# NAPSNet Daily Report Tuesday, September 19, 2006

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# I. NAPSNet

## 1. PRC on Six Party Talks

Xinhua ("CHINA SUPPORTS KOREAN PENINSULA DENUCLEARIZATION", 2006-09-19) reported that the PRC on Monday reiterated its support for the denuclearization of the Korean Peninsula through international efforts in a proper way. The stance was outlined by Sun Qin, head of the Chinese delegation at the 50th Annual Regular Session of the International Atomic Energy Agency (IAEA) General Conference held here. "With joint efforts, rounds of six-party talks were held and positive results achieved," he said.

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## 2. International Sanctions on DPRK

International Herald Tribune ("AUSTRALIA AND JAPAN PUT PENALTIES ON NORTH KOREA", 2006-09-19) reported that Australia and Japan imposed new financial sanctions on the DPRK on Tuesday, as the US dismissed appeals from the PRC and the ROK for a softer approach and rallied more international pressure on the DPRK to return to nuclear disarmament talks or face a slow wilting of its finances. The initial impact of the actions announced Tuesday will be limited because Australia and Japan have little trade with the DPRK, experts said. But the sanctions were another clear sign that Washington and its allies are intent on tightening a financial noose around the DPRK regime, whose conduits of hard currency from abroad the Bush administration is determined to squeeze.

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## 3. DPRK Defectors on US-ROK Troop Transfer

JoongAng Ilbo ("DEFECTORS OPPOSE COMMAND TRANSFER ", 2006-09-19) reported that former DPRK military officers and soldiers who defected to the ROK held a rally yesterday to protest government plans to take over wartime control of its troops from the US. About 30 demonstrators gathered in front of the Defense Ministry headquarters and issued a statement in the name of an alliance of 12 groups of defectors. They filed their petition to Defense Minister Yoon Kwang-ung. "The discussion of the transfer of wartime control should be made only after the destruction of Kim Jong-il's regime. It will only benefit (South Korea's) enemies and hurt friendly forces," Sim Sun-bok, a co-president of the alliance, said in a statement. He claimed that what the DPRK's armed forces fear the most are the combined ROK and US forces on the Korean Peninsula.

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## 4. DPRK Insurance Claims

JoongAng Ilbo ("NORTH FINDS REINSURANCE A SOURCE OF HARD CASH", 2006-09-19) reported that the DPRK has filed claims with British and Russian reinsurance companies after four disasters in the DPRK, and seeks millions of dollars in compensation, a source in Seoul said yesterday. His

comments were confirmed by government officials. The sources said the claims were filed by Minjok Insurance General Company, and asked for payments related to two rail crashes and two other incidents. The reinsurers reportedly received permission from Pyongyang to conduct investigations at the accident sites before paying the claims; those visits have already taken place, these sources said, adding that the visits were made to places normally off-limits to foreigners.

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## 5. Inter-Korean Relations

JoongAng Ilbo ("MINISTRY SAYS NORTH SOUGHT BANK ACCOUNT WITH WOORI", 2006-09-19) reported that the DPRK attempted last year to open an account with a ROK commercial bank at the Kaesong Industrial Complex, but the request was rejected, the Ministry of Unification said yesterday. In response to a report by the Dong-A Ilbo newspaper, the ministry said a DPRK agency made a verbal inquiry to the Kaesong Industrial District Management Committee on Sept. 14, 2005 about opening an account with Woori Bank. In December, the agency submitted a written request.

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## 6. ROK Terrorism

Chosun Ilbo ("KOREA NOT A TERRORIST-FREE ZONE: LAWMAKER", 2006-09-19) reported that a number of suspected Islamist extremists have turned up in the ROK over the past few years, it emerged Tuesday. According to a report on terrorist activities by the National Intelligence Service submitted to Uri Party Lawmaker Won Hye-young, one foreigner who was allegedly in contact with violent Islamist organizations in the former Soviet Union entered the country on a fake passport in November 2002 and worked for a small firm here before being rumbled and deported. “Owing to various factors including our nation’s troop deployments to Iraq and Afghanistan, Korea’s international role is growing, and domestic firms are expanding their push into foreign markets, so the threat of terror is becoming more real,” the report says. “This confirms that our country is no longer safe from terrorism,” Won said. “All sides need to seriously look into enacting legislation to prevent terrorism.”

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## 7. ROK-Canada Free Trade Agreement

Bloomberg ("CANADA WON'T BENEFIT FROM TRADE ACCORD WITH KOREA, STUDIES SAY", 2006-09-19) reported that Canada probably wouldn't benefit from a free trade agreement it's negotiating with the ROK as part of a strategy to increase business with Asia, according to two studies posted on the Canadian trade ministry's Web site. The studies focused on the automobile industry, which accounts for about a fifth of trade between the two countries, and found that a trade accord would have either a negligible or a negative impact on the Canadian economy. Still, the studies are more favorable than others released today by the Canadian Auto Workers Union, saying a pact may cost Canada 4,000 jobs. ``Even with the most positive scenario, Canada breaks even - - no advantage shown by the government's own studies,'' Canadian Auto Workers President Buzz Hargrove told reporters today in Ottawa after meeting with Trade Minister David Emerson.

