

Pyongyang Report

News and views on DPRK - North Korea

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COMMENTARY

Special note: Not only is this issue of Pyongyang Report is well behind schedule, so much has occurred since the last issue, that we are making it longer than usual.

The last couple of weeks have been a particularly bad time for the United Nations. Impotence in the Middle East has been mirrored by an unsavoury violation of principles in Northeast Asia. The United States is primarily responsible for both, and it is significant that John Bolton has been able to deal two such blows to the standing and integrity of the UN on the anniversary of his appointment as US representative.

The Security Council's condemnation of the DPRK missiles tests was a blatant violation of the UN charter, which respects the right of all countries to self-defence. The DPRK, as a sovereign state, was quite within its rights to test missiles. The censure was also an egregious breach of natural justice. During the weeks around the DPRK tests both Russia and India test fired a ballistic missile, and the US tested two. The ROK government announced that it was to launch a military satellite (from a US ship) and Foreign Minister Yoon Kwang-ung said that they had test fired cruise missiles, much more advanced he claimed than the North's ballistic missiles, some ten times over the last three years. It appears that the Security Council which thought that 'such launches jeopardize peace, stability and security in the region and beyond' considered this applied only to the DPRK, and not other countries who conducted such tests, but did not attempt to explain why. The UNSC also overlooked America's RIMPAC-2006 naval exercises (in which the ROK navy participated) although they were the largest since the Vietnam War. Nor have the forthcoming US-ROK annual joint exercises been considered as jeopardizing peace though they will presumably continue the practice of previous years and feature amphibious landings.

None of this means that the DPRK tests were wise, but they were neither illegal, nor unusual. It

is clear that the gesture had two interconnected purposes. One was to demonstrate an ability, and willingness, to retaliate if attacked. Pyongyang often points to the example of the invasion of Iraq as evidence of folly in trying to appease the US. It also reiterated, in its response to the UNSC resolution, the necessity of self-defense – 'Only the strong can defend justice in the world today where the jungle law prevails. Neither the UN nor anyone else can protect us.' The 'anyone else' was an obvious reference to China, and to Russia, both of whom had been active behind the scenes in watering down the original Japanese-drafted resolution but did end up condemning the DPRK.

The other purpose was to force the United States to lift sanctions and engage in meaningful peace negotiations.

It is difficult to know to what degree the first purpose was achieved. The failure of the long-range Taepodong-2 was not as disastrous as the media suggested. ROK government sources said it had flown for seven minutes – not the 35 seconds usually reported – and had been deliberately destroyed when it failed to achieve sufficient velocity. Moreover, the Indian missile test seems to have been not entirely successful and test failures are quite common. Many commentators think that it only a matter of time before the DPRK does have a long-range nuclear deterrent. Whether the US will seriously negotiate before that capability is demonstrated is uncertain.

Clearly they are unwilling to do so at the moment so the second purpose was not achieved, nor was there good reason to think it would be even had the Taepodong-2 launch been successful.

Which is where the wisdom, or lack of it, comes in. There is little that the DPRK can do by flexing its military muscles to force the US into lifting sanctions and talking. The most it can do is to show that the cost of an attack would be intolerably high for the United States (and for ROK and Japan). But that is known already and it is unlikely that the US intends to invade, though it wants to keep the threat there to weaken the DPRK and to fuel tension in the region.

On the contrary, the missile launch scuttled Kim Dae-jung's second visit to Pyongyang and, given his age and health, that may now never come off. Pyongyang's best defense against Washington lies in its relationship with Seoul, and with Beijing. It does need a minimal self-reliant military defence that would impose unacceptable cost on an attacker. Moreover ROK opposition to a US attack is not entirely fraternal, it also fears the military consequences. However, over-investment in a military posture at the expense of political advantage diminishes rather than increases security.

There is no doubt that Pyongyang is in a difficult position, faced with an adversary hundreds of times more powerful, and in many respects (though not all) quite ruthless. The US success in getting a unanimous UNSC resolution in manifest contravention of principles demonstrated its clout, but the incident also revealed the limitations of US power, in that China and Russia, with ROK support, de-fanged the Japanese draft, reducing it to a condemnation with probably little practical effect.

