



## **NORTH KOREA CHRONOLOGY 2006**

Northeast Asia Cooperative Security Project  
Social Science Research Council

- 1/2/06 Kim Dae-jung suggests he'll visit North Korea by train. (*Chosun Ilbo*, "Kim Dae-jung Plans Train Ride to N. Korea," January 2, 2006)
- Roh nominates Lee Jong-seok to be Unification Minister and to chair the Standing Committee of the National Security Council. (Jae-soon Chang, "S. Korean Leader Names Point Man on North," Associated Press, January 2, 2006)
- 1/?/06 Lee Keumsoon, *The Border-Crossing North Koreans: Current Situations and Future Prospects*, Korean Institute for National Unification)
- 1/3/06 *Rodong Sinmun* signed commentary: "U.S. sanctions and pressure prevented the DPRK from going to the talks and the former has made dastardly efforts to shift the responsibility for this on to the DPRK. The U.S. is escalating its pressure upon the DPRK, floating the misinformation that the September 19 joint statement stipulates only the commitments to be honored by the DPRK. The U.S. wanton violation and distortion of the joint statement have further strained the hostile relations between the DPRK and the U.S., far from opening the bilateral ties of confidence, and rendered the prospect of the talks gloomy. The U.S. should, first of all, lift its sanctions against the DPRK, the main factor of scuttling the talks, before talking about the resumption of the talks." (KCNA, "U.S. Urged to Fulfill Its Commitments before Calling for Resumption of Six-Party Talks," January 3, 2006) "We cannot sit down and discuss abandonment of our nuclear deterrent designed to protect our system with a counterpart that seeks to isolate and stifle us to death." (Seo Domng-shin, "N.K. Threatens to Boycott Nuke Talks," January 3, 2006)
- 1/4/06 Koizumi stands firm on visits to Yasukuni in a oppress conference on the first working day of the new year. "I think the issue of visiting Yasukuni Shrine should not be made into a diplomatic issue." "I don't understand the stance of foreign governments to step

into a matter of the heart and try to make it a diplomatic issue." "China and South Korea should not close the doors for talks due to this one issue." (Kyodo, "Koizumi Raps China, S. Korea for Cutting off Dialogue for Yasukuni," January 4, 2006)

- 1/5/06 *Rodong Sinmun* signed commentary: "The 'report on four-year defense strategy' called '1421' which was approved by U.S. Defense Secretary Rumsfeld is an extremely dangerous war scenario aimed at making effective use of the experience gained by the United States in its aggressive military actions after the end of the Cold War to launch a more active and offensive 'anti-terrorist war' in different areas of the world. ...In realizing its military strategy the Bush administration designated the DPRK and other countries as the main targets of 'anti-terrorist war.' The main targets of the U.S attack at present are the DPRK, Iran, Cuba, etc. which it singled out as 'part of an axis of evil' and 'outposts of tyranny.' The U.S. belligerent forces are planning to contain these countries by force of arms. ...The prevailing situation requires the DPRK to more firmly build up its military deterrent to prepare itself to beat back any aggression by the U.S. imperialists. We will continue to strengthen physical deterrent to cope with the U.S. ever mounting moves to stifle the DPRK by force of arms." (KCNA, "U.S. New Military Strategy for Expansion of 'Anti-Terroist War' under Fire," January 5, 2006)
- 1/6/06 North Korea stepped up drills response to last August's Ultra Focus Lens joint military exercises by U.S. and South Korea, an ROK government source said. "Particularly, the size of mechanized units' field drills and the number of night flights by the air force have sharply increased." (Yonhap, "N. Korea Sharply Increases Military Training: Gov't Source," January 6, 2006)
- 1/7/06 Construction of the first foreigners-only church in North Korea has been delayed for more than a year, says Pastor Lee Sung-woo, whose missionary group got permission to build the church in 2004. (Yonhap, "Construction Delayed for First Foreign Church in North Korea," January 7, 2006)
- North Korean agent Sin Gwang-su, suspected of abducting Hara Tadaaki and Yokota Megumi, is now thought to have abducted Chimura Yasushi and his wife as well. (*Yomiuri Shimbun*, "N. Korean Agent Linked to Two More Abductions," January 7, 2006) "We will strongly demand his handover at any cost," Chief Cabinet Secy Abe told a TV interview, "It is important for us to let [North Korea] understand that if they refuse, things will be much more severe." (AFP, "Japan to Press North Korea to Hand over Kidnapper," *Korea Herald*, January 10, 2006, p. 4)
- North Korea is demanding compensation for alleged atrocities against its POWs and spies once held in the South. "The physical damage, except mental damage, done to them stands at one billion US dollars according to a preliminary estimate made by specialists of the DPRK in line with US practice, KCNA said. (AFP, "North Korea Demands Billions for South's 'Torture' of War Prisoners," January 8, 2006)
- 1/8/06 KEDO reactor project shuts down as all remaining staff withdraw from Sinpo. (Annie I. Bang, "KEDO's Reactor Project in N.K. Closes, Workers Return South," *Korea Herald*, January 9, 2006)

1/9/06

DPRK FoMin spokesman: "The financial sanctions against the DPRK are an issue directly related to the six-party talks. ...The nuclear issue on the Korean Peninsula surfaced because of the hostile policy pursued by the U.S. towards the DPRK, negating its ideology and system while forcing America's ideology and system upon it. Therefore, the key to solving the issue is for the U.S. to renounce its hostile policy towards the DPRK and opt for co-existence with the latter. That is why the joint statement of the six-party talks clarifies the principle that the DPRK and the U.S. should respect each other and co-exist in peace with a view to denuclearizing the Korean Peninsula. However, the U.S. is applying financial sanctions against the DPRK in an effort to destroy the system in the DPRK by stopping its blood from running. This act is, therefore, in gross violation of the principle of mutual respect and peaceful co-existence laid down in the joint statement. Worse still, such sanctions were imposed upon the DPRK while the six-party talks were under way. ...We examined the information the U.S. side provided to us, claiming that it was the motive of its application of sanctions. Such things cited by it, however, have never happened in our country." (KCNA, "DPRK Foreign Ministry's Spokesman Urges U.S. to Lift Financial Sanctions against DPRK," January 9, 2006)

As anti-Chinese and Korean *manga* appear on comic book stands and polls in Japan show a record 63.4 percent expressing negative feelings about China and just 51.1 percent feeling positive toward South Korea, the first drop in four years, Akihito weighs in with New Year's message that "there were rarely peaceful times" in the 1927-45 period: "I believe it is extremely important for the Japanese people to strive to accurately understand this past history along with the ensuing era ... I hope that knowledge bot past facts will continue to be passed in a proper manner ... and will be used for future benefit." (Eric Teo Chu Cheow, "Japan Split on Its Neighbors," *Korea Herald*, January 10, 2006, p. 18)

China-Japan meeting in Beijing makes no headway. "Why does the Japanese media only fiocus on the negative aspects of Chian?" asked Cui Tiankai, dir-gen of Asian affairs at the Foreign Ministry, according to Japanese officials who were present. Cui asked Sasae Kenichiro what Japan thought of China in light of news reports calling China a 'threat.' DPJ leader Maehara Seiji, noting the growing military, called China a "realistic threat" in a speech in Washington. China "is becoming quite a threat," said FM Aso Taro. "I believe what Maehara said." (Sakajiri Nobuyoshi and Sakajiri Kengo, "Talk of 'China Threat' Casts Pall over Meeting." *Asahi Shimbun*, January 10, 2006)

1/10/06

Joseph DeTrani was named "mission manager" for North Korea by DNI Negroponte. "Douglas Jehl, "North Korea and Iran Win Special Notice at Spy Center," *New York Times*, January 11, 2006, p. A-12)

Seoul will send observers to PSI drills and joint briefings. Senior official says Chun Young-woo told Robert Joseph, Undersecy of State on January 10 during his visit to Washington. (Ser Myo-ja, "Korea Edges Closer to Weapons Searches," *JoongAng Ilbo*, January 25, 2006)

North Korea awards posthumous medal to Ellsworth Culver of Mercy Corps, the first for an American. "Associated Press, "N. Korea Gives Posthumous Medal to American," January 16, 2006)

1/10-18/06 Kim Jong-il is traveling by train in China. After visits to Wuhan, Yichang, Guangzhou, Zhuhai and Shenzhen, he meets with President Hu on January 18 after meetings with Wu Bangguo of Politburo Standing Committee and Premier Wen Jiabao. (Joseph Kahn, "North Korean Is Said to Pay a Secret Visit to the Chinese," *New York Times*, January 11, 2006, p. A-16; China view, "Top Leaders of China, DPRK Hold Talks, January 18, 2006) KCNA: Kim "was accompanied by Premier of the Cabinet Pak Pong Ju, First Vice-Minister of Foreign Affairs Kang Sok Ju, Department Directors of the WPK Central Committee Pak Nam Gi and Ri Kwang Ho and Vice-Premier of the Cabinet Ro Tu Chol. ...Both sides fully appreciated the positive results made in several rounds of the six-party talks in Beijing and unanimously agreed to consistently maintain the stand of seeking a negotiated peaceful solution to the issue and push forward through sustained joint efforts the process of the six-party talks so as to contribute to the eventual and peaceful settlement of the nuclear issue on the Korean Peninsula. Kim Jong Il spoke of the difficulties lying in the process of the six-party talks, noting that there is no change in the DPRK's basic stand of maintaining the goal of denuclearizing the Korean Peninsula, implementing the joint statement issued at the fourth round of the six-party talks and pursuing a negotiated peaceful settlement. He pointed out that the DPRK would join Chinese comrades in the efforts to seek a way of overcoming the difficulties lying in the way of the six-party talks and steadily advance the talks." (KCNA: "Kim Jong-il Pays Unofficial Visit to China," January 18, 2006) "I think that there was a suggestion. The Chinese talked about early February," a senior State Department official told Kyodo. "We reaffirm the fact that we're ready to go to Beijing in early February, but there's not yet agreement." (AFP, "China Proposes Six-Party N. Korea Talks in February," January 21, 2006) Kim Jong-il in a speech at banquet with Hu says that "our visit to the southern part of China convinced us once again that China has a rosier future thanks to the correct line and policies advanced by the Communist Party of China. The astonishing changes that have taken place in the vast land of China have been possible because the CPC laid down a new line and policies to suit the specific conditions of the country such as the thought of 'three represents,' the 'view on scientific development' and 'construction of a harmonious socialist society' and powerfully encouraged the people in their efforts to materialize them." (KCNA, "Speech of Kim Jong-il at Banquet," January 18, 2006) Kim Jong-il told President Hu in visit, "My regime could fall if the U.S. imposes economic sanctions," Kyodo reports. [?] (Cheon Kwang-am, "Kim: Sanctions Could Be My Downfall," *Dong-A Ilbo*, February 13, 2006)

1/17/06 A CIA statement of August 18, 2003 estimated that "North Korea has produced one or two simple fission-type nuclear weapons and has validated the designs without conducting yield-producing nuclear tests." The CIA and DIA reportedly estimated in late 1993 that North Korea had extracted enough fuel rods for about 12 kilograms of plutonium. South Korean and Japanese estimates were higher: 16-24 kilograms (Japan) and 7-22 kilograms (South Korea). (Larry Niksch, *North Korea's Nuclear Weapons Program*, CRS Issue Brief, January 17, 2006)

Sheena Chestnut, "The Soprano State? North Korean Involvement in Criminal Activity and Implications for International Security," NAPSnet, January 17, 2006

1/18/06

Hill, Kim Gae-gwan meet after Wu Dawei leaves them alone. (*Chosun Ilbo*, "N. Korean, U.S. Chief Negotiators Meet in Beijing, January 18, 2006) Hill secretly slipped into Beijing and met for two and half hours with Vice FM Kim Kye Gwan in an effort to rekindle stalled disarmament talks. (Glenn Kessler, "Diplomats Labor to Renew Talks with N. Korea," *Washington Post*, February 5, 2006, p. A-18) Hill invw: North Koreans "indicated they would be prepared to subscribe to international norms with respect to money laundering and would want to cooperate internationally on these issues." "We're not looking for words. We're more interested in actions. We'd like to see this [illicit] activity cease." He "made very clear that financial measures - what we'd call defensive measures - are quite separate from the issue of six-party talks and the way to end those measures was to end the activity that those measures were designed to counter." (Carol Giacomo, "N. Korea Hints at Curbing Money Laundering," Reuters, January 25, 2006)

1/19/06

South Korea "respects the necessity for strategic flexibility" but "the U.S. respects Korea's position that they will not be involved in a regional conflict in Northeast Asia against the will of the Korean people" at US-ROK Strategic Consultation for Allied Partnership held in Washington between FM Ban Ki-moon and SecState Rice. (Text of Joint Statement, *Korea Times*, January 20, 2006) "We will be discussing details as situations arise," said Kim Sook, dir-gen of North American Bureau. (Jung Sung-ki, "Seoul Agrees on US Troops Flexibility," *Korea Times*, January 20, 2006) DefMin Yoon Kwang-ung in invw opposes any expansion of South's military operations outside the peninsula because it could trigger instability and an arms race in East Asia. "Our military forces should focus on promoting peace and stability on the peninsula and avoid any involvement in regional conflict." (*Korea Herald*, "Yoon Opposes Military's Expanded Role Abroad," January 23, 2006)

1, 386 defectors came to South Korea in 2005, down from 1,894 in 2004, 1,281 in 2003 and 1,139 in 2002. (Yonhap, "Nearly 1,400 N. Koreans Defected to S. Korea in 2005: Ministry," January 19, 2006)

1/20/06

FM Aso Taro tells Diet he will "strengthen the friendly and cooperative relationship with both the ROK and China. ... We Japanese take most seriously the feelings of Chinese nationals concerning history and we intend to call on the Chinese people to build a relationship with Japan whereby the two countries, without dwelling unduly on past issues and seeing things in broad perspective, concentrate their efforts on the basis of our mature friendship." (Kyodo, "Aso Vows to Deepen Japan's Ties with China, S. Korea Amid Shrine Row," January 20, 2006)

Daniel Glaser, deputy assistant Treasury secretary for terrorist financing and financial crimes, met with Hong Kong and Macau officials, Treasury says, and "stressed the need for rapid practical steps to ensure financial institutions such as BDA ... do not provide a facilitative environment for North Korean illicit activities and other criminal

conduct." He will visit Beijing, Seoul and Tokyo next. (Yonhap, "Treasury Warns Asia against Abuse by N.K. Illicit Activities," January 21, 2006) Request for Seoul to impose financial sanctions fell on deaf ears in Seoul. FM Ban Ki-moon says, "The nation's financial regulations provide appropriate legal; means to conduct investigations and take necessary steps when illegal money laundering or suspected transactions by those connected with terrorist activities occur." (*Chosun Ilbo*, "U.S. Urges Seoul to Match N. Korea Sanctions," January 24, 2006)

1/22/06 "South Korea will be able to save enough money in its defense budget if the nation reduces its military force by half to around 300,000 or 400,000 by 2015 if the security situation improves," Uri party chief Chung Dong-young says. "By reducing its military force by half, South Korea will be able to set aside enough money to correct a variety of problems from so-called 'polarization.'" (Yonhap, "S. Korea Can Reduce 'Polarization' by Cutting Military: Official," January 22, 2006)

1/23/06 Inter-Korean trade jumped by more than 50 percent to a record \$1.1 billion in 2005. North Korea's exports to the South rose 32 percent to \$340.3 million while South Korea's exports to the North were up 63 percent to 715.5 million, the Korea International Trade Association said. Trade from Kaesong rose to \$176.7 million from \$41.7 million and was 16.7 percent of total trade. (Bloomberg, "North-South Trade Increased to Record \$1.1 Billion in 2005," January 23, 2006)

Seoul mayor Lee Myung-bak says, "We can talk about the importance of human rights as much as we like and it does not mean that we deal with the issue as if we were fighting a battle. It is not a matter of whether or not to do it, but a matter of how and to what extent." (Ryu Jin, "S. Korea Should Actively Address N.K. Human Rights," *Korea Times*, January 24, 2006)

Committee for the Peaceful Reunification of the Fatherland spokesman's statement "in connection with the disclosure of the fact that the CIA of the United States had a secret confab and staged 'an exercise' under the simulated conditions of a dramatic change in the situation on the Korean Peninsula in January 1998 after making the 'collapse of the north' an established fact. The secret report which a press corps of the south Korean KBS claimed to have obtained from the NSA of the U.S. elaborated on the fact that the CIA staged the exercise under the simulated conditions of coping with the above-said situation allegedly created by a coup or a civil war on the premise that the 'north's collapse' was imminent in 1997. The report also dealt with the conclusion that the U.S. would take charge of security in Northeast Asia whether the south and the north of Korea stand in confrontation or get reconciled and the U.S. forces' presence in south Korea and the U.S. influence would go on even after the Korean Peninsula is reunified. The recently declassified report goes to clearly prove that the U.S. has long desperately pursued its scenario to bring down the DPRK after making its 'collapse' an established fact." (KCNA, "CIA Secret Report on Its Operations against DPRK under Fire," January 23, 2006)

Japan space agency launched an H-2A rocket to put its eighth Advanced Land Observing satellite into orbit. (Kyodo, "Japan Launches H-2A Rocket, Deploys Satellite," January 24, 2006)

1/24/06

Treasury investigators, led by Daniel Glaser, in Seoul says North Korea still churning out counterfeit \$100s, urges South "to further strengthen its regime in the area of WMD proliferation by focusing efforts to financially isolate WMD proliferators and their support network," says U.S. embassy in statement, but FM Ban Ki-moon says the evidence is inconclusive. Credit Suisse will freeze banking with North Korea, Swiss newspaper reported two days ago. (Brian Lee, "Ban Ducks on Bogus Cash, North," *JoongAng Ilbo*, January 25, 2006)

National Human Rights Commission will increase the number of investigators to probe conditions of North Korean refugees and South Korean abductees. (Cho Chung-un, "Watchdog to Address N.K. Human Rights," *Korea Herald*, January 25, 2006)

Deputy SecState Robert Zoellick with Counselor Phillip Zelikow in Beijing to see Dai Bingguo after January 22-23 visit to Tokyo says he "discussed at considerable length " the stalled six-party talks. (Lee Dong-min, "U.S. Official Discusses Stalled Nuclear Talks during Asia Trip," *Yonhap*, January 24, 2006)

1/25/06

KCNA: "The goal of the six-party talks is to denuclearize the Korean Peninsula. In order to make the talks serve the purpose of denuclearizing the peninsula it is necessary for the DPRK and the U.S. to find a practical way of solving the nuclear issue and trust and respect each other. The U.S. "sanctions" against the DPRK are a wanton violation of the spirit of the joint statement adopted at the talks which calls for mutual respect and peaceful co-existence as they are intended to bring down the latter's system by stifling it. Whoever has elementary political sense can know well that "sanctions" are an issue directly related to the six-party talks. What matters is that the U.S. grossly twisted the DPRK's stand to realize the denuclearization of the Korean Peninsula and resume the six-party talks, not content with trumpeting that financial sanctions against Pyongyang have nothing to do with the talks and its stance on these sanctions is nothing but a pretext to delay the talks." (KCNA, "KCNA Urges U.S. to Remove Obstacles to Six-Party Talks," January 25, 2006)

Roh at news conference, "The South Korean government does not agree with certain opinions in the United States, which apparently are trying to pressure North Korea by raising issues about the regime and often seem to be looking for collapse." He adds, "I believe officials should look carefully at whether the [counterfeit] issue has ties to the effort to resolve the nuclear issue and if there is an intent to pressure the North Korean government, and **check the veracity and coordinate views.** (Jack Kim, "Seoul Swipes at Washington's North Korea Hardliners," January 25, 2006)"It is too early for me to comment on the alleged illegal activities by North Korea. We need to ascertain the full truth regarding whether the North has committed any illicit activity, whether it is related to the North Korean nuclear dispute and whether there are any intentions to press the North Korean regime."(Yoo Cheong-mo, "Seoul Opposes Any U.S. Move to Topple N.K. Regime," *Yonhap*, January 25, 2006)

Song Min-soon, chief six-party negotiator, is named presidential secretary for unification, foreign and security policy. (Ryu Jin, "Deputy FM Named Chief Security Secretary," *Korea Times*, January 25, 2006)

China's FoMin spokesman Kong Quan says dispute over counterfeiting is "an element of obstruction to the six-party talks process." It supports an investigation into U.S. allegations. (*Chosun Ilbo*, "China Says Counterfeiting Allegations Holding up North Korea Nuclear Talks," January 25, 2006)

Leaked Defense Agency data on SAM capabilities from 1995 turn up in a police raid on Science Technology Association of Korean Residents in Japan (Kwahyop), a Chongryun affiliate. (Takahara Kanako, "Pyongyang May Hold Secret Info on Missiles," *Japan Times*, January 25, 2006)

1/?/06 South Korea's intelligence chief visited Washington to discuss North Korea's alleged involvement in counterfeiting. . ( *Korea Herald*, "Fate of Nuke Talks in N. Korean Hands: Seoul Aide," February 27, 2006)

1/?/06 David Albright and Corey Hinderson, *Dismantling the DPRK's Nuclear Weapons Program*, U.S. Institute of Peace, January 2006

1/26/05 Asked at a news conference about newly imposed sanctions, Bush replied that "we are cutting off the transfer of monies generated by illicit activities. When somebody is counterfeiting our money, we want to stop them from doing that. And so we are aggressively saying to the North Koreans, just -- don't counterfeit our money. And we are working with others to prevent them from illicit activities. That's different from economic sanctions. ..., if somebody is cheating on us, we need to stop it. I mean, the American people -- if we know people are counterfeiting our money, they expect the government to act. And there is no compromise when it comes to, you know, 'Hey, come back to the table so you can counterfeit our money; just counterfeit 20s and not 100s, or whatever it is?' I mean, no. We are going to uphold the law and protect the currency of the American people." (White House, Office of the Press Secretary, Press Conference of the President, January 26, 2006)

"The timing was just a coincidence," said David Asher, coordinator of the State Department's working group on North Korea until last year. "The administration wanted us to prove this. They didn't want it to end up like Iraqi WMDs." It waited until September to give the FBI and other law enforcement agencies time to finish its investigation of China's Triad, which netted \$4 million of supernotes. The operation called Royal Charm and Smoking Dragon arrested 59suspected gang members. "North Korea has been using all the immunities and technical abilities that only governments have" to counterfeit U.S. currency. (Martin Fackler, "North Korean Counterfeiting Complicates Nuclear Crisis," *New York Times*, January 29, 2006, p. 3)

1/29/06 Iran's embassy in Beijing is said to be the site of talks with North Koreans over sale of plutonium. Last year, U.S. assessed the North had about 43 kilograms and perhaps as



much as 53 kilograms. (Michael Sheridan, "North Korea's Plutonium Pile Attracts Iran," *Sunday Times*, January 29, 2006) QDR to be sent to Congress will propose a special task force to interdict WMD, *Washington Times* reports January 28. (Kang Chan-ho, "Weapons Interdiction Teams on Tap in the U.S.," *JoongAng Ilbo*, January 31, 2006)

1/30/06 North Korea counterfeits 2 billion packs of Marlboros a year, *Wall Street Journal* reports. (Korea Times, "N.K. Making Rip Off Marlboros: Report," January 30, 2006)

1/31/06 Bush at State of the Union: "At the start of 2006, more than half the people of our world live in democratic nations. And we do not forget the other half—in places like Syria, Burma, Zimbabwe, North Korea, and Iran - because the demands of justice, and the peace of this world, require their freedom as well." South Korean officials relieved at toned down criticism. (Jong-heon Lee, "Bush's Restraint on N. Korea Raises Hopes," Associated Press, February 1, 2006)

Track II meeting at National Committee on American Foreign Relations. [An American suggests bilateral mechanism on financial measures, illicit activities.] Senior DPRK official says, "That was a positive meeting." The contacts at the forum may help break the impasse for resuming six-party talks. At the meeting Han Song-ryol hinted at willingness to resume talks and added, "We can punish people involved in illicit activities if the United States provides related information." One source said, "North Korea is likely to accept the briefing on the financial sanctions which the United States has proposed." Donald Gregg says, "I think that North Korea has signaled that it wants to get back into six-party talks." (Kyodo, "Sources Say DPRK Official Indicates 'Flexible' Stance on US 'Sanctions,'" February 3, 2006) Han Song-ryol indicated a flexible stance toward resolving the dispute over financial sanctions at a meeting hosted by a private think tank and attended by a U.S. administration official. "We can punish people involved in illicit activities if the United States provided related information," Han said. One source said, "North Korea is likely to accept the briefing on financial sanctions which the United States has proposed." Donald Gregg said, "I think that North Korea has signaled that it wants to get back to six-party talks." (Kyodo, "Sources Say DPRK Official Indicates 'Flexible' Stance on U.S. Sanctions," February 3, 2006) Han Song-ryol sent a message through "a Columbia University professor who is known for his rich experience in managing track two diplomacy" to invite Li Gun to New York to discuss the counterfeiting. [Reference to January 31 Track II] An insider in the U.S. administration said today, "Being cornered by the financial sanctions, North Korea appears to have made the proposal in order to 'save face.'" The same official said, "China arranged a meeting between Kim Gye-gwan, North Korea's vice foreign minister, and Christopher Hill, assistant secretary of state for East Asian and Pacific affairs, in Beijing last month. Since then, it has kept asking the U.S. to summon Deputy Director Li to discuss the counterfeiting incident and allow North Korea to save face." The State Department received a report on the informal meeting between Deputy PermRep Han and the Columbia University professor and is considering whether to invite Li. Another administration source says, "Even if the State Department accepts the invitation, the White House and the Defense Department still have to be persuaded." (Kim Jung-Ahn and Lee Myoung-gun, "North Makes Counterfeiting Overtures," February 14, 2006) Li Gun will visit the U.S. for a working-level bilateral

meeting with DPRK later this month to discuss the financial measures. [Stephens-Li Gun meeting] The North had refused to come if just illicit activities was on the agenda but agreed once the nuclear issue was added. Talks on counterfeiting were agreed in principle in recent Hill-Kim Gye-gwan talks in Beijing. (Kashiyama Yukio, "U.S., DPRK to Discuss Fake Dollars As Soon As Before End of February; North Korea Agrees to Parallel Talks with Nuclear Issue," February 6, 2006) When Han cited the BDA issue as the main impediment to resuming six-party talks, Sigal suggested setting up a 'bilateral mechanism' to discuss the financial measures and North Korean illicit activities. Han appeared interested. "But it's our money!" he protested, adding that if Washington had evidence it was obtained illicitly, it should present it. Sigal acknowledged the U.S. had no business holding the proceeds of legitimate trade, but stressed that unless Pyongyang could identify the legitimate proceeds in its accounts, it would not get any money back. Han suggested that the North could open an account at an American financial institution like Citibank. Recognizing that would make it easier for Washington to monitor transactions, Sigal and others felt the proposal was worth exploring. They then discussed what would happen once six-party talks resumed. In response to questions, Han indicated that the offer to freeze remained on the table.. Since the Bush administration insisted a freeze would not be enough, Han was pressed to consider other steps, such as putting some of the plutonium reprocessed in 2003 under inspection or taking additional measures to make it difficult to resume operations at Yongbyon. When asked what North Korea might want in return, Han said it wanted to get off the list of state sponsors of terrorism and an end to all U.S. sanctions. During breaks, State Department officials phoned Hill or one of his aides to provide updates on what was transpiring. Following this meeting, North Korea agreed to a U.S. offer of a briefing on financial sanctions. (Chinoy, *Meltdown*, p. 268)

2/1/06

Hill at AEI: "As a negotiator on a diplomatic matter, on a security matter, I am in no position - and no negotiator would be in a position - to go to law enforcement and say, 'Please halt the law enforcement effort. I have a diplomatic process underway.' We have separation of powers. We have a separation of duties and it is not for me to tell law enforcement people not to pursue and not to do their jobs. If we want to get over and get through the law enforcement matter, Banco Delta Asia needs to clean up its act. Macao authorities need to make sure that they have created a situation where such a bank will do the proper due diligence on accounts. This is an entirely reasonable position to take and the notion that we should allow this to continue because we have a diplomatic process simply won't stand up. So I think again, I just refer everyone to the U.S. Federal Register notice of September 20th. By the way, that's an important date, September 20th, because that was—the notice was on September 20th. The announcement of the notice was on September 15th and the agreement in Beijing was on September 19th. So this was actually announced four days before the agreement. A lot of people start looking at the tea leaves and say, 'Well, they must have coordinated this. How did that happen?' I can assure you, you'll have to take my word for it, this was not coordinated." Q and A: **"In September in the Beijing Agreement we spoke about having—beginning bilateral processes which would be aimed at eventual normalization. I think the issue of counterfeiting and other things that would eventually have to be resolved anyway.** So it seems to me if I were in the D.P.R.K. I would understand that whatever we think nuclear weapons are

doing for us, they're sure not helping us. And whatever money we think we're getting out of counterfeiting, it's not worth what we're losing in this whole process. What we're losing in terms of our prestige and what we're losing in terms of a future where people want to do business with us. So the best way to end the counterfeiting investigation is to end the counterfeiting." (Hill, Keynote Address, AEI Conference, "Sustaining the Alliance, February 1, 2006)

North's Red Cross chief asks for 450,000 tons of fertilizer aid this year by telephone. Seoul will begin shipping 150,000 tons. (Seo Dong-shin, "N.K. Asks Seoul for Fertilizer Aid," *Korea Times*, February 9, 2006)

2/2/06

Kim Dae-jung weighs visit to Pyongyang. He tells *Segye Times*: "The discussion began at the beginning of this year and the preparation team also started working, so I hope I can visit North Korea during mid- or late April." The North has not yet responded. "I don't think the U.S. has secured any direct evidence of the North's alleged counterfeiting," Kim said. "The United States must not press North Korea too hard and raise tensions too high." (Lee Jong-heon, "Analysis: S. Korea's Kim Eyes North Visit," UPI, February 2, 2006)

Fukuoka High Court nullified Kumamoto municipal government's preferential tax treatment for a hall associated with Chongryon, which was treated as a de facto diplomatic mission representing North Korean residents in Japan. (David Kang and Ji-young Lee, "Cold Politics, Warm Economics, *Comparative Connections*)

Director of National Intelligence John Negroponte says North Korea's claim to have nuclear weapons is "probably true." (*Chosun Ilbo*, "U.S. Spy Chief Believes N. Korea Has Nukes," February 3, 2006)

Uri National Assemblyman Choi Jae-chun showed reporters classified document from Blue House information office referring to working-level exchange of notes in October 2003 and January 2004: "Because of the delivery of our proposal note, the United States thought it had an understanding that there was an agreement in place concerning strategic flexibility, but they are now confused. President Roh made a speech in March [2005] at the Air Force Academy that seemed to contradict the note." (*JoongAng Ilbo*, "Papers Describe Mixed Signals Given to U.S." February 3, 2006)

2/3/06

Senate Minority Leader Harry Reid (D-NV), SASC Ranking Minority member Carl Levin (D-MI), SFRC Ranking Minority Member Joseph Biden (D-DE), and Vice Chmn of Intel Cmte John Rockefeller write Pres Bush saying his policy "still has not resulted in an elimination, freeze or even a slowing of North Korea's nuclear and ballistic missile activities." (Shirley A. Kan, *China and Proliferation of WMD and Missiles*, Congressional Research Service Report, November 15, 2006, pp. 28-29)

2/4/06

US-ROK FTA talks open

2/4-8/06

Japan- DPRK talks in Beijing end with no agreement. DPRK discusses terms of extradition of Red Army hijackers; Japan demands interrogation of agent suspected of

two abductions. (Kyodo, "N. Korea Asked Japan to Hold Talks with Japanese Hijackers," March 21, 2006) In first normalization talks since October 2002 Japan is set to urge North Korea to disclose information of its ballistic missile development and deployment and to continue its moratorium on missile test launches. (*Yomiuri Shimbun*, "Missiles, Abductees, Money: Bilateral Talks with North Korea to Confront Major Issues," February 2, 2006) A three-track format will address abductees (Umeda Kunio, deputy chief of Asian and Oceanian Affairs Bureau with Kim Chol-ho), normalization (Haraguchi Koichi with Song Il-ho), and nuclear and missile programs (Yamamoto Tadamichi with Jong Thae-yang). Chief Cabinet Secretary Abe Shinzo hints at sanctions: "If they do not respond sincerely this time, we must think about various things." Abductees have identified North Koreans involved in their abductions including former agent Sin Guang-su. (Kyodo, "Japan N. Korea to Talk under New Format in Beijing from Saturday," February 3, 2006) Haraguchi said he named three people believed to be involved in the kidnappings including Sin Guang-su whom Japan wants the North to hand over. "Our position has not changed," said Song Il-ho. The issue of the remains must be solved." (Kyodo, "Japan, N. Korea Make Little Progress But Promise to Meet Again," February 8, 2006) "We will make the utmost efforts so as to see even a little bit of progress in the abduction issue through these talks, said Haraguchi. "Of course the diplomatic normalization negotiations are also important so we intend to tackle them with good faith, but they do not also respond sincerely to the abductions, nuclear and missile issues, it will be quite difficult for the normalization talks to move forth." (Kyodo, "Japan, N. Korea Hold 3-Track Talks in Beijing," February 4, 2006) "There have been big discrepancies between both parties regarding how to resolve the [abduction] issue," said Kim Chol-ho. "Today we're going to push forward our stance on the matter and also listen to the Japanese view." (Jin Dae-woong, "North Korea, Japan Discuss Abduction Issue in Beijing," *Korea Herald*, February 5, 2006) After nine hours of talks on February 5, DPRK failed to agree to a formula proposed by Japan, a lump sum payment of economic aid instead of compensation for past wrongdoing. "I said that Japan has stated from before that it will sincerely settle the past, but nothing has been done so far, and that is where the situation stands today," said Song Il-ho. "We cannot accept [a situation in which the discussions cover] only that method. There are all kinds of issue, so we did not reach an agreement." Japan is demanding that North Korea return any abductees still in the country, provide concrete evidence on what happened to the abductees, and hand over the agents responsible for the kidnappings. (Kyodo, "Japan, N. Korea Fails to Agree on Economic Aid Formula," February 6, 2006) Sin Gwang-su, North Korean agent wanted for the April 1980 abduction of Hara Tadaaki, told ROK investigative authorities in 1985 that Kim Jong-il personally instructed him to kidnap a Japanese man. He entered Japan on a spy ship on the coast of Miyazaki prefecture and kidnapped Hara, then 43, who worked in an Osaka restaurant. (*Yomiuri Shimbun*, "Documents Say Kim Instructed Spy to Kidnap Japanese, Steal His ID," February 5, 2008) Sin was arrested in South Korea for espionage in 1985, but was released with amnesty and sent back to the North. (Kyodo, "Japan, N. Korea Discuss Abductions on 2<sup>nd</sup> Day of Beijing Talks, February 5, 2006) On fourth day of talks, Yamamoto Tadamachi says, "We will call for an early return to the six-party talks so the nuclear issue can be resolved." He adds, "For Japan and North Korea to normalize relations, it is essential that the nuclear and missile issues are solved." Jong Thae-yang, his DPRK

counterpart, says, he hopes to have a "frank exchange of views on the security of Northeast Asia." (Kyodo, "Japan, N. Korea Discuss Nuke Issue on 4<sup>th</sup> Day of Talks," February 7, 2006) Chief cabinet secretary Abe told a news conference, "The other side has not responded to any of our requests regarding the abduction issue, so it is highly regrettable." (Ben Blanchard, "Japan, North Korea Far Apart as Talks End in China," Reuters, February 7, 2006)

2/4-6/06 Indonesian special envoy Nana Sutresna visits Pyongyang to persuade North Korea to "begin meeting." (Reuters, "Indonesian Envoy Heads to North Korea with Message," February 3, 2006) "They indicated to me they are willing to resume the six-party talks provided the United States lifts its financial sanctions that have been applied recently to North Korea," Sutresna said. (Reuters, "N. Korea Wants Talks with U.S. on Crackdown: Envoy," February 10, 2006)

2/5/06 Michael J. Green, who until December was senior director for Asia policy at the White House, said that there is a "good chance that they will give the appearance of agreement to the six-party process in the hopes of keeping the pressure off them, slowing down the process and avoiding to make a choice they don't want to make -- which is give up their nuclear weapons." The September agreement "was not a strategic decision by North Korea to dismantle its nuclear weapons," said Green, now a professor at Georgetown University and a senior adviser at CSIS. "It was a tactical decision to sign onto the process. The key now is to use the process to force them to make the decision to give up their weapons." One top U.S. official said, "North Korea is sidelined now as all eyes are on Iran." While there have been occasional rumors that a hard-line faction in the U.S. government has thwarted efforts by Hill and other advocates of negotiations, this official -- a skeptic of the talks -- and others discounted those reports. "It's not the rise of the hard-liners as much as it is the sinking of the North Koreans themselves," he said. [?] (Glenn Kessler, "Diplomats Labor to Renew Talks with N. Korea," *Washington Post*, February 5, 2006, p. A-18)

North Korea's trade with China in 2005 hits a record \$1.58 billion, up 14.8 percent from 2004; \$1.081 billion of it in imports, up 36.0 percent; exports down 14.3 percent, Korea International Trade Association reports. (Yonhap, "Trade Between North Korea, China Hits Record High in 2005," *Vantage Point* (March 2006) p. 57)

First meeting is held between U.S. negotiator Hill and his new South Korean counterpart Chun Young-woo. (Kwang-tae Kim, "'U.S., S. Korean Envoys Discuss N. Korea," Associated Press, March 5, 2006)

2/6/06 Minister of Unification Lee Jong-seok tells his confirmation hearing a summit meeting is possible this year. "But we're also of the opinion that the summit, if held, needs to be a meaningful one rather than just a handshaking one." It was difficult to discuss human rights: "The problem is, we have to deal with the Kim Jong-il regime. What help would it bring to evaluate the regime in public?" He rejected criticism that not enough was done about abductions: "Under the Roh Moo-hyun administration, a total of 30 POWs have unofficially returned." (Seo Dong-shin, "'Second S-N Summit Possible This Year,'"

*Korea Times*, February 6, 2006) Lee will retain post as NSC head. (Annie Bang, "Lee Firmly in Roh Inner Circle," *Korea Herald*, February 8, 2006)

Bush's second-term foreign policy is more in line with the old realist approach. Secretary of State Rice and her chief deputies, Robert Zoellick and Nicholas Burns, favor increased engagement with the U.N. and other multinational groups. Rice has pushed diplomatic efforts to end the nuclear programs of Iran and North Korea. The change coincides with the growing influence of Rice, who is putting her stamp on foreign policy in the second term much as neoconservatives did in the first term. The slow progress of the war in Iraq has made it harder for the U.S. to execute a hard-line foreign policy and has undercut the arguments of the war's chief advocates, such as Vice President Dick Cheney and Defense Secretary Donald Rumsfeld, whose views often dovetailed with the neoconservatives, current and former government officials say. Rice and her team are filling a vacuum left by the departure from key policy-making positions of some of the administration's most prominent neoconservatives. In addition to I. Lewis "Scooter" Libby's departure, former Deputy Defense Secretary Paul Wolfowitz left to run the World Bank. State Department arms-control czar John Bolton became ambassador to the United Nations. Another architect of the Iraq invasion, the Defense Department's former No. 3 civilian official, Douglas Feith, left his job last summer. Rice became secretary of state in January 2005. The difference in her approach became apparent early on with her work on North Korea's nuclear program. During Bush's first term, Bolton and other neoconservatives often characterized holding talks with North Korea as succumbing to nuclear blackmail. The White House insisted that all negotiators be kept to a tight script, according to diplomats who worked on the issue. Negotiators were barred from holding many one-on-one meetings with the North Koreans, fearing such contacts would serve to legitimize a despotic regime. In the past year, Rice's special envoy on the issue, Christopher Hill, has made a series of trips to Seoul, Beijing and New York to push forward nonproliferation talks with Pyongyang. Last summer, Hill spent nearly three weeks in Beijing, in two separate sessions, seeking to broker a multinational deal. In September, the U.S. and North Korea agreed on an initial plan under which Pyongyang would scrap its nuclear-weapons program in return for economic assistance. Terms of the deal, however, are still being negotiated, in cooperation with China, Japan, South Korea and Russia. "Chris Hill has certainly been given more day-to-day freedom than I had, but the policy of a complete, once-and-for-all end to North Korean nuclear weapons is unchanged," says James Kelly, who preceded Hill as the chief envoy on the North Korea talks. Rice also has pushed to tone down what often has been a war of words between the U.S. and North Korea. In an interview during his first term, Bush called the North Korean dictator a "pygmy." Last year, he referred to him as "Mr. Kim Jong II." The State Department has suggested the Bush administration might be amenable to North Korea having civilian nuclear power if it agrees to give up its nuclear-weapons program, a position Bush advisers previously opposed. (Jay Solomon and Neil King, Jr., "As 'Neocons' Leave, Bush Foreign Policy Takes Softer Line," *Wall Street Journal*, February 6, 2006, p. A-1)

