESE PETITIONERS THREATEN MASS SUICIDE IN BEIJING", 2004-07-13) reported that at least 20 disgruntled protesters are threatening to jump off a Beijing building in a mass suicide bid unless the State Supreme Court heard their grievances. The petitioners from northeast PRC were among thousands who gathered Monday in southern Yongdingmen district to file formal petitions over a series of issues with the court, the State Council, or the nation's parliament. "In all there was a group of 50 to 60 people from northeast China, among them some 20 climbed up to the top of the building and threatened to jump," Beijing rights activist Liu Anjun told AFP. "Up to 2,000 people gathered around the building to watch and support them, most of them

were all petitioners that had come to Beijing from all over the country." Police climbed the building and after four-and-a-half hours of negotiations persuaded the chanting and wailing protestors to come down and took them away, Liu said. According to Radio Free Asia, the rooftop petitioners were mostly miners from Heilongjiang province who had exhausted efforts in their hometowns and so had to come to Beijing.

(return to top)

## 26. PRC Domestic Dissent

OneWorld ("UIGHUR MILITANT REPORTED EXECUTED BY CHINA", 2004-07-13) reported that the execution of an alleged Uighur "separatist" in the PRC's Xinjiang province is adding to concern by human rights groups that Beijing is taking advantage of the ongoing "war on terrorism" to crack down on the predominantly Muslim indigenous population in its westernmost territory. Kuerban Tudaji was reportedly sentenced to death on June 30 after his conviction for "manufacturing explosives, firearms and ammunition" as part of an effort to "split the country" and "organize terrorist training" between 1998 and 2000. Amnesty International, which only last week issued a major report on the situation in Xinjiang Uighur Autonomous Region (XUAR), as the province is known formally, condemned the reported execution, suggesting that the defendant may not have received a fair trial and appealing for the authorities to make public the evidence it presented against him. "China has repackaged its repression of Uighurs as a fight against 'terrorism,'" Amnesty said in its latest report. "Since the 11 September 2001 attacks on the USA, the Chinese government has been using 'anti-terrorism' as a pretext to increase its crackdown on all forms of political or religious dissent in the region." It noted that the crackdown has continued despite the fact that the head of XUAR's government admitted last April that "not one incident of explosion or assassination took place (there) in the last few years."

(return to top)

## 27. PRC Graft Punishment

The Associated Press ("CHINA REPORTS BANKER EXECUTED FOR GRAFT", 2004-07-13) reported that a senior banker has been executed and at least eight bank executives arrested amid reports of loan fraud and other abuses at the PRC's state-run banks, official media reported Monday. Xiao Hongbo, a deputy branch manager at China Construction Bank - one of the country's four biggest state lenders - was executed Friday in the western province of Sichuan for using bank funds to support eight mistresses, the local newspaper Huaxi Metropolitan News reported. It said that Xiao, 37, caused the bank at least $484,000 in losses by stealing funds from customer accounts and falsifying books at a Construction Bank branch in Dacheng, a city in Sichuan. In an unusually frank annual report, China's top auditor described alleged misuse of funds and other malfeasance by banks, power companies and government departments that cost the country hundreds of millions of dollars.

(return to top)

## 28. PRC Foreign Investment

Reuters ("FOREIGN INVESTORS UNFAZED BY CHINA STEPS ", 2004-07-13) reported that the PRC drew a record $8 billion in foreign investment in June, up 14 percent from a year earlier, evidence that investors were unfazed by government steps to cool the economy. The $7.97 billion in foreign direct investment topped the previous high of $7.66 billion set in June 2002, according to

calculations based on official first-half data released on Tuesday. "Basically the message is that the long-term investors and foreign multinationals have been little affected by the policy tightening measures," said HSBC economist Qu Hongbin. "You could also read it as people are still pretty confident that the government is able to manage overheating."

(return to top)

## 29. Japan Constitutional Revision

The Japan Times ("NEW KOMEITO OFFICIAL BREAKS WITH KOIZUMI ON DEFENSE", 2004-07-05) reported that Tetsuzo Fuyushiba, secretary general of New Komeito, indicated on July 4 he opposed Prime Minister Junichiro Koizumi's remarks that the pacifist Constitution should be revised so it can exercise the right to collective defense and carry out joint actions with US forces. "I oppose the exercise of the right to collective defense if it means that Japan will fight anywhere in the world together with US forces," Fuyushiba said during two TV appearances. "Such a stance will not gain the approval of our party." On the characterization of the Self-Defense Forces under the Constitution, Fuyushiba suggested Japan clearly stipulate that the SDF is constitutional by stating its existence in the Constitution.

