

# NAPSNet Daily Report Tuesday, May 15, 2007

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## I. NAPSNet

### 1. DPRK on Frozen Funds

Reuters ("NORTH KOREA SAYS NUCLEAR DEAL BLOCK MAY BE CLEARED", 2007-05-15) reported that the DPRK said on Tuesday it may soon receive the frozen funds and would start to shut down its nuclear reactor. "Currently, a process is ongoing to wire the funds in Macau's Banco Delta Asia to our bank account in a third country," a DPRK Foreign Ministry spokesman told the DPRK's official KCNA news agency. "If the money transfer has been completed, we will immediately take steps to

close nuclear facilities as agreed upon under the February 13 deal," the spokesman said. In Washington, the U.S. State Department said it did not have any updates on the Banco Delta Asia issue and did not know whether the problem with the frozen funds had been sorted out.

## **2. Inter-Korean Rail Test Run**

Yonhap ("KOREAS INTENSIFY EFFORTS TO MAKE CROSS-BORDER RAILWAY TESTS", 2007-0-15) reported that the Koreans are stepping up efforts to prepare for the run of trains across the DMZ for the first time in more than half a century. Two five-car trains, each carrying 100 RO Koreans and 50 DPR Koreans, from two sections of the Peninsula are expected to cross the DMZ between 12:10 p.m. and 12:20 p.m. on Thursday. The passenger lists will be exchanged via an inter-Korean economic office in Kaesong on Wednesday. With military arrangements now in place, one RO Korean train is scheduled to travel to the North and then return to its point of departure in the west of the peninsula, while the DPR Korean train will travel to the South along the east coast.

## **3. DPRK Trade**

Yonhap ("N. KOREAN TRADE, EXCLUDING WITH S. KOREA, FALLS FOR FIRST TIME IN 4 YEARS IN 2006", 2007-05-14) reported that trade between the DPRK and external economies, excluding ROK, fell last year for the first annual decline in four years. Last year, external trade, excluding with the ROK, came to US\$2.99 billion, down 0.2 percent from the previous year. Exports for the same period fell 5.2 percent from a year earlier to \$947 million, while imports rose 2.3 percent to \$2.04 billion. The ROK's trade agency said Monday the decline was mainly due to economic sanctions from Japan and the European Union after the DPRK launched ballistic missiles in July last year and tested a nuclear device three months later.

Itar-Tass ("OVER 200 COMPANIES TAKE PART IN NKOREAN INTERNATIONAL TRADE FAIR", 2007-05-14) reported that over 200 companies from different countries of the world take part in the tenth international trade exhibition, which opened in Pyongyang. Companies from Russia, Australia, the Netherlands, Switzerland, Singapore, Italy, Poland, Indonesia, Syria and Bangladesh also take part. The exhibition will run till Thursday, May 17.

## **4. EU-ROK FTA and Kaesong**

Yonhap ("S. KOREA EXPECTS EU TO ACCEPT N. KOREAN INDUSTRIAL PARK IN FREE TRADE PACT", 2007-05-14) reported that the ROK expects the EU to include goods made at Kaesong in a proposed free trade agreement, casting a potential shadow over their trade negotiations. The EU has, of yet, given no particular response to the ROK request.

## **5. US-ROK Trade Relations**

Korea Herald ("SEOUL RULES OUT FTA RENEGOTIATION WITH WASHINGTON", 2007-05-15) reported that ROK negotiators are not going to give in to a possible request by US trade negotiators for renegotiations of their recently concluded bilateral free trade agreement, ROK officials and experts said. "I don't think reworking labor and environmental conditions in the trade deal would be a big deal for Korea in terms of quality of the trade deal, but what is worrisome are the possible ramifications stemming from reopening a deal that has been a subject of major controversy," Kim Do-hoon, an economist at the Korea Institute for Industrial Economics and Trade, told The Korea Herald.