Moreover, US behaviour since the 19 September Joint Statement at the Six Party Talks last year indicates its frustration at not getting its own way in Beijing. Not merely was it unable to make its tiny opponent cower, but it was being out-manoeuvred by China, which was gaining in diplomatic status. Washington's ratcheting up of

allegations about counterfeiting, drugs, etc. has a certain tinge of desperation. An Australian court threw out the charges against the officers of the drug-running North Korean ship Pong Su, thus seriously denting US accusations of state involvement. President Roh Moo-hyun has publicly complained that the Americans have produced no evidence linking Pyongyang with counterfeiting, and ROK officials quite adroitly debunked allegations about labour conditions in the South Korea-operated industrial Park in North Korea's city of Kaesong.

Washington used the allegations about counterfeiting to justify its imposition of financial sanctions. Kim Jong il, it was said, was running off false \$100 notes in order to destabilise the US economy. The official line has been that the sanctions were intended to force Pyongyang back to the Six Party Talks; it is more plausible to see them designed to keep the DPRK away, and the talks in limbo. Not merely has no evidence been forthcoming but the amounts involved - \$2.8 million annually according to one American official - are tiny. Given that the US is currently running a trade deficit of some \$800 billion a year, if Kim Jong Il does want to damage the US economy, he clearly has a long way to go before he catches up with George W. Bush.

Tim Beal

DPRK FOREIGN MINISTRY SPOKESMAN ON ITS MISSILE LAUNCHES

Pyongyang, July 6 (KCNA) -- A spokesman for the DPRK Foreign Ministry gave the following answer to a question raised by KCNA Thursday as regards the missile launches in the DPRK: In the wake of the missile launches by the Korean People's Army the U.S. and some other countries following it, including Japan, are making much ado about a serious development. They are terming them "violation" and "provocation" and calling for "sanctions" and "their referral to the UN Security Council."

The latest successful missile launches were part of the routine military exercises staged by the KPA to increase the nation's military capacity for self-defence.

The DPRK's exercise of its legitimate right as a sovereign state is neither bound to any international law nor to bilateral or multilateral agreements such as the DPRK-Japan Pyongyang Declaration and the joint statement of the six-party talks.

The DPRK is not a signatory to the Missile Technology Control Regime and, therefore, is not bound to any commitment under it.

As for the moratorium on long-range missile test-fire which the DPRK agreed with the U.S. in 1999, it was valid only when the DPRK-U.S. dialogue was under way.

The Bush administration, however, scrapped all the agreements its preceding administration concluded with the DPRK and totally scuttled the bilateral dialogue.

The DPRK had already clarified in March 2005 that its moratorium on the missile test-fire lost its validity. .../..

The joint statement of the six-party talks on September 19, 2005 stipulates the commitments to be fulfilled by the six sides to the talks to denuclearize the Korean Peninsula.

But no sooner had the joint statement been adopted than the U.S. applied financial sanctions against the DPRK and escalated pressure upon it in various fields through them. The U.S., at the same time, has totally hamstrung the efforts for the implementation of the joint statement through such threat and blackmail as large-scale military exercises targeted against the DPRK.

It is clear to everyone that there is no need for the DPRK to unilaterally put on hold the missile launch under such situation.

Such being a stark fact, it is a far-fetched assertion grossly falsifying the reality for them to claim that the routine missile launches conducted by the KPA for self-defence strain the regional situation and block the progress of the dialogue.

It is a lesson taught by history and a stark reality of the international relations proven by the

Iraqi crisis that the upsetting of the balance of force is bound to create instability and crisis and spark even a war.

But for the DPRK's tremendous deterrent for self-defence, the U.S. would have attacked the DPRK more than once as it had listed the former as part of an "axis of evil" and a "target of preemptive nuclear attack" and peace on the Korean Peninsula and in the region would have been seriously disturbed. ...

It would be quite foolish to notify Washington and Tokyo of the missile launches in advance, given that the U.S., which is technically at war with the DPRK, has threatened it since a month ago that it would intercept the latter's missile in collusion with Japan.