(return to top)

## 30. Sino-Japanese Relations

The Asahi Shimbun ("CHINESE STUDENT GROUPS OFFERED VISA-FREE TRAVEL", 2004-07-06) reported that, starting this summer, elementary, junior high and senior high school students from the PRC would be exempt from obtaining visas when traveling to Japan on school trips. The move aims to encourage exchanges between young Asians and to put Japan on the map as a "must-see" destination for tourists. Last year, fewer than 800 students from the PRC visited Japan on school trips. Since March, ROK school groups have also been exempt from visa permits. In the three months following, 2,000 students traveled to Japan on school trips. Just 5,000 visited in 2003.

(return to top)

## 31. Japan Defense Agency Annual Report

The Japan Times ("DEFENSE REPORT PATS SDF ON THE BACK FOR IRAQ DUTY", 2004-07-07) reported that the Self-Defense Forces troops deployed in Iraq have served Japan's national interests, strengthened the Japan-US alliance and enabled the nation to carry out its responsibilities as a member of the international community, Defense Agency chief Shigeru Ishiba said in an annual agency report released. The report, approved by the day's regular Cabinet meeting, also states that overseas activities conducted by the SDF over the last decade, including those in Iraq, "are well appreciated both at home and abroad." There are high expectations that the SDF will participate in international missions, the report says, adding that "to join the framework for peace and stability in international society will, in turn, serve the peace and stability of our nation."

(return to top)

## 32. International Meeting on Security

The Japan Times ("EXPERTS MULL SECURITY ISSUES AT INFORMAL KYOTO MEETING", 2004-0--07) reported that nearly two dozen former political leaders and policy experts from around the

world met in Kyoto on July 6 for informal discussions on how to make the UN more effective in responding to international security threats. The first day of the two-day meeting focused on the challenges to international security, including terrorism and the proliferation of weapons of mass destruction. "It is vitally important to discuss how the UN and the Security Council should be reformed, and what part they should play to undertake more effective collective action," Foreign Minister Yoriko Kawaguchi said in her opening remarks. There remain fundamental differences among developed and developing nations as to what constitutes a greater threat to security. Developed nations often see stopping terrorist attacks as the top priority. Developing nations argue, however, that international security is best secured by first tackling health and poverty issues, which they maintain are the root causes of terrorism.

(return to top)

## 33. Japan-ROK Relations

The Asahi Shimbun ("JAPAN LOSES KEY ALLIES IN SHAKE-UP OF SOUTH KOREAN POLITICAL WORLD", 2004-07-06) reported that the large gains by the Uri Party in the National Assembly election on April 15 shook up the league of parliamentarians for South Korea-Japan relationship. Before the election, 187 parliamentarians, or about two-thirds of the National Assembly, were members of the league. However, only 62 members were re-elected. "It was a huge earthquake unheard-of since the formation of this league in 1975," said one staff member. The biggest loss from the Japanese perspective was former Prime Minister Kim Jong Pil, leader of the United Liberal Democrats and chairman of the South Korean league of parliamentarians. Kim's retirement from politics has left many Japanese politicians wondering who they can now turn to for help. His successor in the parliamentarians league has yet to be named. Other top officials, including a deputy chairman, also went down to defeat in the election. About the only executive in the league who retained his seat was the maverick politician Chung Mong Joon, whose family controls the Hyundai conglomerate. Members of the league, for example, played an important role in playing down controversy that arose over history issues. But the influence of the league is now waning. In late April, the Uri Party surveyed all its members who won seats. One question asked was: "With which nation should we place the greatest emphasis?" Of the 130 politicians polled, 63 percent said China and 26 percent said the US. Only three politicians said Japan.

(return to top)

## 34. Japan's Nuclear Cycle Cost Estimation Scandal

The Japan Times ("METI ADMITS IT ESTIMATED COST OF BURYING NUKE FUEL", 2004-07-06) reported that the Ministry of Economy, Trade and Industry (MITI) formally admitted to drawing up an estimate in 1994 saying the cost of burying spent nuclear fuel was far lower than the cost of recycling it. "It was regrettable that we did not know about the existence of such a document and we want to apologize for giving the wrong reply to the Diet," said Hideji Sugiyama, vice minister of economy, trade and industry. He said METI did not intend to conceal the data. The ministry is investigating why it was unaware of the data's existence, he said.

(return to top)

## 35. Russian Oil Export

Kyodo ("RUSSIA TO START PIPELINE WORK IN '05", 2004-07-04) reported that Russia planed to start building part of the Japan-proposed pipeline next year to export Siberian oil to the Asian

market, a senior official with the state oil transport company said on July 2. Sergei Grigoriev, vice president of Transneft, told Kyodo News that Russia wants to begin exporting oil in 2006 -- even if the pipeline connecting eastern Siberia to the Russian Far East is not completed by then -- using the trans-Siberian railroad to transport the oil. The export of Siberian oil had not been expected to begin until after 2010 at the soonest. It is likely to initially total 10 million tons a year and is expected to eventually reach 80 million tons.

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