2/7/06

DoD announces plans to build integrated missile defense system in Northeast Asia. (*Chosun Ilbo*, "New U.S. Missile Strategy to Focus on N. Korea," February 7, 2006)

Song Il-ho tells news conference after talks with Japan, "We are ready to return to talks under one condition, and that is that the United States lift its sanctions [BDA]. The United States won't hear this from us. But if Japan tells the United States, if a friend tells a friend, they might listen." (Audra Ang, "North Korea, Japan End Talks," Associated Press, February 8, 2006)

Rice: "You mention the six-party talks with North Korea. That was really President Bush's brainchild. Despite all these high-paid and incredibly experienced foreign policy advisers - well, maybe not so high-paid, but certainly experienced - it was the president of the United States who said, 'Well, you know, unless China becomes a stakeholder in this, we're not going to solve the problem.'" And so the six-party talks emerged. (Interview with *National Journal*, February 7, 2006)

State Department officials have replaced key career weapons experts with less experienced political operatives, including the department's top authority on the NPT, according to 11 current and former officials. The reorganization, done largely in secret, was overseen by Frederick Fleitz, a CIA officer who works for Robert Joseph and was detailed to State as a senior adviser to former Undersecretary of State Bolton. Fleitz later telephoned State Department employees who signed a letter protesting the moves and registered his displeasure. A dozen delivered a rare written dissent to Undersecretary of State for Management Henrietta Fore and W. Robert Pearson, director general of the Foreign Service on October 11, "The process has been gravely flawed from the outset, and smacks plainly of a political vendetta against career Foreign Service and Civil Service [personnel] by political appointees," according to notes prepared for a December 9 meeting between them and Fore. (Warren P. Strobel, "State Department Sees Exodus of Weapons Experts," Knight Ridder, February 7, 2006)

2/8/06

ROK Amb. Lee Tae-shik in speech in Washington says, "As far as these illicit activities by North Korea are concerned, there is no compromise position on our side. ... Pyongyang should make their hands clean on this matter by unequivocally turning away from such illicit behavior." But, he added, "One way to deal with these two pressing issues is to give some priorities in accordance with what should be done immediately, what could be done in a medium- and long-term basis." "While the North's illegal activities are nothing new and I believe can be resolved through appropriate procedures in the international community, on the nuclear weapons issue, we do not have the luxury to sit around and wait." DPRK Dep Permrep Han Song-ryol was recently quoted as saying [to NCAFP] that some people in his country may be engaged in these activities and that Pyongyang would like to see the evidence the U.S. Treasury has. A U.S. official told Yonhap, "In a country where the government controls everything ... I find it [Han's claim] hard to believe. ...I would like to see the [North Korean] government take action against these individuals. That would be a good start." (Park Song-wu, "Seoul Has No New Initiative for Nuke Talks," *Korea Times*, February 8, 2006; *Chosun Ilbo*, "Seoul's Man in U.S. Condemns N. Korea's Illegal Activities," February 8, 2006; *Korea Herald*, "Korean Envoy: N.K. Should 'Come Clean,'" February 9, 2006)

U.S. excludes goods made a Kaesong from FTA talks. "In our view, the FTA applies to goods originating within territories of South Korea and the United States," a senior economic official at the U.S. embassy in Seoul said. "the Kaesong matter should not distract from the primary goal of the negotiation." (Yonhap, "U.S. Rules out Kaesong-Made Goods in FTA Talks with S. Korea," February 8, 2006)

2/9/06

DPRK FoMin spokesman: "Officials of the U.S. State Department were reported to have recently repeated their absurd assertions that the financial sanctions are a separate issue from the six-party talks and it is a measure to defend the interests and currency of the U.S. We do not care about their efforts to protect their own state interests and currency. What merits our serious attention is that they abuse it for defaming the political system in the DPRK. The results of the past several months' investigation clearly proved that there is no evidence proving the DPRK's issue of counterfeit notes or money laundering. Nevertheless, the U.S. is applying unreasonable financial sanctions against it on the basis of sheer fabrications. ... Clear is the U.S. aim. That is to label the DPRK an "illegal state," tarnish its prestige and image, isolate and blockade it internationally and thus force it to abandon its nuclear program first. This diametrically runs counter to the September 19, 2005 joint statement adopted at the six-party talks and lays a stumbling block in the way of denuclearizing the Korean Peninsula. It is self-evident that no matter how frequently we sit at the negotiating table with such partner it is hard to expect any substantial results. It is the consistent policy of the DPRK government to oppose all sorts of illegal acts in the financial field. The DPRK has perfect legal and institutional mechanisms to combat such illegal acts as counterfeiting notes and money laundering and any illegal acts are liable to severe punishment. The DPRK will as ever actively join the international actions against money laundering." (KCNA, "DPRK Foreign Ministry Spokesman Urges U.S. to Make Policy Switchover," February 9, 2006) DoS spokesman Sean McCormack: "It's a fine rhetorical commitment, but we would call upon is that the North Korean government to cease all such activities. ... In the absence of that cessation, the United States will continue to act in its interests either to prevent or stop these illicit activities from occurring." (DoS, Daily Press Briefing, February 10, 2006)

Kang Sang-choon, Kim Jong-il's chief of staff and KWP secretary, was arrested by Chinese police last month for illegally transferring real estate in Macau but released the next day. "China let Kang go in a day because it was concerned that punishing Kang just before Kim [Jong-il's] visit might provoke North Korea," said a source. (Lee Myoung-gun, "Kim Jong-il's Chief of Staff Arrested," *Dong-A Ilbo*, February 9, 2006)

2/10/06

Five legislators led by Rep. Lim Chae-jung of Uri Party meets Supreme Assembly leader Kim Yong-nam. (Yonhap, "Rep. Lim Meets N. Korea's No. 2 Man," *Korea Times*, February 10, 2006) Lim says North is ready to resolve counterfeiting dispute bilaterally. (Annie I. Bang, "N. Korea Seen Willing to Resolve Counterfeiting Issue: Lawmakers," *Korea Herald*, February 13, 2006)

2/10-11/06

FMs Dai Bingguo and Yachi Shotaro held talks



- 2/11/06 "The results are extremely regrettable," LDP Sec-Gen Takebe Tsutomu says in speech in Niigata. "We have to think seriously about pressure." Song Il-ho tells reporters in Beijing, "Pressure would drive the two countries apart." (Reuters, "North Korea Envoy Warns Japan against Pressure: Kyodo," February 11, 2006)
- 2/12/06 Japan's trade with North Korea falls 24 percent in 2005 to \$194 million, lowest level since 1977, reports Korea Trade-Investment Promotion Agency. North exports total \$131 million; imports \$63 million (*Mainichi Shimbun*, "Trade between North Korea, Japan Drops to Record Low in 2005," February 12, 2006)
- 2/13/06 More than 200 police raided Mitutoyo Corp.'s headquarters in Kawasaki and ten other sites after at least one of its three-dimensional measuring machines sold to a Malaysian firm, Scomi Precision Engineering, part of the A.Q. Khan network, was discovered to have been illegally exported to Libya. Two other machines *were exported to China and Thailand.* (Peter Alford, "Tokyo Firm in Nuclear Trade," *The Australian*, February 14, 2006)
- South Korea did not disclose information from a U.S. Treasury team that visited last month saying that \$140,000 in supernotes found in Seoul's Namdaemun market last year was produced by North Korea in 2001 and 2003. NIS told the National Assembly that North circulated counterfeit dollars in 1998 but had no knowledge it did so since. (*Chosun Ilbo*, "A Widening Rift between Seoul and Washington," February 13, 2006)
- 2/14/06 FM Ban Ki-moon tells reporters, "We believe the North must take the steps necessary to answer the international suspicion" about "illegal activities." (Reuters, "S. Korea Ups Pressure on North on Counterfeiting," February 14, 2006)
- Sohn Hak-kyu, governor of Gyeonggi province and presidential candidate, at Council on Foreign Relations, says, "While asking North Korea to stay on the right track, we should not diminish the chances of positive development through hasty pressure or false signals that the North's collapse is sought." (Text, "Peace Management on the Korean Peninsula and the ROK-US Alliance)
- In interview with Ohmy News, Amb. Vershbow says, "I think, in the case of counterfeiting, it would not be unreasonable to ask that they provide evidence that the equipment and the plates for the so-called supernotes have been destroyed so that concerns about further activities will be reduced." (Park Song-wu, "'NK Must Destroy Counterfeiting Plates,'" *Korea Times*, February 15, 2006)
- 2/14-15/06 At ROK-US Security Policy Initiative meeting in Guam, Deputy Under SecDef Lawless and Asst. DefMin for Policy Ahn Kwang-chan discuss transfer of wartime OPCON and strategic flexibility. (Jin Dae-woong, "Korea, U.S. Hold Military Talks," *Korea Herald*, February 15, 2006)
- 2/15/06 Roh names Seo Joo-seok senior presidential secretary for security affairs. (Ryu Jin, "Roh Names 4 Vice Ministers," *Korea Times*, February 15, 2006)

- 2/16/06 BDA attorneys Heller Ehrman LLP: "Banco Delta Asia S.A.R.L. (the "Bank") has terminated its business with North Korean entities and is implementing new, enhanced anti-money laundering policies and procedures. In its announcement, the Bank addressed directly the notice of proposed rulemaking by the U.S. Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") division, which designated the Bank as being of "primary money laundering concern." For months, news reports have characterized incorrectly FinCEN's action as a "sanction" by the U.S. government against the Bank. In fact, the U.S. government has not sanctioned Banco Delta Asia, nor has FinCEN adopted a final rule. Instead, the Bank is cooperating with the authorities. The Bank, through its U.S. lawyers, Heller Ehrman LLP, has submitted comment letters to FinCEN and twice met with FinCEN representatives. Joseph T. McLaughlin, the Chairman of Heller Ehrman's New York office, observed, "we're only in the first stage of the rulemaking process and the Bank is cooperating fully with the U.S. regulators. There is no U.S. law, regulation, or rule that prohibits U.S. or foreign entities from doing business with Banco Delta Asia." Since late September 2005, the Bank has been run by a three-person Administrative Committee appointed by the Government of the Macau SAR. In the past five months, the Bank has: closed all of its accounts with North Korean and related entities; retained Ernst & Young to review the Bank's transactions with certain customers; and retained Deloitte & Touche to advise and assist in the drafting and implementation of new anti-money laundering policies and procedures. In addition, the Bank has stated that it will not resume relationships with North Korean or related entities going forward. In light of these developments, Banco Delta Asia has asked FinCEN to revoke its notice of proposed rulemaking. The Bank suggests that its situation is analogous to that of the Ukraine, where FinCEN revoked its notice of proposed rulemaking after the Ukraine took steps to address FinCEN's concerns by amending its anti-money laundering and related laws. In the meantime, Banco Delta Asia is open for business and is operating under the Administrative Committee appointed by the Macau SAR Government. The Bank hoped that its changes in business practices would bring back former customers and attract new customers." (Heller Ehrman, Hong Kong, February 16, 2006)
- 2/18/06 Former Unification Minister Chung Dong-young is elected Uri Party head. (Yonhap, "Former South Korean Unification Minister Elected New Ruling Party Leader," February 18, 2006)
- 2/20/06 Chun Young-woo is named new six-party representative, replacing Cho Tae-yong, who become director of the North American Affairs Bureau. (Park Song-wu, "Seoul Names New Nuke Negotiator," *Korea Times*, February 20, 2006)
- 2/21/06 48 percent of youths who will vote for the first time in 2007 say South Korea should side with the North if the U.S. attacks nuclear facilities without Seoul's consent, 40.7 percent said it should remain neutral, and 11.6 side with the U.S. 40 percent chose China as Korea's most important partner; U.S. 18.4 percent and North Korea 18 percent. (Park Song-wu, "48% of Youth Would Support N. Korea in Case of U.S. Attack," *Korea Times*, February 21, 2006)

Kim Myong Chol: "The financial sanctions serve to infuriate the North Koreans, giving them a pretext to refuse to resume six-party talks and prompting them to increase their nuclear arsenal. ... The louder the Americans talk about North Korea nuclear weapons and missiles, alleged bad human-rights record, money-laundering, drug-trafficking and counterfeiting, the more dramatically the Pyongyang administration comes across to the North and South Korean people as Korean David, heroically standing up to the arrogant, self-centered American Goliath. It adds to the Korean nationalist credentials of the North's government." (Kim Myong Chol, "Sanctions on Korea Will Backfire," *Asia Times*, February, 2006)

2/21-23/06 N-S Red Cross talks end with agreement on POWs and abductees: "to work toward discussing and resolving the issue of separated families and relatives, including the issue of people missing from during and after the war.. The South estimates 542 soldiers from the Korean War are still live in North Korea and the North is also holding 486 civilians, mostly fisherman whose boats were seized since the end of the war. (Jae-soon Chang, "Koreas Conclude Red Cross Talks," Associated Press, February 23, 2006; Yonhap, "NK Confirms Accord on 'Missing' S. Koreans," February 24, 2006) Red Cross talks agree to video conferencing reunion of 60 participants from each side and will discuss confirming the fates of those missing from the Korean War. ("Agreement on the 7<sup>th</sup> South North Red Cross")

2/24/06 After spending 18 months illegally in China in the mid-1980's and converting to Christianity, Kim Tae Jin was locked up for four years in **North Korea's** infamous prison camp No. 15 at Yodok. He fled North Korea a few years after his release and in 2001 found his way to South Korea, where he is a co-chairman of NK Gulag, a private group focusing on human rights in North Korea. For Kim, while securing those rights is an important goal, it comes second to a far more consequential one: evangelizing in North Korea. "God never ordered us to fight for human rights, but he ordered us to spread the word to the end of the earth," Kim, 50, said, adding that the group's leaders were North Korean converts to Christianity. Their faith, he said, buttressed their political work. "Because we are North Koreans and Christians, we feel responsible for leading the fight for better conditions in North Korea." In South Korea, the issue of human rights in the North has been spearheaded by conservative Christians whose aim is to take their faith to the northern half of the divided peninsula. "Right now, both Koreans and Americans have ulterior motives in focusing on North Korean human rights," said the Rev. Benjamin H. Yoon, who ran Amnesty International's South Korea office for many years before founding the Citizens' Alliance for North Korean Human Rights in 1996. It is the oldest private group concerned with abuses in the North. Yoon's group is critical of the Christian groups for linking human rights with evangelizing and the South Korean government for failing to speak out on the subject. Until the adoption of the "sunshine policy," the KCIA debriefed North Korean defectors and urged some to transform their statements into books. One such account became "The Aquariums of Pyongyang: Ten Years in the North Korean Gulag," a memoir by Kang Chol Hwan, a defector who was invited to meet President Bush in the White House last year. Kang, who has said that intermediaries connected with the intelligence agency helped him publish his memoir after he arrived here in 1992, is a co-chairman of NK Gulag, which is supported by the National Endowment for Democracy. Against

this political backdrop, it is an open secret that some North Korean defectors and their backers exaggerate their experiences. "They exaggerate their stories for money and fame," said the Rev. Joseph Park, the Christian Council of Korea's mission director. "They say that they were political prisoners when they were ordinary prisoners, or that they saw something they only heard about." (Norimitsu Onishi, "Campaigning for Human Rights, and Fishing for Souls," *New York Times*, February 24, 2006, p. A-4)

2/27/06 Roh's national security adviser Song Min-soon in Washington warned against premature hopes from a trip to the U.S. by Li Gun: "The six-party talks can go forward only if the North takes the necessary steps on counterfeiting." (*Korea Herald*, "Fate of Nuke Talks in N. Korean Hand: Seoul Aide," February 27, 2006)

2/28/07 FM Paek Nam-sun interview: Q. - In your view, is there a possibility to resume the next round of the 6-partite talks in the near future? And if so, may they bring about a concrete outcome having in mind in the first place attainment of the agreement between DPRK and the USA? A. - The denuclearization of the Korean peninsula is our final goal. Inalterable and consequent is our stand to observe the clauses of the Joint Statement agreed upon through such hard labor as a result of the Fourth Round of the 6-partite talks. However, after adopting the Joint Statement the USA openly transgress the spirit of the Statement and exert even more pressure against our Republic therefore creating serious obstacles on the way of moving the 6-partite talks forward. The 'illegal trade version' and the financial sanctions against the DPRK that followed are in essence a campaign of conspiracy aimed to "bring down the regime" in the DPRK and to achieve 'first-order dismantling of the Nuclear Program.' There is no justification for the financial sanctions by the USA that put a barrier across the road to fulfillment of the Joint Statement adopted as a result of the Fourth Round of the 6-partite talks. Inalterable is our will to fulfill the Joint Statement of the 6-partite talks. We are ready to have talks at any time provided the stumbling blocks on the road to the progress of the 6-partite talks and the fulfillment of the Joint Statement are removed. Q. - Is there any chance for further consultations between Pyongyang and Tokyo relating to normalization of bilateral relations? Do you consider the possibility of establishing constant high level contacts with Japan prior to solving the problem of official reciprocal recognition? A. - The normalization of relations between DPRK and Japan fully depends on the approach by Tokyo. The main obstacle for the normalization of bilateral relations is that Japan still does not in a proper way repent for its past crimes against our people and tries to avoid the question of drawing the line to the past under the guise of economic cooperation. Japan ought to rationally assess the course of time, to repent in good faith and to draw the line under its past crimes, to abstain from hostile activities against DPRK including the nuclear problem on the Korean peninsula. Only then it will be recognized as a 'full member of the international community,' and the problem of normalizing relations between the DPRK and Japan will also be solved. (ITAR-Tass interview of Paek Nam-sun, February 28, 2006)

DPRK FoMin spokesman: "Of late officials of the U.S. administration claimed as regards the U.S. financial sanctions against the DPRK that it should halt all its "illegal activities" in practice, it should 'produce the copperplate used for counterfeiting notes' and

sanctions are part of the measures for 'frustrating' the nuke development. As we have clarified more than once, such illegal dealings as 'money laundering' and 'counterfeit notes' have nothing in common with the policy of the DPRK and such assertion of the U.S. is nothing but a fabrication solely intended to tarnish the image of the DPRK and do harm to it. ...**We attach importance to the lift of the financial sanctions against us because this issue serves as a yardstick showing whether the U.S. is willing to drop its hostile policy towards the DPRK as it had committed itself in the joint statement adopted at the six-party talks or not.** As far as our dealing in U.S. dollars is concerned, this was forced upon us by the U.S. itself. By nature the DPRK wanted to join the international financial system to have normal banking transactions, but it was prevented from doing so by the U.S. obstructions. The U.S. has completely barred us from having normal financial transactions such as remittance of dollars to banks and settlement by credit cards, universally recognized means of financial transactions, and indiscriminately seized funds coming to and going out from our bank accounts. Under this situation the DPRK had no other choice but to deal in cash. Nevertheless, the U.S. has described paying on account the money the DPRK earned through normal trade as 'laundering of money gained by illegal means.'" (KCNA, "DPRK Foreign Ministry Spokesman Urges U.S. to Lift Financial Sanctions," February 28, 2006)

In testimony to the Senate Armed Services Committee, National Intelligence Director John Negroponte declined to estimate the number of nuclear devices North Korea has, "We assess that they probably have nuclear weapons, as they claim they do. But we don't know for a fact that they've got such weapons. ... So then to say with precision the number they've got, I think, would be difficult to do with our level of knowledge." He added, "But there's no question that there's a potential for a number of weapons." (David Morgan, "U.S. Not Certain North Korea Has Nuclear Weapons," Reuters, February 28, 2006)

Kaesong industrial park will employ 15,000 this year at \$57.50 a month. Thirteen factories are already operating. (Anthony Faiola, "Two Koreas Learn to Work As One," *Washington Post*, February 28, 2006, p. A-1)

Debate is growing in China about North Korea's nuclear development and the regime's survivability, says Bonnie Glaser of CSIS. (Yonhap, "N.K. Debate Growing in China, Some Critical of Pyongyang: Scholar," February 28, 2006)

2/27-28/06 N-S working-level meeting fails to set date for test run of rail link. (Yonhap, "Two Koreas Fail to Set Date for Railway Test Run," February 28, 2006)

3/1/06 Instead of squeezing North Korea, China has stepped up investment to some \$2 billion last year and is helping to rebuild ports, create factories and modernize energy sections in what one U.S. diplomat calls a "massive carrot-giving operation." A diplomatic source close to both Beijing and Washington says, "Any illusions in Washington that China will be complicit in helping to bring North Korea down should be set aside." Alexandre Mansourov of the Asia-Pacific Center for Security Studies in Honolulu says, "China has decided to change its strategy on North Korea and is looking beyond the six-party talks and the American approach. They want to go their

own way, and have decided to raise up North Korea again, to rebuilt and reinvent it." "For the first time," he adds, "Kim has fully embraced Chinese reforms." (Robert Marquand, "China Changes Game in N. Korea," *Christian Science Monitor*, March 1, 2006)

3/2/06 DoS annual report on international narcotics control says it has "substantial" evidence of money-laundering of narcotics proceeds. (Park Song-wu, "U.S. Has Substantial Evidence of N.K. Money Laundering," *Korea Times*, March 2, 2006)

3/2-3/06 First N-S general-level military talks in nearly two years focus on avoiding naval clashes by establishing joint fishing area in West (Yellow) Sea. Freighter is en route with 6,000 tons of fertilizer for North. (Joint Press Corps, "Two Koreas Discuss Steps to Avoid Naval Clashes," *Korea Herald*, March 3, 2006) Talks end without an accord. (Joint Press Corps and Seo Dong-shin, "2 Koreas Fail to Sign Accord at Military Talks," *Korea Times*, March 3, 2006) KCNA: "The head of the delegation of the north side in his keynote address laid down the following principles that can be served as such groundwork: ...Second, the north and the south should solve the issue of the waters of the West Sea on the principle of deciding on the base line of the territorial waters of reunified Korea on the West Sea of Korea and, basing themselves on it, declaring a new West Sea territorial waters limit internally and externally." (KCNA, "Inter-Korean General-Level Military Talks Open," March 2, 2006) The head of the north side's delegation ... referred to the following differences: First, the north side proposed removing the root cause of the recurrence of clashes in the waters of the West Sea while the south side suggested a series of confidence-building measures. Second, the north side held that all the assertions of both sides which triggered off clashes in the past be discarded and a new solution be sought on a new basis but the south side persistently insisted on the worn-out assertion considered to be unfair in various aspects. Third, the north side proposed a simultaneous discussion on the issue of fixing the waters for joint fishing and the issue of defining the military boundary on the West Sea as far as the modality for discussing the issue is concerned but the south side evasively proposed defining the waters for joint fishing only. Fourth, the north side urged the south side to stop staging all the war exercises including joint military exercises with the United States to terminate the military confrontation on the Korean Peninsula but the south side tried as hard as possible to avoid the issue of halting the military exercises, talking about their "defensive" nature and the like." KCNA, "Inter-Korean General-Level Military Talks Close," March 3, 2006)

3/4/06 Japan has decided to set up a subcommittee under the abduction task force in the prime minister's office composed of senior officials from the National Police Agency, the Economy Trade and Industry Ministry, the Finance Ministry, the Justice Ministry, the Financial Services Agency and the Japanese Coast Guard to enforce laws restricting illegal flow of people, commodities and money between Japan and North Korea. The policy is designed to further pressure North Korea to resolve the abduction issue. (*Yomiuri Shimbun*, "Govt. to Tighten Screws on North Korea," March 5, 2006)

3/5/06 DPRK Park Gil-yon, DPRK Permrep, in a letter to SecGen Kofi Annan, called for the UN to disband the United Nations Command, which allows the U.S. "under the name of

the U.N. to maintain its military superiority in Northeast Asia and on the Korean Peninsula." (Yonhap, "N.K. Diplomat Called for Disbanding UNC in Seoul," *Korea Times*, May 5, 2006)

3/6/06

Seoul and Washington has virtually concluded negotiations on a contingency plan in the event of upheaval in North Korea, including natural disaster and regime change. Unlike an Operational Plan, supplementary strategic guidelines for Concept Plan 5029 deals with scenarios in a more abstract sense and does not specify details like troop numbers. (*Chosun Ilbo*, "Korea, U.S. 'Close' to Agreeing N.K. Contingency Plan," March 6, 2006)

DPRK FoMin spokesman issued a press statement: "Due to the U.S. reckless war maneuvers, tense and acute atmosphere of confrontation is being created on the Korean Peninsula today. ...The U.S. current belligerent group will stage the large-scale Reception, staging, Onward Movement and Integration [RSOI] and Foal Eagle joint military exercises throughout South Korea from 25 to 31 March. ... The United States is miscalculating that they may be able to lure a certain change in position if they stall for time while strengthening sanctions against us and maintaining a tense situation, but time is not by any means advantageous to only the Bush bellicose group." ("DPRK Radio Carries FM Spokesman's Denunciation of ROK-US Military Exercises," FBIS, March 6, 2006)

Last week's deal signed by President Bush to give India help with its civilian nuclear program could be a hindrance in nuclear talks with North Korea. "In the short run, it will probably make the U.S.-North Korea relationship more fractious," said Donald Gregg, "What is needed is a sustained and mutually respectful dialogue to be established. Only within such a framework may it be possible to fully explain to Pyongyang why we decided to do what we have done in New Delhi, and to work out a solid framework for an improved relationship." Balbina Hwang, a North Korea analyst at the Heritage Foundation, said, "Regardless of U.S. intentions or actions, North Korea will choose to take the wrong signal, and try to manipulate this development for its own gain." The International community "should ignore this rhetoric and instead focus on North Korea's actions, and continue to insist that the North behave responsibly." (Burt Herman, "U.S.-India Nuke Deal May Hurt N. Korea Talks," Associated Press, March 6, 2006)

Li Gun in Track II meeting with NCAFP. Henry Kissinger tells Li, "You want a new relationship with the U.S. We want you to get rid of your nuclear weapons." He urged both sides not to get sidetracked on issues like the BDA and focus on resolving the nuclear issue as part of a wider set of new security arrangements in the region, specifically providing assurances for the North's security and economic and social development. (Chinoy, *Meltdown*, p. 270)

3/7/06

Li Gun meets with DAS Katherine Stephens. Internal fight over who would meet with Li Gun in New York pits Deputy NSA J.D. Crouch and John Rood against Hill, who finally convinced SecState Rice to have his protégé Stephens, PDAS for East Asia go. Neither Jim Foster nor anyone else from the Korea desk attended. Picking up an idea from the

January 31 Track II meeting, Li Gun proposed a bilateral mechanism for dealing with financial measures. The idea went nowhere. As a senior U.S. official, Li was told, "stuff it." (Chinoy, *Meltdown*, p. 269) "North Korean Director Li Gun laid out three proposals. The first was to set up a non-permanent consultative body between the North and the U.S. to resolve the counterfeiting problem. The second was to open a North Korean bank account in the U.S. and the third being to lift financial sanctions against the Macau-based Banco Delta Asia. The proposals by Director Li indicated that Pyongyang could approach the counterfeiting problem and Six-Party Talks on its nuclear program separately, a big retreat from its previous position." Jang Sung-min, "North Korea's Counterfeiting in a Dilemma, *Korea Times*, April 9, 2006) "We cannot go into the six-party talks with this hat [counterfeiter] over our head," Li was quoted as saying by a U.S. official familiar with the talks. Li said there was no evidence of illicit activity. Li also asked for technical help in identifying counterfeit bills. (Glenn Kessler, "North Korea Sets Terms for Return to Nuclear Talks," *Washington Post*, March 9, 2006, p. A-16) Li told *Hankyore*. "If [we] can confirm information that separate individuals are involved in illegal activities, we can immediately take the necessary measures," Li was quoted as saying. Li said lifting of sanctions against BDA was "the least condition" for the North's return to six-party talks. (Yonhap, "N.K. Proposes Separate Negotiations to Discuss U.S. Sanctions," March 8, 2006) [Li plays back proposal of 1/31/06 Track II.] "This is basically going to be a technical-level briefing, principally provided by a Treasury official to talk about U.S. law enforcement steps," said DoS spokesman Tom Casey, and not a negotiation. Deputy Assistant Treasury Secretary Daniel Glaser is leading the briefing team. (Lee Dong-min, "U.S. Draws Line between Briefing, Nuke Talks, ahead of Meeting," Yonhap, March 7, 2007) Li Gun, Wi Sung-rak, political affairs minister at the ROK Embassy, and State Department officials participated in an unofficial meeting ahead of the U.S. briefing. (*Chosun Ilbo*, "Two Koreas, U.S. in Unofficial Contact in New York," March 7, 2006) "We got to know each other's positions and confirmed differences," Li Gun told Yonhap after the meeting. "Our position is consistent that the DPRK cannot return to the talks in the midst of the continued pressure [from the United States]." (Associated Press, "North Korea Refuses Return to Nuke Talks," March 7, 2006) DPRK FoMin spokesman: "The U.S. again slandered the DPRK as a 'drug dealer' recently: The U.S. Department of State asserted in its recent 'International Narcotics Control and Strategy Report' that the DPRK is involved in 'illegal deal[ing] in drugs' and others. In the annual report the United States admitted that there was no 'drug dealing case' linked with the DPRK in 2005 but fabricated misinformation to pull up it again. This clearly shows to what base moves the U.S. resorts in its bid to pressurize and do harm to the DPRK. ... The socialist system in the DPRK guided by the man-centered Juche idea strictly bans by law not only the use and deal in drug which makes people mentally crippled but its production. **We will take more thorough-going preventive measures including those for the enforcement of the law on narcotics control so that drug trafficking rife in such countries as the U.S. and other drug-related crimes may not find their way to our society under any circumstances.** (KCNA, "Spokesman for DPRK Foreign Ministry Dismisses U.S. Row about 'Drug Trafficking,'" March 7, 2006) DoS: "However, we would note that the Joint Statement of Principles contemplates, in the context of denuclearization, discussion on a broad range of issues including trade and investment cooperation, and steps toward normalization." (*Nelson Report*, March 9, 2006) A high-ranking official in the ROK embassy [Wi] told reporters,



the New York meeting was useful in helping the DPRK and U.S. to reconfirm their willingness to resume six-party talks. "We have detected a number of signals indicating the rising possibility of reopening the talks. But I can't say whether the signals could bring about a specific date to kick off the dialogue." (Park Song-wu, "U.S. Not Trying to Punish N. Korea," *Korea Times*, March 10, 2006) A South Korea official said that "the U.S. side urged the North to enter the Asia-Pacific Group on Money Laundering (APG) during their contact in New York." (Yonhap, "U.S. Asks N.K. to Join Int'l Group on Money Laundering: Source," March 12, 2006) Zarate: "Glaser, a Career Treasury civil servant and lawyer, had been sent to Beijing in March 2006 by Secretary Paulson, at the direction of President Bush, to sit down with the North Koreans and resolve the 'technical issues' of the Banco Delta Asia crisis. ...For Treasury, the underlying illicit activity needed to be resolved." (Zarate, *Treasury's War*, pp. 249, 252)

*Chosun Sinbo*: "The essence of the nuclear agreement concluded at summit talks between President Bush and Prime Minister Singh states that the United States not only acknowledges India's possession of nuclear capability, but also recognizes cooperation in the field of nuclear technology between the two countries. ...The United States has come out now and ratified India's withdrawal from the NPT [sic] to become a nuclear state, and it has even decided to shower it with 'gifts.' .... The Bush government's underlying motives are clear. First, it wants to drive a wedge in the tight India-China-Russia relationship, and especially contain China by pulling another great Asian nation - India - over to its side, while at the same time it wants to make large sales of its latest weapons to India, along with state-of-the-art nuclear technology. We do not know if this measure by the Bush government will be a money-maker, but we can say it is a fatal diplomatic blunder that will destroy the basic framework of the NPT built by the United States itself and will hasten the collapse of the already-crumbling [US] policy of unipolar domination." (*Chosun Sinbo*, "Pro-DPRK Paper Decries Bush for Recognizing India as a Nuclear Power," FBIS, March 7, 2006)

Iran is stepping up development of its Shahab-3 missiles, which is based on the Rodong and has a range of 2,000 km, according to an intelligence report given to Reuters by a German diplomat, who confirmed Iran had also purchased 18 disassembled BM-25s from North Korea with a range of 2,500 km. as part of a program codenamed Project 111. (*Chosun Ilbo*, "Iran 'Buying Missiles from North Korea'" March 7, 2006)

DPRK FoMin spokesman "in connection with the fact that the U.S. again slandered the DPRK as a 'drug dealer' recently: The U.S. Department of State asserted in its recent 'International Narcotics Control and Strategy Report' that the DPRK is involved in 'illegal deal in drug' and others. In the annual report the United States admitted that there was no 'drug dealing case' linked with the DPRK in 2005 but fabricated misinformation to pull up it again. This clearly shows to what base moves the U.S. resorts in its bid to pressurize and do harm to the DPRK. The U.S. is internationally censured for being the biggest dealer in drug in the world and a cesspool of drug-related crimes. It is ridiculous of this country to impertinently talk about drug trafficking in various countries every year. The socialist system in the DPRK guided by the man-centered Juche idea strictly bans by law not only the use and deal in drug which makes

people mentally crippled but its production. **We will take more thorough-going preventive measures including those for the enforcement of the law on narcotics control so that drug trafficking rife in such countries as the U.S. and other drug-related crimes may not find their way to our society under any circumstances.**" (KCNA, "Spokesman for DPRK Foreign Ministry Dismisses U.S. Row about 'Drug Trafficking,'" March 7, 2006)

USFK Burwell B. Bell testimony to the Senate Armed Services Committee, "Reports indicate North Korea is also preparing to field a new intermediate-range ballistic missile which could easily reach U.S. facilities in Okinawa, Guam, and possibly Alaska." It is working on a three-stage version of its Taepo-dong which could be operational in the next decade. (Reuters, "North Korea Missile Threat Growing: U.S. Military," March 7, 2006) "These are a quantum leap from the kind of missiles that they produced in the past," he said. They are "solid-fuel missiles that have great reliability, are easy to move around battlefields, have higher accuracy, potential, etc." (Lee Dong-min, "N.K. Missile Test Shows 'Quantum Leap' in Technology: Commander," Yonhap, March 9, 2006)

North Korea plans to develop Bidan Island in the Yalu River estuary near China into a special economic zone, Tokyo Shimbun reported today. (*Chosun Ilbo*, "N. Korea to Set up Special Economic Zone Near China," March 7, 2007)

3/8/06

North Korea launches two short-range missiles into West Sea, Kyodo reports. (Norimitsu Onishi, "U.S. Confirms Test of Missiles Was Conducted by North Korea," *New York Times*, March 8, 2006) "The launched missiles are believed to be KN-02s, a modification of the USSR-built SS-21 missiles," a ROK DefMin source said. They have a 120km range. "We believe the missile launches are just part of the North Korean military's regular test-run of its weaponry, so it's not a big concern." (Jung Sung-ki, "Seoul Plays Down N.K.'s Missile Fire," *Korea Times*, March 9, 2006)

Rep. Jim Leach (R-IA), chair of House IR Subcommittee on Asia and the Pacific criticized administration's "reactive approach" to six-party talks that "appear moribund," calls for "initiative" for dialogue, "more flexibility" for diplomacy, sending Hill to Pyongyang, negotiating a permanent peace on the peninsula at a separate forum, direct contacts with the North, and liaison offices to solve the "problem of communication." He said, "Between nations, as between people, the stronger party has greater strategic confidence and thus capacity to take the first conciliatory steps when intransigent differences arise." He argued against continuing to "transfer the initiative to others, indebting us to the diplomacy of countries that may have different interests or simply ensconcing the status quo." (Shirley A. Kan, *China and Proliferation of WMD and Missiles*, Congressional Research Service Report, November 15, 2006, p. 29; Nelson Report, March 7, 2006)

South Korea triples aid for Africa. In 2004 it provided \$17.04 million in ODA; \$31.86 million in 2005. President Roh said, "The need for South Korea to expand its external contributions is steadily rising in line with its growing economic status." Digressing on Ban Ki-moon's bid to be U.N. secretary general, Roh said South Korea was not ready to play a leading role in the international community, but Japanese rule and three years

of civil war left a legacy: "Korea places a great importance on the ethical role powerful countries can play for the sake of keeping peace in the world." (Lee Joo-hee, "Korea to Triple Aid to Africa by 2008," *Korea Herald*, March 8, 2006)

CIA comes under fire for labeling Dokto "Liancourt Rocks" in its country report of 2004, tilting toward Japan's position. "It shows how much effort that the Japanese government has exerted to promote self-made historical contents favorable to Japan to the world," said an ROK official. (Lee Hyo-sik, "CIA Accused of Tilting to Japan in Dokto Spat," *Korea Times*, March 8, 2006)

3/9/06 Ri Kwang-il, dep director of the DPRK's Institute for Disarmament and Peace said Pyongyang would take "a confident step" if Washington takes a practical measure to end its hostile policy. He told a conference at the Malaysian Strategic Research Center in Kuala Lumpur, "The stationing of the U.S. forces in South Korea is the product of the Cold War era and the main obstacle that violates the sovereignty of the Korean nation and destroys the reconciliation and cooperation between the North and South, peace and security of the Korean peninsula and Northeast Asia." (Bernama, "N. Korea Wants United States to Stop Hostile Policy," March 9, 2006)

3/9-11/06 ROK six-party negotiator Chun Young-woo visits China: "The Chinese side said yellow dust is screening the path of six-party talks." (Lee Chi-dong, "Seoul's Nuclear Envoy Heads to Japan amid Stalled Six-Way Talks," *Yonhap*, March 13, 2006)

3/10/06 Banks around the world are limiting their dealings with North Korea, and its leadership is complaining with unusual vigor. "It really struck a nerve," a senior administration official said with a smile. It also has given new energy to those in the administration who have argued for years that the six-nation nuclear disarmament talks were a waste of time and that direct action was the only tactic that might force North Korea to give up its nuclear weapons program. Since the Treasury Department ordered American banks to cut off relations with the Macao bank, Banco Delta Asia, on September 15, the administration has repeatedly insisted that the law enforcement action was unrelated to the nuclear negotiations. Only now are officials saying that further law enforcement actions are planned, and their use has coalesced into a strategy. In interviews, several present and former administration officials said the Bush administration had concluded that the six-nation talks intended to persuade North Korea to give up its nuclear arms were unlikely to succeed unless they were accompanied by these direct, punitive actions. The strategy now, said a senior official who watches the issue closely, is, **"Squeeze them, but keep the negotiations going."** The talks would then serve as little more than a vehicle for accepting North Korea's capitulation, if the pressure from other actions leaves it no choice. This policy is not uniformly popular in the State Department, where officials are managing the six-nations talks that include the United States, Russia, South Korea, China and Japan. **One senior official complained that the policy would turn the talks into nothing more than "a surrender mechanism."** Several officials said they feared that the new policy would not persuade North Korea to disarm, while also alienating China, North Korea's ally, and South Korea. But another senior official argued, "Not everything was great with the six-party talks before we ratcheted up the defensive measures," as advocates like to call the law enforcement

actions. For years, hard-liners in the White House, particularly in Vice President Cheney's office, and some at the State Department, have argued that direct punitive action against North Korea was the only tactic that might force it to give up its nuclear weapons program." It seems to me unreal that you could offer the regime enough" in talks "to get them to abandon their program," said Aaron L. Friedberg, an East Asia specialist who was Mr. Cheney's deputy national security adviser until last summer. "There has to be something else happening simultaneously – applying pressure." Finally, by late summer, a former senior Bush administration official said, the administration had decided "to move toward more confrontational measures." David L. Asher, who was coordinator of the State Department's working group until last summer, said government officials believed "the beauty of this approach is it is not full-bore sanctions." Last September, North Korea agreed in principle to end its nuclear weapons program but raised objections to the agreement just 24 hours later. "I think they are having trouble getting ready for that moment" when they actually give up their arms, said Christopher R. Hill, assistant secretary of state and chief United States negotiator for the talks. "They are stalling. That makes people wonder about how serious they are." (Joel Brinkley, "U.S. Squeezes North Korea's Money Flows," *New York Times*, March 10, 2006, p. A-12)