We would like to ask the U.S. and Japan if they had ever notified the DPRK of their ceaseless missile launches in the areas close to it.

The DPRK remains unchanged in its will to denuclearize the Korean Peninsula in a negotiated peaceful manner just as it committed itself in the September 19 joint statement of the six-party talks. ...

Source: KCNA Pyongyang, 6 July 2006

ROH AIDE CALLS JAPAN'S REACTION TO MISSILES 'TRULY EVIL'

The Blue House chief of staff, Lee Byung-wan, slammed Japan yesterday, calling its reaction to North Korea's missile launches "truly evil." He labeled Tokyo's talk of a pre-emptive attack on the North's missile facilities as a sign of "militarism and expansionism." ...

Mr. Lee complained that Tokyo was leading the charge to impose international sanctions on Pyongyang. "Japan brought up the talk of a pre-emptive attack, which means war on the Korean Peninsula," he said hotly; "Going with Japan means mortgaging peace on the peninsula." He added, "Seoul has the ultimate responsibility for keeping the peace." ...

Echoing President Roh Moo-hyun's words, Mr. Lee said, "We just cannot understand North Korea, and that gave Japan a good chance." He recounted a comment he attributed to Taro Aso, Japan's foreign minister, to the effect that Mr. Aso was "thankful to Kim Jong-il" for launching the missiles. "Now we can understand what he meant," Mr. Lee said bitterly. ...

Why did Pyongyang launch the missiles? Mr. Lee said it was all political. "Nobody would believe that North Korea launched the missiles in order to show its intention and capability to wage war against the United States," he said. "No country in this world would provoke a war against the United States. He added, "We are right in our judgment that North Korea ventured the launches as a political demonstration to international society and also because of its internal needs." ...

Source: JoongAng Ilbo, Seoul, 22 July 2006

U.S. WRAPS UP WAR GAMES IN THE PACIFIC

ANDERSEN AIR FORCE BASE, Guam -- The largest U.S. military exercise in the Pacific in decades ended Friday after showing North Korea and other nations that the United States can swiftly muster a huge combat force in the region, officials said.

The five-day "Valiant Shield" exercises massed an armada of three aircraft carriers and 25 other ships along with 22,000 troops and 280 warplanes off this tiny U.S. territory about halfway between Hawaii and Japan.

Tensions are rising in the region over the possible test-launch of a North Korean long-range missile. Two guided missile cruisers participating in the games were assigned off the Korean coast to monitor the situation.

Lt. Cmdr. Mike Brown, a spokesman for the exercises, declined to say whether they had been diverted from the exercises or were monitoring the situation while continuing their war games duties.

Officials stressed that the exercises, America's largest in the Pacific since the Vietnam War, were not held in response to the North Korean activity or directed at any one nation, but said they did demonstrate the United States' capacity to respond to a crisis.

Source: Washington Post 23 June 2006

ROH CRITICAL OF US FINANCIAL SANCTIONS

President Roh Moo-hyun has set forth a critical view of Washington's policy of placing more pressure, including financial sanctions, on North Korea, according to sources on Sunday.

Roh aired unpleasant views of the U.S. hard-line policy toward the isolated country in a meeting with senior leaders of the governing Uri Party last week, while scolding both the Stalinist state's recent missile tests and Japan's "overreaction," according to figures who attended the meeting.

Citing a Chinese proverb "Behead first, judge later," he told the closed-door session that the U.S. has demanded North Korea show its account books unilaterally, without presenting evidence to prove the North's counterfeiting of U.S. dollars, they said.

"He (Roh) said, as the world acknowledges, the July 5 missile tests were a political act to demand a U.S. concession," said a lawmaker who asked not to be named. "I think he believed that the missile provocation would not be a matter for a U.N. sanction." ...

Roh remained "silent," at least publicly, until last Tuesday when he met over dinner with key Uri Party post-holders. The meeting was arranged after some Japanese leaders talked of a possible "pre-emptive" strike on the North.

While censuring Pyongyang's provocation, Roh also strongly condemned Tokyo for its "rash and thoughtless" response to the missile tests. He said

the Japanese move only aggravated the situation, his spokesman Jung Tae-ho told reporters.

