# NAPSNet Daily Report Tuesday, March 27, 2007

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### 1. BDA Funds Issue

Agence France-Presse ("NKOREA BANKING ROW TO END IN DAYS: US NUCLEAR ENVOY", 2007-03-27) reported that a banking dispute that stalled DPRK nuclear disarmament talks could be resolved in a couple of days despite complex technical problems, the chief US envoy to the negotiations said. The US Treasury is working with Beijing to transfer 25 million dollars frozen in 2005 in Macau's Banco Delta Asia. "As we get through this banking issue -- I believe we will in the next couple of days -- North Korea will have further discussions with the IAEA and by early part of April -- certainly by the first half of April -- we will have the reactor shut down, sealed and we will have international inspectors back," Hill told a Washington forum.
(return to top) The New York Times ("BANK BLOCKS PLAN TO RELEASE FROZEN FUNDS TO NORTH KOREA", 2007-03-27) reported that a largely foreign-owned DPRK bank has emerged as a major obstacle to a deal that would allow six-party negotiations over the DPRK's nuclear program to move forward. The US has tried to solve the impasse over the funds frozen in the Macao bank, Banco Delta Asia, by offering to have the money placed in an account in the Bank of China under the control of the DPRK on the understanding that it would be spent for humanitarian purposes. A representative of the Daedong Credit Bank, which has about $7 million frozen in Banco Delta Asia, has told the authorities in Macao, though, that it will not accept its funds being placed under the control of the DPRK or moved to the Bank of China. (return to top)

### 2. US on DPRK-US Diplomatic Relations

Yonhap ("ENVOY SAYS N.K. MUST ADDRESS HUMAN RIGHTS FOR BETTER RELATIONS WITH U.S.", 2007-03-27) reported that the US envoy to the DPRK nuclear talks said that Pyongyang needs to meet international standards, especially in human rights, in order to have relations with Washington. "It's a price of admission to the international community," Assistant Secretary of State Christopher Hill said.
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### 3. US on DPRK Nuclear Program

Joongang Ilbo ("CIA CHIEF IN SEOUL FOR SECRET TALK ON NUKES", 2007-03-27) reported that the US will not recognize the DPRK as a nuclear-armed state because Pyongyang's nuclear test last year was a failure, Michael Hayden, the chief of the US Central Intelligence Agency, told ROK officials in Seoul, a high-ranking government source told the JoongAng Ilbo. During his meeting with Mr. Kim, Mr. Hayden said Washington has a large amount of intelligence on the DPRK, while the ROK has many experts who understand teh DPRK's sentiments and culture, emphasizing that exchanges of intelligence between the US and ROK are vital.
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### 4. ROK Aid to the DPRK

The Associated Press ("SKOREA RESUMES OFFICIAL AID TO NKOREA WITH FERTILIZER SHIPMENT", 2007-03-27) reported that the ROK resumed official economic assistance to the DPRK on Tuesday sending a shipload of fertilizer to the impoverished nation. A Vietnamese-registered cargo ship left the southwestern port of Yeosu for the DPRK carrying 6,500 tons of composite fertilizer -- the first batch of a 300,000-ton shipment, said Kim Nam-sik, a spokesman for the Unification Ministry. Despite the fertilizer aid, the ROK plans to hold off on resuming rice shipments until after mid-April to make sure the DPRK carries out its promise to close the nuclear reactor.
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### 5. Inter-Korean Reunions

The Associated Press ("KOREAS HOLD FIRST REUNIONS VIA VIDEO", 2007-03-27) reported that hundreds of DPRK and ROK held tearful reunions via video Tuesday as part of revived reconciliation efforts on the divided peninsula after the DPRK agreed to start dismantling its nuclear weapons program. Some 865 people from 120 families are participating in this week's virtual reunions, which are scheduled to last for three days. Each family will be given two hours to see and talk to their relatives via a fiber-optic video cable.
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### 6. Sino-DPRK Trade Relations