Under SecState Robert Joseph said about North Korea and Iran, President Bush is making it very clear that "all options are on the table to deal with this threat." (*Chosun Ilbo*, "Bush 'Has Not Ruled Out' Any Action on N. Korea, Iran," March 10, 2006)

U.S. rejects DPRK proposal for bilateral talks on illicit activities and financial measures. (Lee Dong-min, "U.S. Rejects N.K. Proposal for Bilateral Committee," Yonhap, March 10, 2006) DoS acting spokesman Tom Casey rejects any connection to six-party talks: "The purpose of that briefing was to explain what our recent regulatory actions were. And again, I want to stress that these actions are unrelated to the six-party talks or to North Korea's nuclear program. I don't think any country takes a favorable attitude towards money laundering or counterfeiting or other kinds of illicit financial measures. What we did with respect to Banco Delta Asia, again, is simply a law enforcement action and it's designed to protect our financial system from abuse and from having counterfeit currency placed in it." (DoS Daily Briefing, March 10, 2008)

Bush says he put North Korea and Iran "axis of evil" because of the nature of their regimes. "I did that because I am concerned about totalitarian governments that are not transparent that have stated their intention to develop nuclear weapons." He said they posed an equal security threat "because any time there's a non-transparent regime without a free press to hold people to account, it creates an unpredictability in the world. And, therefore, it's very important for the United States to continue to work with others to solve these issues diplomatically -- in other words, to deal with these threats today. And we are. ...Ultimately, I think it's very important for the people in those countries to be able to live in a free society. If you believe liberty is universal, then you would hope liberty would spread to those countries, as well." (White House, Office of the Press Secretary, President Addresses National Newspaper Association, Washington, March 10, 2006)

Japan and U.S. conduct successful test of jointly developed interceptor, Standard Missile-3, releasing kinetic kill warhead over Hawaii. (Igarashi Aya, "Japan-U.S. Missile Test successful," *Yomiuri Shimbun*, March 10, 2006)

Seoul mayor Lee Myungbak in nine-day trip to US. (Yonhap, "Seoul Mayor Lee to Visit U.S. Next Week," *Korea Times*, March 8, 2006)

3/11/06

North postpones ministerial-level talks with South over joint exercises. "Hostile war training and peaceful dialogue cannot get together," Cabinet Councilor Kwon Ho-ung said in a telegraph message to UnifMin Lee Jong-seok. "Yonhap, "N. Korea Delays Dialogue, Citing S. Korea-U.S. Joint Military Exercises," March 11, 2006)

KCNA commentary: "The U.S. biased nuclear policy is upsetting the general view of the international community on the energy issue. The U.S. is still working hard to completely block the DPRK's nuclear activities for a peaceful purpose **although it talks about the provision of nuclear technology and fuel for a civilian purpose and the like to those countries outside the NPT** [India]. ...The U.S. has long shut its eyes to its allies or those countries in which it is interested over the matter of R&D for nuclear weapons and its intensification and covertly helped them, unhesitatingly transferring even nuclear technology to those countries although they are outside the NPT. This notwithstanding, it urged the other countries to strictly observe the NPT and has applied sanctions against them in a coercive manner. The U.S. not only insists that those countries incurring its displeasure including the DPRK be denied access to nuclear technology including that for a civilian use but threatens that it would not rule out a preemptive nuclear attack on them. This proves that the U.S. call for nuclear non-proliferation is nothing but sophism intended to pressurize other countries to meet its own interests. **The U.S. biased application of double standards concerning the settlement of major international issues found a clear manifestation in the issue of providing light water reactors (LWRs) to the DPRK.**" (KCNA, "KCNA Urges U.S. to Drop Its Biased Nuclear Policy," March 11, 2006)

3/12/06

DPRK foreign trade in 2004 grew by 19.5 percent to \$2.857 billion. Exports grew by 31.3 percent to \$1.02 billion and imports 13.8 percent to \$1.837 billion, most since 1990. Inter-Korean trade was \$697 million: \$439 million in imports, \$258 million in exports. (Chang Jae-lee, "Trade and Investment in North Korea") Japan's trade with North Korea fell to \$190 million in 2005, a 28-year low, KOTRA reported. North Korea exported \$130 million, imported \$60 million. (Kyodo, "N. Korea-Japan Trade Falls below \$200 Million, Lowest since 1977," February 12, 2006)

3/13/06

Japan has decided to step up check of insured mail containing cash posted to North Korea, *Mainichi Shimbun* reports. (*Chosun Ilbo*, "Japan to Tighten Checks on Remittances to N. Korea," March 13, 2006)

3/15/06

The Bush administration issues an updated national security strategy reaffirming preemption and says diplomacy with Iran "must succeed if confrontation is to be avoided." NSA Stephen Hadley said that "the sentence applies to both Iran and North Korea." On proliferation and illicit activities, it said, "The North Korean regime needs to

change these policies, open up its political system and afford freedom to its people." (David E. Sanger, "Report Backs Iraq Strike and Cites Iran Peril," *New York Times*, March 16, 2006, p. A-6; Deb Reichmann, "Bush Reaffirms Preemptive Use of Force," *Associated Press*, March 16, 2006)

3/17/06 Ambassador Alexander Vershbow said, "We indicated that we are prepared to continue to discuss the same issues discussed in New York. But there are plenty of opportunities to do that in the context of six-party talks, where many different contexts take place." [Come back to six-party and we can talk about financial measures.] (Lee Chi-dong, "U.S. May Link N.K. Financial Problem to Nuclear Talks: Vershbow," *Yonhap*, March 17, 2006)

Japanese FM Aso Taro says, "South Korea and China are helping North Korea. I cannot comprehend why they would do so." (Lee Joo-hee, "Japan Raps S. Korea, China for Aiding N.K.," *Korea Herald*, March 17, 2006)

DPRK agreed in principle to creation of an international consortium to rebuild a railway from Russia to South Korea, said Vladimir Yakunin, head of Russia's rail system. (AFP, "North Korea Clears Way for Russian Trans-Korean Railroad," March 17, 2006)

Total humanitarian aid from ROK to DPRK from 1995 to the end of February 2006 was \$1.389 billion: \$862.17 million from the government, \$527.75 from the civilian sector. (Ministry of Unification, "The Status of Humanitarian Assistance toward North Korea," March 17, 2006)

3/18/06 LDP unanimously endorsed a bill to impose sanctions on North Korea if it failed to make progress on abductions. (*Japan Times*, "LDP Okays Sanctions Bill Targeting North Korea Rights Abuses," March 18, 2006)

3/?/06 Richard Armitage asked when Koizumi told him about going to Pyongyang in 2002, was it the first time he had heard about it: "It was the first time I had heard about it from a Japanese official." Asked about his 2001 testimony that the administration would eventually hold bilateral talks, he said, "Some people in the administration were very angry. But members of Congress were very happy." "The splits that existed in the Bush administration when I was in office still exist. ...There is a fear in some quarters, particularly the Pentagon and at times in the vice president's office, that if we were to engage in discussions with the North Koreans, we might end up with the bad end of the deal. They believe we should be able to pronounce our view and everyone else, including the North Koreans, should simply accept it."

3/19/06 Thirty-member DPRK delegation led by Kim Jong-il's brother-in-law, Jang Song-thaek, arrived in Beijing to visit SEZs in Shenzhen, Guangzhou, and other cities that Kim toured. (*Yonhap*, "N. Korean Economic Delegation Arrives in China, Sources Say," March 19, 2006) DPRK and China met to discuss transportation link between Sinuiju and Dandong. (*Dong-A Ilbo*, "North Begin Development Talks," March 20, 2006) Shenyang customs data show Liaoning province's imports and exports to North Korea reached \$824 million, up 4.8 percent. Imports were \$229 million, down 39 percent. (Mi Xue and

Wang Jun, "Sharp Increases in Liaoning's Exports to DPRK Reveals New Changes in DPRK Market Demands," Xinhua, March 22, 2006) Beijing is pushing development in Liaoning, Jilin and Heilongjiang provinces. That poses a dilemma for Seoul, caught between the belief that a more prosperous North Korea will be less threatening and concern about increased Chinese influence there.(Jin Se-keun, "China-North Korea Trade Eyed Warily," *JoongAng Ilbo*, March 28, 2006)

3/20/06 *Rodong Sinmun*: "Bush's repeated remarks listing the DPRK as part of an 'axis of evil' are little short of declaring the U.S. stance that it still regards the DPRK as a target of military aggression, not a dialogue partner. Now that the U.S. imperialists still keep the DPRK on the list of the main targets of aggression and objects to be eliminated, the army and people of the DPRK will heighten their vigilance against the U.S. and get fully ready to beat back any surprise invasion on their own initiative." (KCNA, "Bush's Reckless Remarks about 'Axis of Evil' Dismissed," March 20, 2006)

Douglas Anderson, House International Relations Committee staff member, visited Kaesong. (Yonhap, "U.S. Congress Staffer Visits N. Korean Industrial Complex: Sources," March 20, 2006)

3/21-23/06 13<sup>th</sup> round of family reunions held. In apparent protest over SBS and MBC reports on a former South Korean civilian seized by North Korea, the North cancelled the reunion. North Koreans also barged into the broadcasters' satellite vehicle and took a tape of footage of yesterday's reunions. (Yonhap, "N. Korea Cancels Family Reunions to Protest Reports on S. Korean POWs," March 21, 2006) The South Korean press corps returned home in protest on March 23. (Byun Duk-kun, "S. Korean Reporters Leave N. Korea in Protest of Threats," Yonhap, March 23, 2006)

3/21/06 DPRK FoMin spokesman on U.S. national security strategy: "The Bush administration even babbled about a preemptive strike again when it is intensifying the offensive of physical pressure, such as financial sanctions against the Republic and joint military exercises, while continuously making remarks by branding us the axis of evil and a tyrannical government. Seeing this, its true intent is to pursue the hostile policy against us to the end invariably. ... [W]e already showed all the maximum magnanimity and flexibility for resolving the issue by **presenting the means to remove financial sanctions** which the basic obstacle to six-party talks, at the talks between DPRK-US leaders to the six-party talks held in Beijing in January and **at the DPRK-US New York working-level talks held in March**. Nevertheless, the Bush administration is in reality showing no interest in the talks although it babbles about six-party talks and what not. Furthermore, even if the talks do resume, it is trying to disregard the implementation of obligations such as the provision of light-water reactors which it committed to in the September 19 joint statement [sic]. ... It would be wise for the United States to, though belatedly, seek cooperation also with us, who are outside the NPT, in the nuclear field in a strategic light, instead of clinging to its unchanging [assertion] that [the DPRK] should abandon [its] nuclear [program] first, if it were truly interested in finding a realistic way to resolve the nuclear issue on the Korean peninsula. ...Preemptive attack is not the monopoly of the United States only. As we have declared, our powerful revolutionary forces have equipped themselves with all countermeasures to possible

preemptive attacks from the United States." (KCNA, "FM Spokesman Says U.S. Should 'Seek Cooperation' with DPRK in 'Nuclear Field,'" March 21, 2006)

Maurice Strong, former U.N. special envoy on North Korea, says, "The United Nations has concentrated on helping the international community to prepare an economic package [for the North] that could help resolve the nuclear issue." Preparations are still going on but "not as rapidly as we we'd like." "It is not one that has to be done exclusively through the United Nations but one that can be done with the active support of the United Nations." (Yonhap, "UN Preparing Special Economic Package for N. Korea," *Korea Times*, March 21, 2006)

Kim Dae-jung lecture at Yeungnam University: "North Korea has already declared that it will abandon its nuclear programs and Pyongyang even showed its intention to allow Washington to inspect [its nuclear sites]. ... Now it's time for Washington to present its own initiative and the six-party talks should search ways to jointly guarantee how to implement the U.S. proposal." (Park Song-wu, "Kim Dae-jung Calls for U.S. Initiative in 6-Way Talks," March 21, 2006)

3/22/06

DPRK FoMin spokesman response to "report of national security strategy": "The Bush administration singled out those countries which are not meekly following it from an independent stand, including the DPRK, as 'outposts of tyranny,' revealing its undisguised attempt to realize its wild ambition to realize 'regime change' through a 'preemptive attack.' The above-said 'report' reveals the U.S. intention to start a war to prevent nuclear proliferation, 'combat terrorism' and 'spread democracy.' It is, therefore, nothing but a brigandish document declaring a war as it is an indication that the Bush regime will not rule out even a war to bring down those countries which refuse to follow its ideology and view on value by branding them as enemies without exception. Today the Bush regime is to blame for unhesitatingly committing war and military intervention, stepping up the modernization of nuclear weapons and encouraging the spread of weapons of mass destruction, defying all the principles of international law and unbiased public opinion to meet its narrow-minded partisan purpose. It is the root cause of aggression, war and arms race. Such aggressive nature of the Bush administration finds a more striking manifestation in its policy towards the Korean Peninsula. The Bush administration again cried out for a 'preemptive attack' at a time when it let loose a string of balderdash against the DPRK after labeling it part of an 'axis of evil' and an 'outpost of tyranny' and is increasing such physical pressure as financial sanctions and joint military exercises against it. This brings to light the Bush administration's intention to invariably pursue its hostile policy toward the DPRK. The Bush administration is talking about the 'six-party talks' and the like but, in actuality, is not interested in them at all. It is the calculation of the U.S. that it will evade the fulfillment of such commitment as the provision of light water reactors it made in the September 19 joint statement even if the talks are resumed. We made nuclear weapons to cope with the U.S. nuclear threat. The Bush administration is sadly mistaken if it thinks the DPRK will yield to the outside pressure and surrender to it when Pyongyang is steadily driven to a tight corner. **It is our traditional fighting method to react to the increasing pressure head-on, without making any detour. The same method will be applied to countering the U.S. A preemptive attack is not the**



**monopoly of the U.S.**" (KCNA, "Spokesman for Foreign Ministry Assails U.S. Cry for Preemptive Attack," March 22, 2006)

Center for Nonproliferation Studies, Monterey Institute of International Studies, "CNS Special report on North Korean Ballistic Missile Capabilities," March 22, 2006

3/23/06

As part of their effort to investigate abductions Japanese authorities raided six sites including the offices of the Chamber of Commerce of Koreans, an organization affiliated with Chongryon, whose president Lee Sam-jun had conspired with agents Shin Gwang-su and Kim Gil-wook to kidnap Chinese restaurant worker Hara Tadaaki in June 1980, and will place Kim Gil-wook, who now lives in South Korea after serving time for espionage, on the international most wanted list. North Korea says Hara died in 1986. (*Chosun Ilbo*, "Japanese Police Raid Offices of Chongryeon," March 23, 2006) DPRK FoMin spokesman statement on March 28: "The Japanese prime minister repeatedly clarified his stand to friendly treat the Koreans in Japan so as not to discriminate them when adopting the DPRK-Japan Pyongyang Declaration and on other occasions. The Japanese government, too, reaffirmed this at the talks on the normalization of relations between the DPRK and Japan held in Beijing early in February. However, Japan, a so-called constitutional state, perpetrated fascist suppression of Chongryon and Korean residents in Japan in a gangster-like way by setting state power in motion while deliberately linking the already settled "abduction issue" to Chongryon. It also tries to put pressure upon the DPRK. This is really mean and ridiculous act. Chongryon is a legitimate overseas Koreans' organization of the DPRK which defends all the democratic national rights of Koreans in Japan and it plays the role of a diplomatic mission which promotes friendship with the Japanese people, given that there is no diplomatic relations between the two countries. The suppression of such dignified organization and Koreans in Japan cannot be construed otherwise than a wanton violation of the DPRK-Japan Pyongyang Declaration and an unpardonable infringement upon the sovereignty of the DPRK. The Japanese authorities can never evade their responsibility for the serious consequences to be entailed by their sinister acts." (KCNA, "DPRK FM Spokesman Urges Japan to Stop Suppression of Chongryon," March 28, 2006)

DPRK FoMin spokesman issued a statement to denounce the U.S. bellicose group and the south Korean authorities for planning to stage large-scale RSOI and Foal Eagle joint military exercises across south Korea from Mar. 25 to 31. "The Bush administration pressurized the south Korean authorities to agree on the 'strategic flexibility' of the U.S. forces present in south Korea. And it readopted the 'theory of a preemptive attack' as the doctrine of the national security policy in its wake. It is quite obvious that the saber-rattling the Bush administration is going to launch against this backdrop will threaten regional peace and security and adversely affect the favorably developing north-south relations as it envisages wartime operations in the Korean Peninsula and Northeast Asia. The U.S. is gravely mistaken if it calculates that to procrastinate, while tightening sanctions against the DPRK and escalating the tension, would help induce the DPRK to make a sort of switchover in its stand but it is not only the Bush warlike group that will benefit from this delay. Now that the U.S. intention to stifle the DPRK has become very

clear, the DPRK will react to it with a strong measure for self-defense." (KCNA, "DPRK FM Spokesman Assails Projected U.S.-S. Korea Joint War Exercises," March 23, 2006)

3/24/06

Japan and U.S. begin talks on plans for U.S. military realignment, focusing on the U.S. request for Japan to pay 75 percent of the \$10 billion cost of relocating U.S. Marines from Okinawa to Guam. (Kyodo, "Japan, U.S. Begin realignment Talks in Tokyo," March 23, 2006)

Conference on North Korean human rights convened by Freedom House meets in Brussels. (Keum Ding-keum, "Meeting Targets North's Rights Abuses," *Dong-A Ilbo*, March 23, 2006)

In speech to a conference in Cairo, Treasury DAS Daniel Glaser said, "Our designation of BDA has produced encouraging results. Jurisdictions in the region have been conducting investigations and taking necessary steps to identify and cut off illicit North Korean business." (Park Song-wu, "U.S. Sanctions on N.K. Produce Encouraging Results," *Korea Times*, March 24, 2006)

China's central bank warned of an influx of counterfeit \$100, which the U.S. alleges are made by North Korea. The People's Bank of China told lenders the supernotes "have flowed into our country from overseas." According to Raphael Perl, one of the authors of the Congressional Research Service report, "This is state-sponsored criminal activity, and Washington's policy response is morphing. The administration is moving towards taking on North Korea with laws and prosecutors [sic]." (Gordon Fairclough, "North Korea Might Be Exporting Fake \$100 Bills," *Wall Street Journal*, March 24, 2006, p. D-5) The U.S. may seek criminal charges against Kim Jong-il, which may explain why U.S. officials have become more sensitive about supporting allegations against Pyongyang with legal evidence, Raphael Perl and Dick Nanto said. An estimate \$45 million is supernotes are now in circulation. Pyongyang is believed to earn \$15-25 million a year from counterfeiting. (Yonhap, "Kim Jong-il May Face U.S. Criminal Charge: Report," *Korea Times*, March 26, 2006)

3/25/06

KCNA: "Shortly ago, the U.S. Ambassador to Seoul Vershbow asserted the need to discuss north Korea's proposal to set up a non-permanent consultative body aimed to handle the issue of "counterfeit notes" within the framework of the six-party talks, saying that the talks are tasked to discuss the issue of normalizing relations between the DPRK and the U.S. as well as the nuclear issue. This assertion is nothing but a sleight of hand to cover up Washington's true colors and do harm to the dialogue partner. The six-party talks came to a deadlock due to the U.S. financial sanctions. It is the real intention of the U.S. to tighten financial sanctions against the DPRK with a view to preventing the six-party talks from resuming and doing harm to it. ... But the U.S. is insisting on discussing the issue of financial sanctions at the six-party talks in a bid to shift the responsibility for the delayed talks on to the DPRK side. If the U.S. truly wants to resume the six-party talks with a bold decision to improve the relations with the DPRK it had better just lift financial sanctions before talking about the resumption of the talks. ... Should the U.S. persist in its delaying-tactics, counting on its financial

sanctions, the DPRK will not fritter away time, either. (KCNA, "KCNA Urges U.S. to Lift Financial Sanctions," March 25, 2006)

3/27/06

KCNA: "The 'trilateral security dialogue' of the United States, Japan and Australia took place in Sydney some days ago. The 'dialogue,' the first of its kind on the foreign minister-level, drew attention of the world public as it was an assembly of the U.S. and its allies. The choice of Sydney as the venue of the 'dialogue' can be explained by the on-going scramble of big powers to hold supremacy in Asia-Pacific and the geographical and military strategic importance of Australia. In order to gain an unchallenged military edge in the region, the U.S. has pursued the strategy to contain China by laying a siege to it whereby to link the 'triangular military alliance' of the U.S., Japan and south Korea, the 'triangular relations' of the U.S., Japan and India and the 'triangular alliance' of the U.S., Japan and Australia. As public opinions view, the 'trilateral security dialogue' is a link in the chains of the strategy to contain China. The main thrust of the U.S.-sponsored 'dialogue' was to define China as the biggest 'threat' to its strategy for world supremacy as China's influence is daily growing in the international arena politically and economically and label it 'an undesirable force' in a bid to lay a foundation for building a military alliance aimed at implementing its policy for containing China. Washington attempted to build a NATO type military bloc in the Asia-Pacific region and discussed the way of forming the 'four-nation maritime alliance' by plugging even Britain into the 'triangular alliance.' ... Japan is deeply involved in the U.S. strategic moves to use the former as a lever for establishing its domination over the region and a shock force for invading East Asia. In the first few months of the year alone the U.S. advanced a series of 'triangular framework' proposals including 'trilateral dialogue and security cooperation framework' grouping the U.S., India and Japan. The fact that Japan is involved in the U.S. stepped-up 'triangular military alliance,' 'triangular relations' and 'triangular alliance' clearly indicates what phase its consciousness of toeing the U.S. line has reached. Lurking behind this behavior of Japan is a foolish attempt to emerge a military power with the U.S. backing at any cost and hold supremacy in Asia-Pacific. Japan used to cite 'threat from north Korea' to justify its moves to turn itself into a military power. (KCNA, "KCNA Blasts U.S. Insidious Move for Supremacy in Asia-Pacific," March 27, 2006)

3/28/06

South Koreans' shipments of hundreds of tons of fertilizer start. (Yonhap, "First Private Fertilizer Aid to Be Shipped to N. Korea This Week, March 27, 2006)

3/29/06

In September the U.S. 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. ... One bank terminated the relationship with us earlier in the year, citing other reasons related to their own reorganization. The other main correspondent terminated during November, initially with a phone call, followed up by a notification by SWIFT, informing us they wanted the accounts closed by the end of November. Q: What impact has this had on your customers? A: Many of DCB's customers have balances, which in some cases are quite substantial, with us which they can't access. This will no doubt affect their own working capital, but even when they have the funds to remit, the closure of other correspondent bank accounts made this more difficult. Moreover, they are reluctant to use the banking system, because there is always the chance that funds could be affected with other banks too. As a result, while some are still using the bank, others have reduced their business or reverted to carrying cash, even though they are transacting legitimate business. Q: Under provisions of the U.S. Patriot Act, Washington may bar U.S. financial institutions from "doing business with banks designated as money laundering concerns." While the original target was the Macau bank, it also indirectly targets Daedong. How do you respond to these accusations? A: There are several points here. First, we are not normally allowed to operate accounts for state-owned entities, which I understand were the targets of the U.S. Treasury allegations. Almost all of our account holders are foreign - foreign companies, foreign individuals, foreign-invested joint ventures and foreign relief agencies. Many of these customers need to remit funds overseas to pay for imports. The kinds of goods that they are importing include commodities, mainly food-related, all for sale in hard currency shops, also spare parts for machinery, and raw materials for production in the case of joint venture companies. Customers remit funds into the country mainly to pay for local operating expenses, and a very few are receiving payment from overseas for exports - mainly seafood and agricultural goods. These are perfectly legal activities. Second, we have established stringent antimoney-laundering procedures. Copies of our antimoney-laundering procedure manual were sent to, and accepted by, our correspondent banks. This exercise was not just window-dressing, we do actually implement the procedures, which include common-sense procedures for knowing our customers and the business activities they are involved in, as well as typical transaction volumes and who they are dealing with. We have several hundred customers, but of these only a few dozen are active, so it is not difficult to keep track of transactions. I'm of course not in a position to know what activities BDA involved in with other customers, but I can say that in the case of Daedong Credit Bank, we are handling only legitimate business. Third, there are good reasons why much of the international trade of the DPRK for these sorts of goods is cash-based. This relates mainly to the fact that the local currency is not convertible (and indeed we do not handle local currency), so imported goods are bought and sold for hard currency. The absence of the normal system of reciprocal correspondent bank accounts that exists in other countries which enables transactions to be settled by electronic book entry; the shortage of liquidity in the local market, which means that people are reluctant to deposit money in banks

because they don't know when they'll be able to get the money out, so they would rather carry cash - and so on. This is quite a big subject in itself, and I have done a separate paper on this issue, but the bottom line is that people do tend to transact largely in cash, which in itself is not illegal - in this market, it is in fact often the only way. 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 - sometimes in cases of doubt where even the machine cannot give a definite response, a highly experienced cashier can spot whether a note is genuine or not. 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: To continue conducting trade, a businessman told me people will essentially need to carry suitcases full of cash. This offers no checks and balances. Isn't this an open invitation to money launderers? A: Yes, this is also my argument. One scenario could be that the volume of legitimate business is sharply reduced - this is already happening - and those people that remain resort to carrying cash. Meanwhile, if there are people engaged in illegal activities, they will presumably find another way, which would be harder to trace - e.g. carrying cash. Left unaddressed, this would therefore harm mainly the legitimate businesses, which is the last thing the country needs right now. I would far rather make everything official and if necessary report our activities to the relevant compliance authorities, wherever they are, as we have nothing to hide. That way everything would be open and legal - and respectable - that way we could also, hopefully, resume relationships with well-known international correspondent banks." (Chris Gelken, "Foreign Bank Feeling the Pinch in Pyongyang," *Korea Herald*, March 29, 2006)

3/?/06 Persistent but unconfirmed reports say North Korean weapons exports to Iran have expanded to include long-range missiles and even nuclear cooperation. (Mark Fitzpatrick, "Iran and North Korea: The Proliferation Nexus," *Survival* 48, 1 (Spring 2006), 61-80)

3/30/06 Oh Joon, ROK deputy Permrep, has been elected chairman of the U.N. Disarmament Commission. (JoongAng Ilbo, "Korean Diplomat Wins Disarmament U.N. Post.;" March 30, 2006)

ROK FoMin issued a statement to protest the Japanese Ministry of Education annual textbook screening: "The ROK government urges the Japanese government to immediately retract its unreasonable and intolerable claim over Dokdo, which is an integral part of our territory." Japan's claim is "clear manifestation" of its "whitewashing, distorting, and glorifying" of past history. (Kyodo, "S. Korea Demands Japan Retract Claim over Disputed Isles," March 30, 2006)

DefMin Yoon Kwang-ung in opening remarks at a KIDA seminar says, "If negotiations on a peace treaty start ahead of six-party talks, it might have a negative effect on the nuclear talks." In the seminar Baek Seung-joo, a scholar at KIDA said, "Armistice signatories should not have to sign a peace treaty. South and North Korea should be the main parties for the treaty aimed at preventing a military conflict." He and Han

Yong-sup, professor at Korean National defense University called for three-way meetings on preventing accidental clashes at sea. (Yonhap, "Two Koreas, U.S. Should Sign Peace Treaty: Scholar," March 30, 2006)

In a speech at AEI, Jay Lefkowitz, special envoy on human rights, called for global pressure on North Korea to respect human rights and rebuked China for "violating and ignoring" its international pledges by turning away North Korean refugees. (Foster Klug, "U.S. Envoy Urges on Pyongyang Abuses," Associated Press, March 30, 2006) The next day, the Unification Ministry dismissed as "inappropriate" and "misleading" comments by Lefkowitz about working conditions at Kaesong. Referring to conditions as tantamount to "slave labor," Lefkowitz said, "I would submit that, at a minimum, North Korea should allow an independent party such as the International Labor Organization to inspect and assess Kaesong and reports its findings to the United Nations." Lee Gwan-se, head of the UnifMin public relations office, said, "The average working hours of 48 hours a week and paid leaves for female employees and other labor standards all satisfy the standard working conditions set by the ILO." For the 6,000 workers now at 15 companies, the minimum wage of \$57.50 a month is "far higher" than what an average North Korean elsewhere gets paid. (Byun Dyuk-kun, "Seoul Express Strong Regrets over U.S. Envoy's Concerns for Kaesong," Yonhap, March 31, 2006)

The U.S. Treasury Department froze the assets of a Swiss wholesaler and its president. "Kohas AG acts as a technology broker in Europe for the North Korean military and has procured goods with weapons-related applications," Treasury said. "Kohas AG and Jakob Steiger have been involved in activities of proliferation concern on behalf of North Korea since the company's founding in the late 1980s." A subsidiary of to Korea Ryonbong General Corp., Korea Ryiongwang Trading Corp, owns nearly half of the shares of Kohas AG. (Jeannine Aversa, "U.S. Targets Swiss Firm for N. Korea Ties," Associated Press, March 30, 2006)

3/31/06 Maehara Seiji, one of the DPJ's most conservative Diet members on security policy, resigns as DPJ president. (Yoshida Reiji, "DPJ Positions to Change with New Guard," *Japan Times*, April 1, 2006)

4/3/06 Gen. Leon LaPorte, who retired March 31 as USFK, told *JoongAng Ilbo* North Korea is believed to have up to six nuclear weapons. (Jung Sung-ki, "N.K. Believed to Have 6 Nukes: Ex-USFK Chief," *Korea Times*, April 3, 2006)

4/4/06 Japan adds 20 North Korean companies and research institutions including Kim Chaek University to its export control list, bringing the number to 58, including Chosun Central Bank, a public library and the city construction bureau for Pyongyang. (Kyodo, "Japan Adds 20 N. Korean, 4 Iranian Firms to Export Control List," April 4, 2006)

China's defense minister Cao Gangchuan held talks with Vice Marshal Kim Il-chol of the KPA. On April 15 Cao will lead a delegation of 18 senior military officers to South Korea. (Reuters, "U.S.-N. Korea Mistrust Hurdle to Talks, Says China," April 4, 2006) The next day, KCNA reported, "Vice Marshal of the Korean People's Army Jo Myong-rok,

first vice-chairman of the DPRK National Defence Commission and director of the General Political Department of the KPA, met Col. General Cao Gangchuan, member of the Political Bureau of the Central Committee and vice-chairman of the Central Military Commission of the Communist Party of China, state councilor and minister of National Defense of the People's Republic of China, Wednesday when the latter paid a courtesy call on him. Jo warmly welcomed Cao's visit to the DPRK and had talks with him in a comradely and friendly atmosphere." (KCNA, "Jo Myong-rok Meets Chinese Defense Minister," April 5, 2006)

Bank of Korea reported 1,225 counterfeit notes worth \$121,760 were discovered in Korea in 2005, compared to 420 worth \$42,075 in 2004. Supernotes totaled 1,212 up from 414 in 2004. The surge was due to a cache of \$40,000 uncovered last April. (*Chosun Ilbo*, "Fake Dollar Bills Spotted in Korea Triple," April 4, 2006)

Wi Sung-lac, minister for political affairs at the ROK embassy, said at Fairfield University, "If we allow the process to slide backwards again, it will lead to calls from hardliners to use other options besides diplomacy." He warned, "If we push for a moralistic approach and strive to address the nature of the regime, we may force North Korea to stick to [its] guns." The parties should be "more businesslike" in negotiations and "open to various forms, manners and levels that the dialogue may take." The parties must send a "clear and consistent message to North Korea," building trust by convincing it "there is no hidden agenda" to the talks. (Lee Dong-min, "Diplomat Says Delayed 6-Way Talks Will Only Strengthen Hardliners," Yonhap, April 4, 2006)

4/5/06 NSA Stephen Hadley speech stresses "three basic insights" in the administration's East Asia strategy. "First, our most important relations in the region are with our traditional allies, nations that share the values of freedom and democracy. ... Secondly, we are working with our partners in East Asia to develop cooperative and creative approaches to regional and global challenges." The U.S. is dealing with China under a "policy that reflects the complexity of our relationship," adding, "We welcome the rise of a China that is responsible stakeholder in the international system, a China that cooperates with us to address common changes and mutual interests." Noting that North Korea and Myanmar "have not even begun the journey along freedom's path," he said, "Our approach to this emerging Asia is to promote political and economic freedom in all nations." He noted, "We have resisted the temptation of crude balance-of-power politics, seeking to play off India against China, for example. Both these nations need to be constructive players in the international system and the United States can and should have constructive relations with each." (Kyodo, "Top White House Aide Outlines Three-Pronged East Asia Strategy, April 5, 2006)

4/7/06 U.S. will limit port calls by North Korean-registered vessels as an additional pressure tactic. "The financial sanctions have been very effective," said a diplomatic source in Beijing. "The idea behind the new steps is also to tighten the noose." (Kyodo, "U.S. Eyes Pressuring N. Korea with Restrictions on Ships: Sources," April 7, 2006)

Ozawa Ichiro defeats Kan Naoto for DPJ presidency. "Mr. Kan and I will work together. I'm considering inviting Mr. Hatoyama [to be part of the leadership team] as well, so the

three of us will be united in running the party." (Nagata Kazuo, "Ozawa Easily Wins DPJ Poll, Says He'll Ask Kan, Hatoyama to Form Leadership Triumvirate," *Yomiuri Shimbun*, April 8, 2006)

DNA analysis suggested that Yokota Megumi's husband, Kim Chol-jun is not a North Korean but a South Korean abducted by the North, *JoongAng Ilbo* reports. Chief Cabinet Secretary Abe Shinzo said the Japanese government has yet to identify the man deemed to be Yokota's husband. (Kyodo, "DNA Suggest Yokota Megumi's Husband Is S. Korean Abductee," April 7, 2006) Abe confirms on April 11, "The DNA test result made it clear that Kim Young-nam is an abduction victim and married Megumi in North Korea." (Kyodo, "Japan Says Yokota's Husband Likely S. Korean Abductee," April 11, 2006)

4/8/06 Okinawa's governor, Inamine Keiichi, opposes agreement between the mayor of Nago and the central government on a replacement site for a Marine base in meeting with Defense Agency chief Nukaga Fukushima. (Yoshida Reiji, "Governor Nixes Okinawa Base Relocation Plan," *Japan Times*, April 9, 2006)

4/10/06 In a telephone message to South Korea's Red Cross, the North thanked the South for 150,000 tons of fertilizer and asked for 300,000 tons more, the South said. (Seo Dong-shin, "N.K. Asks Again for Fertilizer," *Korea Times*, April 10, 2006)

4/7-12/06 Wu Dawei will join Kim Gae-gwan, Christopher Hill, and other six-party negotiators at Northeast Asia Cooperation Dialogue seminar in Tokyo. Announcing Wu will attend, FoMin spokesman Liu Jianchao said, "The conference "is a good opportunity for the heads of delegations to make contact. ...I hope the heads of delegations can, through contacts and negotiations, jointly seek to overcome the current difficulties facing the six-party talks and realize the early resumption of the six-party meeting."(Kyodo, "Six-Way Chief Negotiators to Gather in Tokyo Next Week Next Week," April 6, 2006) A senior Japanese official said, "Although this is a private forum, it could give us a good chance to pave the way for resolving North Korea's nuclear programs." (Reuters, "Top N. Korea Official Allowed to Visit Japan: Source," April 6, 2006) UnifMin Lee Jong-seok tells reporters, it would not be difficult to resume six-party talks if "the Chinese government were only interested in the resumption" of talks. "But it is difficult issue if we long at the resumption of talks and progress following the resumption. ...What I am hoping for instead is that there will be **frequent discussions between the countries taking part in the six-way talks in April**, and **there especially needs to be talks between the North and the United States.**" Referring to NEACD: "The possibility of a Tokyo meeting is very high, and I believe the meeting is the result of efforts by many countries to mobilize their communication channels [with the North]." [Lee lets the cat out the bag.] (Byun Duk-kun, "U.S.-N.K. Talks Key to Resumption of Nuclear Talks: Minister," *Yonhap*, April 6, 2006) Hill and Kim Gae-gwan failed to have bilateral meeting at the Northeast Asia Cooperation Dialogue in Tokyo, despite efforts by Japan, China and South Korea to arrange one. When word leaked, Hill was barred from seeing Kim outside the plenary. Kim Gae-gwan on arrival asked what he hopes to achieve in Tokyo: "It does not have to do with the six-party talks, and it is the United States that knows full well what needs to be done to revive the six-party talks." [implies



he knows meeting with Hill off] (Jack Kim, "North Korea Envoy: Restart of Nuclear Talks Up to U.S.," Reuters, April 7, 2006) Adds, "We want to activate bilateral and multilateral contacts to make progress in the six-party talks." (Yonhap, "Two Koreas' Nuclear Negotiators Meet in Tokyo," April 8, 2006) Kim Gye-gwan says, "We would not reject a request by the United States for bilateral talks." State Department spokesman says no plans for Hill to meet with Kim but did not rule it out. Speculation is rife about a bilateral though no plans finalized. (Kyodo, "6-Way Negotiators May Meet in Tokyo on Forum Sidelines," April 8, 2006) Senior South Korean official: "It would be desirable for the officials to use this opportunity to have meaningful contacts." (Yonhap, "Seoul Officials Cautiously Optimistic of Tokyo Meeting," April 7, 2006) Christopher Hill on arrival: "I'm not sure there is really much more I can talk to them about. ...I think they ought to come back to the six-party talks without any condition." Sasae Kenichiro says he met Kim Gye-gwan "for nearly two hours." (Kyodo, "Diplomats Seek Ways to Achieve Breakthrough on Resuming 6-Way Talks, April 10, 2006) "I don't think the problem here is meeting. I think the problem here is the DPRK needs to make a decision," Hill tells reporters. "I think they ought to come back to the six-party talks without any condition." (*Japan Times*, "Efforts under Way to Revive Six-Party Talks," April 11, 2006) Chun Young-woo, ROK meets Kim Gye-gwan on April 8, tells press, "You had better not expect too much." "North Korea seems to be toiling a lot over the current situation, but it seems not to be deciding to return to the six-way talks," he says after closed-door NEACD meeting. "Under such circumstances, I think it will be difficult to have US-North Korean bilateral consultations." (AFP, "South Korea Dashes Hopes on North's Nuclear Drive," April 9, 2006) Kim Gye-gwan tells reporters before meeting with Wu Dawei in the Chinese embassy, "This is a good opportunity that's been a long time coming. I hope that we can meet." (*Chosun Ilbo*, "U.S. Nuke Negotiator Has Nothing to Say to N. Korea," April 10, 2006) Sasae Kenichiro and Kim Gye-gwan meet for two hours on April 8, may meet again on April 10 to discuss abductions. FM Aso Taro on NHK-TV: "We'll continue talks." Also says of US and North Korea: "There might be a scene of direct meeting." (Kyodo, "Chief Japan, N. Korea Negotiators May Meet Again Monday," April 9, 2006; Kyodo, "Diplomats Seek Ways to Achieve Breakthrough on Resuming 6-Way Talks, April 10, 2006) Kim Gye-gwan at news conference on his departure on April 13: "I have said on many occasions that the freeze on the Macau bank must be lifted before we rejoin talks; the U.S. is well aware of this. If the frozen funds from the Banco Delta Asia are placed in my hands, it will be settled. The moment those funds are in my hands is the moment that we will head back to the talks. There can be no yielding on this issue." "...we announced our intention to give up nuclear weapons [in the September joint statement]. But they interpreted it as a weakness, and what did they do to us? They froze our accounts in Macau." "If the U.S. tries to pressure us, we will only take stronger measures. We will employ our traditional tactic of direct confrontation. How can the negotiations be possible without our participation? Talk as much as you wish. It won't bring about our denuclearization. The U.S. is abusing the counterfeiting issue. Americans see us as people who submit to pressure. We are not that kind of people." "We tried to meet Christopher Hill to confirm the U.S.'s final position, but in the end we could not meet with him. Now we know what the U.S. position is. And it has only cemented our resolution. Not meeting him was in fact a great accomplishment." (*Chosun Ilbo*, N. Korea's Nuke Negotiator Digs in After Snub from U.S.," April 13, 2006) **"There is nothing wrong with delaying the resumption**