"I could hardly understand why the North went ahead with the missile tests," he was quoted as telling the party leaders. "But more worrisome is some Japanese leaders' remarks about a pre-emptive attack."

Calling the North's behavior "irrational," Roh also called the Japanese reaction "pigheaded," according to the participants. But his comment on the U.S. was later made public: he described it as "hard to persuade."

One of the sources said Roh, although he did not specifically mention President George W. Bush, seemed to have the impression the Bush administration sees the North Korean problems within the concept of "good and evil."

"(America, or Bush) sees the North Korean problems within the concept of good and evil, which makes it even harder for me to persuade," he quoted Roh as saying. "We can't blame the U.S. since it is our ally. But we can't tolerate the Japanese move." ..//..

Source: Korea times, Seoul, 16 July 2006

EUROPEAN BUSINESS ASSOCIATION DOUBTS COUNTERFEITING ALLEGATIONS

With the Western media full of statements on the counterfeit issue by politicians and other non-experts, we thought the voice should be heard, for once, of a non-politician and real expert. As you remember the US sharply increased their pressure on foreign banks and enterprises dealing with the DPRK based on the USD 'supernote' accusation against the DPRK last autumn. However, in an interview with the Associated Press (AP) on 19.4.2006 Klaus W. Bender, the author of the new book 'Money-makers - The Secret World of Banknote Printing', outlined that 'in the opinion of experts, this accusation is not tenable.'

He explained that this is in connection with the paper used in the 'supernotes' using original dollar paper (made by a company in Massachusetts specializing in this field) with genuine security ink based on a secret chemical make up and reserved exclusively for the printing of dollars.

It is unimaginable that anyone else (than the Americans themselves) could come by these materials. He stressed that the machines bought by North Korea in the seventies are outdated and not able to produce the USD supernote, a high tech product. In addition, Bender explained that the 'supernotes' have two or three designed defects that would ensure that they will be immediately detected by the American checking systems. 'The supernotes have therefore no chance of circulating within the USA', he pointed out. He said that the USA's allegation that (North Korean) counterfeiters are waging an economic warfare is baseless but pointed to the fact that the US CIA itself runs a secret printing facility fully equipped

with the sophisticated technology for the production of the notes.

Bender explained that at first, the USA blamed Syria and Iran but that Syria did not even possess a printing press for banknotes. Although Iran was technologically further advanced, it was nowhere near far enough to produce US supernotes. The US based their suspicion on the fact that Teheran had purchased printing machines in the 1970s from the Swiss firm Giori which is the owner of the German company Koenig & Bauer, the producer of the printing machines on which 93% of all banknotes worldwide are printed. Later the US blamed North Korea because Pyongyang also bought printing machines from Giori in the mid-70's and on top of that a North Korean defector claimed that he himself had worked on the counterfeiting in a secret printing press...//..

The European Business Association, Pyongyang, by email 4 May 2006

NK FAKES \$2.8 MILLION ANNUALLY, US SAYS

A U.S. secret service official claimed Tuesday his agency has made "definitive" connections between North Korea and its counterfeiting of U.S. currencies, saying Washington has confiscated "supernotes" worth \$2.8 million on a yearly basis.

"The Secret Service has seized approximately 50 million (dollars) of the supernote globally, which equates to seizures of approximately 2.8 million (dollars) annually," Michael Merritt, a deputy assistant director of the U.S. office, which investigates counterfeiting offenses, said during a Senate hearing in Washington, D.C.

Providing a frame of reference, he said the Secret Service seized over \$113 million in counterfeit U.S. currency during the 2005 fiscal year.

High-quality, counterfeit \$100 U.S. bills allegedly produced by North Korea are collectively referred to as supernotes.

"Our investigation has revealed that supernotes continue to be produced and distributed from sources operating out of North Korea," Merritt said. ..//..

Merritt said the supernote investigation, which has spanned more than 130 countries and resulted in more than 170 arrests since 1989 when it was first discovered at a bank in the Philippines, is an ongoing strategic case with national security implications.