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## 8. ROK Rice Imports

Korea Times ("RICE IMPORTS TO GROW BY 53%", 2006-09-19) reported that in 2006 the ROK will import 34,400 tons of rice, a staple in ROK meals, up 52.6 percent compared to the amount imported this year. The amount is the ROK's mandatory rice import quota for 2006. As the 2005 quota was delayed to 2006, the quota for 2006 will be delayed to 2007. The nation is obliged to import 21,500 tons from the PRC, 10,400 tons from the US, 1,500 tons from Australia, and 1,000 tons from Thailand. In a pact signed with nine rice exporting countries in late 2004, Seoul is obliged to import a set amount of rice until 2014. Between 10 and 30 percent of it must be sold directly to consumers.

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## 9. ROK-Japan Relations

Japan Times ("S. KOREA'S SURVEY TO EXCLUDE DISPUTED AREA", 2006-09-19) reported that Seoul has told Tokyo that the disputed exclusive economic zone in the Sea of Japan, including near the ROK-controlled islets, will not be included in a maritime survey it is planning for next month, a senior Foreign Ministry official said Monday. Although it had been speculated that the ROK would include the zone near the Japan-claimed islets, known as Takeshima in Japan and Dokdo in the ROK, Seoul has told Tokyo it does not have to cover the area in the survey because it did so in July, according to the official.

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## 10. Japan Party Presidential Election

Associated Press ("TURNING POINT ELECTION IN JAPAN — BUT WITHOUT THE COMPETITION", 2006-09-19) reported that Japan is facing one of its most important prime ministerial elections in years: Tokyo's ties with Asia are in crisis, the country is moving toward constitutional revision, and a fiscal crunch is around the corner. The heir apparent, Shinzo Abe, has been apparent for at least a year, and has been endorsed by the popular incumbent, Junichiro Koizumi. Abe's plans are decidedly vague, and the only man capable of challenging dropped out months ago. "Abe doesn't have a strong mission on policy issues," said Tsuneo Watanabe, a fellow at the Mitsui Global Strategic Studies Institute in Tokyo. "I don't expect much of an outcome ... in shaping the policy agenda." Abe has stated his determination to improve relations with the PRC and the ROK, but he hasn't spelled out a strategy. He wants to amend the 1947 US-drafted pacifist constitution, but he's vague about how. His social policy does not go far beyond calling for "a beautiful Japan."

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## 11. Japan Economy

XFN-Asia ("JAPAN FINANCE OFFICIAL SEES NO NEED FOR INTEREST RATE HIKES NEAR-TERM", 2006-09-19) reported that Japan has no immediate need to tighten its monetary policy, having just exited its zero interest rate policy in July and given the lack of inflationary pressure to prompt such move, a government official said. 'We don't see much inflationary concern on the horizon, so an immediate rise in interest rates is not the right way as I see it,' Japan senior vice minister at the finance ministry Kazuyoshi Akaba told XFN-Asia on the sidelines of the IMF-World Bank annual meetings here. Akaba said Japanese interest rates will not be increased to prop up the yen, amid the general perception in the forex market that the yen is currently undervalued.

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## 12. Japan Typhoon

Reuters ("SHANSHAN WEAKENS TO TROPICAL STORM, 9 DEAD IN JAPAN", 2006-09-19) reported that a typhoon left nine people dead and hundreds injured in southwestern Japan on Monday as it weakened to a tropical storm and headed out to sea. But strong gusts continued to disrupt transport in the southwest and west of the country, forcing the cancellation of nearly 80 flights and delays in the high-speed bullet train service, airline and railway officials said. Typhoon Shanshan's torrential rain triggered flash floods and landslides on the main southern island of Kyushu over the weekend. High winds overturned cars, derailed an express train and forced thousands of people to flee their homes for shelters.

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## 13. Japan-PRC Relations

Reuters ("TOP DIPLOMATS FROM JAPAN, CHINA TO MEET AT WEEKEND", 2006-09-19) reported that top diplomats from Japan and the PRC are set to meet in Tokyo at the weekend amid speculation that Shinzo Abe may hold a summit with Chinese President Hu Jintao after he becomes Japan's next prime minister. Japanese Vice Foreign Minister Shotaro Yachi will meet with Chinese counterpart Dai Bingguo in Tokyo on Saturday and Sunday for a sixth round of strategic dialogue, the Foreign Ministry said on Tuesday. Media reports have said the dialogue is aimed at paving the way for an Abe-Hu meeting, possibly on the sidelines of a November Asian Pacific leaders' gathering in Hanoi.