**of six-party talks. In the meantime we can make more deterrents. If the United States doesn't like that, they should create the conditions for us to go back to the talks."** Kim said it was up to the U.S. to seek bilateral talks. "I always have patience." (Jack Kim, "North Korea Threatens to Boost Nuclear Arsenal," Reuters, April 13, 2006) "Even if the six-way talks are delayed, it is no problem for us. We can buy time to make more deterrents." (Yonhap, "Pyongyang Will Never Make Concessions of U.S. Sanctions: Envoy," April 13, 2006) Chun Yung-woo and Kim Gae Gwan spent hours talking. "We are ready to resume the supply of heavy fuel oil," Chun told him. "That's worth about \$200 million. And from the moment you have completely denuclearized, we're prepared to give you two hundred million kilowatts of power. That's worth a billion dollars a year. So you're wasting all that to get \$25 million back from the BDA. That is nonsense to me." After the conversation, Chun tried to arrange what he jokingly called a "blind date" for Hill to come to his room, "You don't have to report to Rice that you are meeting with Kim Gye-gwan." Hill agreed, but before the meeting, Kim received an invitation to dinner from Vice FM Wu Dawei also hoping to get him together with Hill, but Hill, as instructed, refused to attend without Kim's commitment to return to six-party talks. (Chinoy, *Meltdown*, pp. 271-72)

4/11/06 U.S. Treasury's Office of Foreign Assets Control publishes revised Foreign Assets Control Regulations in Federal Register to take effect May 8 prohibiting U.S. persons or firms "from owning, leasing, operating or insuring any vessel flagged by North Korea." Penalties range up to ten years in prison, fines of \$250,000 for individuals and \$1 million for firms. (*Chosun Ilbo*, "U.S. Hits North Korea with Shipping Sanctions," April 11, 2006)

U.S. approved \$15,000 worth of controlled items to DPRK for 2005, Commerce Department reports. (Yonhap "U.S. Approves \$15,000 Worth of Controlled Items to N.K. in FY 2005, April 11, 2006)

DPRK delegate to UN Disarmament Commission: "The DPRK cannot renounce nuclear weapons when the U.S. is intensifying nuclear war rehearsals to make a preemptive strike at it, ignoring the joint statement adopted at the 4th-round six-party talks. It will need not a single nuke when the U.S. abandons its hostile policy toward the DPRK and becomes able to co-exist with it. The U.S. should no more engage itself in erecting a roadblock in the way of the denuclearization of the Korean Peninsula but show its will in practice to fulfill its obligation laid down in the joint statement of the 4th-round six-party talks." (KCNA, "DPRK Delegate Denounces U.S. Nuclear Doctrine," April 21, 2006)

4/12/06 Wonhyuk Lim, "Transforming an Asymmetric Cold War Alliance: Psychological and Strategic Challenges for South Korea and the U.S." Korea Society, April 12, 2006

4/13/06 Song Il-ho, DPRK normalization negotiator, rejects Japan's conclusion that Yokota Megumi's husband, Kim Young-nam, was abducted from South Korea in 1978: "I believe the basic purpose of this is to bring South Korea into the abduction dispute." But he adds, "If we are to hold talks in a frank manner about ways to deepen the

understanding of the two peoples, we are ready to do so anytime." (Kyodo, "N. Korea Rejects Japan's Conclusion That Yokota Husband Is Abductee," April 13, 2006)

Vice UnifMin Shin Un-sang said South Korea could cooperate with Japan in dealing with North Korea's past kidnappings in light of DNA tests that may prove a connection between Japanese and Korean abductees Yokota Megumi and Kim Young-nam, who disappeared from a South Korean beach in 1978. (Lee Joo-hee, "'Seoul Could Cooperate with Japan on Abduction,'" *Korea Herald*, April 14, 2006)

4/14/06 Kim Yong-nam inw with Kyodo: **"If the Japanese authorities move toward the implementation of the Pyongyang declaration, there will be no problems that are impossible to solve."** (Kyodo, "N. Korea's No. 2 Says 2002 Pact with Japan Key to Solving Problems," April 14, 2006)

4/17/06 PM-designate Han Myung-sook called for a "stern response to protect our territory" if Japan conducts a maritime survey near Dokto, but stressed a "calm response, rather than a fragmentary and emotional response is needed to cope with Japan's move to make Dokto an area of conflict." (Kyodo, "Korea Warns Japan over Survey near Disputed Islets," April 17, 2006) FM Ban Ki-moon told the foreign affairs committee of the National Assembly that Seoul's sovereignty over Dokto took priority over relations with Tokyo. "The waters near Dokto and Ulleungo can never be Japan's exclusive economic zone" and South Korea does not rule out using the isles "as the cardinal point for its EEZ." Currently Seoul uses Ulleungo as the starting point for its EEZ but has come under pressure to change that policy. "We will consider the issue in accordance with other countries' cases, Japan's negotiating stance and national interest," Ban said. President Roh told ruling party and opposition politicians over dinner, that South Korea might abandon its "silent diplomacy" over Dokto. Spokesman Kim Man-soo quoted President Roh as telling "[Looking at] the broader picture, Japan's increasing provocation surrounding Dokto is in line with its continued distortion of our shared history and its political leaders' repeated visits to the Yasukuni Shrine." (Kyodo, "S. Korea Says Isle Issue Has Priority over Japan Ties," April 18, 2006)

PM Koizumi is planning a third visit to North Korea just before he goes to the U.S. in late June, the weekly *Shukan-gendai* reports, quoting a Japanese official as saying there are ongoing talks on the extradition of the four hijackers of JAL 351 flight 351 from Tokyo to Fukuoka in 1970, kidnappers sought by Japanese police including Shin Gwang-su, and Kim Hye-gyong, whom Pyongyang says is the daughter of Yokota Megumi and a South Korean, Kim Young-nam, who was also abducted. (*Chosun Ilbo*, "Koizumi Plans Third N. Korea Visit in June," April 17, 2006)

UnifMin Lee Jong-seok told a parliamentary meeting, "We're thinking of proposing a method of bold economic assistance to resolve the issues of abductees, POWs and separated families, especially the issue of abductees." (Chang Jae-soon, "South Korea to Offer North Korea Massive Economic Aid to Resolve Abductee Issue," Associated Press, *Ohmy News*, April 18, 2006)

4/20/06 At Bush-Hu summit in Washington, Bush sounds out Hu about Kim Jong-il's willingness to do reform and views of a peace treaty. (Robert B. Zoellick, "Long Division," *Wall Street Journal*, February 26, 2007, p. 18) Before dinner, Bush told his advisers, "I'm calling an audible. I want to sit next to Hu." He asked Hu whether North Korea would ever take the route China did and introduce reforms. Hu replied that China at the time faced a more benign external environment than North Korea did now. "Look, I'm ready for peace on the Korean peninsula," Bush told Hu. "I am ready to end the cold war in Northeast Asia, but I can't do this myself. I can deliver my side of the deal, but you have to deliver your side. You have to get the North Koreans to understand that a diplomatic solution is within reach, that I want a diplomatic solution, and that I want a permanent peace on the peninsula." Hu immediately sent State Councilor Tang Jiaxuan to Pyongyang to meet with Kim Jong Il. (Chinoy, *Meltdown*, p. 277) Hu spoke to Bush about Kim Jong-il's fear of invasion. "How about I give Kim a peace treaty?" Bush replied over lunch. Cheney, according to two staff members, was stunned. (Gellman, *Angler*, P. 373)

4/?/06 State Councilor Tang Jiaxuan, meets with Kim Jong Il, who says the DPRK will come back to six-party talks only after financial sanctions are lifted. The Chinese relayed that to Washington and added that the U.S. needed to articulate a clear vision of the economic and diplomatic cooperation it was prepared to offer as part of a nuclear deal. "The Chinese agenda was that unless the U.S. was ready to come forward with some guarantees with respect to economic assistance and other sorts of things," recalled a former DoS official, "they were a little skeptical about how serious we were." (Chinoy, *Meltdown*, p. 278)

4/25/06 Roh in speech calls Tokdo a "test of how Japan is poised to address the problem of its wartime past." Its claim to islets can never be justified.

Michael Merritt of the U.S. Secret Service prepared statement to the Senate Committee on Homeland Security and Government Affairs, "The high quality of the notes, **and not the quantity circulated**, is the primary concern of the Secret Service." Peter Prahar, director, Office of Africa, Asia and Europe Programs, Bureau of Narcotics and Law Enforcement Affairs in the State Department testified, "We eventually stopped using these estimates ... because the United States was unable to confirm these estimates in the way it is able to confirm illicit drug production estimates elsewhere, either through United Nations or U.S. Government ground or satellite surveys and statistical analysis." The North's profits from counterfeit cigarettes are also a matter of some uncertainty. Prahar testified, "According to cigarette company investigators, beginning in 2002, China closed many factories manufacturing counterfeit cigarettes. **Some of the manufacturing equipment and Chinese technicians relocated to North Korea** to continue the illicit cigarette production free from the threat of legal action." Overall, Prahar's conclusion about the extent of illicit activities by the North is that "**any estimates are necessarily highly speculative.**" (United States. Congress. Senate. Committee on Homeland Security and Governmental Affairs. Subcommittee on Federal Financial Management, Government Information, and International Security, 109<sup>th</sup> Cong., 2<sup>nd</sup> Sess., Hearings, April 25, 2005, pp. 5, 7)

- 4/27/06 Iran gets BM-25 missiles with range of 1,550 miles, *Haaretz* reports. (Aron Heller, Iran Gets First North Korean-Made Missiles, April 27, 2006)
- Wu Dawei, China's six-party negotiator, tells former LDP vice president Yamasaki Taku, "a relaxation of financial sanctions is a must." He will say that when he goes to Washington soon. (*Chosun Ilbo*, "China Will Ask U.S. to Relax Sanctions on N. Korea," April 27, 2006)
- 4/?/06 Jon Van Dyke, "Legal Issues Related to Sovereignty over Dokdo and Its Maritime Boundary," *Ocean Development and International Law*, 38,1-2 (2007), 157-224
- 4/28/06 Jay Lefkowitz op-ed: "By channeling large amounts of unmonitored aid to North Korea, some governments may actually worsen matters and unwillingly prop up the regime." "But the world knows little about what actually goes on at Kaesong, and given North Korea's track record, there is ample cause for concern about worker exploitation. The South Korean companies apparently pay less than \$2 a day per worker, and there is no guarantee that the workers see even this small amount. The North Korean government deducts a "social fee" from their wages and empowers "labor brokers" to control the rest. Moreover, the site is fenced in, and the North Korean workers must come and go through a single entrance manned by armed soldiers. While the conditions at Kaesong may be marginally better than elsewhere in the North, substantial economic assistance to North Korea should be linked to human-rights progress for all North Koreans. At a minimum, North Korea should allow an independent party, such as the International Labor Organization, to inspect and assess Kaesong and report its findings to the U.N." (Jay Lefkowitz, "Freedom for All Koreans," *Asian Wall Street Journal*, April 28, 2006) "It is regrettable that the special envoy, taking issue with the lack of monitoring on humanitarian aid to the North provided a distorted interpretation of the issue," retorted the Unification Ministry on May 2. "It is a unilateral and narrow-minded thought as well as anti-humanitarian and inhumane attitude to talk about North Korean human rights issue on the one hand and turn a blind eye to the dire situation facing the North Korean residents on the other hand." (Jon Herskovitz, "S. Korea and U.S. Spar over N. Korea Human Rights," Reuters, May 2, 2006)
- Bill to implement sanctions introduced in Diet (Text in James L. Schoff, *Political Fences and Bad Neighbors* (Cambridge: IFPA, June 2006), appendix C)
- 4/29/06 Bush has "one of the most moving meetings since I've been the president" with kin of Yokota Megumi, North Korean defectors. (AFP, "Bush Calls North Korean Regime 'Heartless' After Emotional Meeting," April 29, 2006)
- 5/1/06 Aso, Nukaga in Washington for two-plus-two meeting. JDA Director Nukaga Fukushima tells U.S. official that Japan will pull out its ground troops from Iraq when Britain and Australia do. (Kyodo, "Japan to Withdraw Ground Troops from Iraq: Nukaga Tells U.S.," March 1, 2007)

Former Asst Secy Kelly at Seoul-Washington forum criticizes the "unjustified fear that we should avoid direct, bilateral contacts," which "are natural and in no way need to impede the six-party process." The "awkward absence" of them provides a "handy excuse for North Korea to delay," which is "probably tactically unwise." (Thomas Omestad, "Ex-U.S. Negotiator on North Korea Faults Bush," *U.S. News & World Report*, May 3, 2006) Sigal, "An Instinct for the Capillaries," says Chris Nelson, put David Asher "increasingly on the defensive" by challenging administration assertions that the net effect of the Bush policies is not regime change and asking, "What leverage do we gain from these sanctions." (*Nelson Report*, May 1, 2006)

5/2/06 Former grants asylum to 6 North Korean defectors. (Kim Seung-ryun, "6 North Korean Defectors bound for US," *Dong-A Ilbo*, May 2, 2006)

In a first for Seoul, human rights ambassador Park Kyung-seo to attend 7th international conference on North Korea in Norway. (*Chosun Ilbo*, "Seoul to Make First Showing at N. Korea Rights Meeting," May 2, 2006)

5/4/06 Nigel Cowie, general manager of Daedong Credit Bank, majority foreign owned. When Treasury designated Banco Delta Asia, Macau as a "primary money laundering concern" and denied it access to the US financial system, it suspended all accounts with DPRK customers. After receiving warnings from Treasury, other overseas banks closed all DPRK accounts. "We are only conducting legitimate business, but have nonetheless been seriously affected by these measures. A large amount of our and our customers' money - not just in USD, but in all currencies has effectively been seized , with no indication of when they'll give it back to us." Under Secretary of Treasury Stuart Levey is quoted in *Newsweek*: the campaign will have a "snowballing ... avalanche effect." ("US Financial Allegations - What They Mean," Speech at European Business Association, Pyongyang)

Riot police clash with protestors near Camp Humphreys in Pyeongtaek, 70 km south of Seoul, Jin Dae-woong, "Government Fences Off Pyeongtaek Site to Keep Out Activists," *Korea Herald*, May 5, 2006)

Seoul announces five-year development plan for Tokdo. Kang Moo-hyun, vice minister of maritime affairs and fisheries says, "Tokdo is clearly our territory and a precious natural heritage." (*Japan Times*, "Seoul to Develop Resources Near Disputed Islets to Bolster Hold," May 5, 2006)

5/6/06 Kwon Ho-ung, chief DPRK delegate to North-South cabinet-level talks, proposes working level talks on May 16 on Kim Dae-jung visit. (Annie Bang, "N.K. Proposes Talks on DJ's Visit to Pyongyang," *Korea Herald*, May 6, 2006)

5/?/06 Among the subjects of the meeting last May of DoD, C.I.A., F.B.I. and DOE experts was whether to issue a warning to all countries around the world that if a nuclear weapon was detonated on American soil and was traced back to any nation's stockpiles, through nuclear forensics, the United States would hold that country "fully responsible" for the consequences of the explosion. The term "fully responsible" was left

deliberately vague so that it would be unclear whether the United States would respond with a retaliatory nuclear attack, or, far more likely, a non-nuclear retaliation, whether military or diplomatic. But that meeting of Mr. Bush's principal national security and military advisers in May 2006 broke up with the question unresolved, according to participants. The discussion remained hung up on such complexities as whether it would be wise to threaten Iran even as diplomacy still offered at least some hope of halting Tehran's nuclear program, and whether it was credible to issue a warning that would be heard to include countries that America considers partners and allies, like Russia or Pakistan, which are nuclear powers with far from perfect nuclear safeguards. A warning to North Korea was credible, other officials said, because the IAEA has a collection of nuclear samples from North Korea that would likely enable it to trace a nuclear explosion back to North Korea. (David E. Sanger and Thom Shanker, "U.S. Debates Deterrence for Nuclear Terrorist Threat," *New York Times*, May 8, 2007)

- 5/9/06 Roh in Mongolia says South is prepared to provide "institutional and material aid without conditions" to North so long as it does not involve "conced[ing] in matters of fundamental validity." (NK Brief, June 2, 2006)
- 5/11/06 WFP announces agreement with North to resume food aid, suspended in December. (Christopher Bodeen, "WFP Reaches Agreement with North Korea," May 11, 2006) "We continue to have concerns about the ability to monitor whether or not these humanitarian food shipments do in fact get to those who are most in need." (Kyodo, "U.S. to Hold Off on Resumption of Food Aid to N.K.," May 11, 2006)
- 5/11-12/06 At 12<sup>th</sup> Inter-Korean Working-Level Contact on the Reconnection of Railways and Road, sides agree to test both rail lines on May 25. (NK Brief, June 2, 2006)
- 5/12/06 Police search North Korea freighter Turubong-1 at Sakai after arresting three men for allegedly smuggling amphetamines in October 2002. (Kyodo, "N. Korea Ship Raided on Suspected Drug Violation," May 12, 2006)
- 5/13/06 House International Relations Committee chmn Henry Hyde in letter to Speaker Dennis Hastert says Koizumi can address Congress on condition he not visit Yasukuni, *Asahi Shimbun* reports. (*Dong-A Ilbo*, "U.S. Lawmaker Blasts Yasukuni Visits," May 15, 2006)
- 5/14/06 UnifMin Lee Jung-seok on KBS-TV: "In many cases, we agree with the United States, but for the U.S. to agree with our position is also part of the alliance. In particular, with regard to issues on the Korean Peninsula, our position is important." (Associated Press, "South Korea Appeals for U.S. Understanding in Dealing with North Korea," *International Herald Tribune*, May 14, 2006)
- 5/15/06 UN SecGen Kofi Annan sees FM Ban Ki-moon, says "I think, in terms of priority, the nuclear issue is by far the most important and should be given a separate category and priority as compared with human rights and other activities." (Park Song-wu, "Annan Prioritizes Nuke Issue over Human Rights in NK," *Korea Times*, May 15, 2006)

- 5/16/06 Henry Kissinger op-ed: "Of the two negotiations, the one on Korea -- a six-party forum of Japan, South Korea, China, the United States, Russia and North Korea -- seems more advanced than the four-party talk on Iran (among France, Germany, Britain and Iran). Last September an apparent agreement in principle was reached in Beijing that North Korea will give up its nuclear program if the other parties provide adequate assurances of security, economic help in the post-nuclear period and a substitute for the power generation allegedly lost by abandoning the nuclear program. But each side has demanded that the other fulfill all its obligations before it undertakes its own; a serious effort to discuss a concurrent schedule has been prevented by North Korea's tactic of stringing out the period between each session, perhaps to gain time for strengthening its nuclear arsenal. Focusing on regime change as the road to denuclearization confuses the issue. The United States should oppose nuclear weapons in North Korea and Iran regardless of the government that builds them. ...On Korea, progress requires agreement regarding the political evolution of the Korean Peninsula and of Northeast Asia. The expectation that China is so reluctant to see nuclear weapons on the Korean Peninsula -- and therefore ultimately in Japan -- that it will sooner or later bring the needed pressure on North Korea has so far been disappointed. This is because China has not only military concerns but also strategic objectives on the Korean Peninsula. It will try to avoid an outcome in Korea that leads to the sudden collapse of an ally, producing a flood of Korean refugees into China as well as turmoil on its borders. For these reasons, a strategic dialogue with Beijing must be an important component of a negotiating strategy that also addresses Pyongyang's desire for security. Though America is represented in the six-party forum by an exceptional diplomat in Christopher Hill, periodic engagement at a higher level is needed to give the necessary direction to his efforts. **The objective should be an understanding regarding security and political evolution in Northeast Asia that requires no changes in sovereignty as part of the process of denuclearization but leaves open the prospect of Korean unification through negotiations or internal evolution.**" (Henry A. Kissinger, "A Nuclear Test for Diplomacy," *Washington Post*, May 16, 2006, p. A-17)
- 5/17/06 Four-member delegation headed by Jeong Se-hyun in Mount Geumgang agrees to four-day visit by Kim Dae-jung in latter half of June. No agreement on travel by rail, which Seoul sought. (Byun Duk-kun, "Koreas Agree to 4-Day Visit by Former S. Korean President to Pyongyang," *Yonhap*, May 17, 2006)
- 5/16-18/06 Fourth round of N-S military talks. Col. Moon Sung-mook, deputy chief of ROK delegation: "The two sides failed to settle differences as the North was insisting that the issue of redrawing a West Sea border be discussed in the general-level talks." No agreement on testing rail link. (Joint Press Corps and Jung Sung-ki, "Inter-Korean Military Talks Break Down," *Korea Times*, May 18, 2006)
- 5/18/06 If North returns to six-party talks, Bush likely to approve comprehensive new approach proposed in two papers by Philip Zelikow, counselor to Sec State Rice, that includes beginning parallel talks on a peace treaty as well as human rights, terrorism and political change. "I think it is fair to say that many in the administration have come to the conclusion that dealing head-on with the nuclear problem is simply too difficult,"



says one official. "So the question is whether it would help to try to end the perpetual state of war ... It might be another way to get there." (David E. Sanger, "U.S. Said to Weigh a New Approach on North Korea," *New York Times*, May 18, 2006, p. A-1)

Poem in *Rodong Sinmun*: "As he is held at the very top of our Republic/The mad wind of imperialism stopped struggling and keeps its head down/And my fatherland displays fireworks to celebrate successive triumphs ...The military-first veteran of all battles General Kim Jong-il, who ... raising the height of the fatherland with the launching of an artificial earth ..." (FBIS, June 3, "DPRK Party Organ Mentions Satellite, Missile in Poem," May 18, 2006)

5/19/06 North is seen preparing missile test, possibly Taepodong. "We have known a series of moves since considerably before," FM Aso Taro tells Diet committee. Chief Cabinet Secy Abe Shinzo: "At this point, it is not our understanding that there will be any imminent missile launch." A source in Tokyo cites intelligence from U.S. forces in Japan on stepped-up movement of trailers near test site. (Kyodo, "Japan Thinks N. Korean Missile Launch Not Imminent, But Knows of Moves," May 19, 2006) "If [the fuel] is liquid, the start of [fueling] would mean an imminent launch," Aso told the committee, "but we cannot say anything at this stage, as fueling has not yet begun." (Yoshia Reiji, "Tokyo: North Moving Long-Range Missile to Pad But Launch Not in Offing," *Japan Times*, May 20, 2006) [Preparations precede US offer of talks to Iran]

5/24/06 In cable from a director at the railway ministry, North Korea abruptly cancels test of inter-Korean rail links agreed in talks May 13: "It was mainly because your military totally sidestepped the solution of pending issues" [reference to NLL]. (Byun Duk-kun, "Cancelled Rail Tests Bring Inter-Korean Ties under Review," *Yonhap*, May 24, 2006)

SecSt Rice on Fox News "absolutely" agrees calling North Korea part of the "axis of evil." "When they repress their people, when you have the kind of starvation that you've had in North Korea ... what else can you call it?" (Kim Hyung-jin, "N. Korea Calls U.S. Secretary of State 'Insane' for 'Axis of Evil' Remarks," *Yonhap*, June 29, 2006)

5/30/06 World Bank president Paul Wolfowitz citing how it played "a very valuable role" in China, tells AP, "In principle, the same thing could happen with North Korea, but there's a lot that has to happen to get there." Adds, "I imagine for the shareholders the resolution of the nuclear issue is probably at the heart of it. I think the other thing that's at the heart of it is whether North Korea ... were to make the kinds of decisions necessary for that kind of economic progress to take place." (Kelly Olsen, "World Bank Not Yet Ready for N. Korea Role," *Associated Press*, May 30, 2006)

KEDO terminates reactor project

GNP routs Uri, winning 12 of 16 governorships, Democratic Party takes two, 155 of 230 races for mayor and district heads, Uri 19, Democratic Party 20, 557 of 733 seats in local legislatures, Uri 52, Democratic Party 80. (Chun Su-jin, "Stunned Uri Head Quits," *JoongAng Daily*, June 2, 2006)

6/1/06

DPRK FoMin spokesman: "The U.S. has escalated sanctions and pressure on the DPRK quite contrary to what it had committed itself in the joint statement, thus preventing the DPRK from returning to the talks. ...At the first phase of the fifth round of the six-party talks held in November last year, the six parties agreed on reenergizing the bilateral and multi-lateral contacts among them to create an atmosphere favorable for the resumption of the second phase of the talks. But the U.S. has avoided contacts with the DPRK. ...As the U.S. side failed to include its demand that the DPRK abandon its nuclear program first in the draft joint statement at the fourth round of the six-party talks last September, it objected to it till the last moment. But it was compelled to sign it by the persuasion of other parties. ...It is also well aware of the fact that it can not but attend the "give-and-take" negotiations on the normalization of relations with the DPRK, the conclusion of a peace agreement and the provision of light water reactors, etc. whether it likes them or not in case the talks are held. ...**We will not need even a single nuclear weapon once we get convinced that the U.S. does not antagonize us and confidence is built between the DPRK and the U.S. and, accordingly, we are no longer exposed to the U.S. threat.** This is what we have already clarified more than once. **The DPRK has already made a strategic decision to abandon its nuclear program and this was reflected in the above-said joint statement.** We are fully ready to discuss the issues of bilateral relations, peaceful coexistence, the conclusion of a peace agreement, the provision of light water reactors and other points mentioned in the statement along with the issue of abandoning the nuclear program on the principle of "simultaneous action." **What remains to be done is for the U.S. to create conditions and climate whereby the DPRK may return to the talks and fulfill its commitment, free from any pressure. ...If the U.S. has a true political intention to implement the joint statement we kindly invite once again the head of the U.S. side's delegation to the talks to visit Pyongyang and directly explain it to us. ...The socialist system in the DPRK will never be shaken by the U.S. "financial sanctions"** as the DPRK has its unique single-minded unity based on the Songun politics and independent national economy. **But we will certainly force the U.S. to compensate for the financial loss caused to the DPRK."** (KCNA, "DPRK Foreign Ministry: DPRK's Stand on Six-Party Talks Reclarified," June 1, 2006)

South Korean official who accompanied FM Ban Ki-moon to Washington said two sides agreed Pyongyang's overture deserves a review. (*Korea Herald*, "Korea, U.S. Discuss N.K.'s Invitation of Nuke Envoy," June 5, 2006)

Senior State Department official: "I think people need to take a look at this, figure out exactly what it is and see if there is anything there ... determining that yes, now is the time that this would be a useful gesture." (Lee Dong-min, "U.S. to Examine N.K.'s Overture for Hill to Visit Pyongyang," *Yonhap*, June 2, 2006) White House spokesman Tony Snow: "The United States sticks by its position." (Anthony Faiola, "N. Korea Invites U.S. to Bilateral Talks on Arms," *Washington Post*, June 2, 2006, p. A-15)

Chung Dong-young steps down as Uri Party chair. (Ryu Jin, "Governing Party Chairman Resigns," *Korea Times*, June 1, 2006)

Lim Wonhyuk, "U.S.-ROK Free Trade Agreement," June 1, 2006

- 6/2/06 WH press spokesman Tony Snow: "The United States is not going to engage in bilateral negotiations with the government of North Korea."
- 6/5/06 DefMin Yoon Kwang-ung says "Seoul and Washington are jointly studying the wartime command transfer, including the matter [of scrapping the CFC] with all options on the table." (Jung Sung-ki, "'Korea-US Combined Forces Command to Be Scrapped by 2012,'" *Korea Times*, June 5, 2006)
- 6/?/06 Bush calls Hu Jintao asking him to use China's influence to halt missile test. (Helene Cooper and Michael R. Gordon, "North Korea May Test Long-Range Missile," *New York Times*, June 17, 2006, p. A-8) "I told him, 'Mr. President, this is a terrible day for China,'" Bush recalled in February 2007. "'You warned the North Koreans and they ignored you. And I can tell you, Mr. President, I know that you think I'm a great friend of the Japanese, and I am. But if the Koreans go ahead and test a nuclear bomb next, no one may be able to stop them from building their own nuclear arsenal.'" (Sanger, *The Inheritance*, p. 324)
- 6/3-6/06 12<sup>th</sup> N-S Economic Cooperation and Promotion ministerial concludes with agreement on railway test run. ROK chief negotiator Vice Finance Minister Bahk Byong-won: "Let me verify that the conditions refer to a time when the railways tests take place after [the countries] reach a military agreement." (Lee Jo-hee, "News Focus: Inter-Korean Agreement Hinges on Railway Test-Run," *Korea Herald*, June 7, 2006) ROK spokesman Kim Chun-sig: "Without the railway test runs, there won't be any provision of raw materials for the North's light industries." (Lim Bo-mi, "North Korea Won't Get on Board Rail Deal," Associated Press, June 6, 2006)
- 6/6/06 John Pike refers to Special Forces teams that have slipped into North Korea to photograph key sites as well as UAVs. (Walter Pincus, "Senators Seek Better Defense Imagery," *Washington Post*, June 6, 2006, p. A-13)
- First round of free trade talks end with disagreement of good made in Kaesong. (*Chosun Ilbo*, "Korea, U.S. Fail to Agree on Kaesong-Made Goods," June 6, 2006)
- INR believes launch will take place in coming weeks, CIA sees launch as not probable. (Jeremy Kahn, "Test Prep," *New Republic*, June 6, 2006) North is preparing to test Taepodong-2, Japanese media have been reporting since early May. (Carol Giacomo [Reuters], "N. Korea Said Readying Missile Test: US Officials," *Washington Post*, June 12, 2006)
- 6/7/06 FM Ban Ki-moon: "it is needed to examine the North's intention [regarding the June 1 statement], as it looks worthy of being evaluated." (Lee Chi-dong, "S. Korean FM Expresses Worries over N. Korea's Missile Activities," Yonhap, June 7, 2006)
- 6/8/06 North accuses South of intrusion across NLL. (Yonhap, "N. Korea Warns S. Korea Not to Violate Territorial Waters in West Sea, June 8, 2006)

- 6/9/06 David Straub, former director of Korean affairs, must "genuinely desire a negotiated settlement and make that clear to his Cabinet secretaries." "While the position of the U.S. and the ROK is that work in the peace forum should follow progress in the six-party talks on ending North Korea's nuclear programs, the DPRK position is that the success of peace talks between it and the U.S. will allow resolution of the nuclear issue." {?} (Byun Duk-kun, "U.S. Should Talk to N. Korea to Resolve Nuclear Tension: Former State Official," Yonhap, June 9, 2006)
- Kim Guen-tae elected chair of Uri Party. (Lee Jin-woo, "Kim Guen-tae Named New Uri Chairman," *Korea Times*, June 9, 2006)
- Cabinet backs bill to upgrade Defense Agency to a ministry. (*Yomiuri Shimbun*, "Government OK's Defense Ministry Bill, June 10, 2006)
- David Straub paper of "US Viewpoint toward Peace Forum on the Korean Peninsula"
- 6/10/06 Richard Armitage says the U.S. should offer "credible" incentives to North like one for Iran. "If we don't then talk to North Korea in a similar fashion, I think we look a little silly because here we're talking to the Iranians." "It's going to be much harder for the administration now not to offer an incentive package after they've offered one to Iran." "The North Koreans will look at us and say, well they can do that, why can't we." (Kyodo, "Armitage Calls for Iran-Style Incentives in Talks with North Korea," June 10, 2006)
- 6/11/06 DPRK Air Force Command threatens to punish US for spy flights. (AFP, "North Korea Threatens to 'Punish' US over Spy Flights," June 11, 2006)
- Japan- ROK talks on demarking economic zones. (Kyodo, "Japan, S. Korea Hold EEZ Demarcation Talks, June 12, 2006)
- 6/13/06 SecSt Rice calls China's FM to ask him to use its influence to stop the test. (Helene Cooper and Michael R. Gordon, "North Korea May Test Long-Range Missile," *New York Times*, June 17, 2006, p. A-8)
- Diet's lower house passes bill mandating sanctions if no progress on abductees. (Reuters, "Tokyo Warns North Korea on Abductees," *International Herald Tribune*, June 13, 2006) Diet enacts bill June 16. (Kyodo, "Diet Enacts N. Korea Sanctions Law, June 16, 2006)
- DPRK FoMin spokesman: "[T]he Japanese authorities are driving the DPRK-Japan relations to the worst phase in history by persisting in their moves to internationalize the "abduction issue" already resolved between the DPRK and Japan." (KCNA, "DPRK FM Spokesman Exposes Japan's Moves to Internalize 'Abduction Issue,'" June 13, 2006)

Missile test not imminent. "There has been no known indication that they have fueled a missile," South Korea official says. (Park Song-wu, "N. Korean Missile Test Not Imminent," *Korea Times*, June 13, 2006)

6/14/06 U.S. and Japan have moved "assets" into position to monitor North test. (Jack Kim, "North Korea Missiles Rattle Cages, Steel Hawks," Associated Press, June 14, 2006)

ROK FM Ban Ki-moon in radio invw: "If they were to test a long-range missile now ... we would take appropriate measures in response." (Lee Chi-dong, "N. Korea Urged to Stop Preparations for Missile Launch," Yonhap, June 14, 2006)

6/16/06 Kim Dae-jung at World Summit of Nobel Peace Laureates in Kwangju: "North Korea and the United States should both respect the results of the joint statement of the 4<sup>th</sup> round of the six-party talks agreed to on Sept. 19 ..." (Lee Jin-woo, "Kim's NK Visit to Boost S-N Ties," *Korea Times*, June 16, 2006)

Kyodo reports part of multi-stage missile arrived within past two days at launch pad at Musudan-ri, North Hamyeong. (Associated Press, "U.S.: North Korea Preparing Missile Test," Yonhap, June 16, 2006) Key components as well as 10 large liquid-fuel tanks at launch pad, South Korean official says. (Reuters, "North Korea Readies Missile Launch Platform: Reports," June 17, 2006)

Senior admin official: "What we don't know is whether they really intend to go through with this, or whether they are just saying, 'I will not be ignored.'" Robert J. Einhorn: "I think the administration was dismissive too soon regarding the North Korean invitation for Chris Hill to go to Pyongyang." (Helene Cooper and Michael R. Gordon, "North Korea May Test Long-Range Missile," *New York Times*, June 17, 2006, p. A-8)

6/17/06 Amb. Thomas Shieffer, after meeting with FM Aso Taro: "In the event that they will launch, we would have all options on the table and would consider many alternatives to dissuade them from doing that in the future." (Kyodo, "Aso, Shieffer Demand N. Korea End Provocation, Sanctions Eyed," June 17, 2006)

6/18/06 North Korea appears to have completed fueling Taepodong-2, U.S. officials said. "if it is dropped on Japan," said FM Aso Taro, "It will be regarded as an attack." He added, "We will not right away view it as a military act" but would take it to the UN Security Council. "It may well be that Kim Jong-il is getting a lot of pressure from his generals to verify the design," said Robert J. Einhorn. "Whenever the North Koreans act up, one has to assume in part at least that they are trying to get the world's attention." (Helene Cooper and Michael R. Gordon, "North Koreans Closer to a Missile Test," *New York Times*, June 19, 2006, p. A-1)

6/20/06 Han Song-ryol, DPRK Deputy Permrep, in telephone interview with Yonhap: "We know that the U.S. is concerned about our missile test launch," adding, "Our position is to solve this situation through discussions." It is no longer bound by the missile moratorium, he said. **"The DPRK, as a sovereign state, has the right not only to develop, deploy and test missiles but also to export them.** ...It is not right for

others to tell us to do this or that about our sovereign right." (Reuters, "N. Korea Said to Seek Talks over Missiles," June 21, 2006)

FoMin official Ri Pyong-dok disavows missile moratorium, telling Japanese reporters a test would not be "bound by any statement such as the Pyongyang declaration." US alerted its ground-base missile defense system. (Helene Cooper and Michael Gordon, "North Korea Disavows Its Moratorium on Testing of Long-Range Missiles," *New York Times*, June 21, 2006, p. A-9)

SecState Rice: "We would regard it as an abrogation of obligations that North Korea undertook in the moratorium that they signed onto in 1999, that they reiterated in 2002." "That is clearly part of the framework agreement that was signed in September of this past year between the six parties." GNP Chung Hyung-kun after NIS briefing: "The intelligence officials said those [40] fuel barrels are not enough to fully fill the missile's fuel tank that needs around 65 tons of fuel." (Park Song-wu, "NK Missile Test Will Provoke US," *Korea Times*, June 20, 2006)

Korean Central TV news: "The Koreans, if necessary, have the due rights to possess missiles that can immediately obstruct the U.S. reckless aerial espionage activities." [a reference to SAMs?] (Yonhap, "N. Korea Mentions Missile Program for the First Time Since Crisis Flares," June 20, 2006)

U.S. considering reinstating sanctions eased in 2000 including restrictions on cash remittances, imports, visits by U.S. citizens. (Kyodo, "U.S. Eyes Economic Sanctions on N. Korea," June 20, 2006)

6/21/06

NSA Stephen Hadley on Air Force 1 to Europe: "It's hard to interpret their motives. All you can do is look at the history, and we've seen these kinds of things before in the past. There tends to be a desire to create a sense of crisis; they seem to think that's something that works for them. And they've done these kinds of things to get attention before." (Barbara Demick, "N. Korea Says It Has Right to Launch Missile," *Los Angeles Times*, June 21, 2006)

UnifMin Lee Jong-seok tells head of GNP: "I believe additional assistance would be difficult, except ongoing projects like the Kaesong industrial complex, if the missile is launched." The government, he added, "is considering ways to maintain the source of energy [moving] the inter-Korean relations." (Moon Hae-won, "S. Korea May Halt Additional Aid If N. Korea Launches Missile: Minister," Yonhap, June 21, 2006)

Jeong Se-hyun: "Because of the unforeseen situation, it has become difficult" for Kim Dae-jung to visit the North. (Seo Dong-shin, "Kim Dae-jung Puts Off Visit to NK Again," *Korea Times*, June 21, 2006)

6/22/06

Perry/ Carter op-ed: "We believe diplomacy might have precluded the current situation. But diplomacy has failed and we cannot sit by and let this deadly threat mature. ... [I]f North Korea persists in its launch preparations, the United States should immediately make clear its intention to strike and destroy the North Korean

Taepodong missile before it can be launched. This could be accomplished, for example, by a cruise missile launched from a submarine carrying a high-explosive warhead." (Ashton B. Carter and William J. Perry, "If Necessary, Strike and Destroy," *Washington Post*, June 22, 2006, p. A-29)

VP Dick Cheney on CNN: "I appreciate Bill's advice. I think, obviously, if you're going to launch strikes at another nation, you'd better be prepared to not just fire one shot. And the fact of the matter is, I think the issue is being addressed appropriately." (Glenn Kessler, "U.S. Rejects Suggestion to Strike N. Korea before It Fires Missile," *Washington Post*, June 23, 2006, p. A-21)