Chosun Ilbo ("BACK TO BUSINESS ON THE N.KOREA-CHINA BORDER", 2007-03-27) reported that some 70 trucks full of cargo make a beeline across the Sino-Korean Friendship Bridge in front of the customs office in the PRC border city of Dandong. They are headed for the DPRK city of Shinuiju across the Yalu River. Customs procedures seem as cursory as they were before the DPRK's nuclear test last October. Immediately after the test, PRC officials carefully searched all luggage. But now, an ethnic Korean in the PRC who trades in machinery, says traders are no longer so jittery. "Spring is back. I think this is a business season," he says.
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### 7. US-ROK Trade Relations

Chosun Ilbo ("KOREA, U.S. PUT KAESONG PROBLEM ON BACK BURNER", 2007-03-27) reported that the ROK and the US are unlikely to include goods from the inter-Korean Kaesong Industrial Complex in the DPRK in their bilateral free trade agreement. Instead, they will discuss the issue after the trade pact goes into effect since ministers from the two sides failed to narrow the gap over the issue a week from the tentative deadline.
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### 8. US-ROK Security Alliance

Donga Ilbo ("DIFFICULT TO UTILIZE MILITARY OPERATIONS WITHIN FIVE YEARS", 2007-03-27) reported that ahead of the independent operation of wartime control in 2012, the ROK military has moved to introduce unmanned aerial vehicles (UAV) and multipurpose satellites. Military experts, however, point out that since these utilities will not be in operation within five years, a power vacuum of the military force might be inevitable.
(return to top) Yonhap ("SOUTH KOREA-U.S. FTA TALKS CONTINUE AMID SHOWDOWN OVER RICE ", 2007-03-27) reported that the ROK and the US haggled over "fewer than 10 outstanding issues" including farm goods on the second day of their final free trade agreement talks, officials said. Their mission is to make a "package deal" on outstanding issues, which both sides said include automobiles, agricultural products, anti-dumping remedies and pharmaceuticals. In a meeting with a group of pro-government lawmakers earlier in the day, the ROK trade minister confirmed that rice is a deal breaker. (return to top)

### 9. Japan Comfort Women Issue

Joongang Ilbo ("U.S. PUSH JAPANESE TO OFFER CONCESSIONS OVER SEXUAL SLAVERY", 2007-03-27) reported that Washington has called on Tokyo to finally look at the sad legacy of war-time comfort women in a more "responsible manner," in unusually strong remarks on the issue of Japan's wartime past. "This is a very difficult issue and we certainly would want to see the Japanese continue to address this and to deal with it in a forthright and responsible manner that acknowledges the gravity of the crimes that were committed," said Tom Casey, the US State Department's deputy spokesman.
(return to top) Agence France Presse ("CHINA FROSTY ON ABE'S LATEST APOLOGY", 2007-0-27) reported that the PRC has offered no warm words to Japanese Prime Minister Shinzo Abe after he apologised for Japan's forced sexual slavery of Chinese and other women during World War II. "We have already stated our position on that and I won't repeat it here," foreign ministry spokesman Qin Gang said when asked for PRC's reaction to Abe's apology. (return to top)

### 10. India-Japan Security Relations

Financial Express ("JAPAN-INDIA TIES NOT AIMED TO 'CONTAIN' CHINA", 2007-03-27) reported that Japan regards India as a "vital partner" in establishing the "Arc of Freedom and Prosperity" in Asia but Tokyo has no plan to use New Delhi to "contain" the PRC, Japanese Foreign Minister Taro Aso has said. "If I am asked whether Japan and India are trying to contain Beijing, my answer is a clear 'No'," Aso said. The PRC is closely watching increasing high-level exchanges and defence cooperation between India and Japan and reports of a possible trilateral cooperation with the US.
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### 11. Sino-Japanese Relations