## **6. PRC on Japanese Constitutional Revision**

Reuters ("CHINA TROUBLED BY JAPAN PLAN TO CHANGE CONSTITUTION", 2007-05-15) reported that the PRC expressed concern at Japan's plans to rewrite its pacifist constitution, saying it was a cause for misgiving for Asian countries which suffered Japanese invasion and occupation. PRC Foreign Ministry spokeswoman Jiang Yu told a news conference that neighboring Asian countries had given their "utmost attention" to the plan to revise the constitution. "The facts demonstrate that the Japanese people were correct in choosing the path of peaceful development. We hope that Japan adheres to this direction."

## **7. ROK on Japanese Constitutional Revision**

Joongang Ilbo ("RIVALS UNITE TO DECRY JAPAN ARMING ITSELF", 2007-05-15) reported that politicians on both sides of the spectrum here ripped Japan after its parliament approved a bill marking the first step toward possible changes to the country's pacifist constitution. Grand National Party Spokeswoman Na Kyoung-won called the development "very concerning," and said neighboring countries were bound to engage in an arms race. The more liberal Uri Party also criticized Tokyo for what it called a threat to "prosperity and peace in the East Asian region," in a statement.

## **8. Japan Missile Defense Program**

Kyodo ("KYUMA SEEKS HIGH-ALTITUDE INTERCEPTION STUDY OVER N. KOREA MISSILE ", 2007-05-15) reported that Japan needs to study technologies with the US for intercepting ballistic missiles that fly at a high altitude in the wake of news that the DPRK has developed a new ground-launched intermediate-range ballistic missile, Defense Minister Fumio Kyuma said. Kyuma told a press conference that the sea-based Standard Missile-3 interceptors which Japan is planning to deploy is designed to counter ballistic missiles that fly at medium altitude and "therefore there is a need to conduct technological research with the United States for high altitude as well."

## **9. Cross Strait Relations**

The Associated Press ("TAIWAN SIMULATES ATTACK FROM RIVAL CHINA ", 2007-05-15) reported that six Taiwanese jet fighters touched down on a highway in central Taiwan Tuesday, as the island responded to a simulated attack from the PRC at the start of three days of extensive war games. This year's annual Hankuang (Chinese Glory) military exercises come with President Chen Shui-bian entering the last year of his eight-year presidency and tensions between Beijing and Taipei on a relatively low burner.

## **10. PRC Anti-Corruption Efforts**

Reuters ("CHINA WARNS AGAINST GRAFT AHEAD OF KEY CONGRESS", 2007-05-15) reported that the PRC's Communist Party will take new steps to root out corrupt officials ahead of a key congress later this year and ensure that tainted members cannot rise any further, the official Xinhua news agency said. But anti-graft investigators are hampered by a political system that permits few checks and balances on official power and by a judiciary packed with party-appointed judges.

## **11. PRC Rural Development**

The Los Angeles Times ("PUTTING UP MONEY HAS ITS PRIVILEGES", 2007-05-15) reported that when Zhang Rongde ponied up \$12 million to build a steel plant in this dusty town in central PRC, local officials offered the out-of-town entrepreneur tax savings, cheaper electricity rates and the title of "honorary citizen." In the US, an honor such as that might come with a symbolic key to the city. In Qinyang, it came with a red booklet that was like a get-out-of-jail-free card. That Qinyang would go

to such lengths to reward investors speaks volumes about the PRC's economic development today — and the price that's paid for it. It underscores the extraordinary challenges facing the central government as it tries to slow unbridled growth in many localities, improve the rule of law and get a grip on the widening rich-poor divide.

## **12. PRC Rural Women**

The Washington Post ("IN RURAL CHINA, A BITTER WAY OUT", 2007-05-15) reported that the suicide rate for women in the PRC is 25 percent higher than for men, and the rural rate is three times the urban rate. In the PRC, being young, from the countryside and female is an especially lethal combination. Because the women who commit suicide are almost exclusively poor, their desperation is a reminder of the social inequalities that plague the PRC and the difficulties hindering government efforts to raise rural standards of living. Despite the fast-paced modernization of cities, women in the countryside have been left to face what they consider insurmountable obstacles, often stemming from the traditional view that wives play a subservient role in the household.

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Nautilus Institute

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

[nautilus@nautilus.org](mailto:nautilus@nautilus.org)