Two counterproliferation officials noted that intelligence agencies believe that although North Korea has the material to build eight or more nuclear bombs, there is no indication that Kim's regime has tested a nuclear device. Nor is there evidence that North Korean scientists have figured out how to build a nuclear warhead small enough to load into the nose cone of a missile. ... Vice President Cheney was reassuring CNN that "North Korean missile capabilities are fairly rudimentary." (Mark Hosenball, "North Korea and Iran: Trumped-Up Threats?" *Newsweek*, June 27, 2006)

6/23/06

Jack Pritchard op-ed: "For 1,971 days the Bush administration ignored North Korea's missile program as unimportant and unthreatening to the security of the United States. Then it woke up. ...If you were Kim Jong-il and saw a buildup of American forces on the Korean Peninsula before an announced preemptive air strike, would you be thinking that it would be only a limited strike and not the start of an effort to bring down your regime? ... The U.S. negotiating team began a concentrated effort to walk back Pyongyang's missile program, and the result was the missile moratorium of September 1999. The moratorium specified that North Korea would not launch a long-range missile of any kind while talks about its missile program were going on between Washington and Pyongyang. North Korea subsequently extended the moratorium unilaterally in September 2002. In March 2005, Pyongyang announced that it would no longer observe the missile moratorium. But the missile test is not a violation of anything more than our pride, ripping a gaping hole in the false logic that talking with the North Koreans somehow rewards and empowers them. To the contrary, we should be opening avenues of dialogue with Pyongyang. The six-party process should remain the clearinghouse for action and the primary vehicle for talks with North Korea, but not the only vehicle. Direct talks have a role. Talks among subsets of the six parties are also valuable as long as the United States is a player and not simply sitting on the sidelines." (Charles L. Pritchard, "No, Don't Blow It Up," *Washington Post*, June 23, 2006, p. A-25)

NSA Hadley on missile defense: "It is a research, development and testing capability that has some limited operational capability." Asked if it would be used, "The purpose, of course, of that missile defense system is to defend the territory of the United States from attack." SecDef Rumsfeld: "And the president would make a decision with respect to the nature of the launch, whether it was threatening to the territory of the United States or not, and the likely threat that it would pose." (Stephen Dinan, "U.S. Set to Down Korean Missile," *Washington Times*, June 23, 2006)

UnderSecSt Zoellick inw with *Sydney Morning Herald*: "The South Koreans can't just see their role as offering concessions every time the North Koreans engage in bad behavior." "China is going to have also to recognize the risks of maintaining the current status quo." (AFP, "China, S. Korea under US Pressure to Take Tougher Line on N. Korea," June 23, 2006)

Amb. Thomas Shieffer: "As you've seen by the actions of the past few days, the United States and Japan have consulted extensively on this. I think you've seen an unprecedented level of cooperation in sharing of intelligence." (Joseph Coleman, "N. Korea Threat Strengthens U.S.-Japan Ties," Associated Press, June 23, 2006)

PRC Vice FM Wu Dawei: "I hope concerned **countries** act for peace and stability in the Northeast Asian region. Maintaining peace and stability in this region is the Chinese government's consistent stance and one it insists on." (Sugiyama Hiroyuki, "China Voices Opposition to N. Korea Missile Launch," *Yomiuri Shimbun*, June 23, 2006)

After the US signed off last month on direct talks and an offer of LWRs, lifting of sanctions and economic engagement, which looked a lot like the AF, Gallucci says: "You could almost hear the North Koreans saying, 'Wait a minute, we can't get in to talk to the Americans, and the Iranians get the whole nine yards.'" (David E. Sanger, "North Korean Diplomatic Thrust on Arms Mirrors Iran's," *New York Times*, June 24, 2006, p. A-4)

Sen. Richard Lugar (R-IN) on CBS morning news says more diplomacy "advisable." "And this may involve direct talks between the United States and North Korea." Biden (D-DL): "1920 days into this administration, there's been ... no direct talks. It may not work, but my Lord, it sure the devil is a better way of approaching this and finding what the bottom line is than this brinkmanship." Adds, "The notion of the use of military force with North Korea should not be taken off the table, although a call for a strike is premature." Hagel (R-NE) on CNN "Late Edition": "We need to talk directly with North Korea. The sooner we do that, the sooner we are going to get this resolved." On talk of air strike: "They have the luxury of not being responsible to anybody. They can talk, chatter and write all they want. We are not anywhere close to talking about attacking North Korea. We should shut up and stop it." Madeleine Albright: "I think the fact that there has been very limited discussion with him [Kim Jong-il] in the last five years is a sign that this administration has not wanted to deal with the issue of a very dangerous North Korea. It's important to get six-party talks going. But for me, the biggest problem is that five years have been wasted." (Lee Dong-min, "Senior Senators Press Bush Administration to Talk Directly with N. Korea," *Yonhap*, June 25, 2006)

U.S. is considering deploying Aegis cruiser *Shiloh* with advanced missile defense system to waters near Japan, U.S. sources said, but in two weeks at the earliest. Japan has already mobilized an Aegis-equipped destroyer. Last week in waters off Hawaii the *Shiloh* intercepted and destroyed a missile outside the earth's atmosphere. The Maritime Self-Defense Force's Aegis cruiser *Kirishima* took part in the test. (Kyodo, "U.S. Mulls Deploying Antimissile Cruiser Near Japan," June 25, 2006) U.S. will test the X-Band radar deployed at Shariki base in Tsugaru, Aomori Prefecture, as early as



today. (Kyodo, "U.S. Moves Up New Radar test in Japan," *Japan Times*, June 26, 2006) Gen. Henry A. Obering III, chief of the Missile Defense Agency, said he is "very confident" about the ability of the 11 long-range interceptors in Alaska to destroy a Taepodong-2. FM Aso Taro on NHK: "All options are on the table. I believe public opinion would condone sanctions, even on oil or food." "How can you put up a rocket and then demand talks? That's intimidation and makes it most difficult for America to engage in talks." (Associated Press, "Japan to Consider 'All Options' If North Korea Tests Long-Range Missile," June 25, 2006) U.S. notified Japan at June 17 working-level meeting it wants to deploy Patriot PAC-3 interceptors for the first time at Kadena on Okinawa, Japanese defense officials say. (Yomiuri Shimbun, "U.S. reveals PAC-3 Plans for Okinawa Facilities," June 26, 2006) DOD spokesman Lt. Col. Chris Conway notes the two countries announced in October that the U.S. would "support its treaty commitments by deploying active defenses such as the PAC-3 missiles" but would not say where or when. (Patrick Goodenough, "Missile Defense Cooperation Advances amid North Korean Threat," *CNSNews.com*, June 27, 2006)

In private administration officials dismissed the threat the missile might pose. Even Vice President Dick Cheney shrugged off the North's missile as "fairly rudimentary." Bush "bears some responsibility" for the current standoff, says Gallucci: "The United States essentially adopted a policy of doing nothing about North Korea for six years. And now, we look up from Iraq and here is a situation where preemption's got all sorts of problems, and doing nothing" seems unpalatable as well. Hadley has argued in the past that red lines don't work with North Korea because they step right over them. The result of not setting any, though, is that North Korea has simply stepped over the places where red lines might have been. (David E. Sanger, "Don't Shoot. We're Not Ready." *New York Times*, June 25, 2006, p. IV-1)

"The Yasukuni issue is undermining the efficacy of Japanese diplomacy in the region," says Kent Calder of Johns Hopkins. "And that is important to the United States, particularly in a period when we are so involved in the Middle East and we don't have the resources and time that we should be devoting to East Asia." Han Sung-joo: "It is one thing not to encourage Japanese nationalism, but the United States has not been discouraging it, either." He adds, Japan seems to have little regard for how South Korea sees things, and the United States seems to have little regard for how Japan affects Korean sensitivities." That had undermined the trilateral alliance: "If one side of the triangle is weakened, the other sides suffer, too." Togo Kazuhiko, former Japanese diplomat teaching at Princeton: U.S. silence has encouraged Japanese hardliners. "They believe that America is backing this approach. But is that the case? If Japan cannot manage its relations with a rising China, I think that is a burden to the United States. I think that America should tell Japan that this situation it has created is not in anyone's interests." Amb Thomas Schieffer said he found the depiction of history at Yasukuni "very disturbing. If you viewed those exhibits or read those explanations, I think any American would be uncomfortable." (Norimitsu Onishi, "U.S. Needs Japan's Diplomacy, But Japan Isn't Talking," *New York Times*, June 25, 2006, p. IV-4)

President Roh at meeting of Korean and foreign veterans on anniversary of Korean War start: "I believe that building confidence between the two Koreas will pave the way to

ensure peace on the peninsula, and that's why the government has persistently pursued expanding dialogue and exchanges with the North despite many difficulties." (Jung Sung-ki, "President Stresses Dialogue with NK," *Korea Times*, June 25, 2006)

- 6/26/06                    ISIS reports on North Korean plutonium stock
- 6/?/06                    PRC Vice FM Wu Dawei summoned 6-party ambassadors to propose holding informal six-party meeting in the week of July 17. (Reuters, "China Proposes Informal North Korea Talks - Report," July 2, 2006)
- 6/29/06                    At Bush- Koizumi summit meeting, Bush says, "Launching the missile is unacceptable." U.S. Asian allies "cannot be held hostage to rockets." Koizumi: "Should they ever launch the missile ...we would apply various pressures." (Sheryl Gay Stolberg, "Koizumi Joins Bush in Warning North Korea Not to Fire Missile," *New York Times*, June 30, 2006, p. A-6)
- Asst. SecSt Hill testimony to House Sub Cmte on Asia and the Pacific: "I don't want to rule out or rule in a trip to a place like Pyongyang although I must say it's a little problematic to be invited to Pyongyang at a time when they are aiming a missile." (Lee Dong-min, "Envoy Rules Out Two-Way Talks with N.K. That Might Weaken 6-Party process," *Yonhap*, June 30, 2006)
- South Korea intends to conduct scientific survey near Dokto. (Lee Chi-dong, "Seoul Tokyo Look Set for Diplomatic Clash Again," *Yonhap*, June 29, 2006)
- Yokota Megumi's husband, Kim Young-nam, denies he was abducted by the North in 1978, says she committed suicide. Japan and South Korea say North would not have permitted his reunion with his mother unless it was happy with what he'd say. Megumi's father says he's lying. (Byun Duk-kun, "Kim Young-nam Denies Being Kidnapped by N. Korea, says Japanese Wife Died," June 29, 2006)
- 7/3/06                    Kim Jong-il meets with PRC FM Yang Jiechi, who delivers personal message from Hu. According to Xinhua, Kim said the Korean peninsula is showing signs of easing tension. (Yonhap, "Kim Jong-il Says Tensions Easing on Korean Peninsula," *Vantage Point*, August 2007, p. 29)
- PM Koizumi on maritime survey begun by South Korea: "It is better for South Korea to exercise self-restraint and not be too emotional." Vice FM Yachi Shotaro: "It is undesirable when we have been asking them to exercise self-restraint" until we find a breakthrough in EEZ talks. (Kyodo, "Japan Survey near Disputed Isles an Option to Counter S. Korea," July 3, 2006)
- 7/4/06                    North Korea launches seven missiles: a Taepodong-2, three [?] Nodongs, and three Scuds. Taepodong fails less than a minute into its flight.

"The North Koreans tried diplomacy first," said a U.S. intelligence analyst, only to have the U.S. go after their hard currency accounts in Banco Delta Asia and elsewhere. "Then they went back to in-your-face." (Chinoy, *Meltdown*, p. 275)

7/5/06

NSA Stephen Hadley press briefing: "The fact that they can fire Scuds and Nodongs is not a surprise. The Taepodong obviously was a failure - that tells you something about capabilities." ... "Clearly the Taepodong -2 would be in violation of the moratorium ... that they adopted in 1999 and reaffirmed in 2004 [2002]. ... We think that this kind of activity does not enhance the security of Northeast Asia and therefore is inconsistent with at least the spirit and maybe even the letter of the September 2005 agreement. ... Obviously, you know, a missile that fails after 40 seconds is not a threat to the territory of the United States." (White House Press Office Text) "I strongly believe that it is much more effective to have more than one nation dealing with North Korea," President Bush said a few hours after the North followed its six-missile barrage of the previous day with a seventh missile launching. "I view this as an opportunity to remind the international community that we must work together to convince the North Korean leader that he must give up his weapons program." Last night President Bush spoke by telephone with President Roh Moo-Hyun and PM Koizumi. The White House said Bush thanked them for "their strong statements condemning the North Korean missile launches, and the president stressed the need for a unified and strong response in the United Nations and elsewhere to North Korea's provocative behavior." "China said, 'Don't do it,' and the D.P.R.K. went ahead and did it," Christopher said. "Now we need for China to be very firm about what's acceptable behavior and what's not acceptable behavior." (Helene Cooper and Warren Hoge, "U.S. Seeks Strong Measures to Warn North Koreans," *New York Times*, July 5, 2006, p. A-1) Bolton: "The DPRK [missile] launches created a potentially dispositive moment to show that the six-party talks had run their course, and I was determined to exploit it. Rice convened a conference call at about 6:15 p.m., having spoken with Bush and Hadley. ... I explained the state of play in New York, and as I was doing so, was interrupted by a call from Oshima [Kenzo, Japan's UN PermRep]. He said that Japan's Security Council was meeting that evening in the prime minister's office as we spoke, and that he expected to hear imminently whether they wanted an emergency Security Council meeting that night. ... Oshima called at about 8:25 p.m. to say that Tokyo had decided the Council should meet Wednesday morning, after which I called [Jean-Marc] de La Sablière, since France was Council president in July, to tell him that we were appropriately accommodating Japan, which had the most at stake from a threatening North Korea. On Wednesday, there was a secure interagency videoconference call at 7:00 a.m. Rice began by saying that ROK Foreign Minister Ban Ki-moon had been 'very strong,' referring to the DPRK's 'deepening isolation' and its 'threat to regional and international security.' Foreign Minister Taro Aso of Japan was 'also very strong,' and Rice 'had to rein him in a bit,' which bothered me. I wanted Japan out front in the Security Council resolution, not being reined in by us. Rice said Li was 'disappointing,' saying 'We should hope for calm' through meetings and 'not escalate the issue.' Rice responded, 'I didn't stay up to midnight to talk about future meetings, but about the North Korean launches.' To us, she stressed, 'We've got a China problem.' ... Hadley observed twice that we should assess why our current North Korea policy had not succeeded, which he ascribed to allowing the six-party talks to become negotiations rather than using them to pressure

North Korea. ...Rice designated Crouch to chair an interagency working group, and I called him right after the videoconference to say I was worried that EAP would try to maneuver us away from sanctions and back to the six-party talks. He agreed and asked that I keep him posted regularly on developments in the Security Council. At the July 5 meeting of the Security Council, Oshima gave a very strong statement, saying we would circulate a resolution and asking to meet and discuss it that afternoon but China's Wang Guangya wanted a president's statement instead and Russia's Vitaly Churkin backed him.. ...Back at the USUN, I immediately called Crouch and [Robert] Joseph, and we agreed not to water down our draft resolution - which essentially prohibited all missile-related sales to and from North Korea - to satisfy China and Russia. ...If either were to veto, that would demonstrate that the Security Council was not up to the job, freeing us to do what we chose to do outside the UN. ...In the 4:00 p.m. videoconference, Joseph reported on 'defensive measures' being drawn up, and I explained events in New York. ...Crouch repeated what he, Joseph and I had agreed earlier, namely that we were not going to compromise the text just for abstentions by China and Russia. No one disagreed. Nonetheless, [Under SecState R. Nicholas] Burns made several troubling comments about 'not interfering' with the six-party talks. ...Afterward, I called Joseph and found him equally troubled. He repeated what he had said before, namely, 'I'm not long for this job,' given the weakness of both our DPRK and our Iran policies." (Bolton, *Surrender Is Not an Option*, pp. 292-95) In his memoirs, Secretary of Defense Rumsfeld describes the missile interceptors as being on "high alert" and preparations for him to give the order to launch them if it was determined the Taepodong was heading toward the United States." (Oberdorfer and Carlin, *The Two Koreas*, p. 414) Hill sent to Asia to discuss a coordinated response. Before his departure, President Bush told him, "You tell the Chinese I can't solve this - they need to solve this." (Oberdorfer and Carlin, *The Two Koreas*, pp. 415-16) Japan took the hardest line, saying it is considering imposing economic sanctions, possibly cutting off a significant source of cash for North Korea by cracking down on money transfers from Japan. It also banned the North Korean Mangyongbong-92 ferry - the only regular link between Japan and North Korea and a conduit for transferring cash and supplies to the North - from entering its ports for six months. "We will consider every type of sanctions possible," said Shinzo Abe, Japan's chief cabinet secretary and a leading candidate to succeed PM Koizumi. South Korean officials indicated that they would withhold 500,000 tons of rice and 100,000 tons of fertilizer the North had sought in aid this year. South Korea has already delivered 350,000 tons of fertilizer this year. But South Korean officials made it clear they would maintain their basic efforts to engage North Korea through economic cooperation, a policy exemplified by a joint industrial complex in Kaesong, North Korea. (Norimitsu Onishi and Joseph Kahn, "North Korea's Neighbors Condemn Missile Tests but Differ on What to Do," *New York Times*, June 5, 2006)

7/6/06

DPRK FoMin spokesman: "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 same can be said of the moratorium on the **long-range missile** test-fire which the DPRK agreed with Japan in the DPRK-Japan Pyongyang Declaration in 2002. In the DPRK-Japan Pyongyang Declaration the DPRK expressed its 'intention to extend beyond 2003 the moratorium on the missile fire in the spirit of the declaration.' This step was taken on the premise that Japan moved to normalize its relations with the DPRK and redeem its past. The Japanese authorities, however, have abused the DPRK's good faith. They have not honored their commitment but internationalized the 'abduction issue,' pursuant to the U.S. hostile policy toward the DPRK, although the DPRK had fully settled the issue. This behavior has brought the overall DPRK-Japan relations to what was before the publication of the declaration. ...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-defense 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-defense, 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. **The DPRK's missile development, test-fire, manufacture and deployment, therefore, serve as a key to keeping the balance of force and preserving peace and stability in Northeast Asia.** It is also preposterous for them to term the latest missile launches a 'provocation' and the like for the mere reason that the DPRK did not send prior notice about them. 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.** The latest missile launch exercises are quite irrelevant to the six-party talks. **The KPA will go on with missile launch exercises as part of its efforts to bolster deterrent for self-defense in the future, too.** The DPRK will have no option but to take stronger physical actions of other forms, should any other country dares take issue with the exercises and put pressure upon it. (KCNA, "DPRK Foreign Ministry Spokesman on Its Missile Launches," July 6, 2006)

UN Ambassador John Bolton and Oshima agreed to try to put their draft invoking Chapter VII, saying that the DPRK launches were a "threat to international peace and security" and authorizing sanctions to a vote the next day, but UK PermRep Emyr Jones Parry said "legislation" had to be written precisely [Chapter VII bound states to act] but Bolton saw the resolution as a political gesture: "This was a good encapsulation of the

'global governance' mentality I so disliked, because if the Council were 'legislating,' then in fact we were behaving like 'lawmakers,' a point critical to understanding subsequent disputes on North Korea and Iran." J.D. Crouch told Bolton that Bush's phone calls with presidents Hu Jintao and Vladimir Putin had been inconclusive but Bush had told Hu Jintao, "The great Chinese people have been slapped in the face by North Korea." Oshima asks for meeting with Bolton, Jones Parry and French PermRep Jean-Marc de La Sablière. Bolton: "The meeting was a debacle. Jones Parry and de La Sablière worried that the resolution was too strong, not as it might affect North Korea, *but as it might affect their efforts to deal with Iran's nuclear program*. They worried about offending Russia and China so much over North Korea that it would make them less cooperative on Iran ... Given how weak the European position already was on Iran, and their unwillingness to pressure Iran, and thereby risk creating dispositive evidence of the already evident failure of their diplomatic efforts, this was not only bad news; it was simple appeasement. Even worse was that Japan, obviously infected by Britain and France, now wanted to spend more time working on China and Russia. When I reported this setback to Washington, Crouch responded, 'Fuck these guys; they are completely worthless.'" That evening, French national security adviser Maurice Gourdault-Montagne called NSA Stephen Hadley and shifted in favor of a tough resolution on North Korea because without one, he said, "all is lost on Iran." That evening SecState Rice agreed in phone calls with Russian FoMin Sergei Lavrov to postpone the UNSC resolution to give China time to bring North Korea around. (Bolton, *Surrender Is Not an Option*," pp. 295-97)

7/7/06 President Bush on Taepodong 2: "I think we had a reasonable chance of shooting it down. At least that's what military commanders told me." (White House, Office of the Press Secretary, Press Conference in Chicago, July 7, 2006)

7/8/06 In conference call with Hadley and Crouch from NSC, counselor Philip Zelikow, Burns, Joseph, Bolton from State, SecState Rice tells of "unpleasant" conversation she had with PRC FM Li Zhaoxing, who repeatedly blamed the crisis on Japan's ambitions for a permanent seat on the UNSC. "I was pretty raw with him," she said and asked whether China would veto the resolution. "If we have no other choice," Li replied. Zelikow said we should accept the veto if we had a credible post-veto strategy. Rice said China was leaving us no choice but to go outside the UNSC to deal with North Korea our own way. Bolton said there was a substantial chance China was bluffing. (Bolton, *Surrender Is Not an Option*," p. 297)

7/9/06 At Perm-Three plus Japan meeting, Oshima reports on FM Li conversation with FM Aso Taro in which Japan concluded China's veto threat was serious. In telephone call with French FM Philippe Douste-Blazy, Li warns of veto: "China would have no choice but to use its right of permanent membership." In conference call Rice tells U.S. officials we would wait and see what Chinese delegation led by Dep FM Wu Dawei brings back from Pyongyang. Bolton: "If the result was the *status quo ante* (resuming the missile moratorium and returning to the six-party talks), we would have no need to go ahead with the resolution. I was stunned at the reversal, meaning that, after all we had been through, we would accept ... *the original Chinese position*. ... Interestingly, Hadley asked if she had talked to Bush, and she said she had not." When the Perm-Three-plus-

Japan reconvened at 5:00 pm., Oshima reported that Wang had instructions to vote “no,” which de La Sablière confirmed. China would not accept that the Council would invoke Chapter VII of the charter (the only portion under which “legally binding decisions could be made, said the lawyers); would not agree that the DPRK launches were a “threat to international peace and security” (a quotation from the charter that Perm Five lawyers always insisted on); and would not accept any kind of sanctions.” That evening in another phone call, Li tried to blame Japan. Rice responded, “Don’t ever tell me again that Japan is the problem.” She said the “difficult impasse” we faced would have “consequences” for their bilateral relationship and that she could not understand why China was not stronger with North Korea, especially given the DPRK’s “slap” to China.” She concluded by telling Li, “This [the six-party talks] is the one big project China has embarked upon, and it’s a failure,” adding that it was “high time China [either] did something” or supported our resolution. (Bolton, *Surrender Is Not an Option*,” pp. 297-99)

7/10/06 In videoconference, Rice says she “has been hashing things over” with Bush, who wanted to put the ball squarely in the Chinese court.” They had to “deliver” on Wu Dawei’s mission to Pyongyang or we would put the resolution to a vote whether or not they continued to threaten a veto. If they did veto, there would be “other consequences” in the bilateral relationship. By “deliver” the president meant not a missile moratorium but implementation of the September 2005 joint declaration. (Bolton, *Surrender Is Not an Option*,” p. 299)

7/11/06 Russia introduces a resolution of its own, which PRC PermRep Wang said he could support. (Bolton, *Surrender Is Not an Option*,” p. 300)

Hu Jintao tells Yang Hyong-sop, Supreme People’s Assembly Presidium VP, three conditions for supplying oil: nuclear-free peninsula, return to six-party talks, establishment of mutual trust with South. North ignored proposal and cold-shouldered PRC Vice-PM Hui Liangyu in Pyongyang. (Lee Tae-hwan, “Changing Ties between North Korea and China,” *Vantage Point*, October 2006, pp. 16-17)

7/12/06 Wang asks Bolton for a meeting and says Wu Dawei was returning from Pyongyang ahead of schedule, having gotten nothing from the DPRK and Wu would report directly to Hu Jintao, which Bolton interpreted as Wang’s looking for a way to avoid a veto. (Bolton, *Surrender Is Not an Option*,” p. 300) Rice: “But when John Bolton ... called me only one week after the missile test to say that he had UNSC agreement on imposing sanctions if we would drop the reference to Chapter VII, I readily agreed.” (Rice, *No Higher Honor*, p. 474)

7/13-14/06 After two contentious meetings of the Per Five over whether the resolution would use the phrase, “acting under Chapter VII,” Oshima said, “Then we are at the end our discussions, and we must agree to disagree. ... My country is threatened,” and “prepared to face the consequences” of a Chinese veto. Wang replied, “I accept your challenge. My president asked me to avoid [a veto], but he said, ‘If you need to use it, use it.’” Bolton implies Japan was the source of the deadlock: “Personally I couldn’t care less what we did with the phrase ‘acting under Chapter VII,’ or the entire Potemkin

Village idea that Chapter VII resolutions were 'legally binding' or any more 'binding' than any other Council resolutions. In any event, Rice was also prepared to give way on a reference to Chapter VII, although I wasn't telling anyone that." (Bolton, *Surrender Is Not an Option*," p. 300)

7/15/06

In a conference call, Rice said she wanted the issue wrapped up before Bush and Hu met in St. Petersburg the next day and PRC FM Li shared that view, saying "our young colleagues in New York" (meaning Li and Bolton) needed to conclude things. Bolton: "I pressed my view that we were overwhelmed by legal formalism, and that our excessive hangup over particular words was getting in the way of our basic objective, namely something could conclude was truly binding [huh?] on North Korea. I said, 'What we want is a binding resolution, and we don't absolutely have to say 'abracadabra' to get it.' That was all Rice needed to hear, immediately agreeing, and saying we had to give up the "theological" approach to these issues, given that this was to be the first Security Council resolution on North Korea since 1993, and a 'big victory.' Nonetheless, we were in fact caving in before the threat of a Chinese veto." The UNSC convened at 3:45 and adopted Resolution 1695. (Bolton, *Surrender Is Not an Option*," pp. 301-2)

Russia and China accept language on "threat to peace and security" but not reference to Chapter VII for fear it could justify military action, changes "calls upon" North to halt missile activities and "urges" members states to prevent transfer of missile technology to "demands" and "requires," but dropped reference to "development, testing, deployment and proliferation of ballistic missiles" in favor of "all activities related to its ballistic missile program. (Warren Hoge, "U.N. Council, in Weakened Resolution, Demands End to North Korean Missile Program," *New York Times*, October 16, 2006)

Full full text of resolution 1695 (2006) reads as follows: "*The Security Council, Reaffirming* its resolutions 825 (1993) of 11 May 1993 and 1540 (2004) of 28 April 2004, *Bearing in mind* the importance of maintaining peace and stability on the Korean peninsula and in north-east Asia at large, *Reaffirming* that proliferation of nuclear, chemical and biological weapons, as well as their means of delivery, constitutes a threat to international peace and security, *Expressing* grave concern at the launch of ballistic missiles by the Democratic People's Republic of Korea (DPRK), given the potential of such systems to be used as a means to deliver nuclear, chemical or biological payloads, *Registering* profound concern at the DPRK's breaking of its pledge to maintain its moratorium on missile launching, *Expressing* further concern that the DPRK endangered civil aviation and shipping through its failure to provide adequate advance notice, *Expressing* its grave concern about DPRK's indication of possible additional launches of ballistic missiles in the near future, *Expressing* also its desire for a peaceful and diplomatic solution to the situation and welcoming efforts by Council members as well as other Member States to facilitate a peaceful and comprehensive solution through dialogue, *Recalling* that the DPRK launched an object propelled by a missile without prior notification to the countries in the region, which fell into the waters in the vicinity of Japan on 31 August 1998, *Deploring* the DPRK's announcement of withdrawal from the Treaty on Non-Proliferation of Nuclear Weapons (the Treaty) and its stated pursuit of nuclear weapons in spite of its Treaty on Non-



Proliferation of Nuclear Weapons and International Atomic Energy Agency (IAEA) safeguards obligations, *Stressing* the importance of the implementation of the Joint Statement issued on 19 September 2005 by China, DPRK, Japan, Republic of Korea, the Russian Federation and the United States, *Affirming* that such launches jeopardize peace, stability and security in the region and beyond, particularly in light of the DPRK's claim that it has developed nuclear weapons, *Acting* under its special responsibility for the maintenance of international peace and security,<sup>1</sup>. *Condemns* the multiple launches by the DPRK of ballistic missiles on 5 July 2006 local time; 2. *Demands* that the DPRK **suspend all activities related to its ballistic missile program**, and in this context re-establish its pre-existing commitments to a moratorium on missile launching; 3. **Requires** all Member States, in accordance with their national legal authorities and legislation and consistent with international law, to exercise vigilance and **prevent missile and missile-related items, materials, goods and technology being transferred to DPRK's missile or WMD programs**; 4. **Requires** all Member States, in accordance with their national legal authorities and legislation and consistent with international law, to exercise vigilance and **prevent the procurement of missiles or missile related-items, materials, goods and technology from the DPRK, and the transfer of any financial resources in relation to DPRK's missile or WMD programs**; 5. *Underlines*, in particular to the DPRK, the need to show restraint and refrain from any action that might aggravate tension, and to continue to work on the resolution of non-proliferation concerns through political and diplomatic efforts; 6. *Strongly urges* the DPRK to return immediately to the Six-Party Talks without precondition, to work towards the expeditious implementation of 19 September 2005 Joint Statement, in particular to abandon all nuclear weapons and existing nuclear programs, and to return at an early date to the Treaty on Non-Proliferation of Nuclear Weapons and International Atomic Energy Agency safeguards; 7. *Supports* the six-party talks, calls for their early resumption, and urges all the participants to intensify their efforts on the full implementation of the 19 September 2005 Joint Statement with a view to achieving the verifiable denuclearization of the Korean Peninsula in a peaceful manner and to maintaining peace and stability on the Korean Peninsula and in north-east Asia; 8. *Decides* to remain seized of the matter."

- 7/?/06 A Chinese general told Dennis Wilder, NSC senior director for Asia, "After all we've done for them, they couldn't give us any warning they were going to do this. How dare they." (Chinoy, *Meltdown*, p. 284)
- 7/18-22/06 North Korea criticizes China and Russia in meeting for DPRK ambassadors in Pyongyang. (Lee Tae-hwan, "Changing Ties between North Korea and China," *Vantage Point*, October 2006, p. 16)
- 7/28/06 Committee for the Peaceful Reunification of the Fatherland spokesman: "South Korea launched a satellite aimed at spying on the north at a time when the situation is getting extremely tense on the Korean Peninsula due to the U.S. reckless sanctions and moves for a nuclear war against the north. This is a grave provocative act of straining the regional situation. The satellite Arirang-2 launched by south Korea on July 28 is equipped with high resolution image cameras capable of discerning anything up to one meter size on the ground. The satellite with resolution less than one meter is

subject to international control as it can be used for a military purpose, the spokesman noted, and continued: The United States is conniving at and defending the launches of missiles and spy satellites by its allies and forces toeing its line, while unreasonably taking issue with the right thing done by the DPRK, posing no problem in the light of international law. U.S. standards are not based on justice or international law but on a brigandish view on value aimed at meeting its aggressive purpose and holding world supremacy. South Korea's recent launch of the satellite brought to light the aggressive nature, dual character and shamelessness of the U.S. racket against the DPRK. The world should clearly see through the U.S. true colors and should not be mocked by it, we think. We sound an alarm-bell to south Korea straining the situation on the Korean Peninsula. The prevailing situation compels the north to step up its moves to bolster the invincible war deterrent for self-defence in every way under the banner of Songun." (KCNA, "S. Korea's Launch of Spy Satellite under Fire," August 1, 2006)

8/3/06

North Korea has been constructing new underground missile bases and silos along its east coast in recent years to deploy intermediate-range rockets targeting Japan and U.S. military facilities on the archipelago. "The new bases clustered along the east coastal line, in particular, are short- and medium-range missile bases aiming at Japan and U.S. military installations in Japan," said a report written by Yun Deok-min, a security expert at the state-funded Institute of Foreign Affairs and National Security. About 200 Rodong missiles with ranges of up to 2,200 kilometers and 50 SSN-6 missiles with ranges of 2,500-4,000 km are already deployed in the newly-built bases, the report said. Two new missile bases are under construction in Deoksung and Heocheon, counties both in the northeastern province of Hamgyong, with the latter's base believed to deploy North's most advanced rocket, Taepodong-2, the report said. "Combined with its nuclear weapons, North Korea's ballistic missiles provides it with a powerful deterrent," it said. "The North has made all-out efforts to bolster asymmetrical strengths at a time when millions of its people have died of hunger." The report also said North Korea built two underground missile bases in the mountainside in the central part of its land border with China. The bases "are located in positions that make them impossible to be attacked unless strikes come across the Chinese border, as they are positioned near the Sino-North Korea border and are in the mountainside," it said. (Yonhap, "N. Korea Building New Missile Bases, Silos along East Coast: Report," August 3, 2006)

8/?/06

Nautilus Institute: "After diminishing in the late 1990s, the annual value of total DPRK-PRC bilateral trade has grown from a fourteen-year low of \$370 million nominal dollars in 1999 to a high of \$2.8 billion dollars in 2008. In 2009 the value of aggregate North Korean-Chinese bilateral trade dropped slightly to \$2.7 billion. Between 2000 and 2009 North Korean imports of Chinese merchandise grew at an average annual growth rate of 17%, from \$450 million in 2000 to \$1.9 billion in 2009; over the same period, the nominal value of DPRK exports to China increased at an average annual growth rate of 40%, from \$37 million in 2000 to \$780 million in 2009. Figure 1 illustrates the value of DPRK bilateral trade with China. The dominance of the orange area highlights North Korea's ongoing trade deficit with China, which grew from \$410 million in 2000 to a fourteen-year high of \$1.3 billion in 2008. Energy has played a significant, but generally diminishing, role in reported commercial trade between China and North

Korea. As highlighted by the red area of Figure 2, North Korea has been a consistent net importer of energy and fuels from China in value terms. However, energy and fuels' share of DPRK imports diminished from 26% of total value in 2000 to 17% in 2009, as imports diversified to include more energy-intensive and related goods (grey area in Figure 2), food (green area), and other merchandise (blue area). Among North Korean exports to China, the value of energy and fuels exports has grown from 9% of total export value in 2000 to more than 33% in 2009. The \$140 million (7%) drop of the value of North Korean imports between 2008 and 2009 was driven by a reduction in both the unit price and the quantity of energy and fuels and-to a limited extent-the reduced value of "other" imports. Increases in the value of energy-intensive and related goods and food imports from 2008 to 2009 were offset by diminished costs for fuel and other imports. ... The lower value of energy and "other" North Korean imports in 2009 was driven by reductions of both volumes and prices from 2008 levels. Whereas North Korean imports of food from China comprised three of the top ten import commodity categories (worth \$115 million) in 2007, food, in the form of cereals, comprised only one of the top ten import categories in 2009. Meat imports were overtaken by North Korean demand for Chinese light manufactured products in the form of knit apparel, manmade filaments, and fabric. On the export side, DPRK exports became more mineral- and resource-intensive with the growth of salt, sulfur, earth, stone, inorganic chemical, rare earth metals, and aluminum exports in 2009. The quantity of North Korean coal imports from China dropped from 230,000 tonnes in 2008 to 90,000 tonnes in 2009, thereby comprising 12% of annual fuel imports by mass. Reductions in crude oil and coal shipments from China have led the decline of DPRK fuel import quantities, which fell at an average rate of 8% between 1995 and 2009, though the bulk of this decline took place between 1995 and 1997. Oil product imports have countered the trend of decline, with oil products imports from China expanding from 73,000 tonnes in 1995 to 130,000 tonnes in 2009. ... Between 2000 and 2008, North Korean expenditures on imported Chinese crude oil increased more than five-fold, while the quantity of crude oil imports increased by 36%. Between 2008 and 2009 the quantity of crude oil imports fell 2% while the value dropped 42% as a result of the fall in international oil prices. Over the first decade of the 21st century, the quantity of DPRK oil product imports increased 14% while their value more than doubled (between 2000 and 2009). Figure 6 shows the monthly volumes of DPRK-PRC crude oil and oil product trade. Aside from a brief flurry of product exports between October and December, 1997, North Korean oil products exports have been negligible. With the exception of a one-month interruption in February 2008, the flow of crude oil from China to North Korea has become more stable and sustained since March of 2007, though in recent years through 2009 the annual quantity of crude oil imports remained about half the 1995 level. Unlike crude oil, the flow of oil product has not been interrupted since 1995. In 2009 43% of oil product imports were motor gasoline and aviation gasoline (HS category 27101110) and 39% were aviation kerosene (HS 27101911) by mass. Although monthly oil product levels are somewhat erratic, annual North Korean imports of Chinese oil products have remained fairly level, with a 1% average annual growth of volume between 2000 and 2009." (Nathaniel Aden, *North Korea Trade with China as Reported in Chinese Custom Statistics: Recent Energy Trends and Implications*, Nautilus Institute, August 2006)

8/?/06

What a senior official called 'trench warfare' erupts with Under SecState Robert Joseph, U.N. Ambassador John Bolton, Will Tobey and John Rood at NSC, and the Office of Vice President on one side and Assistant SecState Christopher Hill increasingly backed by Counselor Phillip Zelikow and SecState Rice on the other. "People were arguing that North Korea is so predicable," said one senior DoS official, "that if we don't engage them, first we have the missile tests, and then there will be a nuclear test. If we keep on this way, there will be nothing we can do to stop the North Koreans." Iraq affected the outcome, said Brent Scowcroft. "I think it is the kind of fallout that comes from Iraq turning into a total disaster and therefore undermining all the statements in favor of regime change." Said a senior DoD official involved in Asia policy, "They need something that smacks of success. Rice's Middle East initiatives have come up completely bust. Iran is a bust. Iraq is Iraq. Hill said, 'Give me some running room and I'll bring you back something.' She sold it to Bush, and off they went." China and South Korea weighed in. "The South Koreans would say, 'Wind up Banco Delta Asia,'" recalls one U.S. official. "In return the North Koreans will free. Then we will have to give fuel oil." In the words of one exasperated South Korean official, the Bush administration "felt it was more important not to have bilateral negotiations with North Korea than letting them get away with nuclear weapons. It was more important to crack down on their illicit activities than stopping them from building a nuclear arsenal." (Chinoy, *Meltdown*, pp. 288-89)

8/?/06

Henry Kissinger sees President Bush over the summer. According to as senior official, his message to Bush was, "You need a negotiating track. You need to work with China, and you need to let the negotiator do his job." (Chinoy, *Meltdown*, p. 303)

8/17/06

There is new evidence that North Korea may be preparing for an underground test of a nuclear bomb, U.S. officials told ABC News. "It is the view of the intelligence community that a test is a real possibility," said a senior State Department official. A senior military official told ABC News that a U.S. intelligence agency has recently observed "suspicious vehicle movement" at a suspected North Korean test site. The activity includes the unloading of large reels of cable outside P'unggye-yok, an underground facility in northeast North Korea. Cables can be used in nuclear testing to connect an underground test site to outside observation equipment. The intelligence was brought to the attention of the White House last week. U.S. officials caution that the intelligence is not conclusive. Last year U.S. spy satellites picked up suspicious activity at suspected test sites in North Korea, leading some to predict an imminent nuclear test, but nothing happened. Underground nuclear tests are notoriously difficult to detect ahead of time. Officials say it is possible that North Korea may either be putting on a show for American spy satellites to get attention, or may conduct a nuclear test in an entirely different location. Some analysts believe Kim Jong Il may feel the only way to be taken seriously is to prove that North Korea is a nuclear power. Officials acknowledge that nobody really knows Kim Jong Il's intentions, but there is a belief among analysts that he is upset about the recent U.N. resolution condemning his missile tests and upset with the Chinese for supporting that resolution. "It is the view of most in the community that there is a 50-50 chance North Korea will conduct a nuclear test by the end of the year," said one analyst. Asked what the United States would do in

response to a nuclear test, a senior U.S. official told ABC News, "We would try to hermetically seal the hermit kingdom." (Jonathan Karl, "N. Korea Appears to Be Preparing for Nuclear Test," ABC News, August 17, 2006)