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## 14. PRC-US Economic Summit

Associated Press ("TREASURY SECRETARY ARRIVES IN CHINA", 2006-09-19) reported that US Treasury Secretary Henry Paulson arrived Tuesday on a closely watched trip to the PRC amid friction over mounting Chinese trade surpluses and efforts to get Beijing to help revive global commerce talks. "This is a short trip but an important trip," Paulson said in this eastern city, his first stop ahead of meetings in Beijing with the PRC's top finance and trade officials. Paulson's trip comes as the PRC's trade surplus with the US - which reached $202 billion last year and is expected to be even bigger this year - has resurfaced as a political issue in Washington. For several years, the Bush administration has tried to pressure the PRC to bring down the surplus, especially by re-valuing the currency, which critics say the PRC keeps artificially low to make its exports cheaper.

(return to top) Bloomberg ("CHINA SHOULD ALLOW YUAN TO GAIN 5% A YEAR, ADVISER ZHU SAYS", 2006-09-19) reported that the PRC should accelerate gains in the yuan to 5 percent a year against the dollar to cut its trade surplus, a senior government adviser said before a visit by US Treasury Secretary Henry Paulson. ``To slow growth in exports, a better way would be to allow the yuan to gain faster, specifically around 5 percent cumulatively, annually,'' Zhu Baoliang, deputy director of the Economic Forecast Department at the State Information Center said in an interview. Since the PRC ended a decade-long peg to the dollar last year in July, it's allowed the currency to appreciate 2.2 percent. US lawmakers have proposed sanctions against Chinese goods, blaming an artificially weak yuan for their nation's record $201.6 billion trade deficit with the PRC last year.
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## 15. PRC on Next UN Secretary General

Xinhua ("CHINA: NEXT UN SECRETARY GENERAL SHOULD BE ASIAN", 2006-09-19) reported that PRC Vice Foreign Minister Yang Jiechi reaffirmed in Havana on Saturday the PRC's firm position that the next UN secretary-general should come from Asia. "Asia is fully capable of producing a competent and prestigious secretary-general committed to multilateralism and broadly accepted by the international community," said Yang in an address to the 14th summit of the Nonaligned Movement (NAM) in Havana. Yang, who was leading a Chinese delegation for the meeting, expressed the hope that "Asian countries will maintain unity and strengthen consultation to attain our common goal."

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## 16. PRC on Iran Nuclear Program

Reuters ("CHINA ASSERTS IRAN'S RIGHT TO CIVILIAN NUCLEAR USE", 2006-09-19) reported that Iran has the right to harness nuclear energy for civilian use but should abide by its international commitments on the issue, PRC Vice Foreign Minister Yang Jiechi said in comments published on Sunday. Yang's remarks come a day after state media carried comments by Premier Wen Jiabao urging Iran to show more flexibility on its nuclear programme. "Iran has the right to use nuclear energy peacefully," the official Xinhua news agency cited Yang as saying on Saturday at a summit of Non-Aligned Movement nations in Havana, which the PRC attended as an observer. Echoing Wen's comments, Yang said that the Iranian nuclear issue was at a critical stage, but that there was still hope for a negotiated settlement to the standoff.

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## 17. PRC-Pakistan Energy Cooperation

Xinhua ("OFFICIAL: PAKISTAN-CHINA OIL, GAS CO-OP RAPIDLY GROWING", 2006-09-19) reported that Federal Minister for Petroleum and Natural Resources of Pakistan Amanaullah Khan Jadoon has said that Pakistan-PRC cooperation in the oil and gas sector was rapidly growing for the mutual advantage, according to a petroleum ministry statement Tuesday. He was talking to the delegation from China Xinjiang Petroleum and Allied Services headed by General Manager Youting Kou who called on him here Tuesday and discussed with him investment opportunities in the oil and gas sector, said the statement. The minister said the government was providing attractive package of incentives to the prospective investor in the onshore and offshore oil and gas exploration and it would welcome China Xinjiang Petroleum's investment in these activities.

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## 18. International Energy Forum in PRC

Reuters ("CHINA BOOSTS GLOBAL ROLE WITH US/ASIA ENERGY MEET", 2006-09-19) reported that the PRC will host a summit of top US and Asian energy officials next month, government officials said on Tuesday, as Beijing seeks a greater say in coordinating global consumer-nation policy to help rein in oil prices. Government officials from the PRC, India, Japan, the ROK and the US will attend the October 23-26 meeting in Beijing, a rare high-level gathering in a country that until now has played a smaller part in international energy affairs. "The purpose of the meeting is to discuss ways to stabilize the energy price among high energy consuming countries," said Toh Kyung-

hwan, policy director at the Ministry of Commerce, Industry and Energy in Seoul.

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## 19. PRC Economy

Forbes ("CHINA CENTRAL BANK'S ZHOU SAYS POLICY TO BOOST CONSUMPTION WORKING ", 2006-09-19) reported that the PRC's policy to boost its consumer spending is beginning to bear fruit, central bank governor Zhou Xiaochuan said. The People's Bank of China chief also told a plenary session of the annual meetings of the International Monetary Fund and World Bank that the Chinese economy has been 'strong' so far this year with inflation slowing. 'China's economy has maintained its strong growth momentum so far this year and inflation is moderating,' Zhou said. 'The policy to boost consumption has produced positive effects.'

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