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I. NAPSNet

1. Six Party Talks

Reuters ("U.S. ENVOY HINTS OF MOVEMENT AT SIX PARTY TALKS", 2006-12-20) reported that U.S. envoy Hill held out the possibility of agreement on preliminary steps toward defusing the

standoff by the end of the week. Hill told reporters after a day of meetings including a bilateral with his DPRK counterpart Kim Kye-gwan, that the parties hoped to "get an agreement that would constitute a first batch of elements for implementation." Hill said the parties were "working out implementation of some of the issues" in the joint statement from September 2005. Papers were circulating among delegates, which could yield a statement by the end of the week and which dealt with issues of sequencing, but negotiations were tough and complex. The DPRK has demanded the incentives before it dismantles, while Washington wants steps toward disarmament before offering guarantees.

[\(return to top\)](#) Joong Ang Ilbo ("\$24 MILLION MAY BE THE KEY", 2006-12-21) reported that after a slow start, the Six Party Talks saw a flurry of meetings, including the first of what is beginning to appear to be crucial to progress in the negotiations: U.S.-DPRK discussions of Washington's financial sanctions. Either in reality or for negotiating purposes, Pyongyang appears fixated on the \$24 million frozen in Macao's Banco Delta Asia. All six nations in the talks met at a government guest house in Beijing, and in the afternoon a delegation led by Daniel Glaser, a deputy assistant Treasury secretary handling terrorist financing and financial crimes issues, met with a DPRK team led by O Kwang-chol, the president of the Foreign Trade Bank of Korea. That meeting took place at the U.S. Embassy. Arriving in Beijing yesterday morning, Mr. O ignored reporters who peppered him with questions until Chinese security guards ushered him into an elevator. Separately, the DPRK and U.S. nuclear negotiating teams also met privately for the first time during this round of the negotiations after Pyongyang reportedly rebuffed a U.S. request to meet on Monday. The delegations said nothing about the results of that meeting. [\(return to top\)](#) Associated Press ("U.S. URGES DELEGATES TO DETAIL NORTH KOREA'S DISARMAMENT", 2006-12-20) reported that US envoy Christopher Hill urged delegates to start hashing out details of the DPRK's disarmament, and the PRC's foreign minister Li Zhaoxing called on the six nations to put aside their differences and make concrete progress. PRC Foreign Minister met with delegates during the third day of the talks. ROK envoy Chun Yung Woo said the talks would run through Friday, a day longer than was anticipated. However, he said that doesn't guarantee there would be concrete results. Hill stressed that delegates from the six countries -- PRC, Japan, Russia, the U.S. and the Koreans -- should start working on a draft agreement if they hope to make any progress. "If we are going to get to the end of the week and have something tangible, I think we probably need to be working at something on paper in the very near future," he said. Mr. Hill has declined to release details of any U.S. proposals to the North, but a news report Wednesday said the Americans had outlined a process whereby Pyongyang would first freeze its nuclear program, followed by inspections and eventual dismantlement. Washington would be willing to give the DPRK a written security guarantee -- a pledge that it wouldn't seek to topple the regime by force -- as soon as it allows the return of international nuclear inspectors, RO Korea's Yonhap news agency said, citing "diplomatic sources" at the talks. [\(return to top\)](#)

2. Rice on Six Party Talks

Washington Post ("RICE EYES 'SETS OF ACTIONS'", 2006-12-20) reported that US Secretary of State Condoleezza Rice rejected a one-for-one approach in any deal with the DPRK to dismantle its nuclear programs in exchange for individual incentives, saying the United States favors a PRC plan with "sets of actions" both sides must take over at least several months. The plan would not "marry up every little step," because "the North Koreans are masters" of blaming others for what they fail to do, Rice said. The DPR Koreans would have to "demonstrate early on" that they are serious about dismantling their nuclear program, she added. She declined to specify how Pyongyang should demonstrate that it has decided to scrap its nuclear capabilities, although she referred to previous ideas related to suspending certain nuclear activities and letting in international inspectors. In the often-cited Sept. 19, 2005, statement issued at the last round of Six Party Talks, Pyongyang agreed

in principle to end its nuclear pursuits in exchange for a series of incentives, including energy, economic aid, security guarantees and normalized relations with the United States. But major disagreements remained on the timing and sequencing of the steps on both sides. Rice yesterday dismissed "tight sequencing" as "problematic" and endorsed a "work plan" she said was first proposed by the PRC, host of the negotiations, "with obligations for both sides over some period of time." "The notion of sets of actions ... is probably about right," she said. "This is not a science, it's an art." But she quickly added: "Oh goodness, I should have never said that."

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3. Japan Defense Policy

Reuters ("JAPAN TO CUT DEFENSE SPENDING TO REIN IN BUDGET", 2006-12-20) reported that Japan plans to trim its overall spending on defense and overseas aid as part of efforts to get its huge public debt under control, but will spend more on ballistic missile defense, according to a draft budget released by the Finance Ministry. The budget calls for improving equipment procurement to trim costs, but it also lifts spending to ensure that Japan can respond to regional security risks and possible terrorist attacks.

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4. Japan Nuclear Policy

Kyodo ("JAPAN STICKS TO NOT ALLOWING PASSAGE OF NUCLEAR ARMS", 2006-12-20) reported that the Japanese government reiterated that Japan would not allow nuclear-armed ships to pass through its waters under any circumstances, effectively dismissing a remark last month by defense chief Fumio Kyuma that such passage would be allowed in the event of an emergency. "Any attempt to take nuclear weapons into our country, including the passage of a nuclear-armed US military ship through our territorial waters, is subject to prior consultations," the document says. "In the event prior consultations are held, the government invariably refuses the attempt," it says.

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5. Sino-US Trade Relations

The Associated Press ("REPORT: CHINA CURRENCY NOT MANIPULATED ", 2006-12-20) reported that the Bush administration is once again contending that it can't cite the PRC as a currency manipulator although that view may be a tougher sell in Congress next year. Democrats challenged the administration's finding on Tuesday and pledged hearings in the new Congress.

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6. Sino-US Trade Relations

The Associated Press ("CHINA SEES WORRIES IN U.S. TRADE TIES -PAPER ", 2006-12-20) reported that days after the PRC and the US held talks to narrow rifts, an official PRC newspaper said the two nations have yet to find a way to resolve deepening trade disputes, and it accused Washington of "meddling" in Beijing's policies. The commentary in the politically prominent paper suggests that despite Paulson's bridge-building visit and the US Treasury Department's decision not to label the PRC a currency manipulator, Beijing remains wary of the United States' intentions and fears that trade disputes may flare.

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7. Japan-ROK Relations

Kyodo ("ROH TO VISIT JAPAN EARLY NEXT YEAR TO MEET WITH ABE ", 2006-12-20) reported that ROK President Roh Moo Hyun will visit Japan early next year for a bilateral summit with Japanese Prime Minister Shinzo Abe, the ROK's top envoy said. ROK Ambassador to Japan Ra Jong Yil expressed the hope that bilateral ties will move in a "good direction," while noting the upcoming visits by ROK Foreign Affairs and Trade Minister Song Min Soon next week and by Roh next year.

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8. ROK Missile Defense Program

Agence France-Presse ("SOUTH KOREA EYES INDEPENDENT MISSILE DEFENSE SYSTEM", 2006-12-20) reported that the ROK will seek to build an independent missile defense system amid growing security jitters sparked by the DPRK's missile and nuclear tests, according to the officials. The system will be designed to intercept low-altitude missiles, Yonhap news agency said. The ROK will not join the US and Japan in developing joint missile defenses.

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