8/21/06 Bush calls Hu to discuss warning North to stop nuclear test. (Lee Tae-hwan, "Changing Ties between North Korea and China," *Vantage Point*, October 2006, p. 18)

8/24/06 Li Dunqui: "DPRK's change is by no means accidental. It has its profound international and domestic backgrounds. DPRK has made tremendous efforts in shackling off the shadow of the Cold War and integrating into the constantly changing international community, but with little result. Leaders of DPRK have no choice but to explore a new way that suits its country. Amid this backdrop, DPRK is slowly but steadily promoting its reform, which is low-profile but pragmatic. From the end of 1990s, DPRK has begun to make adjustments to its economic theories and policies, putting forward such new views and propositions as pragmatism, building a strong socialist country, focusing science and technology, new concepts and improving economic management modes. A series of "Measures to Improve Economic Management Order" was issued on 1 July 2002. The adjustment this time, comparing with previous ones, was strong in enforcement and wide in the areas involved, thus injecting new impetus in its economic recovery and development. Though DPRK's economic reform is only introducing rational elements of the market economy to make up pitfalls of its planned economy with the prerequisite of adhering to the latter, it should be commended as a major innovation in DPRK's theories and practice in building socialism. Early this year, we saw new phenomenon from the DPRK side. It started with Kim Jong Il 's visit to China accompanied by premiers of the State Council in mid-January to learn the successful experience of China's reform and opening up, followed by Chang Song-taek's eleven-day China inspection tour accompanied by over thirty high-ranking economic officials, and then Cabinet Premier Pak Pong Ju's elaboration of this year main tasks in economic work on the Fourth Plenary Session of the Eleventh Supreme People's Congress. These new changes were not only widely reported but also aroused great interest among the international community in the country's economic changes. At present DPRK has not yet established systemic theories to guide its economic reform. But Chairman Kim Jong Il has proposed new ideas which have become the basis for its economic reform. Pragmatism was first proposed by Kim Jong Il after he became General Secretary of the DPRK Labor Party. There is no works which systematically elaborates Pragmatism. But according to economists from DPRK, pragmatism has two meanings, i.e. to bring actual benefits for the people, and to be profit-oriented instead of suffering losses. The former is the principle while the latter is the detailed content. To follow the rule of pragmatism in economy is to seek economic benefits and for companies to make profits. To this end, the Fiscal Law amended by DPRK in April 2004 changed the ultimate goal of companies from "reducing cost" to "increasing net income", so as to help them be profit-oriented. At present, pragmatism is the principle that must be followed in all DPRK's economic work. Its economists have

vividly compared it with China's "seeking truth from facts". It is fair to say that pragmatism will become theoretic basis for people in DPRK to liberate their minds and promote economic reform. The strategy that DPRK has established with economic development at the core is mainly embodied in its goal of "building a strong socialist country." Entering into the new century, DPRK has proposed three targets including building its country into a strong military, political and economic power. It maintains that it has already achieved the first two with the third one yet to achieve. As a result, the goal of "building a strong socialist country" means that economic development is its core task at the moment. Labor News, DPRK People's Army and Young Pioneers DPRK, in their joint editorials on the New Year Day of 2001, put forward the "new thinking", stressing that "priorities at the moment were fundamental changes in ideas, ways of thinking, styles of struggle and work to meet requirements of the modern times". Chairman Kim Jong Il also pointed out that, having entered the modern times, it is necessary to update thinking according to the new times instead of living the old way on the basis of the past, and that they should boldly abandon those that should be abandoned instead of being restricted to the old ideas and sticking to the past and the outdated. "In the 21st century efforts should be made to approach and solve all questions with new ideas and from new height." In addition, DPRK's Labor News pointed it out in its editorials that "they should be bold in reform", "further improve DPRK's economic management system to meet the requirement of the new environment and new atmosphere", and that priorities for the Labor Party in the 21st century is to ensure that the ideas, ways of thinking and working styles conform with the requirement of the new century. Though DPRK introduced elements of the market economy through constitutional amendments in 1998 and consequently adopted some reform measures, it strongly dislikes such words as "reform" and "opening up" and they are forbidden in the adjustment of its economic policies. Despite this, the essence is "reform," though different in word, evidenced in their newly issued policies for economic adjustment which were targeted at the outdated demands and practices that were divorced from reality. DPRK's Labor News pointed it out in an article entitled "On the Rules of Socialist Economic Development" on 21 November 2001 that "those who manage the economy, i.e. people of DPRK, do not have enough experience, there are still room for improvement and perfection due to short history of socialism, and that the economy cannot be developed if those that are outdated, backward and separated from reality are not abandoned." It is clear that this kind of "abandoning" has the implication of "reform". Therefore it is reform unsuitable for DPRK instead "reform" itself that it is opposed to. In fact it is nonetheless progressing with economic reform both in theory and in practice in spite of it all. It was not until June 2003 that DPRK's Central News Agency finally used the word "reform" though it quickly dropped the word again. The reason behind its prudence with the word "reform" is because it once openly expressed its opposition to and criticism against reform in China and former Soviet Union in its major official media. DPRK's supreme leader Kim Jong Il has visited China for four times since 2000, most of which were aimed at inspecting China's economy. His unofficial visit to China from 10 to 18 January 2006 and inspection of China's economic work in Beijing, Hubei and Guangdong Provinces attracted great attention from the international community. The nine-day visit in China was rich in content, clear in objective and profound in significance. Kim brought his team to Beijing, Wuhan, Yichang, Guangzhou, Zhuhai, Shenzhen and they listened carefully to

introductions made by government officials and companies managers in those provinces and cities, with the aim of learning and drawing upon China's experience. He was deeply touched and impressed and even had "sleepless night" when he arrived in Beijing following the tour in China's south. He said that he was unwilling to see the current situation in DPRK and hoped to see further progress in its economic and social development by absorbing the vigor and vitality from the market economy while continuing its planned economy; that he hoped to learn from China and do a good job in DPRK's future economic development by combining its national conditions with actual situation. It was the first time for him to voice such opinions, indicating that leaders of DPRK were transforming their mode of thinking, acknowledging and accepting China's development concepts; and that they were exploring laws of economic development in order to prepare for profound and comprehensive reform with DPRK style. It is more important to note that the visit gave him a chance to see the fact that China's reform had neither weakened the leading role of the Chinese Communist Party nor aroused social upheaval. It had instead enhanced the reputation of the Communist Party and its international influence, which removed his worry that reform and opening up might undermine the stability of the authorities. Shock waves continued among the high-level officials after he came back from the visit. Unprecedented views were voiced and new explanations made on major theoretic questions like what was socialism, how to evaluate capitalism. High-level officials were asked to theoretically keep abreast with the times and unify their thinking. Only two months later, Jang Song-taek, First Deputy Minister of the Department of People's Group and Capital Construction of the Central Committee of the DPRK Labor Party, headed an "expert team" of over thirty high-ranking economic officials to the places that Kim had just visited. His 11-day visit was yet another demonstration of DPRK's aspiration to learn from China. In addition, DPRK also sent various economic delegations to China to study its experience in reform. It started to send trainees to China, Viet Nam and countries in Europe since its economic reform in 2002, equipping them with knowledge of market economy, finance, trade and hi-tech in particular. It thus started its nationwide campaign from the top down to study economics. From 2000 DPRK has gained positive economic growth from the previous negative one. Of course the rate was very low, around 0.5%-1% for six years in running. Some estimated that growth rate in 2005 reached 2%, an opinion shared by some DPRK officials though genuine figures were hard to obtain in the country. DPRK's economy has recovered and is poised to continue its steady growth in 2006. There are two sets of mechanisms in DPRK, i.e. the military and the civilian. The most important economic sectors are controlled by the military, a noticeable feature of its economy. Strength and efficiency of the factories run by the military are higher than their civilian counterparts. Take the Taean Glass Factory for example. It was built with the assistance of the Chinese Government. At first a civilian factory was designated but its workers were low in efficiency and poor in quality, with which the Chinese side became dissatisfied. Consequently a military factory took up the role and all went well afterwards. With good cooperation, the project was successfully completed. This example showed that talents of economic development are mostly with DPRK's military. It is therefore, like China in its first phase of reform and opening up, formulating policy to transform some military factories into civilian ones to support local economic growth. All signs show that economic work has become the priority of

DPRK. Leaders of the country and the Labor Party are concentrating their time and efforts on economic work. Main measures for this year are as follows: The Fourth Plenary Session of the Eleventh Supreme People's Congress was convened on 11 April, on which Premier Pak Pong Ju delivered a report entitled Review of Work in 2005 and Plan for 2006. He stressed that the central task of the economic development for this year was "to develop agriculture in a decisive manner to successfully solve the food problem for the people in DPRK." In recent years DPRK has always taken agriculture as the "primary task" of its economic development. In order to solve food shortage it launched "Potato Revolution" and "Seed Revolution" in 2001, advocating the growth of agricultural crops with short mature periods and great harvests. Agricultural technicians cultivated new breeds of potatoes with no virus and high yields, in order to "supplement rice with potatoes". Thanks to increased government input in agricultural production and development in agricultural science and technology, grain production has risen in recent years, reaching 4.6 million tons in 2005, the highest in ten years. With experience accumulated and benefit gained, DPRK has realized the importance of agriculture. It will continue to take it as the priority and central task of this year's economic work. It is especially notable that when Kim Jong Il visited China last January, he went to the Crop Institute of the Chinese Academy of Agricultural Science, a sign which fully vindicated the importance attached to agricultural science and technology. Premier Pak Pong Ju stressed in his above-mentioned report that it was necessary to work hard to develop foreign trade and actively explore foreign markets to achieve diversification and multi-lateralization of trade in accordance with the changing environment and practical demands. DPRK has enhanced foreign trade up to an unprecedented height, which was a new change itself. Though US had begun its financial sanction against DPRK since the end of last year, its foreign trade increased by a large margin in 2005, reaching 3 billion USD in total, the highest since 1991. Trade between DPRK and ROK reached 1.05 billion USD in 2005 and this figure was not included in the total volume. It is estimated that this year DPRK will actively explore new markets in the EU and ASEAN countries while continuing to grow its trade with China and ROK. China is DPRK's largest trading partner. Sino-DPRK trade reached a historic high at 1.58 billion USD in 2005, up 14%. China's export accounted for two thirds of its total. DPRK mainly imported food and energy from China, up by 35.2% annually and reaching 1.08 billion USD in 2005. Growth in Sino-DPRK trade was partly attributed to decrease in bilateral trade between DPRK and Japan, which stood at 0.194 billion USD in 2005, down by 23%. Meanwhile DPRK is working actively to introduce foreign investment, including capital and technology. It organized two international commodities fairs, one in the 1980s and the other in the 1990s, to be followed by annual fairs every spring since 2000. The fairs were then held twice every year since 2005, one in spring and one in autumn. The 9th Pyongyang Spring International Fair was grandly held from 15 to 18 May 2006. The total area of the exhibition hall was 16.5 thousand sq meters and it hosted 217 companies from 13 countries and regions in the world including China, the Netherlands, France and Germany. Products on display ranged from chemicals, electronics, pesticides, agricultural machines to cosmetics, pharmaceuticals and foods. Of the 196 foreign participating companies, 179 were Chinese, with 80% from China's Liaoning Province. Contractual value topped 100 million Euros. Ms Choe Lian-shi, Division Chief of DPRK's Bureau of International Exhibition, said in her interview with



the Xinhua New Agency that the main purpose for such fair was to help DPRK companies to know the world and for the world to know DPRK's market. It was also to help DPRK companies establish links with their foreign counterparts in order to promote export, explore international markets and introduce advanced foreign technology to promote its economic development. She pointed out that during the fair held last year, contracts, both for import and export and joint ventures, valued 70 million Euro, among which, export contracts amounting 30 million Euro, import contracts 32 million Euro and joint venture 8 million Euro. She also stressed that Chinese companies took up the bulk of the participants. They came this time with the China Committee for the Promotion of International Trade, which made them more orderly and organized. All this showed that economic relations between China and DPRK were constantly developing and trade has become more active. Apart from this DPRK also cooperates with the relevant sides in China to hold commodity fair and trade and investment talks in Beijing, Dandong and other cities in China several times a year. Recently DPRK has organized some companies suitable for foreign markets to go outside the country to conduct foreign trade and economic cooperation. Construction companies in DPRK like Foreign Construction Co. sent thousands of experts and technicians to scores of countries and regions including Russia, Bangladesh, Kuwait and Libya to engage in project and labor contracting. Mansudae Overseas Development Group undertook to build bronze statues, monuments and other works of arts, and fit out buildings and parks in over 70 countries and regions to earn foreign currencies for the country. President statues in the seven African countries like Equatorial Guinea, Togo and Gabon, monument of the people's heroes in Ethiopia, and the grain museum in Malaysia were all works of the company. DPRK Industrial Tech Co. opened branches in China and other countries to conduct trade in new technology, inventions and patents by replying on the institute and production bases attached to DPRK's Academy of Sciences. Premier Pak Pong Ju also stressed in the report that efforts should be made to improve modes of economic management, to ensure practical benefits while reflecting socialist principles. DPRK has carried out factory and company reform through market price instead of planned price. It will also partially give up the state plan in production and sale. These measures are not only suitable for small- and medium-sized factories and enterprises but also for large-sized ones. Governments may purchase products from them according to market prices. They are also allowed to introduce foreign capital, establish joint-ventures or earn profits through trade within their capacity. Another agenda of the Fourth Plenary Session of the Eleventh Supreme People's Congress was extremely noticeable. It was the report entitled Speed up Development of Science and Technology to Build a Strong and Prosperous Country, delivered by Choe Thae Bok, Secretary General of the Central Committee of DPRK's Labor Party. Development of Science and Technology as one of the priorities of DPRK's future development, the report was regarded as indication of the importance attached to science and technology development and its aspiration to embrace the information society. A strategic goal of its science and technology development is to become a major software country by 2022. It is not common for DPRK's Supreme People's Congress, its highest body of power, to add on the agenda the development of science and technology. Media in DPRK have stressed on many occasions that the 21st century is a century of science and technology and a century of information, and that without the development of science and development

it is impossible to achieve the goal of “building a strong and prosperous country”. The Supreme People’s Congress deliberated carefully and adopted the report, fully testifying its importance on science and technology and the fact that science and technology development had become a nationwide consensus. Kaesong Industrial Park is a successful cooperation between DPRK and ROK and the two sides have decided to expand its scale on the current basis. Covering an area of 10,000 sq meters, it is planned to expand to 1 million sq meters. Many small- and medium-sized enterprises in ROK intend to invest and start business in the park as labor price in China’s coastal region in the south east is rising. Products manufactured there can be regarded as ROK-made and exported to a third country. The DPRK Government might copy China’s special economic zones to establish new such zones along the border areas between China and DPRK. It is reported that DPRK planned to establish a new economic zone on the Bidan Island on the lower reaches of the Yalu River and build it into a future financial center. The establishment of such zones remains an important option for DPRK but it is also very prudent due to previous failure. DPRK has severe shortage of energy, especially oil. 90% of its oil supply comes from China. It also has oil trade with Russia but the amount is trivial as it does not have enough foreign currency. Russian oil companies sell oil to DPRK at price lower than international market price. DPRK has almost no oil reserve to speak of. It is currently working actively with China to exploit oil in its West Sea. Electricity is also in short supply in DPRK though its supply is slightly better compared to oil. DPRK is rich in water recourses so the Government tries to develop small hydro power stations. And in accordance with the principle of those who develop will benefit, local governments are encouraged to build such projects according to their own conditions, and with good results. It is claimed by DPRK officials that the country is in fact equipped with conditions to build large hydro power stations. That’s why Kim Jong Il and other high-level officials in DPRK visited China’s Three Gorges Hydro Power Project in Yichang early this year. But because of its tension with US and its fear of conflicts or wars, the Government only encourages small- and medium-sized hydro power stations before its relations with US has improved. In addition, it also stresses thermal power since it is rich in coal and able to provide sufficient fuel. Consumption of coal ranks the first among all energy, to be followed by hydro power. DPRK is now studying new energy and hopes to convert it into actual use in production and life, i.e. solar power and biogas. There are four important recourses in DPRK: rich forest resources; important mineral resources like abundant coal, iron ore, graphite, gold, silver, lead, zinc, magnesite, all of which now allow the participation of foreign companies; 8600-kilometer coasts with no pollution, which are rare in the world and hold great potentials for fishing, aqua-culture, processing of sea food once foreign capital and technology are channeled in; rich tourist resources, that may become one of its future pillar industries. DPRK has abundant mineral recourses, with over 360 kinds confirmed and 200 kinds economically viable. It is noticeable that the reserve of its magnisite ranks the first in the world, accounting for 56% of the world’s total. Its top ten minerals include tungsten, molybdenum, graphite, heavy spar and fluorite. The reserve of copper and ilmenite is calculated in tens of millions of tons and that of white jade, jadeite, black jade and sand jade is also abundant. Since it has such a large reserve of metal and energy mines, 70% of its industrial raw materials and fuels are self-sufficient. But there is no oil and pitch coal (raw material for charcoal), both of which are necessary for iron and steel industry though anthracite and brown

coal are abundant. Coal, iron ore, lead and zinc core, limestone and magnisite take up the bulk of DPRK's mineral industry but only 30% of the capacity is utilized due to restrictions of outdated equipment and poor technology. Iron ore is exploited in over 20 mines represented by Musan Mine. With a reserve of 1 billion tons, it is a famous open mine in the world and the largest in a country with an iron output of 8 million tons. Production of iron ore grew by 2-3% since 1970s, as a result of expansion and development of iron mines. But the growth has slowed down recently due to poor results of prospecting and outdated equipment. Foreign capital is now being introduced. DPRK's coal is divided into anthracite and bituminous coal. The former is mainly located in Pyongan-namdo and Pyongan-bukto while the latter in Hamgyong-bukto and Hamgyong-namdo. According to administrative division, there are four major coal mines in DPRK, namely Pyongan-namdo Mine, Pyongan-bukto Mine, Hamgyong-bukto Mine and Hamgyong-namdo. Currently there are over 100 national coal mines, 70 anthracite mines and 30 bituminous coal mines, and over 500 small- and medium-sized local mines. In the 80-kilometer belt in the south of Pyongan-namdo stretching from east to west with Pyongyang at the center, the reserve of anthracite is abundant. Notable mines include Samsin (Samsindon, Daefon-gu) , Sadon (Sadon-gu), Ryongzen (Ryongzen-gu), Haelyong (Ladonza-gu, Haelyong, Gangdon-gun), Gangdon (Gangdon-gun), Gangso (Gangso-gun), Zencun (Zencun-gun), Wonstun (Wonstun-gun). There is anthracite in 668 sq kilometers in the north of Pyongan-namdo. Main coal mines there include those in Donstun, Syongbun, Jaenam, Joyang of Ganstun, Ganstun, Bonstun, Yamzum, Wyonlae, Xinlyon, Sonam of Bugstun-gun, Xiandon, Xinstun of Ensam-gun, Stunzen, Yongdae, Sunstun, Mujindae, Gigdon, and Ryongden, Ryongmun and Ryongcel of Kujang-gun, P'y?ngan-bukto. Bituminous coal is mostly concentrated in the North Mine (north of Aoji) and South Mine (south of Chongjin) in Hamgyong-bukto and Anju Mine in Pyongan-namdo. Largest coal mines in the north include Aoji Mine in Undok-kun, Obun Mine in Musam, Hue Ryon Mine. There are seven ore strata that are 2-5 meters in depth in Anju Mine, producing brown coal of 5300kcal. With an annual output of 7 million tons, it is thus the largest mine in DPRK. DPRK's proven coal deposits are 14.74 billion tons, 11.74 being anthracite and 3 billion tons brown coal. Recoverable reserve, allowed by the current technology, is about 7.9 billion tons. Its coal production has dropped since the end of 1980s due to restrictions of technology and equipment. Sino-DPRK trade and economic cooperation grows at an eye-catching pace. With trade accounting for 40% of its total and investment 70%, China has thus become DPRK's largest trading partner and source of investment. DPRK has been more dependent on China in food and energy supply. Main ports between the two countries have become or are becoming major vehicles of bilateral trade and economic cooperation. The friendly visit by Chinese President Hu Jintao to DPRK in October 2005 and Kim Jong Il's China visit in January this year have further promoted political and economic cooperation between the two countries and injected new impetus in bilateral trade. Trade between China and DPRK has increased by 14%, reaching 1.6 billion USD. DPRK import commodities like oil and corn from China, worth 1 billion USD, and export commodities like coal and iron ore to China, worth 0.5 billion USD. According to the statistics from Dandong Customs, 1.86 million tons of import and export went through the Dandong Port in 2005 at a value of 0.84 billion USD, up both in quantity and value by 10%, with 0.45 billion USD in China's favor. It is estimated that DPRK will continue to expand trade with China this year. The two countries have

planned to build a new road bridge across the Yalu River to meet the demands of the constantly growing trade. Year DPRK's Total Foreign Trade DPRK's Trade with China China's Export China's Import 1997 21.7 6.5 5.3 1.2 1998 14.4 4.1 3.5 0.6 1999 14.8 3.7 3.2 0.5 2000 19.7 4.8 4.5 0.3 2001 22.7 7.37 5.7 1.6 2002 22.6 7.33 4.6 2.7 2003 29 10.23 6.3 3.9 2004 31 13.85 2005 40.5 15.8 10.8 5

In recent years Chinese businessmen have accelerated their investment in DPRK. Those who took the lead in investing DPRK mainly came from Zhejiang, Jilin, Liaoning, Jiangsu and Guangdong Provinces with Zhejiang businessmen taking up the bulk. In 2003, 40 businessmen from Wenzhou, Yiwu, Dongyang, Cixi and Hangzhou headed by Lu Yunlei, agreed on cooperation intent with the operators of Pyongyang No. 1 Store. Guhui Trading Co. lead by Lu, obtained, unexpectedly, operating right of 15,000 sq meters of the store and corresponding 9,000 sq meters of warehouse. The deal was signed on 6 August 2003. Lu commented that what he valued was the market potentials in a country that was opening up. Lu also disclosed that he would invest several million of RMB to renovate the store and that operating space in the store would cover 10,000 sq meters, divided into over 300 booths to be further rented to Chinese businessmen to wholesale and retail small Chinese commodities, daily necessities in particular. The Zhejiang businessman commented opportunities in DPRK like this: "It is better to have our presence in the country but don't expect too much from the first phase.".It was the private companies that gave rise to the first wave of investing in DPRK. The second wave in 2005 was mostly generated by large state-owned enterprises, in areas like heavy industry, energy, mineral recourses and transportation, different from the first one. At present DPRK has agreed to the joint-venture between China National Metals and Minerals Import and Export Corporation and its ??Coal Mine. This is not only the first established by China outside DPRK's special economic zone but also represents an important measure by DPRK to open its recourses. Rydongden Coal Mine is the largest anthracite mine in DPRK. Covering an area of 18.8 sq kilometers, it has a reserve of 0.15 billion ton, 0.125 billion of which is recoverable. Its annual output is 1 million tons, equal to a medium-sized coal mine in China. According to report issued by the Development and Reform Committee of Jilin, the province has reached a "barter" agreement with DPRK, transmitting electricity to the country in exchange of the mining rights of its Youth Copper Mine. With a total investment of 0.22 billion RMB, it is a typical experiment by DPRK to exchange electricity with mineral recourses. Jinlin Tonghua Iron and Steel Group will obtain 50-year mining rights in Musan Iron, the largest in DPRK, at a price of 7 billion RMB. Musan Iron, located in Hamgyong-bukto is the largest open mine in Asia, with proven reserve of iron powder about 7 billion tons. With iron content as high as 66%, it is able to be smelted directly. Gold reserves in DPRK are also very rich. Guoda Gold Shareholding Co. Ltd., in Zhaoyuan, Shandong Province signed an agreement in 2004 with DPRK on gold exploration and smelting project. According to the agreement, a joint-venture would be set up for gold mining in ??? and bring back the ore to the company for smelting. ??? Gold Mine, which was set up quite early, has a considerable reserve and at least 150 tons can be recoverabled. But due to the lack of capital and outdated technology, operation of the mine has been at a standstill. In September 2005 DPRK sold the 50-year exclusive operating rights of Najin wharf to Huichun, Jilin, in order to get the latter's support for building a road from Tongsungu, Wonstunli, Kasung-si, to Najin Port. Sources from the Administrative Committee of the Border Economic Cooperation Zone in Huichun, Jilin,

disclosed that the sale this time of the wharf in Najin Port was more of a corporate instead of government act. It was said that Fan Yingsheng, a real estate developer from Hunan, was the mastermind behind the deal and he alone would channel half of the 60 million Euro in payment. Capital from Hong Kong is also coming. Early investments were mainly channeled to hotels, restaurants and the entertainment industry. But according to a recent report from Hong Kong media, a local businessman Qian Haoming reached a 3-billion USD agreement with the DPRK Government and China's Ministry of Railway to build a railway from Tumen, border city in China, to Chongjin, port in DPRK. The agreement signifies that the deadlock between railway authorities of the two countries is being broken. There used to be three pending questions with the DPRK railway, i.e. overstock, arrears and withholding of Chinese cargo carriages. This forced the Chinese railway authority to take measures to restrict transportation between the two countries, like intermittent loading and goods limits. Statistics show that over 2000 carriages were held up in DPRK in 2004, 260 of which were for coal. It is reported that Hong Kong International Industry Development Co. Ltd., headed by Qian Haoming, promised to provide 500 to 1000 carriages to DPRK as required by the agreement. Preliminary agreements have been reached at the moment between China and DPRK concerning minerals, railway and port lease. Sino-DPRK economic cooperation is growing in depth and width but both sides adopt a low-profile and practical attitude. It is necessary to point out that such development has aroused concern from relevant countries in North East Asia, which mistake China for having political motives. In fact Chinese enterprises, both private and state-owned, are looking for greater room for their future development as a result of the constantly improving market economy in China. Amid such backdrop, neighboring country DPRK naturally becomes their target. There are plenty of Chinese enterprises with strength ready to come into DPRK, more active than the government policy allows. During the National People's Congress last march, delegates from local enterprises proposed a motion to the Central Government, calling for policy and legal guarantees for expanded and deepened economic cooperation with DPRK, including the establishment of special economic zones and free trade areas. It is not difficult to see that laws of the market economy are the most fundamental reason behind Chinese enterprises' investment in DPRK." (Li Dunqiu, "DPRK's Reform and Sino-DPRK Economic Cooperation," NAPSnet, August 24, 2006)

8/25/06

The U.S. Treasury Department, in a shift in its policy toward North Korea, has decided to treat all transactions involving the nation as suspect and subject to sanctions while dictator Kim Jong Il develops nuclear weapons. "Given the regime's counterfeiting of U.S. currency, narcotics trafficking and use of accounts worldwide to conduct proliferation-related transactions, the line between illicit and licit North Korean money is nearly invisible," said Stuart Levey, Treasury's undersecretary for terrorism and financial intelligence. Levey's statement to Bloomberg News departs from Treasury's earlier position that it was targeting only overtly illegal activities by North Korean companies. The policy change, which may impinge on foreign banks, coincides with an effort by President George W. Bush to pressure North Korea to return to talks aimed at scrapping its nuclear-weapon and ballistic-missile programs. Bush defended using a financial strategy against North Korea when asked at a press conference this week whether it was interfering with international efforts to limit the country's missile work.

David Asher, coordinator of the U.S. State Department's North Korea working group from 2003 to 2005, said Bush's pressure on North Korea accounts for the broadened scrutiny of transactions by Treasury. As the U.S. has successfully cut off North Korea's traditional trading companies and financial account holders, Kim's government has had to move lower down to financial institutions that had been more isolated from illegal transactions, Asher said. That has erased the line between legal and illegal transactions from the U.S. perspective. "The U.S. continues to encourage financial institutions to carefully assess the risk of holding any North Korea-related accounts," Levey said in the statement sent to Bloomberg on August 17 that first hinted at the policy shift. Treasury has been using its authority under international banking laws and the USA Patriot Act to cut off money that it says North Korea gets from drug trafficking and counterfeiting. "This is not ad hoc crime conducted by rogue elements of the regime," Asher said. "These are criminal activities directed from the top." Asher is now affiliated with the Alexandria-Virginia-based Institute for Defense Analyses, which advises the U.S. government on national security issues. Under provisions of the Patriot Act, Treasury may prohibit U.S. financial institutions from doing business with banks designated as money-laundering concerns. At a minimum, the law requires U.S. banks to know their customers. In 2005, the U.S. opened another front in the financial war when Bush signed an executive order directing Treasury to freeze the assets of those suspected of attempting to spread weapons of mass destruction or related missiles. Among those targeted by the order were three North Korean companies. Investigators later froze the U.S. assets of 10 more North Korean entities it said were involved in illegal activities. The U.S. has also targeted 13 Iranian organizations and one from Syria, Treasury spokeswoman Molly Millerwise said in Washington. Levey last month visited Vietnam and told leaders there to be wary of allowing banking relationships with North Korean banks. North Korea has demanded that the U.S. remove financial sanctions as a condition for resuming talks on giving up its nuclear weapons program. Bush said he asked China's President Hu Jintao earlier this week to put pressure on North Korea to return to the talks, which include as participants Russia, China, South Korea and Japan. The last round of six-government talks ended in November without agreement after the nations signed a declaration in September asking for a nuclear-free Korean peninsula. (Alison Fitzgerald, "U.S. to Treat All North Korea Transactions as Suspect," Bloomberg, August 25, 2006)

8/26/06

DPRK Foreign Ministry spokesman's statement "accusing the United States of more persistently escalating its financial sanctions against the DPRK: In the wake of the publication of Bush's statement calling for cutting off the financial channels of 'rogue states,' the U.S. Department of Treasury dispatched its deputy secretary to Southeast Asian countries including Vietnam, urging them to stop all sorts of financial dealings with the DPRK. In the meantime, it is tracing the accounts opened by the DPRK in banks of at least 10 countries including some Southeast Asian countries and Mongolia and Russia. This is, in essence, a gangster-like act of gravely infringing upon the sovereignty and dignity of its dialogue partner as it is aimed at seriously tarnishing the image of the DPRK and severing its economic ties with other countries. The U.S. has applied financial sanctions against the DPRK for nearly one year according to its domestic act, not in line with the relevant international law. It has, at the same time, cooked up a variety of "fictions on illegal dealings", failing to attain any results of

investigation, much less producing any evidence to speak of. The U.S. has made contradictory remarks. While asserting that the present financial sanctions are irrelevant to the six-party talks as they are a measure for the enforcement of the act, the U.S. claimed that it would discuss the issue of lifting the financial sanctions, if Pyongyang comes out for the six-party talks. The U.S. negotiator, addressing the Congress, openly claimed that the financial sanctions are a lever for pressurizing north Korea to abandon its nuclear program. And its deputy secretary of Treasury urged other countries not to have any financial transactions with the DPRK, asserting that there is no difference between illegal dealing and legal one as far as the finance of north Korea is concerned. This is nothing but sophism making a mockery of and fooling the world people and a gangster-like doctrine. To lift the financial sanctions is not a mere business-like matter of taking back some amount of frozen money, but a political issue directly related not only to the six-party talks but to the implementation of the September 19 joint statement. It, therefore, serves as a barometer judging whether the U.S. is willing to make a switchover in its DPRK policy or not. By nature the nuclear issue on the Korean Peninsula surfaced due to the U.S. hostile policy toward the DPRK. The key to settling it is for the U.S. to give up its hostile policy toward the DPRK and opt for co-existing with it. In the joint statement issued on September 19, 2005, the DPRK committed itself to abandon its nuclear program and the U.S. to co-exist with it in peace. The DPRK, however, does not beg the U.S. to co-exist with it. It is the DPRK's stand to implement the agreement on the principle of equality. The DPRK likes to have the six-party talks more than ever as it will gain from the implementation of the agreement more than others. The U.S. financial sanctions against the DPRK are a stumbling-block lying in the way of the DPRK returning to the six-party talks. No sooner had the joint statement been published than the U.S. applied financial sanctions against its dialogue partner, completely scuttling the agreed agenda of the six-party talks and driving them to the present deadlock. The DPRK has clarified more than once that it will never go to the six-party talks, with 'sanctions' put on it. The DPRK remains unchanged in this principled stand. A scrutiny into the U.S. loudmouthed "illegal dealings" makes it clear that they are sheer fabrication nothing in common with the nature of the socialist system of Korean style. The DPRK has perfected legal and institutional mechanisms banning such illegal acts as counterfeiting notes and money-laundering. The DPRK is neither a 'law-breaking state' nor a 'state counterfeiting notes' as claimed by the U.S. On the contrary, it has fallen victim to the issue of counterfeit notes and their circulation due to the U.S. The DPRK remains undeterred by any financial supremacy of the U.S. as it has been exposed to U.S. sanctions for several decades and maintains no economic relations with it. It is the height of folly for the U.S. to think that it can solve any issue by means of sanctions and pressure. There is strong opinion even in the U.S. that it is more realistic for the Bush administration to lift the financial sanctions and resume the six-party talks because they would not prove effective but escalate the stand-off between the DPRK and the U.S. and entail a horrible disaster. This is by no means fortuitous. All these facts go to clearly prove that the Bush administration is chiefly to blame for scuttling the six-party talks and straining the situation in the region and for putting the brake on the process to denuclearize the Korean Peninsula. Now that the Bush administration is escalating its pressure upon the DPRK through the tightened financial sanctions in a bid to keep itself politically alive, **the DPRK is left with no other option but to take all necessary counter-measures**

**to protect its ideology, system, sovereignty and dignity.”** (KCNA, “DPRK Foreign Ministry Spokesman Demands U.S. Lift of Financial Sanctions,” (August 26, 2006)

9/3/06 Last week, a Victoria Supreme Court jury found four officers of the North Korean freighter *Pong Su* not guilty of aiding and abetting the importation of a commercial quantity of heroin. “There was a political officer on board,” said Federal Police Commissioner Mick Keelty. “There has to be some question marks about the knowledge or otherwise of the North Korean government in a shipment of the heroin that came here.” (Australian Associated Press, “Questions over North Korea and Pong Su,” September 3, 2006)

9/?/06 Report Report by Institute of International Policy Studies, think tank chaired by Nakasone Yasuhiro, calls for continued thorough studies of nuclear option while keeping three non-nuclear principles for now.

9/?/06 Counselor Philip Zelikow drafts policy paper for SecState Rice arguing that “the destruction of BDA had achieved its objective.” It was an “exemplary strike that had already achieved, and was continuing to achieve, the desired informal effect on the DPRK’s access to the international financial system.” He urged that an appropriate way be found to release the impounded BDA funds “in a way that reinforced and restarted our overall diplomatic strategy.” He shared the ideas with South Korea, but nothing came of it. (Chinoy, *Meltdown*, pp. 289-90)

9/14/06 President Roh in state visit presses Bush to end sanctions and reengage the North. (Chinoy, *Meltdown*, p. 289) In February 2007 Bush recalled, “I knew we were finally getting their attention when President Roh came and complained that we had to stop. That was the first time I thought we were really getting to the North Koreans.” (Sanger, *The Inheritance*, p. 334)

9/18/06 Kim Young-nam at 14<sup>th</sup> summit of non-aligned countries: **“the preconditions for giving up its nuclear weapons is that neighboring countries should also discontinue their nuclear programs and that the big powers should realize nuclear disarmament.”** *Rodong Sinmun*, “Kim Yong-nam Explains North Korean Standpoint of Solving the Nuclear Crisis, September 18, 2006)

KCNA: “The Portuguese police announced that it launched search operations against the network of counterfeiting dollar notes to seize total US\$7.5 million worth of counterfeit dollars and equipment and arrest suspects. It is said that this is the largest one of the counterfeit cases so far discovered in the world. The counterfeit of dollars in an allied country of the U.S. is a typical example which clearly indicates where its origin is. It is ridiculous that the U.S., which was claiming to be a ‘victim’ of the monetary crime, has kept mum about the notorious case. This offers a striking contrast to the fact that the U.S. has put an unreasonable financial sanction upon the DPRK, branding it as a ‘country of counterfeit’ without reasonable ground and material evidence.” (KCNA, “U.S. Urged to Give up Its Hostile Policy toward DPRK, September 16, 2006)



9/?/06

At Security Consultative Meeting in Washington, SecDef Rumsfeld and DefMin Yoon Kwang-ung reach compromise between U.S. position of 2009 and R.O.K.'s of 2012, agree to transfer operational control of ROK troops to South Korea sometime between October 15, 2009 and March 15, 2012)

10/3/06

DPRK FoMin statement: "The U.S. daily increasing threat of a nuclear war and its vicious sanctions and pressure have caused a grave situation on the Korean Peninsula in which the supreme interests and security of our State are seriously infringed upon and the Korean nation stands at the crossroads of life and death. The U.S. has become more frantic in its military exercises and arms build-up on the peninsula and in its vicinity for the purpose of launching the second Korean war since it made a de facto 'declaration of war' against the DPRK through the recent brigandish adoption of a UNSC resolution. **At the same time it is making desperate efforts to internationalize the sanctions and blockade against the DPRK** by leaving no dastardly means and methods untried in a foolish attempt to isolate and stifle it economically and bring down the socialist system chosen by its people themselves. The present Bush administration has gone the lengths of making ultimatum that it would punish the DPRK if it refuses to yield to the U.S. within the timetable set by it. Under the present situation in which the U.S. moves to isolate and stifle the DPRK have reached the worst phase, going beyond the extremity, the DPRK can no longer remain an on-looker to the developments. The DPRK has already declared that it would take all necessary countermeasures to defend the sovereignty of the country and the dignity of the nation from the Bush administration's vicious hostile actions. The DPRK Foreign Ministry is authorized to solemnly declare as follows in connection with the new measure to be taken to bolster the war deterrent for self-defense: Firstly, the field of scientific research of the DPRK will in the future **conduct a nuclear test** under the condition where safety is firmly guaranteed. ...The U.S. extreme threat of a nuclear war and sanctions and pressure compel the DPRK to conduct a nuclear test, an essential process for bolstering nuclear deterrent, as a corresponding measure for defense. Secondly, **the DPRK will never use nuclear weapons first** but strictly prohibit any threat of nuclear weapons and nuclear transfer. ...A people without reliable war deterrent are bound to meet a tragic death and the sovereignty of their country is bound to be wantonly infringed upon. This is a bitter lesson taught by the bloodshed resulting from the law of the jungle in different parts of the world. ...Thirdly, the DPRK will do its utmost to realize the denuclearization of the peninsula and give impetus to the world-wide nuclear disarmament and the ultimate elimination of nuclear weapons. ...**The ultimate goal of the DPRK is not a 'denuclearization' to be followed by its unilateral disarmament but one aimed at settling the hostile relations between the DPRK and the U.S. and removing the very source of all nuclear threats from the Korean Peninsula and its vicinity.** There is no change in the principled stand of the DPRK to materialize the denuclearization of the peninsula through dialogue and negotiation." (KCNA, "DPRK Clarifies Stand on New Measure to Bolster War Deterrent," October 3, 2006)

Bolton: "The DPRK announced it was going to test, and I thought this might provide an opportunity to do something endlessly discussed at the UN but rarely practiced, namely 'preventive diplomacy.' Oshima [Kenzo, Japan's permrep], Security Council president in October agreed, so I raised the matter that morning. (I also thought that a

test would allow us to argue that North Korea should be suspended or expelled from UN membership, but State was never able to swallow that possibility.) The only solace conservatives found in the North's test was that, finally, it would be impossible for the EAPeasers to continue their solicitous approach to the DPRK. Of course, this optimism proved completely unfounded. In fact, [NSA Stephen] Hadley's first reaction, according to [Under SecState Robert] Joseph, was to send Hill to Beijing to talk to North Korea. Talk about rewarding bad behavior!" (Bolton, *Surrender Is Not an Option*," p. 303)

Hecker: "There are two plausible explanations for why this test resulted in a relatively low yield. One possibility is that the North Koreans attempted to test a relatively simple nuclear device that was meant to be large, but it did not work quite right. There are two reasons the test of such a device might not have gone as planned. First, the detonators might not have exploded at exactly the right time or the explosive might not have been of the right quality, thus producing a lower yield. Second, if the timing of the "initiator" (additional neutrons that are introduced) was not quite right, this could also decrease the expected yield of the device. Another possibility is that North Korea was actually trying to test a smaller, much more sophisticated nuclear device, one with a lot of instrumentation to monitor implosion. North Korea could have learned a great deal from such a test, but I would be surprised if the country had really designed the device to be that small." (Siegfried Hecker, "Technical Perspective on North Korea's Nuclear Test: A Conversation between Dr. Siegfried Hecker and Dr. Shin Gi-wook, Stanford University Shorenstein Center, October 10, 2006)

10/4/06

UNSC met and spent the first hour and fifteen minutes discussing Guinea-Bissau. "When Oshima raised the DPRK agenda item, there was no one on the list requesting to speak, and a long silence after he opened the floor! ... I did not want to speak first, but I wasn't going to let the whole thing collapse, so I suggested we demand that North Korea withdraw its threat and verifiably eliminate its nuclear programs, or Chapter VII would follow. I concluded that this was the greatest threat the Council had faced during my tenure as U.S. ambassador, which was followed by a long silence, until Oshima took the floor in his national capacity and gave a strong statement. Others then spoke, but it was perfectly apparent that we didn't have the collective will to engage in 'preventive diplomacy,' or in fact do much else except await developments. It represented a total failure of the Council." (Bolton, *Surrender Is Not an Option*," pp. 303-4)

North Korea "can have a future or it can have these weapons. It cannot have both," Assistant Secretary of State Christopher R. Hill said at Johns Hopkins University's U.S.-Korea Institute. It was the toughest response yet from the Bush administration. Hill did not explain how the administration would respond to a test, but he said it is willing to sit with North Korean officials and diplomats from the region to discuss the crisis. "We will do all we can to dissuade [North Korea] from this test," he said. State Department officials said Hill is considering a trip to Asia to discuss options with key allies. "We are not going to live with a nuclear North Korea, we are not going to accept it," Hill said. He said the United States had passed along a private warning through North Korea's diplomatic mission to the United Nations in New York. (Dafna Linzer, "U.S. Won't Accept a Nuclear North Korea," *Washington Post*, October 5, 2006, p. A-20) Unable to

meet bilaterally, Sung Kim delivered the warning on the telephone. (Chinoy, *Meltdown*, p. 291)

10/6/06 UNSC president's statement warns North not to test: "a nuclear test, if carried out by the DPRK, would represent a clear threat to international peace and security and that, should the DPRK ignore calls of the international community, the Security Council will act consistent with its responsibility under the Charter of the United Nations." (United Nations Security Council, Statement by the President of the Security Council, S/PRST/2006/41, October 6, 2006)

10/8/06 Bolton: "[A]bout 10:15 p.m. the Ops Center called to say the Chinese had just informed Embassy Beijing that the North intended to test imminently. We later learned that the DPRK had told the Chinese in Pyongyang they anticipated a yield of about four kilotons, which was quite small, about a quarter of the yield of the bomb dropped on Hiroshima. ... When the test actually occurred, we tried to sort out the conflicting information coming in during an 11:45 p.m. conference call among State and NSC. One reason for the confusion was that the yield was so low, well under half a kiloton, that seismic information alone could not verify that the explosion was nuclear rather than non-nuclear. ... In the meantime, Rice had a conference call with Ban [Ki-moon], Li, Aso and Lavrov in which Ban told her that South Korea was cutting off humanitarian assistance to the North." (Bolton, *Surrender Is Not an Option*," p. 304)

Ex- SecState James Baker: "You don't give away anything. In my view it is not appeasement to talk to your enemies." (ABC News, *This Week with George Stephanopolous*, October 8, 2006)

10/9/06 North conducts underground nuclear test.