Agence France-Presse ("JAPAN'S ABE HAILS COOPERATION WITH CHINA", 2007-03-27) reported that Japanese Prime Minister Shinzo Abe voiced hope for expanding cooperation with Beijing as his government said PRC Premier Wen Jiabao will visit from April 11. Wen will be the first PRC leader to come to Tokyo since 2000 as the two countries work to improve relations which have been badly strained over history issues and energy disputes. "We are making efforts to make Sino-Japan ties a relationship of strategic and mutual benefit," Abe told a press conference.
(return to top) Bloomberg News ("CHINA INFLUENCE IN ASIA CONCERNS JAPAN, MINISTRY SAYS", 2007-03-27) reported that the PRC's growing influence in Asia and its increased military spending are concerns for Japan's national security, the Japanese government said in its annual strategic review. The Defense Ministry's East Asia Strategic Review 2007 expressed concern over PRC diplomacy in Southeast and central Asia, which it says is aimed at reducing the US military presence in parts of Asia. (return to top) Kyodo News ("ABE VOWS TO BOOST COOPERATION WITH CHINA ON N. KOREA THROUGH WEN VISIT", 2007-03-27) reported that Japanese Prime Minister Shinzo Abe pledged to take advantage of PRC Premier Wen Jiabao's visit to Japan starting April 11 to boost bilateral cooperation to solve DPRK-linked problems. Abe also said, "I'll make efforts so that Japan can enlist China's support for a bid to join the U.N. Security Council as a permanent member." Japan has pressed its case for expanding the Security Council with it becoming one of the new permanent members but the PRC has been reluctant to support the idea.
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### 12. Sino-Russian Relations

Agence France Presse ("RUSSIA, CHINA FORGE NEW TRADE TIES AT PRESIDENTIAL SUMMIT", 2007-03-27) reported that the PRC and Russia forged new ties at a presidential summit that brought four billion dollars' worth of trade deals, increasing the interdependence of the two fast-growing economies. PRC President Hu Jintao and Russian President Vladimir Putin oversaw the deals on the second day of meetings meant to secure additional energy shipments and push trade to new highs. The presidents oversaw the signing of 21 contracts, including an agreement by Russian state oil company Rosneft to supply jet fuel to PRC and long-term export contracts for Russian steel products.
(return to top) The Associated Press ("AFTER TALKS, CHINA AND RUSSIA AGREE TO STRENGTHEN ECONOMIC LINKS", 2007-03-27) reported that PRC President Hu Jintao of the PRC and the Russian president Vladimir Putin pledged to expand economic cooperation, which has lagged behind thriving military and security ties built by the former rivals. Hu said that active political contacts between the nations, both permanent members of the UN Security Council, had helped "make international relations more democratic" and advanced the concept of the "multipolar world" - a term Moscow and the PRC frequently use to describe their perception of US global dominance. (return to top)

### 13. PRC Russia Space Probe

Shanghai Daily ("CHINA, RUSSIA TO JOINTLY PROBE MARS IN 2009", 2007-03-27) reported that the PRC and Russia have agreed to jointly send a probe to Mars and its moon, Phobos, in 2009. Russia will launch an explorer Phobos-Grunt carrying a PRC-made exploration device to conduct the task and take samples of Phobos soil. The agreement is seen as a milestone of the two countries' space cooperation.
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### 14. Russian Pacific Naval Drill

RIA Novosti ("RUSSIA STARTS PACIFIC NAVAL EXERCISE", 2007-03-27) reported that Russia has begun a scheduled naval exercise in the Sea of Japan, the Pacific Fleet press service said. "The exercise, which marks the end of winter combat training, will feature missile and artillery firing, and the search and destruction of submarines," a press service spokesperson said.
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### 15. Taiwan Defense

Agence France Presse ("TAIWAN UNVEILS UPGRADED HOME-MADE FIGHTER", 2007-03-27) reported that Taiwan unveiled an upgraded home-made fighter jet which President Chen Shui-bian said demonstrated the island's determination to defend itself against rival PRC. Despite the completion of the upgrade project, the military has yet to decide on whether to upgrade the island's existing IDF fleet.
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### 16. Japan on Cross Strait Relations

Asahi Shinbun ("SUPREME COURT RECOGNIZES 'ONE CHINA' IN DORM DECISION", 2007-0-27) reported that the Japanese Supreme Court effectively ended the longest unresolved lawsuit in Japan, overturning a lower court ruling that sparked a diplomatic rift between Tokyo, the PRC and Taipei. The lawsuit concerns a student dormitory called Kokaryo in Kyoto and whether the PRC or Taiwan is the rightful owner. Justice Tokiyasu Fujita decided that the plaintiff in the lawsuit is now the PRC, not Taiwan. The decision is the first at the top court that effectively recognizes "one China." The Supreme Court also said it was illegal from a procedural standpoint for Taiwanese authorities to have continued with the lawsuit after Tokyo re-established diplomatic ties with PRC in 1972.
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Nautilus Institute
608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email: nautilus@nautilus.org