Merritt said supernotes are printed using the same methods the U.S. Bureau of Engraving uses to produce genuine notes. He added North Korea also uses paper that has similar security features, including special fibers, threads and watermarks.

Even though supernotes are highly deceptive, Merritt said they are detectable with minimal training. "There are also machines which are

commercially available that can detect the supernote," he said. ...//..

Source: Korea Times, Seoul, 26 April 2006

BUSINESS GROUP PROTEST SANCTIONS

The Pyongyang-based European Business Group in North Korea yesterday called for the immediate withdrawal of U.S. economic sanctions unless allegations of money laundering and counterfeiting can be substantiated, preferably in court.

In a press release the EBG said, "The resident European business community is of the opinion that one of the main effects of the allegations and corresponding measures taken against North Korean and foreign banks and enterprises is to damage legitimate North Korean and foreign businesses, without halting illegal business, assuming there is any."

The EBG described the U.S. campaign as an attempt to dissuade foreign companies from doing business with North Korea and to drive the North Korean economy into bankruptcy.

Keynote speaker at yesterday's information meeting held for European ambassadors, international organizations and foreign businesses in Pyongyang was Nigel Cowie, managing director of the Daedong Credit Bank, a foreign invested joint venture bank.

He said the September 15 announcement by the US Treasury designating the Macau-based Banco Delt Asia as a "primary money laundering concern" in its transactions for North Korean customers led to the immediate suspension of business between Daedong Credit Bank and BDA.

"A large amount of our and our customers' money - not just in dollars, but in all currencies - has effectively been seized, with no indication of when they'll give it back to us," Cowie said.

Legitimate businesses based in Pyongyang are now suffering as a consequence of these actions, Cowie said, adding that the measures could ultimately be counterproductive.

"There is a danger of legitimate businesses being squeezed into routes that are normally used by real criminals," he said, "and criminal activities will go underground and be harder to trace, and legitimate businesses either give up, or end up appearing suspicious by being forced to use clandestine methods to move cash."

Source: Korean Herald, Seoul, 12 April 2006

PONG SU FOUR FOUND NOT GUILTY

The captain and three officers from an alleged North Korean drug-running cargo ship have been found not guilty of helping to import heroin into Australia.

Following more than seven months of evidence and 10 days of deliberations, a Victorian Supreme Court jury today found the men not guilty of aiding

and abetting the importation of a commercial quantity of heroin.

The alleged sophisticated drug-running operation has been described as the largest detected in Victoria and one of the largest in Australia.

The Crown prosecution said the cargo ship Pong Su carried 150 kilograms of heroin to Australia in 2003.

A man died while allegedly trying to bring the load to shore in a rubber dinghy in treacherous weather, off Lorne in Victoria's south-west, on April 16.

The ship was seized off the NSW coast after a dramatic four-day pursuit involving several naval vessels.

The ship's captain Man Sun Song, 65, its "political secretary" Dong Song Choi, 61, first mate Man Jin Ri and chief engineer Ju Chon Ri, both 51, pleaded not guilty to the charge that carries a maximum sentence of life imprisonment.

The accused men's lawyers have said their clients were not aware heroin was on board the ship and the Crown case was built on speculation and a lack of evidence...//..

Prosecutor John Champion, SC, refused to comment on the verdict as he left court.

"I don't have any comment, no comment,"...//..

Source: The Age, Melbourne, 5 March 2006

N KOREANS CLEARED OVER HEROIN

The Pong Su was found carrying \$50m of heroin

A North Korean shipping company is considering suing Australia's government after its senior officers were cleared of drug trafficking.

The captain and three senior officers of the Pong Su were found not guilty on Sunday of aiding heroin smuggling, by Victoria state's Supreme Court.

The suggestion that senior crew were implicated in the smuggling had led to accusations of backing by Pyongyang.

The Pong Su freighter has been impounded in Sydney since April 2003.

Jack Dalziel, a lawyer representing the Pong Su shipping company and captain Man Sun Song, said on Monday he was under instructions to consider seeking compensation for loss of earnings by the ship's officers.

The ship had also been worth several hundred thousand US dollars at the time of the raid, but had since deteriorated, The Age reported.