Bush statement: "Last night the government of North Korea proclaimed to the world that it had conducted a nuclear test. We're working to confirm North Korea's claim. Nonetheless, such a claim itself constitutes a threat to international peace and security. The United States condemns this provocative act. Once again North Korea has defied the will of the international community, and the international community will respond. This was confirmed this morning in conversations I had with leaders of China, and South Korea, Russia, and Japan. We reaffirmed our commitment to a nuclear-free Korean Peninsula, and all of us agreed that the proclaimed actions taken by North Korea are unacceptable and deserve an immediate response by the United Nations Security Council. The North Korean regime remains one of the world's leading proliferator of missile technology, including transfers to Iran and Syria. **The transfer of nuclear weapons or material by North Korea to states or non-state entities would be considered a grave threat to the United States, and we would hold North Korea fully accountable of the consequences of such action.** The United States remains committed to diplomacy, and we will continue to protect ourselves and our interests. I reaffirmed to our allies in the region, including South Korea and Japan, that the United States will meet the full range of our deterrent and security commitments. Threats will not lead to a brighter future for the North Korean people, nor weaken the resolve of the United States and our allies to achieve the denuclearization of the

Korean Peninsula. **Today's claim by North Korea** serves only to raise tensions, while depriving the North Korean people of the increased prosperity and better relations with the world offered by the implementation of the joint statement of the six-party talks. The oppressed and impoverished people of North Korea deserve that brighter future." (White House, "President Bush's Statement on North Korean Nuclear Test," October 9, 2006)

President Bush issues first explicit red line. A senior official involved in the decision: "Given the fact that they were trying to cross red lines, and they were launching missiles and they conducted the nuclear test, we finally decided it was time." The warning was credible, other officials said, because the IAEA has a collection of nuclear samples from North Korea that would likely enable it to trace a nuclear explosion back to North Korea. (David E. Sanger and Thom Shanker, "U.S. Debates Deterrence for Terrorist Nuclear Test," *New York Times*, May 8, 2007, p. A-10)

China characterizes North Korea's behavior as "brazen," expressed its "resolute opposition" to the test and said it "defied the universal opposition of international society," but it urged all parties to resolve the issue through "consultation and dialogue." (BBC, "North Korea Claims Nuclear Test," October 9, 2006) In 2006, when the United States received intelligence that North Korea was about to test a nuclear device, Bush ordered the intelligence to be shared immediately with the Chinese. After the test, Bush's first phone call was to Hu. According one senior administration official, Bush challenged him: "They have tested. They haven't just defied the United States. They've defied you, too, China." (Michael Abramowitz, "Bush Says It's 'Important to Engage China,'" *Washington Post*, August 5, 2008, p. A-1) Hu sends FM Li Zhaoxing to Pyongyang. Sources familiar with the meeting say it was "one of the roughest meetings ever between Chinese and North Koreans." The Chinese felt the North had violated a fundamental understanding never to test without prior consultation. "Kim had personally told Chinese leaders that he was committed to denuclearization," said one Chinese official. "It was his father's decision. The father's decision was more important than the son's. Kim wanted to express his sincerity in denuclearization by using his father's name. We understood this. But they did the nuclear test. They violated their commitment." According to one source, Li Zhaoxing told the North Koreans, "You've gone over the line. This is totally unacceptable. You have to promise this won't happen again." A PLA delegation happened to be in Washington at the time. A high-ranking general known to be close to Hu was invited to meet with NSA Stephen Hadley and Bush stopped by. He told them that the PLA had asked their counterparts in the North for information and got no response. "This Chinese general," according to an administration official, "was saying that 'they're out of control, they're just totally out of control.' And he was saying, 'It's not the same sort of relationship.'" Chinoy, *Meltdown*, pp. 295-96)

Rice called Bolton at 8:30 a.m. who urged that "we go directly for a sanctions resolution" and she agreed. "When North Korea came up in the Security Council meeting at 10:20 a.m. (after approving Ban as secretary general), I circulated Bush's statement and explained the elements of a draft resolution we would circulate shortly, including broad prohibitions on WMD and missile materials, an explicit inspection

provision, an arms embargo, and a prohibition on selling luxury goods to the DPRK. Jones Parry and de La Sablière [U.K. and French permreps] were supportive, while Wang and Churkin [PRC and Russian permreps] were very circumspect. They were on defense, and no one opposed the idea of an explicit Chapter VII sanctions resolution. ... The Perm-Five-plus-Japan met that afternoon, and Oshima and I distributed our respective draft resolutions, with Japan's tougher than ours in several respects." (Bolton, *Surrender Is Not an Option*," p. 304)

Air Force WC-135 Constant Phoenix atmospheric collection aircraft deployed capture radioactivity. (Chinoy, *Meltdown*, p. 292)

10/10/06 Tang Jiaxuan, head of International Department, in Pyongyang, carrying written message from President Hu, sees Kim Jong-il. After demanding the message, North Koreans keep him waiting before getting to see Kim. (Chinoy, *Meltdown*, p. 303)

At the U.N. Wang Guangya, writes John Bolton, opposed "the centerpiece of our draft, the provision to inspect cargo entering North Korea, blessing as it did our PSI authority; they didn't want to cover North Korean illicit activities other than proliferation, such as counterfeiting and narcotics; they didn't want an arms embargo; they opposed our prohibition on 'luxury goods.'" (Bolton, *Surrender Is Not an Option*," p. 305)

Henry Kissinger in Beijing sees President Hu. Before his trip he had been in touch with NSA Stephen Hadley, who had given him talking points backing up the U.S. position in seeking a sanctions resolution in the U.N. But Kissinger emphasized to Hu what Bush had said during their lunch on April 20, that the president remained interested in a broader, peaceful resolution in Korea including a peace treaty ending the Korean war and North Korean participation in regional security arrangements and that this should be conveyed to the North Koreans. (Chinoy, *Meltdown*, p. 303)

10/11/06 DPRK FoMin spokesman: **"The DPRK's nuclear test was entirely attributable to the U.S. nuclear threat, sanctions and pressure.** The DPRK has exerted every possible effort to settle the nuclear issue through dialogue and negotiations, prompted by its sincere desire to realize the denuclearization of the Korean Peninsula. The Bush administration, however, responded to our patient and sincere efforts and magnanimity with the policy of sanctions and blockade. The DPRK was compelled to substantially prove its possession of nukes to protect its sovereignty and right to existence from the daily increasing danger of war from the U.S. **Although the DPRK conducted the nuclear test due to the U.S., it still remains unchanged in its will to denuclearize the peninsula through dialogue and negotiations.** The **denuclearization of the entire peninsula was President Kim Il Sung's last instruction and an ultimate goal of the DPRK.** The DPRK's nuclear test does not contradict the September 19 joint statement under which it committed itself to dismantle nuclear weapons and abandon the existing nuclear program. On the contrary, it constitutes a positive measure for its implementation. The DPRK clarified more than once that it would feel no need to possess even a single nuke when it is no longer exposed to the U.S. threat after it has dropped its hostile policy toward the

DPRK and confidence has been built between the two countries. No sooner had the DPRK, which had already pulled out of the NPT and, accordingly, is no longer bound to international law, declared that it conducted a nuclear test than the U.S. manipulated the UN Security Council to issue a resolution pressurizing Pyongyang, an indication of the disturbing moves to impose collective sanctions upon it. The DPRK is ready for both dialogue and confrontation. **If the U.S. increases pressure upon the DPRK, persistently doing harm to it, it will continue to take physical countermeasures, considering it as a declaration of a war.** (KCNA, "DPRK Foreign Ministry Spokesman on U.S. Moves Concerning Its Nuclear Test," October 11, 2006)

Tang Jiaxuan, head of International Department, meets with Secretary of State Rice and tells her if Pyongyang could be assure the U.S. was ready to settle the BDA issue, the North would be ready to resume six-party talks. In public, he says his visit to Pyongyang "had not been in vain." Xinhua quotes him as urging the U.S. to 'take a more active and flexible attitude.' (Chinoy, *Meltdown*, pp. 303-4) In Seoul and Beijing, said a U.S. official involved in the trip, "She got the message that, 'If you guys had not been so intransigent, this might not have happened. Your refusal to deal with Kim Jong-il has led to this point. You can't attack him. You have to address his concerns. He wants to talk to you. You have to talk to him.'" (Chinoy, *Meltdown*, p. 306)

10/12/06 Bolton meets with China's U.N. ambassador Wang Guangya, who said the FM Li was somewhere near the China-DPRK border meeting with "people close to the Dear Leader," that Tang Jiaxuan would be in Moscow on the 14<sup>th</sup> and President Roh of South Korea would be in Beijing on the 13<sup>th</sup>, so he asked for the vote to be held on the 16<sup>th</sup>. He said Beijing would not veto but was debating wther to abstain or vote yes. He agreed to combined the "threat to international peace and security" language with another perambular paragraph and to LaSabliere's proposal to say "Acting under Chapter VII and taking measures under Article 41." (Bolton, *Surrender Is Not an Option*," pp. 306-7)

10/14/06 U.N. Security Council adopts resolution 1718: "*The Security Council, Recalling* its previous relevant resolutions, including resolution 825 (1993), resolution 1540 (2004) and, in particular, resolution 1695 (2006), as well as the statement of its President of 6 October 2006 (S/PRST/2006/41), *Reaffirming* that proliferation of nuclear, chemical and biological weapons, as well as their means of delivery, constitutes a threat to international peace and security, *Expressing the gravest concern* at the claim by the Democratic People's Republic of Korea (DPRK) that it has conducted a test of a nuclear weapon on 9 October 2006, and at the challenge such a test constitutes to the Treaty on the Non-Proliferation of Nuclear Weapons and to international efforts aimed at strengthening the global regime of non-proliferation of nuclear weapons, and the danger it poses to peace and stability in the region and beyond, *Expressing* its firm conviction that the international regime on the non-proliferation of nuclear weapons should be maintained and recalling that the DPRK cannot have the status of a nuclear-weapon state in accordance with the Treaty on the Non-Proliferation of Nuclear Weapons, *Deploring* the DPRK's announcement of withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons and its pursuit of nuclear weapons, *Deploring further* that the DPRK has refused to return to the six-party talks without precondition,

*Endorsing* the Joint Statement issued on 19 September 2005 by China, the DPRK, Japan, the Republic of Korea, the Russian Federation and the United States, *Underlining* the importance that the DPRK respond to other security and humanitarian concerns of the international community, *Expressing* profound concern that the test claimed by the DPRK has generated increased tension in the region and beyond, and determining therefore that there is a clear threat to international peace and security, *Acting* under Chapter VII of the Charter of the United Nations, and taking measures under its Article 41, 1. *Condemns* the nuclear test proclaimed by the DPRK on 9 October 2006 in flagrant disregard of its relevant resolutions, in particular resolution 1695 (2006), as well as of the statement of its President of 6 October 2006 (S/PRST/2006/41), including that such a test would bring universal condemnation of the international community and would represent a clear threat to international peace and security; 2. *Demands* that the DPRK not conduct any further nuclear test or launch of a ballistic missile; 3. *Demands* that the DPRK immediately retract its announcement of withdrawal from the Treaty on the Non-Proliferation of Nuclear Weapons; 4. *Demands* further that the DPRK return to the Treaty on the Non-Proliferation of Nuclear Weapons and International Atomic Energy Agency (IAEA) safeguards, and underlines the need for all States Parties to the Treaty on the Non-Proliferation of Nuclear Weapons to continue to comply with their Treaty obligations; 5. *Decides* that the DPRK shall suspend all activities related to its ballistic missile program and in this context re-establish its pre-existing commitments to a moratorium on missile launching; 6. *Decides* that the DPRK shall abandon all nuclear weapons and existing nuclear programmes in a complete, verifiable and irreversible manner, shall act strictly in accordance with the obligations applicable to parties under the Treaty on the Non-Proliferation of Nuclear Weapons and the terms and conditions of its International Atomic Energy Agency (IAEA) Safeguards Agreement (IAEA INFCIRC/403) and shall provide the IAEA transparency measures extending beyond these requirements, including such access to individuals, documentation, equipments and facilities as may be required and deemed necessary by the IAEA; 7. *Decides* also that the DPRK shall abandon all other existing weapons of mass destruction and ballistic missile program in a complete, verifiable and irreversible manner; 8. *Decides* that: (a) all Member States shall prevent the direct or indirect supply, sale or transfer to the DPRK, through their territories or by their nationals, or using their flag vessels or aircraft, and whether or not originating in their territories, of: (i) any battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems as defined for the purpose of the United Nations Register on Conventional Arms, or related materiel including spare parts, or items as determined by the Security Council or the Committee established by paragraph 12 below (the Committee); (ii) all items, materials, equipment, goods and technology as set out in the lists in documents S/2006/814 and S/2006/815, unless within 14 days of adoption of this resolution the Committee has amended or completed their provisions also taking into account the list in document S/2006/816, as well as other items, materials, equipment, goods and technology, determined by the Security Council or the Committee, which could contribute to DPRK's nuclear-related, ballistic missile-related or other weapons of mass destruction-related programs; (iii) luxury goods; (b) the DPRK shall cease the export of all items covered in subparagraphs (a) (i) and (a) (ii) above and that all Member States shall prohibit the procurement of such items from

the DPRK by their nationals, or using their flagged vessels or aircraft, and whether or not originating in the territory of the DPRK; (c) all Member States shall prevent any transfers to the DPRK by their nationals or from their territories, or from the DPRK by its nationals or from its territory, of technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of the items in subparagraphs (a) (i) and (a) (ii) above; (d) all Member States shall, in accordance with their respective legal processes, freeze immediately the funds, other financial assets and economic resources which are on their territories at the date of the adoption of this resolution or at any time thereafter, that are owned or controlled, directly or indirectly, by the persons or entities designated by the Committee or by the Security Council as being engaged in or providing support for, including through other illicit means, DPRK's nuclear-related, other weapons of mass destruction-related and ballistic missile-related programs, or by persons or entities acting on their behalf or at their direction, and ensure that any funds, financial assets or economic resources are prevented from being made available by their nationals or by any persons or entities within their territories, to or for the benefit of such persons or entities; (e) all Member States shall take the necessary steps to prevent the entry into or transit through their territories of the persons designated by the Committee or by the Security Council as being responsible for, including through supporting or promoting, DPRK policies in relation to the DPRK's nuclear-related, ballistic missile-related and other weapons of mass destruction-related programs, together with their family members, provided that nothing in this paragraph shall oblige a state to refuse its own nationals entry into its territory; (f) in order to ensure compliance with the requirements of this paragraph, and thereby preventing illicit trafficking in nuclear, chemical or biological weapons, their means of delivery and related materials, all Member States are called upon to take, in accordance with their national authorities and legislation, and consistent with international law, cooperative action including through inspection of cargo to and from the DPRK, as necessary; 9. *Decides* that the provisions of paragraph 8 (d) above do not apply to financial or other assets or resources that have been determined by relevant States: (a) to be necessary for basic expenses, including payment for foodstuffs, rent or mortgage, medicines and medical treatment, taxes, insurance premiums, and public utility charges, or exclusively for payment of reasonable professional fees and reimbursement of incurred expenses associated with the provision of legal services, or fees or service charges, in accordance with national laws, for routine holding or maintenance of frozen funds, other financial assets and economic resources, after notification by the relevant States to the Committee of the intention to authorize, where appropriate, access to such funds, other financial assets and economic resources and in the absence of a negative decision by the Committee within five working days of such notification; (b) to be necessary for extraordinary expenses, provided that such determination has been notified by the relevant States to the Committee and has been approved by the Committee; or (c) to be subject of a judicial, administrative or arbitral lien or judgment, in which case the funds, other financial assets and economic resources may be used to satisfy that lien or judgement provided that the lien or judgement was entered prior to the date of the present resolution, is not for the benefit of a person referred to in paragraph 8 (d) above or an individual or entity identified by the Security Council or the Committee, and has been notified by the relevant States to the Committee; 10. *Decides* that the measures imposed by



paragraph 8 (e) above shall not apply where the Committee determines on a case-by-case basis that such travel is justified on the grounds of humanitarian need, including religious obligations, or where the Committee concludes that an exemption would otherwise further the objectives of the present resolution; 11. *Calls upon* all Member States to report to the Security Council within thirty days of the adoption of this resolution on the steps they have taken with a view to implementing effectively the provisions of paragraph 8 above; 12. *Decides* to establish, in accordance with rule 28 of its provisional rules of procedure, a Committee of the Security Council consisting of all the members of the Council, to undertake the following tasks: (a) to seek from all States, in particular those producing or possessing the items, materials, equipment, goods and technology referred to in paragraph 8 (a) above, information regarding the actions taken by them to implement effectively the measures imposed by paragraph 8 above of this resolution and whatever further information it may consider useful in this regard; (b) to examine and take appropriate action on information regarding alleged violations of measures imposed by paragraph 8 of this resolution; (c) to consider and decide upon requests for exemptions set out in paragraphs 9 and 10 above; (d) to determine additional items, materials, equipment, goods and technology to be specified for the purpose of paragraphs 8 (a) (i) and 8 (a) (ii) above; (e) to designate additional individuals and entities subject to the measures imposed by paragraphs 8 (d) and 8 (e) above; (f) to promulgate guidelines as may be necessary to facilitate the implementation of the measures imposed by this resolution; (g) to report at least every 90 days to the Security Council on its work, with its observations and recommendations, in particular on ways to strengthen the effectiveness of the measures imposed by paragraph 8 above; 13. *Welcomes and encourages further* the efforts by all States concerned to intensify their diplomatic efforts, to refrain from any actions that might aggravate tension and to facilitate the early resumption of the six-party talks, with a view to the expeditious implementation of the Joint Statement issued on 19 September 2005 by China, the DPRK, Japan, the Republic of Korea, the Russian Federation and the United States, to achieve the verifiable denuclearization of the Korean peninsula and to maintain peace and stability on the Korean peninsula and in North-East Asia; 14. *Calls upon* the DPRK to return immediately to the six-party talks without precondition and to work towards the expeditious implementation of the Joint Statement issued on 19 September 2005 by China, the DPRK, Japan, the Republic of Korea, the Russian Federation and the United States; 15. *Affirms* that it shall keep DPRK's actions under continuous review and that it shall be prepared to review the appropriateness of the measures contained in paragraph 8 above, including the strengthening, modification, suspension or lifting of the measures, as may be needed at that time in light of the DPRK's compliance with the provisions of the resolution; 16. *Underlines* that further decisions will be required, should additional measures be necessary; 17. *Decides* to remain actively seized of the matter."

10/15/06

Nakagawa Shoichi, chmn of LDP Policy Research Council, tells Asahi-TV talk show, "there exists a logical argument that the possession of nuclear weapons lowers the probability of being attacked, and thus it would be appropriate to debate this." (*Asahi Shimbun*, "Debate on Nuclear Weapons Necessary," February 15, 2006) PM Abe stresses Japan's intention to preserve the three non-nuclear principles and calls the

debate finished. (*Japan Times*, "Aso Keen to Explore Nukes, but Abe Says Debate Is 'Finished,' October 19, 2006)

10/16/06

President chaired an NSC meeting in the morning. There was a lot of conversation about how China would treat resolution 1718 and whether they would inspect along the North Korea border. Bush asked, "Isn't this what PSI is all about?" Rice was preparing for her imminent departure to Asia and she stressed her intentions were not simply to "restart" the six-party talks. Bush responded that China was "coming our way" and that "we should see if the squeeze works" because "China will have to call Kim Jong-il's bluff." (Bolton, *Surrender Is Not an Option*," p. 310)

SecSt Rice speaks of the need to "expand defensive measures" and pushes for implementation of U.N. sanctions as she leaves for Japan, South Korea and China: "As North Korea scorns the international community, we will collectively isolate North Korea from the benefits of participation in that community. North Korea cannot endanger the world and then expect other nations to conduct business as usual in arms or missile parts. It cannot destabilize the international system and then expect exploit elaborate financial networks build for peaceful commerce. Resolution 1716 points the way. We expect every member of the international community to fully implement all aspects of this resolution." (DoS, Rice Briefing on Upcoming Trip to Asia, October 16, 2006, transcript) "Ironically, the nuclear test gave us an opening to launch this strategy. I set out for Northeast Asia with three goals: to reassure our allies; to get support for full implementation of UN Security Council resolution 1718 ... and to **deescalate the crisis expeditiously and move back to the Six-Party Talks**. ...What better time to engage Pyongyang than when it had lost all international support, including that of Beijing?" (Rice, *No Higher Honor*, p. 527)

10/17/06

DPRK FoMin spokesman statement: "On October 14 the United States instigated the UN Security Council to pass another 'resolution' calling for harsh international sanctions and blockade against the DPRK, unreasonably describing its nuclear test for self-defense as a 'threat' to international peace and security. The successful nuclear test in the DPRK was an exercise of its independent and legitimate right as a sovereign state as it was a positive defensive countermeasure to protect the sovereignty of the country and life and security of the people from the U.S. escalated nuclear war threat and sanctions and pressure. The DPRK was compelled to legitimately pull out of the NPT according to its relevant provision and manufactured nuclear weapons after undergoing the most fair and aboveboard and transparent processes as the U.S. seriously encroached upon the supreme security of the DPRK and the fundamental interests of the Korean nation under the pretext of the nuclear issue. **The DPRK conducted the test proving its possession of nukes in a legitimate manner after fairly announcing it in advance**, something unprecedented in view of international practice. It conducted the nuclear test under the conditions where its security is fully guaranteed and clearly declared that the DPRK, a responsible nuclear weapons state, would never use nukes first and will not allow nuclear transfer. **It also clarified that it would make every possible effort to promote the worldwide nuclear disarmament and the final elimination of nuclear weapons and invariably adhere to the principle to realize the denuclearization of the Korean Peninsula through**

**dialogue and negotiations.** However, the U.S., the very one that has driven the DPRK to the nuclear test, is describing the DPRK's nuclear test as a 'threat' to international peace and security, while shelving what it has done like a thief crying 'Stop the thief!' This totally preposterous act is intolerable. **The nuclear test in the DPRK was a great deed that greatly contributed to defending peace and stability not only on the Korean Peninsula but in the rest of Northeast Asia as it demonstrated powerful deterrent for coping with the U.S. nuclear threat and blackmail and foiling its attempt to ignite a new war.** The UNSC, paying no heed to all these facts, feigned ignorance of the U.S. hostile policy toward the DPRK, the policy that spurned the nuclear issue on the Korean Peninsula, and is now incriminating the DPRK's exercise of its sovereign right to defend the sovereignty of the country, while trumpeting about the denuclearization of the peninsula. This is an immoral behavior utterly devoid of impartiality. The UNSC 'resolution,' needless to say, cannot be construed otherwise than a declaration of a war against the DPRK because it was based on the scenario of the U.S. keen to destroy the socialist system of Korean-style centered on the popular masses. The DPRK vehemently denounces the 'resolution,' a product of the U.S. hostile policy toward the DPRK, and totally refutes it. The adoption of this 'resolution' made it impossible for the UNSC to evade the historic responsibility for having patronized and connived at the U.S. which caused the division of Korea, the root cause of all misfortunes of the Korean nation, in violation of the UN Charter the cornerstone of which is the principle of sovereignty, equality and self-determination and has systematically perpetrated undisguised moves to "bring down the system" in the DPRK. The present development clearly proves once again that the DPRK was entirely right when it decided to have access to nuclear weapons, its people's choice. The U.S. would be well advised not to miscalculate the DPRK. If the Bush group, oblivious of the lessons drawn from the shameful setbacks recorded in the history of the relations between the preceding U.S. administrations and the DPRK, calculates it can bring the DPRK to its knees through sanctions and pressure, pursuant to the already bankrupt hostile policy toward it, there would be nothing more ridiculous and foolish than its behavior. The DPRK had remained unfazed in any storm and stress in the past when it had no nuclear weapons. It is quite nonsensical to expect the DPRK to yield to the pressure and threat of someone at this time when it has become a nuclear weapons state. The DPRK wants peace but is not afraid of war. It wants dialogue but is always ready for confrontation. As already clarified by the DPRK, it will fulfill its responsibility for realizing the denuclearization of the Korean Peninsula. But if anyone attempts to infringe upon the DPRK's sovereignty and right to existence even a bit under the signboard of the UNSC resolution, it will deal merciless blows at him through strong actions. **The DPRK will closely follow the future U.S. attitude and take corresponding measures."** (KCNA, "DPRK Foreign Ministry Spokesman Totally Refutes UNSC 'Resolution,'" October 17, 2006)

10/18/06

China announced that State Councilor Tang Jiaxuan had led a high-level delegation to Pyongyang and met with North Korean leader Kim Jung-il. Tang, who as state councilor outranks the foreign minister in the Chinese system, visited Washington last week and then flew to Moscow before arriving in Pyongyang.

President Roh, resisting pressure for sanctions, especially shutting down Kaesong industrial park and Mount Kumgang tours, told Rice, "You Americans keep on saying you want this resolved diplomatically, but you are always putting up more hurdles." He specifically complained about U.S. unwillingness to resolve the Banco Delta Asia investigation and not letting Christopher Hill talk directly to the North. "These [projects] are the last bridge to the North," said a senior South Korean official, "and there was a reluctance to burn all the bridges to the North, to put everything on the line to pressure North Korea into abandoning nuclear weapons." Concerned that searching North Korean ships would risk a clash, Roh also rebuffed U.S. requests to join the Proliferation Security Initiative. According to one official who was present, "The chemistry in their meeting was poor." Rice was "pissed off," said a senior DoS official. "It was tough visit." (Chinoy, *Meltdown*, p. 301)

Banco Delta Asia, Joseph McLaughlin, a New York-based attorney with the international law firm Heller Ehrman, wrote in a letter that would be posted on the U.S. Treasury Department's Web site in late December, "Since the bank did not have the sophisticated technology to analyze large deposits of U.S. currency, such deposits were sent to HSBC New York for analysis before being finally credited to the depositor's account.". A spokesman for HSBC in Hong Kong, Gareth Hewett, declined to answer questions on the relationship between the bank and Banco Delta Asia. "We do not comment on individual companies," Hewett said. "We take money laundering control very seriously. We comply stringently with anti- money-laundering regulations issued by our various regulators, including in the U.S." David Asher, a former senior State Department official who until mid-2005 led the Bush administration's efforts to target what the United States describes as North Korea's illicit activities, said Banco Delta Asia would not have been able to distribute counterfeit U.S. currency through HSBC because the bank had sophisticated note-checking equipment. "They would have been caught immediately," said Asher, who is now a senior fellow with The Heritage Foundation. (David Lague, "Bank Says It Has Help in N. Korea Dealings," *International Herald Tribune*, February 2, 2007, p. 1)

FM Aso Taro tells Diet it was important that nuclear armament be freely debated. (Christopher W. Hughes, *Japan's Remilitarization* (London: IISS, April 2009) p. 103)

After meeting with FM Aso Taro, SecState Condoleezza Rice stressed the U.S. would meet threats to Japan with the "full range of deterrence." Vice FM Yachi Shotaro had told Deputy National Security Adviser Jack Crouch that properly conveying to other countries the U.S. stance on deterrence was the most important thing for Japan. The Institute for International Policy Studies, chaired by former PM Nakasone Yasuhiro, proposed in September, "In order to prepare for drastic changes in the international situation in the future, a thorough study of the nuclear issue should be conducted." Nakasone himself pointed out the possibility of a change in U.S.-Japan relations in which Japan relies on U.S. nuclear weapons to protect it. "It's wrong to think that Japan can defend itself without addressing the nuclear issue." LDP Policy Research Council chairman Nakagawa Shoichi has said the U.S. is not on a charity mission to protect Japan under its nuclear umbrella: "In order for the Japan-U.S. alliance to function properly in the true sense of the word, Japan has to discuss the nuclear issue." (*Yomiuri*

*Shimbun*, "North Korea's Nuclear Threat: Is U.S. Nuclear Umbrella Effective?" March 21, 2007)

10/19/06 PRC FoMin says test had "negative impact" on PRC-DPRK ties and denies China is North Korea's "ally." (Shirley A. Kan, *China and Proliferation of WMD and Missiles*, Congressional Research Service Report, November 15, 2006, p. 23) China gave North Korea "a strong message" that it will implement a tough U.N. Security Council resolution punishing Pyongyang for its nuclear test and that it must return to disarmament talks, Secretary of State Condoleezza Rice said, briefing reporters traveling with her after meetings with top Chinese leaders. Rice said China is considering a range of responses to North Korea's nuclear activity, but said she did not press the government to take any particular steps to force North Korea back to the bargaining table. "Let's just watch and see what China will do," Rice said, adding that "no one wants to be on the wrong side of the resolution, letting something slip through." Rice said it was clear that early reports on U.S. intentions have "conjured up in people's minds the Cuban missile crisis," in which the U.S. imposed a quarantine on Cuba. She said she wanted to allay those fears. Rice said that "there is a lot of misunderstanding" about the initiative, stressing that it is based on current legal authority and relies on intelligence, not "constant random inspection of ships." Rice said that while the United States wants to pay close attention to North Korean cargo, "there are many different ways in which this can be achieved," such as "container security initiatives" to detect potentially radioactive materials. Rice told reporters, "We want to leave open the path of negotiation. We don't want the crisis to escalate." (Glenn Kessler, "Rice: China Gave N. Korea 'A Strong Message,'" *Washington Post*, October 20, 2006)

10/20/06 President Roh sent a personal confidant, Ahn Hee-jung, along with Rep. Lee Hwa-young, to Pyongyang. They met with DPRK Councilor Lee Ho-nam. "My instruction on any unofficial contacts with the North Korean belongs to the president's inherent authority. [Those] contacts pose no problems politically or legally," Roh told the cabinet on April 10, 2007. "I have been given several offers to open unofficial dialogue channels with North Korea. I just heeded every offer and tried to verify its feasibility." He added, "Effort for a secret inter-Korean contact [in Ahn's case] was suspended in the process of sounding out the North's intentions." (*Hankyoreh*, "Roh Admits to Instructing Secret Contact with North Korea," April 10, 2007)

Kim Jong-il said he was "sorry" for the nuclear test and wished to return to talks with the U.S. A Chinese envoy quotes him as saying, "If the U. S. makes a concession [to some degree], we will also make a concession [to some degree], whether it be bilateral talks or six-party talks." (Associated Press, "China Says Rice, China's Li Call for North Korea Talks, Appeal for Restraint," *USA Today*, October 20, 2006)

10/?/06 The Security Council of Japan convene to determine whether the case represents a "contingency in areas surrounding Japan," and whether it is legally possible to have the Maritime Self-Defense Force participate in ship inspection operations in the U.N.-designated seas. Some cabinet members are hesitant to take this step, with one saying, "A contingency as stipulated in areas surrounding Japan presupposes a conflict

on the Korean Peninsula." However, the prime minister overrides this objection, saying, "The miniaturization of the nuclear weapon can't be overlooked." This statement results in the confirmation of a contingency in areas surrounding Japan for the first time. (*Yomiuri Shimbun*, "Reading Pyongyang's Moves: Nuclear Test Flagrant Challenge to Japan's Readiness," January 17, 2007)

- ?/?/06 China temporarily cuts off supply of military spare parts and curbing money transfers from Chinese banks to North Korea. (Chinoy, *Meltdown*, p. 302)
- 10/?/06 Memo to President Bush from Victor Cha, NSC director of Asian affairs, author of "hawk engagement," argues for face-to-face contact with North Koreans to test whether the North was serious about implementing the September 2005 joint statement. If negotiations fell apart, U.S. would be in a better position to enlist others for tougher measures. (Chinoy, *Meltdown*, p. 310)
- 10/?/06 At NSC meeting Rice argued for opening real negotiations with the North. Rice recalled in the summer of 2008, "We had to make a choice once the nuclear test had taken place. Were we just going to use the Security Council resolutions to tighten the screws and force some kind of North Korean behavior, or were we going to give them a chance and try to reopen the diplomatic track?" The hardliners pushed back. As one participant recalled, "Cheney looked like he was going to be ill." (Sanger, *The Inheritance*, p. 329)
- 10/22/06 Nakagawa Shoichi, chairman of the LDP Policy Research Council: repeats his calls for debate on nuclear option in U.S. visit on October 27 and in Japan on October 30 and November 5, speaking in personal capacity. FM Aso Taro in Diet on February 18, 19, 25 calls for freely debating nuclear armament while saying government has no intention of breaching the three non-nuclear principles. PM Abe says debate is finished on October 15 and reiterates intentions to maintain three non-nuclear principles. In the Diet on November 8 Abe refuses to respond to questions on muzzling the intra-party debate. (*Japan Times*, "Abe Says 'No' to Nukes but Allows Discussion, November 9, 2006) At APEC summit on November 21, he says government would not debate possessing nuclear weapons. (*Japan Times*, "Cabinet to Cease Talking about Nukes, Abe Says," November 21, 2006)
- Sen. Arlen Specter (R-PA): "The issue is serious enough with North Korea, with their having nuclear weapons and the capability to deliver them, I think we ought to use every alternative, including direct bilateral talks." (Transcript, *Fox News Sunday*, October 22, 2006)
- 10/23/06 Rob Sakoda, former chief of staff to Deputy SecState Armitage, warns that "too much pressure on North Korea risks making the situation worse than now ... perhaps collapse, refugees, and no control of North Korea's nukes and missiles. Because of the risk of collapse, there must be caution about how much pressure, how much we can squeeze North Korea." (*The Nelson Report*, October 23, 2006)

More than half the salaries paid to North Koreans working at Kaesong Industrial Complex go to the Korean Workers' Party, a document written by a team in charge of inter-Korean economic cooperation at the Ministry of Commerce, Industry and Energy shows. According to the memo, \$30 out of the monthly pay of \$57.50 goes to the KWP. With the \$17.50 spent on insurance and other costs, workers are left with only \$10 a month. The Unification Ministry has publicly claimed that workers get \$66 on average, with 30 percent spent on benefits like housing and medical expenses and 70 percent going to the workers. (*Chosun Ilbo*, "N. Korean Party 'Takes 60 Percent of Kaesong Wages,'" October 23, 2006)

10/24/06 Emma Chanlett-Avery and Sharon Squassoni, *North Korea's Nuclear Test: Motivations, Implications and Options*, CRS Report

10/?/06 Jack Pritchard, Siegfried Hecker, John Lewis, Robert Carlin in Pyongyang. They asked a North Korean military official, Colonel General Ri Chan-bok about the reports of small yield. General Ri did not miss a beat. **"You should know," he said, "that it is easier to test a larger device than a smaller one."** (Oberdorfer and Carlin, *The Two Koreas*, p. 416)

Hill meets with Kim Gye-gwan initiated and hosted by Wu Dawei in Beijing. At the end of lunch Wu walked out leaving Hill with Kim, who put on the table what Li Gun had raised with Hill's deputy, Kathleen Stephens, on March 7. In a press conference afterward, Hill said, "I met first with the Chinese bilaterally, then we had a trilateral lunch. Then I met bilaterally with the North Koreans - with the DPRK - and then trilaterally with the DPRK and the Chinese. ... Altogether there were seven hours of talks - bilaterally, trilaterally, and sometimes just standing around. ... As you know the DPRK was especially concerned that we address the situation of the financial measures that has, in their view, held up the talks for about a year now. We agreed that we could - that we will find a mechanism within the six-party process to address these financial measures, that we would - it would probably be some kind of a working group to deal with this, and that we would try to address it that way. Of course, addressing it will require - this needs to be done with the cooperation of the DPRK and of course addressing the problem that caused this whole issue, which is the illicit activities. We also had a discussion about the need to achieve rapid progress on the implementation of the September 2005 statement, and in that connection we all reaffirmed - including the DPRK delegation - reaffirmed our commitment to the September statement and to the denuclearization of the Korean Peninsula. They made very clear that these were not conditions, but they wanted to hear that we would address the issue of the financial measures in the context of the talks. ... What they wanted us to be prepared to discuss, [was] to address the financial measures in the six-party process. And we're prepared to do that. We're prepared to form a working group. We're prepared to figure out some mechanism where we can deal with that. But, whether we succeed in resolving it will depend to some extent on their cooperation to get out of these illicit activities. It will also depend on some legal matters, but we're prepared to address this in the six-party process. ... This was not a new proposal at all. I have mentioned this in several occasions. Many occasions, actually. And we're pleased that the DPRK saw this as a useful approach. ... We need this issue to be resolved. And by that I mean we

need the DPRK to get out of this kind of illicit activity.” (DOS, Assistant Secretary of State Christopher Hill, Press Conference at U.S. Embassy Beijing, October 31, 2006) The Chinese had brokered a deal a few days before and communicated it to SecState Rice. If Hill would show up and show flexibility on the BDA issue, Kim Jong-il would declare his willingness to return to six-party talks. Said one of the hardliners later, “I don’t know why she approved that. It was not welcome more widely in the U.S. government.” (Chinoy, *Meltdown*, p. 305) A critic of Hill’s willingness to concede on the BDA said, “That was a real miscalculation on his part. People were not happy with that meeting. **Any sort of commitments that Chris might have made at that meeting all had to be walked back in future meetings.**” (Chinoy, *Meltdown*, p. 308) Rice was unhappy because he had met bilaterally with Kim in defiance of her instructions. She sent a stiff note to Beijing complaining about Wu Dawei’s behavior and left Hill off a high-level delegation that went to China, Japan and South Korea to talk about the North Korea issue and instead had Nicholas Burns lead it and included Robert Joseph and Will Tobey. “The purpose of those discussions was to talk about implementing sanctions, and that people shouldn’t get the impression that we were becoming weak-kneed. The thinking was we’ll eventually get back to diplomacy. But [the North Koreans] have got to feel the pain for a while, in terms of the sanctions and the [U.N.] resolution,” said a person familiar with the internal deliberations The Chinese were puzzled by the tough position after hearing Hill strike a different tone just a few days earlier.(Chinoy, *Meltdown*, p. 308) Rice: “Chris Hill ... asked to see me for a few minutes at the [Adlon] hotel. Chris had just concluded a secret meeting with the North Koreans. ...The North Koreans were prepared to shut down their reactor at Yongbyon and readmit IAEA inspectors. ‘What do they want? A light-water reactor?’ I asked. ...‘No,’ he replied. ‘They want their money back.’ ...‘That’s going to be a tough sell with the President, I said. ...Chris was guessing that Kim had acted somewhat beyond his instructions from Pyongyang. If he went back without our agreement, we might be back to square one. ... I decided to go directly to the President. I called Steve [Hadley] on the phone and told him what had happened. ‘I need you to take this to the President directly,’ I said. As any good national security adviser will do, Steve protested that he needed to convene the Principals. ‘I don’t have time for that, Steve. I’d like to talk to the President.’ Steve got the President on the phone. ‘Sir, we have a chance to get this thing off the ground but it won’t be there tomorrow,’ I said. ‘Send me the paper,’ he answered. I did and then waited until about 1:00 a.m. Berlin time (7:000 p.m. in Washington) before calling again. The President had approved the paper. He had, of course, consulted the Vice President and Steve had talked to [SecDef] Bob Gates, who had no problem with the approach.”(Rice, *No Higher Honor*, p. 571) Rice: “I can honestly say that Chris never operated outside his guidance, but the overhyped press coverage made it seem as if he was freelancing – successfully freelancing was the impression, but that didn’t earn him any slack.” (p. 706)

Bush: “We’ll be sending teams to the region to work with our partners to make sure that **the current United Nations Security Council resolution is enforced**, but also to make sure that the talks are effective.” (Office of the Press Secretary, “Bush Discusses Sudan with Special Envoys and Makes Remarks on North Korea,” October 31, 2006)



11/?/06

A month after North Korea conducts the nuclear test, Japan and countries concerned formulate a "coalition of the willing," and coalition members begin consultations on drawing up an "action program for a trade embargo against North Korea" at the U.S. Navy's Japan headquarters in Yokosuka, Kanagawa Prefecture. One problem after another arises, however, over how Japan should act in response to the situation. Although other members of the coalition have asked Japan to allow them to use ports and harbors in Japan so they can have their vessels refueled at sea off the coast of this country, the Japanese government refuses the requests. The foreign minister frets that "our government is being asked by other members of the coalition to allow their vessels to use ports and harbors in Japan and have them refueled by Japan at sea off the coast of this country...Can't we do anything in this situation?" An assistant chief cabinet secretary can only say in reply: "I'm sorry, but any support we can extend under the law concerning a contingency in areas surrounding Japan is limited to that for U.S. forces. We can't do anything else under the existing law." The construction and transport minister points out, "The United States has decided to make use of its coast guard, which is experienced in vessel inspections." "Isn't it advisable to put Japan Coast Guard officers on board MSDF destroyers?" the minister says. The assistant vice secretary general says in response: "Although what you say certainly sounds reasonable, the Japan Coast Guard Law prohibits the JCG from playing any military role." "As long as the enforcement of an embargo is deemed a military action, the JCG can't be allowed to do that," he stresses. The prime minister remarks, "Uh-huh, it can't be helped...We then have no other choice but do our utmost within such constraints." After this remark by the prime minister, the action plan is narrowly worked out. (*Yomiuri Shimbun*, "Reading Pyongyang's Moves: Nuclear Test Flagrant Challenge to Japan's Readiness," January 17, 2007)

11/6/06

"06 BANGKOK 6702 Embassy Bangkok (Thailand) Mon, 6 Nov 2006 09:31 UTC WIKILEAKSSUBJECT: THAILAND'S TRADE WITH NORTH KOREA: DOING BUSINESS WITH THE HERMIT KINGDOM Sensitive but Unclassified, please handle accordingly. ¶1. (SBU) Summary: U.N. economic sanctions against North Korea have met with high-level acceptance from Thai authorities who are moving toward implementing the Security Council resolution. Thailand's unusual position as a top trading partner of North Korea gives it a potentially large role in helping carrying out sanctions. Although trade with the DPRK is relatively insignificant for the Thais, for the North Koreans Thailand has become a growing source of both needed imports and an outlet for exports. In many respects the trading relationship is normal, but unusual behavior by North Korean companies in Thailand raises some suspicions as to what other activities they may be up to. End Summary. ¶2. (SBU) The RTG has shown support for UNSC Resolution 1718 placing sanctions on North Korea and is taking steps to comply with its provisions. Foreign Minister Nitya Pibulsonggram said in a statement that the sanctions were a necessary and legitimate response by the international community. Mr. Cherdchai Chaivaivid of the MFA's East Asia Division told Econoff that the MFA's International Organization bureau hosted an interagency meeting October 25 to coordinate on compliance with the UNSC resolution. MFA plans to submit a report to the Cabinet on November 7 outlining the RTG plan to begin sanctions, including what sanctions can be put in place immediately and which may have to wait due to legal difficulties. ¶3. (SBU) Cherdchai explained that a number of agencies present at the

October 25 meeting noted they had run up against legal limitations on implementing the U.N. sanctions. A Bank of Thailand official told Econoff the Bank had limited authority to surveil bank accounts linked to North Korea, except those with terrorism links. The MFA's legal office has proposed a new law be drafted to ensure the RTG would have sufficient legal authority to cover this and any other future sanctions regimes, a "blank check" as Cherdchai put it. Doing business with Kim Jong Il -----  
----- ¶14. (U) Despite little historical or other significant relationship with North Korea, Thailand has found itself one of the DPRK's leading international partners. Japan's reduction in trade with North Korea over recent years has helped catapult Thailand into third place on the list of North Korea's largest trading partners behind China and South Korea. Despite this standing, Thailand's trade with North Korea is miniscule by Thai and global standards. **Thailand exported USD 222 million in goods and services to North Korea in 2005**, less than 0.2 percent of its total exports. Imports from North Korea totaled only \$133 million last year, a tiny 0.1 percent of Thailand's net imports. ¶15. (U) Exports to North Korea have been steady over the past few years, though export figures jumped nearly 35 percent this year through September. Thai exports tend to be resource-based, led by rubber (up over 1300 percent in 2006 with USD 28 million in sales), and followed by wood, tin, copper and aluminum scrap. Computer equipment and parts, including integrated circuits, make up a sizable percentage of exports as well. Rice was the largest export in 2005 with nearly USD 30 million in sales, but to date this year Thai rice exporters have yet to fill an order to the DPRK. ¶16. (SBU) Imports from North Korea have climbed steadily in recent years and are on track this year to more than triple the level in 2003. Import levels have hit USD 163 million through September this year, up 82 percent over the same period in 2005. **North Korea's top export to Thailand thus far in 2006 has been gold, over USD 30 million thus far and making up 20 percent of North Korea's total exports to Thailand. Exports of gold in 2004 and 2005 were virtually nil**, a massive increase for 2006, indicating perhaps a revival of the DPRK's mining industry. However, gold from North Korea made up only one percent of Thailand's overall gold imports, and members of the Thai Gem and Jewelry Traders Association, consumers of a large amount of imported gold, told Econoff they had no recollection of having purchasing gold from North Korea. Organic chemicals, particularly ethylene, accounted for another 20 percent of imports. Seafood products, computer parts and other manufactures make up much of the rest. ¶17. (U) RTG export statistics show scant trade in items that U.N. BANGKOK 00006702 002 OF 003 sanctions might affect. Currently, there is no apparent trade in arms or ammunition, or nuclear-related material. The vast majority of Thailand's exports to the DPRK would be described as raw materials, manufactures or consumer goods, but little in the way of luxury goods. Statistics do include over USD 100,000 in jewelry exports in 2006 which were doubtfully headed to the average North Korean citizen. Thailand has also supplied a couple other luxuries to the DPRK that might fit sanctions criteria: USD 3,363 in beer and USD 75,000 in cigarettes so far this year. ¶18. (SBU) Rumors have circulated over the years that North Korea has re-exported donated rice and fertilizer through Thailand. 2003 statistics from the Ministry of Commerce showed ammonium sulfate imports from North Korea that could have been re-exported fertilizer, but South Korean contacts say it was a mix-up with Customs; trade statistics since show no trade in those products. Rumors are stronger, however, that the North Korean embassy in Laos has been quietly making

inquiries about reselling fertilizer in that country. Follow the money ----- ¶9. (SBU) North Korea's trade relationship with Thailand is shrouded in a veil of mystery. Thai Customs lists 720 Thai companies as having engaged in trade with North Korea, but calls to a random sample elicited nothing but confusion, and not a little apprehension that Embassy was calling regarding the DPRK. Companies said they had no recollection of doing business with North Korea and insisted Customs must have confused the North with South Korea, a distinct possibility. Embassy also speculates that North Korean businesses may be passing themselves off as generic "Koreans" to avoid controversy. ¶10. (SBU) A small window into North Korea's trading operation opened in 2002 after Slovakian police raided a North Korean trading company in Bratislava suspected of trafficking in nuclear machinery. Documents seized included references to a trading company named Kotha Supply based in Bangkok. Bertil Lintner, a Swedish journalist based in Thailand and a frequent writer on North Korea, tracked down business registration documents for Kotha Supply that showed that company officials carried North Korean diplomatic passports. ¶11. (SBU) Registration documents indicated Kotha Supply had changed its name to Star Bravo and changed addresses, but no office existed at the address given. In fact, deception appears to be standard practice for North Korean companies located in Bangkok. Addresses listed in business registration documents for Star Bravo and other companies obtained by Lintner were typically mail drops and not the actual location of the business. Documents showed that Star Bravo had changed its listed address annually, but never to the actual office location. The documents also listed names of Thai partners, but they appear to be silent partners and not actively involved in business operations. Phone numbers for the Thai partners listed in registration documents were incorrect. Financial statements indicated low initial investments, little business activity and almost inevitably recorded losses. The North Korean companies are audited annually as per Thai law, but Board of Investment contacts told Lintner that the auditors listed on the company documents were not respected and "would approve anything for enough money." ¶12. (SBU) The Ministry of Commerce's Bureau of Business Documentation lists 10 companies with North Korean partners doing business in Thailand, ranging from mining interests to shipping and import/export activities. Documents obtained by Embassy showed that four of the businesses were clustered around the North Korean Embassy, though names of the North Korean partners listed did not match MFA's diplomatic list for the DPRK mission. Three of the companies shared a common telephone number despite listing separate addresses. A couple calls placed to available phone numbers resulted in a brusque brush off from one North Korean, and a Thai employee at another company who insisted she had no idea what kind of business the company engaged in. ¶13. (SBU) The one acknowledged Thai trader with North Korea is Loxley Pacific, a division of telecommunications company Loxley Public Company, Ltd. Loxley PCL established Loxley Pacific in 1995 as their investment arm in North Korea after winning a telecom contract in the DPRK. Loxley installed a fixed-line telephone system in the Rajin-Songbong free economic trade zone (FETZ) and BANGKOK 00006702 003 OF 003 continues to operate approximately 10,000 lines. Loxley later contracted in 2003 to build a cellular system, but the project was put on hold after North Korean suspicions that a massive blast in 2004 that just missed Kim Jong Il may have been a bomb set off remotely by a cell phone. ¶14. (SBU) Loxley maintains a trading relationship with North Korea as well, exporting mostly consumer

goods such as toiletries, coffee, snacks and detergent to the North Koreans. Loxley Pacific's director, Mr. Sahayot, described the trading relationship as normal, though for many larger purchases the company requires payment up front in recognition of North Korea's rich history of welching on deals. North Korean firms in Pyongyang call regularly with shopping lists for Loxley to fill; payment is handled directly from Pyongyang, though Sahayot declined to identify the banks involved or if they used accounts outside North Korea. Sahayot was concerned that U.N. sanctions might affect sales but said he had yet to receive instructions from the RTG on how to proceed. He noted that a prohibition on luxury goods, however they may be defined, likely wouldn't affect export business to the DPRK as Loxley shipped primarily low-market consumer goods. Keeping the government out of it ----- ¶15. (SBU) Thailand's official relationship with North Korea could hardly be described as active. Although North Korea's embassy in Bangkok is its largest in Southeast Asia, MFA officials said they rarely had any contact with the DPRK and were not too familiar where their Embassy was even located. The MFA has been apolitical on private trade with North Korea, but government-to-government economic links were effectively severed after a rice deal went awry in 2001, for which North Korea still owes the RTG around USD 47 million. A recent revelation (denied by the DPRK) that a Thai citizen may have been among several foreigners abducted by North Korea from Macau in 1978 has not helped advance the relationship by any means. No longer flying the friendly skies ----- ¶16. (U) North Korea's national airline, Air Koryo, previously operated weekly flights between Bangkok and Pyongyang through Macau, but has reduced flights to the occasional charter. The new occupants of Air Koryo's local office said the office had closed two years previously and left no forwarding number. Air Koryo's web site no longer lists a Bangkok office, nor offers assistance in arranging flights. Postscript - a night in Pyongyang ----- ¶17. (U) Econoff dined recently at Pyongyangkwan, the newest, and probably only, North Korean restaurant in Bangkok. Opened in March this year and located just a few blocks from the DPRK Embassy, the restaurant serves up a host of Northern specialties. Scenes from Mangyongdae, Kim Il Sung's birthplace, adorn the walls. Six Korean girls wearing Kim Il Sung pins kept the small but lively crowd of Korean businessmen (presumably South) entertained with Korean songs, accompanying each other on accordions and electric guitars. The show was lively, but the sizable restaurant had dozens of tables that stayed empty on a Friday night, and it is questionable whether the Koreans are making a profitable return on their investment. However, the staff were friendly and the Thai manager generously gave Econoff a VIP card good for 10 percent off at "all valid branches," of which there appears to be only one. Arvizu"

- 11/8/06 PM Abe in Diet debate says that while members of his government and party, while upholding the three non-nuclear principles, would inevitably discuss issues of future nuclear deterrence in the wake of North Korea's nuclear test.
  
- 11/15/06 Saeki Keishi of Kyoto University op-ed in *Sankei Shimbun* called for Japan to start internal discussions on how to defend itself, including the nuclear option. (Robert Dujarric, "Japan's Nuclear Future in a Post-Iraq World," May 2007)

11/16/06 SecSt Rice: "The starting point for the resumption of the talks is the September agreement of 2005 and so the question is how to demonstrate in the next and succeeding rounds of the six-party talks that you're actually making progress toward the principles that were articulated in that statement. And there are principles on both sides of the equation: There are principles on denuclearization; there are principles on movement in the easing of tensions and beginning to move forward on economic and other relations. So I think obviously people will want to look at both. **But I do think that after having set off a nuclear test that the North Koreans need to do something to demonstrate that they actually are committed to denuclearization that goes beyond words that say that they're committed to denuclearization,** because after having set off a nuclear test I think there's some skepticism about that." (Secretary Condoleezza Rice, "Roundtable with Traveling Press, November 16, 2006, DoS Text; Helene Cooper, "U.S. Seeks Action by North Korea before New Talks," *New York Times*, November 16, 2006)

11/18/06 Bush and Roh meet in Hanoi on morning of APEC summit. Roh asks him whether he would be willing to sign peace declaration ending the Korean war and meet Kim Jong-il to sign it. In offhand response, Bush says yes. (Chinoy, *Meltdown*, p. 310) Bush was unable to get Roh to agree to intercept ships suspected of carrying supplies for North Korea's nuclear program. American officials have been trying to get South Korea to fully carry out U.N. sanctions imposed on North Korea after the North conducted a nuclear test in October. While Roh said he supported "the principles" of the intercept program, he continued to decline to take part in the voluntary program to stop ships suspected of carrying weapons. American officials who witnessed the session said that they believed that if hard intelligence emerged of a North Korean shipment, the South Koreans would be cooperative, but so far there has been no test of the South Koreans' willingness to toughen its sanctions. Roh's tenuous hold on the National Assembly has given him little room to join in tough sanctions, much less in active interception. (David E. Sanger, "Bush Praises Vietnam's Rise," *New York Times*, November 18, 2006) Later Bush told reporters, "We did discuss 1718, Resolution 1718, our mutual desire to effectively enforce the will of the world. I appreciate the cooperation we're receiving from South Korea on the Proliferation Security Initiative. Our desire is to solve the North Korean issue peacefully. And as I've made clear in a speech as recently as two days ago in Singapore, that we want the North Korean leaders to hear that if it gives up its weapons -- nuclear weapons ambitions, that we would be willing to enter into security arrangements with the North Koreans, as well as move forward new economic incentives for the North Korean people." (White House, "President Bush Meets with President Roh of the ROK," November 18, 2006) meets Hu at APEC. White House spokesman Tony Snow: "The President said, you know, we can announce an official end to the Korean War. That's probably what we're talking about here -- an end to the Korean War and also the way forward, in terms of economic and other cooperation. And, certainly, President Hu seemed to think that that was a good way to proceed." (White House, Office of the Press Secretary, "Press Gaggle by Tony Snow aboard Air Force One en route to Hanoi," November 19, 2007)

11/?/06 Stanley Foundation and Weatherhead East Asian Institute, "What Did We Learn from KEDO?"

- 11/20/06 PM Abe in press conference at APEC Forum indicated that Japan and the United States would work closely together to put pressure on Pyongyang. "Holding the [six-party] meeting is not the objective," Abe said. "There is a need for North Korea to demonstrate through specific measures that it is prepared to abandon its nuclear weapons program." (Yabe Takehiko, "Abe: North Korea Must Ditch Nukes," *Asahi Shimbun*, November 21, 2006)
- 11/25/06 Ishaba Shigeru, former JDA dirgen: "If we develop nuclear weapons, that would be tantamount to saying we don't trust the nuclear deterrence of the United States. ... We thereby could make enemies out of both the United States and China, which is the scariest scenario." (*Japan Times*, "National Security Debate Mushrooming Since Oct. 9," November 26, 2006)
- 11/27/06 *Rodong Sinmun* signed commentary: "Invincible arms are the most valuable wealth for national prosperity, with which nothing is comparable. Many countries had gone to ruin because of their weak force of arms, but there is no country that has gone to ruin due to famine. Neglecting arms is as good as an act of cutting off the lifeline of national prosperity by itself. This is the stark truth proven in practice. It is quite self-evident that one should build a strong war deterrent above anything else, if one really hopes for prosperity. The Songun politics reflects this immutable truth that self-defensive power guarantees development and prosperity. ... The Songun politics is an ideal politics that makes it possible to achieve the prosperity of the country under the correct economic strategy. **The line of building the economy in the era of Songun is an original line for most perfectly combining the defense building, the economic construction and the improvement of the standard of people's living with each other and ensuring their successful progress together on the highest level.** To develop the **defense industry on a preferential basis** is the best way for developing the national economy as a whole while building up the powerful defense capability. The line is the most popular line for building up the national economic power that truly serves the people. The Songun politics is a politics of attaching importance to the people which helps to push ahead with the socialist economic construction despite any obstructions of the imperialists and stabilize and improve the people's living. The DPRK has built in a far-sighted way the national economic strength with a powerful defense industry as its mainstay, tightening its belt to achieve the prosperity of the country. This is one of the greatest feats performed under the Songun politics of the Workers' Party of Korea. The Songun politics is a viable politics that helps to make leaping progress in the building of a great prosperous powerful nation in reliance upon science and technology. It is the stand of the WPK that the combination of latest science and technology with revolutionary idea and matchless arms makes it possible to build a powerful country. Embodied in the Songun politics is the idea of attaching importance to science that requires to increase self-defensive military capability in every way and build a great prosperous powerful nation at an early date on the basis of science and technology. The **WPK's line** of attaching importance to science and technology in the era of Songun is the idea of giving precedence to science that science and technology should be developed first of all in any trials. It is the bold idea of scientific revolution that requires to place the nation's science and technology on a world level in the

shortest span of time and the admirable scientific and technical strategy calling for concentrating all efforts of the nation on the development of science and technology. World-startling achievements have been registered in the field of science in the DPRK. Its success in a nuclear test is a demonstration of its scientific and technological potentials." (KCNA, "Rodong Sinmun Praises Songun As Great Banner of National Prosperity," November 27, 2006)

11/28-29/06 Hill meets with Kim Gye-gwan, in Beijing after luncheon arranged by Vice FM Wu Dawei. The United States reportedly offered draft proposal for denuclearization at its last meeting with North Korea and China in Beijing. Based on the U.S. proposal, North Korea would halt activities at its Yongbyon nuclear facility, accept inspections by the International Atomic Energy Agency, disclose its nuclear plans and close down its nuclear test sites. All these measures would be completed by 2008, according to news reports. In return, North Korea would receive food and energy aid in addition to active efforts to normalize ties with the United States and to reach a peace treaty on the Korean Peninsula. China reportedly offered a watered-down version of the proposal after North Korea objected to it. China's version deprioritized North Korea's obligations to halt its nuclear facility and accept IAEA inspections. Instead, Washington's financial sanctions against North Korea and normalization of ties with Japan were added as first-stage incentives. North Korean officials returned to Pyongyang without giving a straight answer. No development had been reported since, until China announced that the talks will resume next Monday. South Korean government officials suggest there could have been an improvement in the circumstances. "The United States would not agree to return to talks if there had been no progress," a South Korean government official said on condition of anonymity. Officials in Washington and Pyongyang have had informal contact since the Beijing discussion, according to sources. (Lee Jo-hee, "News Focus: Doubts Surround Success of Nuke Talks," *Korea Herald*, December 12, 2006) Hill began by presenting a list of what the U.S. wanted - what he dubbed "early harvest" - and spelling out in greater detail than before what the U.S. was prepared to do in return. He wanted a halt of its plutonium program, allowing IAEA to monitor, providing a declaration of its nuclear facilities, equipment and material and a shutdown of its nuclear test sites. In return the North would receive food and energy aid and a pledge to work to resolve the BDA and financial measures and accelerated normalization. "He continued to insist on solving the bank issue first before getting anything else done" Hill recalled. "Kim said, 'You ask for action, but only offer words. You need to end your hostile policy,'" noted one U.S. diplomat. "'You treat us as a terrorist state, so you have to change your own laws and regulations to show the U.S. does not have a hostile policy.'" (Chinoy, *Meltdown*, pp. 310-11) "During his meeting with the North Korean envoy, Hill presented a list of what North Korea should do for denuclearization as a precondition for the resumption of the six-way talks." [?] The source added that the list includes halting the operations of a graphite-moderated reactor in Yongbyon and return of IAEA inspectors. (Yonhap, "N. Korea, U.S. End Talks with No Progress," November 29, 2006) North Korea was urged to completely close the underground facility used for its nuclear explosion test in October in Punggyeri in North Hamgyong Province, by burying it or via other means. Pyongyang must declare all its nuclear facilities and programs. All nuclear-related facilities must be opened for inspections at an early stage by the International Atomic

Energy Agency. Work must cease at an experimental nuclear reactor in Yongbyon that produces plutonium. A North Korean pledge to do all of this was a precondition for resuming the six-nation negotiations. (*Yomiuri Shimbun*, "U.S. Sets Terms for Resuming 6-Party Talks," December 3, 2006) [One other pledge demanded: initial declaration of nuclear facilities, equipment, and material.] Hill told Kim the North must also dismantle by 2008 or face additional sanctions. (*Dong-a-Ilbo*, "U.S. Wants Nuke Program Halt by 2008, December 4, 2006) Hill offered a detailed package of economic energy assistance it was prepared to provide once dismantling began. (Helene Cooper and David E. Sanger, "U.S. Offers North Korea Aid for Dropping Nuclear Plans," *New York Times*, December 6, 2006, p. A-14) "Newspapers have been writing recently that there are three or five requirements the U.S., Japan, and South Korea decided to demand North Korea to meet, but the two core demands by the U.S. are that North Korea suspend the operation of its nuclear facilities and accept inspections by IAEA," said a source in Washington. "Since North Korea said it will accept the requirements over the course of a preliminary consultation, suggesting them again after the reopening of the roundtable will be the biggest obstacle to resuming the talks," added the source. Another source said, "The U.S. has the solid intention to avert repeating previous mistakes by resuming talks only if North Korea suspends its nuclear program vs. North Korea's demand that "you provide us with something." "It is quite unlikely that the U.S. has forgotten the clear fact that North Korea carried out nuclear testing and brought itself to the negotiations at the ground level," said the source. "The U.S. hopes to reopen the talks in mid-December, but this hope can be put off continuously if the preliminary requirements are not met" Chief delegates say, "Prove you mean it." During an interview with *Global People*, a Chinese magazine, Hill said, **"Denuclearizing the Korean peninsula will no doubt be the first item on the agenda if the six-party talks resume."** "We hope to see with our own eyes that North Korea sincerely means to denuclearize the Korean Peninsula," said Hill at an interview before he arrived in Beijing on November 27. "If North Korea promises to denuclearize, we are willing to take specific measures that respond to the promises." (*Dong-a-Ilbo*, "Issues Still Divide U.S., North Korea," November 28, 2006) "We are ready to implement the September 19 joint statement," Kim Gae-gwan said after a meeting with his South Korean counterpart Chun Yung-woo. "But at the current stage, we cannot abandon the nuclear program **in a one-sided way.**" (Kyodo, "N. Korean Delegate Rules out Unilateral Nuke Abandonment," November 30, 2006)

11/29/06

FM Aso tells Diet Security Committee hearing, "Japan is capable of producing nuclear weapons. But we are not saying we have plans to possess nuclear weapons." He added, "Possession of minimum level of arms for defense is not prohibited under Article 9 of the Constitution. Even nuclear weapons, if there are any that fall within that limit, are not prohibited." (Associated Press, "Japan Says It Could Build a Nuclear Bomb," November 29, 2006)

U.S. releases its list of 60 luxury goods sanctioned under U.N Security Council resolution 1718. "Fake fur and real fur and jewelry and Jet Skis, / Crystal and Segways and bubbly and Caddies, / Race cars and leather and plasma TVs - These are a few of Kim's favorite things." Jerrold Post, former CIA psychologist and director of the political psychology program at George Washington University said the sanctions



would not end Kim's weapons programs "unless they use Hennessy to fuel their rockets." (Elizabeth Williamson, "Hitting Kim Jong-il Right in the Cognac," *Washington Post*, November 30, 2006, p. A-1)

12/3/06 U.S., U.S. agree to draw up guidelines for five contingencies under Contingency Plan 5029: seizure by insurgents of North Korean WMD and missiles, riots or a coup by North Korean armed forces and civil war triggered by Kim Jong-il's death, mass exodus of refugees, a large-scale natural disaster, a hostage crisis involving South Koreans. (Jung Sung-ki, "Allies Draw up Contingency Plans on North," *Korea Times*, December 3, 2006; Hirano Shinichi, "S. Korea, U.S. to Draw up N. Korea Contingency Plan," *Yomiuri Shimbun*, December 4, 2006)

ROK humanitarian aid to North exceeds \$200 billion won for first time, UnifMin says. (*Korea Herald*, "Seoul's Aid to N. Korea Reaches Record," December 4, 2006)

12/?/06 Intelligence sources detect activity at eastern end of tunnel in Mount Mant'ap nuclear test site near village of Punggye-ri in North Hamgyong province in early December, disclosed by GNP assemblyman Chong Hyong-gun on December 21. ("North Korea May Be Preparing to Hold Second Nuke Test - Yonhap," AFX-Asia, December 21, 2007)

12/8/06 U.S. official says six-party talks on.

12/10/06 "The six-party talks should not resume without careful consideration," Nakagawa Syoichi, chairman of the LDP policy research council, told a television news program. "It's OK if (North Korea) brings something about progress or contribution to peace. But otherwise, it's no good," Nakagawa said. "We don't think that resuming talks itself is meaningful." (AFP, "Japan Objects to New Nuke Talks without N. Korea Compromise," December 10, 2006)

12/11/06 *Rodong Sinmun* signed commentary: "High-ranking officials of Japan including the chief executive vociferated that it 'does not recognize north Korea's access to nukes' and 'it can never allow north Korea to participate in the six-party talks with the status of a nuclear weapons state.' This behavior is, in essence, little short of opposing the DPRK's participation in the above-said talks and nothing but an act of an imbecile unable to understand the trend of times as it lacks any elementary political view and judgment. ...It is a real intention of Japan to use the talks not for finding a fair solution to the nuclear issue but for achieving its sinister political aim. That is why Japan is busy with shuttle diplomacy to attain its purpose come what may, far-fetchedly insisting that the 'abduction issue' should be a main agenda item of the talks. He six-party talks are meant to deal with the nuclear issue in name and reality, not for discussing the 'abduction issue' which has nothing to do with the former." (KCNA, "Japan's Attempt to Scuttle Six-Party Talks Blasted," December 11, 2006)

Treasury Under Secretary Levey: "As I have traveled and met with banking officials around the world, I have seen more and more financial institutions wanting to play a central role in fighting illicit finance, from partnering with their respective governments

to share information, or complying with OFAC's various sanctions programs though under no legal obligation to do so, or making conscious decisions to cut off business with known terrorists and rogue regimes. ... We must monitor the financial activities of known terrorists and proliferators and **prohibit their access - and that of their support networks - to the financial system.**" U.S. Department of the Treasury, Prepared Remarks of Stuart Levey, Undersecretary of the Treasury for Terrorism and Financial Intelligence, before the U.S.-MENA Private Banking Dialogue on Combating Money-Laundering and Terrorist Financing, December 11, 2006) "The goal is not to touch real oney here," acknowledged a senior administration official. "The goal is to besmirch their reputation so that around the world people don't want to touch it, because bankers are conservative people, right? They're not wanting to get involved with companies that get them into trouble. Once you do this in a banking system, then banks all over the world get wary of these guys." Said one senior State Department official, "Treasury had no idea how to undo what it had done." [or no interest?] (Chinoy, *Meltdown*, p. 312)

12/12/06 SecSt Rice: "North Korea needs to, particularly after its nuclear test, it needs to demonstrate that it is, in fact, committed to denuclearization. As to the package of incentives that might bring about that kind of behavior, I would just note that the joint statement of September 19th '05 -- 2005 -- does lay out a framework and makes very clear that in the context of denuclearization we would be talking about economic assistance, about energy assistance, about increased political contact toward -- over some period of time, normalization of relations and so there's a full program there. And what we don't want to do is to get into a circumstance where we're just talking about tit-for-tat, but rather keeping an eye on really important steps forward along the road of denuclearization and that's what we will be seeking in this set of negotiations." (Secretary of State Rice, "Joint Press Availability with U.S. Deputy Secretary of Defense Gordon England, Australian Foreign Minister Alexander Downer and Australian Secretary of Defense Brendan Nelson," December 12, 2006)

12/15/06 Rice hints at flexibility on BDA in interview with Reuters: "We're not going to allow them to continue to violate our laws, but obviously we'll look at the totality of all of this and see where we are after the next couple of rounds." (Carol Giacomo, "Rice Hints at Flexibility on North Korea," Reuters, December 16, 2006)

Ernst & Young audit: "From our investigations it is apparent that ... [Banco Delta Asia] did not introduce counterfeit U.S. currency notes into circulation." (Confidential report of Ernst & Young, text, leaked to McClatchy) "There was nothing they could present to the Macau authorities that could substantiate that these accounts were involved in illicit activities," recalled a former high-ranking DoS official. Believe me, particularly after we had seized the accounts and had a chance to go through some of the receipts, if there had been evidence of massive money laundering of, for example, profits from missiles or drugs or any kind of sales, you could be sure it would all be in the public arena by now." (Chinoy, *Meltdown*, p. 314)

Gov. Bill Richardson meets with Minister Kim Myong-gil and First Secretary Song Se-il in New Mexico [at Hill's encouragement to underscore message that need to deal]. WH

spokesman Tony Snow: "Certainly Governor Richardson can play a very constructive role in reminding the North Koreans that they ought to return to the six-party talks and be serious about what they agreed to in the September accord, which is to go about the business of taking down their nuclear programs in exchange for a series of considerations..." (WH Press Briefing, December 15, 2006)

Diet enacts landmark laws requiring Japanese schools to encourage patriotism and elevating the Defense Agency to the status of Ministry. (Anthony Faiola, "Japan Upgrades Its Defense Agency," *Washington Post*, December 16, 2006)

12/16/06 Kim Gye Gwan on return to talks, tells reporters, "We have taken defensive measures against sanctions imposed on us through this nuclear experiment. As we have attained that position, now we can have talks on an equal basis." (Associated Press, "North Korea, U.S. Demands Compromise But Appear Not to Budge Ahead of Nuclear Talks," *International Herald Tribune*, December 16, 2006) Hill later expressed a similar view about why the North returned to the negotiating table: "I think the Chinese really did put some heat on them. I think they were shocked [?] by the fact that the Chinese supported the U.N. Security Council resolution. And also - they fired off the weapon ... so they did have this chest-thumping thing ... now we are a nuclear power, we can talk." (Chinoy, *Meltdown*, pp. 307-07)

12/17/06 At Treasury talks with DPRK, Oh Gwang-chul headed DPRK delegation, the country's leading financial expert who once worked for Central Committee Bureau 38, a sign of seriousness. Deputy AsstSec for Terrorist financing and Financial Crimes Daniel Glaser headed U.S. delegation. Heller Ehrman, New York firm, confirms three-person administrative committee appointed by Macao has run BDA since September 2005 and closed all North Korean accounts. It also confirmed that before September 2005 North Korea had sold gold to BDA for hard currency. (Scott Rembrandt, "Six-Party Talks Resume, No Progress Reported," *Korea Insight*, 9, No. 1, January 2007) "The US didn't even offer evidence that North Korea committed illegal activities, says Kim Gye-gwan. "The sanctions issue should be resolved first." Treasury spokesperson Molly Millerwise says, "there hasn't been a firm date and place nailed down yet" for resumption of talks. (P. Parameswaran, "US-North Korea Talks on Financial Sanctions in Limbo," AFP, January 3, 2007) Marcus Noland: "The financial sanctions by the U.S. are bringing cascading effects to North Korea. North Korea's economy is affected more by the Macao financial sanctions than the official sanctions put forth by the UN." Evidence? "The UN sanctions are moderate and have loopholes in them, whereas the BDA measure brings about cascading effects on the external economic trade of North Korea. Moreover, financial institutions of many countries that are reluctant to be implicated in the illegal conduct of North Korea have begun to stop trade with North Korea. As a result, North Korea is facing an increasing amount of difficulty in international finance trade. This is shown by the depreciation of the North Korean won in the black market." (*Dong-A Ilbo*, "U.S. Sanctions Hurting North: Expert," January 4, 2007)

12/21/06 Six-party talks recess without agreement. "The U.S. has been unable to come to a decision to lift its sanctions and give up its hostile policy against us," Kim Gae-gwan

told a news briefing. "The U.S. is now jointly undertaking dialogue and pressure, carrots and sticks. And we are standing against them with dialogue and shields. The shield is to improve our deterrent." (Jack Kim, "North Korea Talks End with No Deal," Reuters, December 22, 2006) "The purpose of being here was to discuss the denuclearization of the Korean Peninsula," Hill said. "I want to emphasize I'm not here to talk about [Banco Delta Asia]. That's not what I do." At a news conference in Washington, Secretary of State Rice said talks must remain focused on denuclearization. "Diplomacy sometimes takes time, but we should not be diverted somehow by an issue that is clearly in another lane and is clearly being dealt with in a way that the North Koreans themselves asked that it be dealt with." (Edward Cody, "N. Korea Balks at Weapons Discussion," *Washington Post*, December 22, 2006, A-21) "They had a hard time talking about anything but the BDA," Hill says. "They have had strict instructions from their capital that they cannot engage officially on the subject of the six-party talks until they have the BDA issue resolved." (Lee Jo-hee, "Process of Beijing Talks under Scrutiny," *Korea Herald*, December 23, 2006)

12/22/06 Hill: "On the evening of December 22, Victor Cha, the NSC director for Northeast Asia, accompanied by Korea office director Sung Kim, visited the North Korean embassy and discussed next steps with Ri Gun and Choe Sun-hui, the North Korean deputy (Victor's counterpart) and the 'interpreter' (who at times behaved like the head of the North Korean delegation). To Victor's and Sung's surprise, Li and Choe suggested a quiet meeting somewhere in Europe where we might be able to make progress on the denuclearization issues, with the proviso that the Banco Delta Asia sanctions eventually be reversed before anything could be actually agreed and implemented. I immediately informed Secretary Rice, who was intrigued by the possibility but suggested I get home and that we take up the matter after Christmas. I met with her immediately after New Year's. She had already communicated the possibility to the president, who was prepared to explore it further. After considerable discussion, the decision was made to go ahead with Berlin. ...Condi and the president wanted to limit the publicity and told me to find an excuse for why I was in Berlin. I called Holbrooke, who, long out of government, was, among his other activities, chairman of the American Academy of Berlin. We worked out that I would speak at the Academy. ... We arrived in Berlin on January 15, 2007, for two days of talks with the North Koreans ..." (Christopher R. Hill, *Outpost: Life on the Frontlines of American Diplomacy* (New York: Simon & Schuster, 2014), pp. 252-53)

12/23/06 KPA Chief of the General Staff Kim Yong-chun says, if "enemy forces continue to increase their sanctions and pressure, we will respond with stronger and more resolute countermeasures." (*Segye Ilbo*, "North's Kim Yong-chun: 'We Will Respond with Strong Countermeasures if Sanctions and Pressure Intensify,'" December 23, 2006)

12/27/06 FM Aso Taro invw: "We're dealing with a game of chicken. ...As they begin to show fatigue, we'll eventually have to talk. That's what diplomacy is all about." "China believed that progress could be made" in the December round. "The talks didn't yield much. People are now telling China, 'This isn't what we expected' We shouldn't be holding talks that aren't yielding results." Aso says, "The fact that the North is so adamant about sanctions show they've been effective." "North Korea's position has

been to separate Japan and China, and to similarly drive a wedge between Japan and South Korea," he said. "We shouldn't make too much of this." [!] (John Brinsley and Keiichi Yamamura, "North Korea Must Be Pressured in a Game of Chicken," Bloomberg News, January 4, 2007)