Australia's chief of police Mick Keelty said that, as in other smuggling cases, the ship would be destroyed.

Man Sun Song, along with the ship's chief mate, chief engineer and political secretary, were all acquitted of heroin smuggling on Sunday. ...//..

But it was revealed after the verdict that four other men pleaded guilty to smuggling before the trial started.

Two have been sentenced to 23 and 22 years in jail and the two others have yet to be sentenced.

Pyongyang's role

Mr Keely said on Monday it was "hard to establish" whether the North Korean government had been involved in the operation, given Sunday's acquittals.

"So it's a bit hard for me now to say that there's any direct evidence of the involvement of the North Korean government," he said.

"But clearly an operation of that size doesn't get under way without some sort of... significant support not only to get the heroin into North Korea but to get a vessel from that side of world over to Lorne in Victoria does require significant resourcing and support."

The North Korean government has denied any involvement in the case, in which more than 125kg (275 pounds) of heroin were discovered on the ship when it anchored off the southwest Victoria town of Lorne on 16 April 2003.

At the time, Australia's Foreign Minister Alexander Downer summoned North Korea's ambassador to Australia and alleged that Pyongyang was involved in the incident.

The US government went on to cite the case as evidence of a link between North Korea's government and international drug trafficking,

Source: BBC 6 March 2006

48% OF YOUTH WOULD SUPPORT N. KOREA IN CASE OF US ATTACK

Almost half of juniors surveyed, who will get their first voting rights in the 2007 presidential election, said in a recent poll that South Korea should side with North Korea if Washington attacks nuclear facilities in the North without Seoul's consent.

In the survey of 1,000 youngsters aged between 18 and 23, conducted by The Korea Times and its sister paper the Hankook Ilbo on Feb. 16-19, nearly 48 percent of respondents said that if the U.S. attacked nuclear facilities in North Korea, Seoul should act on Pyongyang's behalf and demand Washington stop the attack.

But 40.7 percent of them said Seoul should keep a neutral stance in the event of such attacks, while 11.6 percent said South Korea needs to act in concert with the United States. ...//..

Peaceful unification was the most preferred method of reintegrating the two Koreas, receiving the approval of 54.1 percent of respondents. But 35.5 percent said they have no problem in maintaining the status quo if the two sides can coexist peacefully.

Nearly 40 percent of respondents chose China as the partner most important for South Korea to keep friendly relations with. The United States came next with 18.4 percent and North Korea came third with 18 percent. ...//..

Source: Korea Times, Seoul, 21 February 2006

SEOUL HAS LOST ITS SAY IN N.KOREA STRATEGY

The U.S. Finance Department on Thursday froze the U.S. assets of a Swiss company for its alleged assistance to North Korea in the "proliferation of weapons of mass destruction," while White House spokesmen condemned China's repatriation of a refugee to North Korea. Washington's special envoy on North Korean human rights has promised this year "will mark a turning point" in the U.S.' failure to grant asylum to any North Koreans, and he warned of an investigation into conditions at the joint South-North Kaesong Industrial Complex.

On Wednesday the Senate Judiciary Committee passed a bill that allows visa to be given on special conditions to people who offer "critical information" on illegalities by so-called "rogue states" such as North Korea.

In only two days, a salvo of measures from Washington has been aimed at disconnecting North Korea's network for the export of counterfeit currency and weapons, a major source of funding that maintains the ailing regime. The U.S. has previously said North Korea's human rights violations and financial crimes should be addressed alongside its nuclear ambitions. Now it is pushing Pyongyang on the first two issues only, with no mention of the nuclear problem. Is that a sign that Washington has at last decided to go for regime change in the North? ...//..

Where does that leave the South Korean government, which has been focusing on the nuclear issue while downplaying the crime and human rights matters for fear that they will endanger the six-party talks? Until recently, the two countries at least made an outward show of pulling on the same string. But the U.S. seems to be making it clear that it will no longer concern itself with South Korea's opinion and approach.

It was only last September that Seoul celebrated its role in the resumption of six-party talks like a great historic achievement. Six months later, South Korea has been completely sidelined in determining the future of the North. It must even be doubted whether Seoul was informed in time about measures the U.S. government has taken against the North.

Seoul's misjudgment that the country can lead efforts to resolve the North Korea problem under its own steam has led to a fatal weakening of the Korea-U.S. alliance. Now all our government can do is sit and watch as a passive bystander how

Washington's increasingly hardline tactics will play out.

If the two allies continue to go their separate ways, where will it lead them? And who will be responsible for the result?

Source: JoongAng Ilbo, Seoul, 31 March 2006

KOREA-US ALLIANCE CRACKING

South Korea finds itself increasingly at odds with the United States over how to deal with the adamant North Korea as Pyongyang adopts a more hardline policy in the face of growing pressures from the outside.

North Korea's missile tests on July 5 initially brought the allies to a united front. But there is now a widening rift over decisions regarding sanctions on North Korea since the United Nations Security Council resolution on July 15.

Hardliners in Washington and Tokyo proposed stronger measures to tame the Stalinist North but President Roh Moo-hyun called for a "softer" diplomatic approach to the problems.

In a meeting of security-related Cabinet ministers at Chong Wa Dae Wednesday, Roh set forth his negative feelings toward additional sanctions or pressures on the North, a thinly veiled objection to the hawkish approaches by Washington and Tokyo. ...

Levey was reported to have raised concerns that cash flowing into North Korea through the inter-Korean joint businesses can be diverted for developing weapons of mass destruction (WMDs).

Song Min-soon, Roh's chief security aide denied the reports, indicating that the inter-Korean industrial complex in Kaesong and tourism project at Mt. Kumgang would be continued. ...

Source: Korea Times, Seoul, 20 July 2006

US INVESTORS TO VISIT KAESONG COMPLEX

Several companies from the United States will participate in the first investor relations (IR) session of the Kaesong Industrial Complex in North Korea on June 22.

According to Hyundai Asan, North Korea is mulling over sending invitations to about 90 foreign companies for its first international IR session. "Among the 90 foreign firms are U.S. investors," a company spokesman told The Korea Times Wednesday.

The U.S. government has expressed unfavorable views about the industrial park in the North Korea's southern border city of Kaesong.

"Firms from many countries have applied for the one-day Kaesong tour and IR session," the spokesman said. "We've seen several brands from the U.S. About 150 individuals from the 90 firms will visit." ...

However, he declined to identify companies, but said companies from English-speaking countries account for a majority on the list.

Source: Korea Times, Seoul, 17 May 2006

SEOUL DISMISSES U.S. CLAIMS ABOUT KAESONG COMPLEX

The South Korean government on Friday protested against remarks from a U.S. official criticizing conditions at the joint-Korean Kaesong Industrial Complex.

The Unification Ministry condemned remarks by the U.S. special envoy for North Korean human rights, Jay Lefkowitz, that North Korean laborers at the complex are paid less than US\$2 a day and conditions there should be inspected by the International Labor Organization. Lefkowitz told a forum at the conservative Enterprise Institute in Washington that North Korean workers at the complex do not enjoy guaranteed labor rights and an international organization like the ILO should inspect the complex and report its findings to the UN.

Ministry spokesman Lee Gwan-se said the official's remarks were made without verifying actual conditions and "provide misleading information that not only distorts the situation but damages the image of South Korean enterprises working there." Lee said though it was true that the minimum daily wage at the Kaesong complex is around \$2, that was still far higher than the average wage of North Koreans elsewhere. "Even compared to the average wage in other socialist economies in Asia, the figure is not low at all," he said. He added conditions such as a 48-hour working week, maternity leave for workers and criteria for industrial safety meet ILO standards.

Source: Chosun Ilbo, Seoul, 31 March 2006

N. KOREAN INVESTMENT FUND GETS GREEN LIGHT IN U.K.

The world's first fund dedicated to investing in North Korea has been given regulatory approval by the U.K.'s Financial Services Authority even as the U.S. continues to pressure the North with financial sanctions, the Financial Times said Monday.

The paper said the managers of the Chosun Development and Investment Fund will within a few weeks start drumming up investment in the nation's mines and energy sector.

The fund managers said investors expressed keen interest in the fund created last September, and expected investment could increase from the US\$50 million they originally targeted to as much as \$100 million, the paper said.

The fund would open a fresh avenue for the North to earn much-needed foreign currency and thereby annoy the U.S. government, which is trying to choke off its cash supplies, the paper said.

Source: Chosun Ilbo, Seoul, 30 May 2006

FOREIGN BANK FEELING THE PINCH IN PYONGYANG

In September the United States Treasury blacklisted a bank in China's Macau Special Administrative Region, accusing it of laundering money for the North Korean government. Banco Delta Asia immediately severed its ties with correspondent banks in Pyongyang. The move dealt a crippling blow to the North's financial sector. Other banks around the world, fearful of upsetting the Americans, have also been cutting their ties with Pyongyang.

In this exclusive interview, Nigel Cowie, the British general manager of Pyongyang based Daedong Credit Bank, told The Korea Herald that normal banking for legitimate businesses in the North is now virtually impossible. Daedong Credit Bank was originally established in 1995. In 2000 a group of individual British investors took a majority shareholding in the bank.

Q: What has been the impact on DCB, from September up to now?

A: This action had quite a severe impact on DCB, because we have significant balances with BDA, not just in U.S. dollars but in various other currencies, and all these balances have been frozen. These balances represent money belonging to DCB and DCB's customers.

For our customers, it means that they cannot withdraw funds from their accounts with us. For DCB, the balances represent a sizeable chunk of our working capital, which makes management of our funds held with other correspondent banks more difficult. ...

Additionally, neither we nor our customers are handling counterfeit currency. We have equipment for checking for counterfeit notes, which we update regularly, and we also have ten years' experience in handling bank notes. ... Contrary to popular belief, it is possible to detect the so-called "supernotes." That said, the number of counterfeit notes that we come across is not large, and the idea that the economy is awash with fake dollars is inaccurate, in my experience.

Q: With electronic business effectively blocked, how will legitimate businesses continue trading?

A. Many companies look to the banks to find a solution. And if we can't provide one, I suspect that people conducting legitimate business will give up, because it's just too difficult. ...

Source: Korea Herald, Seoul, 29 March 2006

NK'S SOFTWARE HITS SEOUL

An application software developed at North Korea Friday made a commercial debut in the South for the first time ever through a venture start-up here.

BH Partners Friday began selling the Speed-K4.0, a computer program made by North Korea's state-backed scientific agency, via its online site (www.bhpartners.co.kr). ...

"We are marketing this software not to help North Korea but to make money. This is a business," BH Partners chief executive Kwak Byung-hyun said.

"Thanks to its rich features and low price tag, the Speed-K4.0 has a potential to make a hit here. We will keep importing Northern software that has a competitive edge," he added. ...

Although the North's info-tech levels are not very high, the country retains a knack for software as demonstrated by its partnership with KT, South Korea's primary telecom carrier. ...

In April 2004, the North's Samcholli General Corp. agreed with KT to develop smart telecom software until the end of November for 164,000 euro.

The two programs are seamless voice recognition software and an Internet-specific control system for intelligence networks. KT has expressed satisfaction with the Northern technology.

"In such segments as voice-recognition and game programs, the North's software technologies are at the forefront," a KT insider said. ...

Source: Korea Times 17 March 2006

DPRK SERIOUSLY AFFECTED BY HEAVY RAINS

It rained torrentially between 14 and 16 of July, causing heavy human and material losses in many parts of the DPRK. The government of the DPRK has taken emergency measures to rehabilitate the disaster-hit areas and investigated the losses. ...

Hundreds of people died or went missing and tens of thousands of houses and public buildings were destroyed partially or totally and submerged beneath water and roads, bridges and railway lines badly damaged at hundreds of points. ... The government is making every effort to recover the affected areas and to stabilize the life of the flood victims.

Source: KCNA, Pyongyang, 21 July 2006

We have raised enough money to buy a small tractor for the Korea-NZ Friendship Farm near Pyongyang. More details in our next issue, and on the NZ page of our website

Further information may be obtained from: <http://www.vuw.ac.nz/~caplabtb/dprk/>

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