

## APW

### News & Views

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16 Pages

- 1) [JIAP NEWS](#)
- 2) [MEMBER NEWS](#)
- 3) [OBSERVATION](#)
- 4) [CRITICAL REPORTS](#)
- 5) [OPINION, REPORTS & STATEMENTS](#)
- 6) [WEBSITE OF THE WEEK](#)
- 7) [KEY & QUICK NEWS LINKS](#)

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## 1. JIAP NEWS

As to be expected, this issue, for the most part, is focused on the evolving North Korean crisis.

The **Critical Reports** section is devoted entirely to the documents, statements, reporting, and commentary over this past week on North Korea. My **Observation** also reflects upon a possible consequence of an unresolved Korea crisis.

**Contents: COVER STORIES, JAPAN:** Japan Banking, Japan Business, Japan-Business-Goldman, Japan-Economy, Japan-Foreign Policy, Japan-Koizumi Visit to Russia, Japan-Yokosuka Issue **JAPAN RELEVANT:** China-Economy, China-Foreign Policy, China-Politics, Economic Espionage, Energy, Foreign Policy, Indonesia, Intellectual Property, Iraq Issues, Leadership, Science & Technology, South Korea, Southeast Asia, Steel, Taiwan, Trade, US Economy.

### Contact

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### About JIAP

JIAP is a Washington-based nonprofit, membership research center studying Japanese and Northeast Asian science, technology, security and public policy.

Established in 1991, the JIAP is a trusted member of the U.S. policy community interested in Japan and Asia. The Project specializes in introducing to Washington the best "outside-the-Beltway" scholarly research and analysis on critical Asia policy issues. The goal is to strengthen international understanding of Japanese and Northeast Asian science, technology, economic and security policy. Through a range of programs and publications, the Project educates its members, policymakers, and the public to use knowledge of Japan and Asia to increase national strategic competitiveness and security.

**\*\*All phone numbers are (202) unless otherwise indicated\*\***

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## 2) MEMBER NEWS

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**“Japan Should Avoid a Fiscal Squeeze,” Richard Katz** (Senior Editor, Oriental Economist; JIAP Member), Commentary, FT1/14/03, p13. “Tax increases now would preclude a cure of the banking problem and therefore in fact obstruct the preconditions for a long-term cure of government deficits.” [Katz will be speaking at CSIS on February 5<sup>th</sup>]

**“A Pragmatic Agenda,” Bruce Stokes** (JIAP Member), National Journal, 1/4/03, p51. “No longer the exception, **free-trade agreements are pragmatically inevitable and tactically necessary**. But without constant scrutiny, such deals risk becoming an end in themselves, rather than a means to a broader goal of global free trade. Now is the time to set tough standards for special trade arrangements.”

**“Interview: Australian Academic Backs Old Friend Takenaka,”** Dow Jones Newswires Online (Yahoo!Finance Singapore), 1/13/03. Interview with Warwick McKibbin (Non-Resident Senior Fellow, Brookings Institution; Australian National University). “I think it's absolutely critical the Bank (of Japan) moves away from the deflationary implications of what they are doing. The sooner the central bank generates some inflation the better,” *JIAP coverage of this non-resident Brookings fellow in our Ed Lincoln reporting has won him some press. We are still working on his becoming a member.* <http://sg.biz.yahoo.com/030113/15/36fq9.html>

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## 3) OBSERVATION

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### IF BUSH’S KOREA POLICY FAILS: A NEW SECURITY ‘ARRANGEMENT’ IN ASIA?

Let’s imagine the worst-case scenario that the Bush Administration fails in its efforts to disarm and to engage North Korea. What might be some of the consequences? A number of commentators have suggested recently that this is an opportunity for Japan to possess its own nuclear weapons as a deterrent to both North Korea and China. Neither Japan’s immediate neighbors nor its own citizens, however, are likely to tolerate a nuclear Japan. Other conservative commentators now advocate pulling U.S. troops out of both South Korea and Japan and have them go it alone. [See CRITICAL REPORTS] Thus, Japan has reason to be concerned about the American commitment to defend them as well as the rationality and prudence of current U.S. foreign policy. **One troubling alternative to the U.S. nuclear shield is an “arrangement” between Japan and nuclear North Korea.**

North Korea has already proven a near “reliable” counter to American foreign policy adventurism. No government in Asia wants a war in the Middle East. Oil import-dependent, the region cringes thinking that its energy supplies may be cut off. With Asia’s fragile economic recoveries and sometimes more fragile political structures, a war against Iraq, especially if messy and drawn out, is unacceptable. Yet, only privately will U.S. Asian allies voice strongly their objections. North Korea’s real or imagined nuclear plans have been a potent distraction from Washington’s war plans. More important, Pyongyang has neatly exposed the contradictions in Bush’s “axis of evil” pre-emption strategy—isn’t North Korea with nuclear weapons more dangerous than Iraq that is only developing them? Neither Tokyo nor Seoul could have expressed these doubts as clearly.

Since the end of the Cold War, the governments of Japan, South Korea, and Taiwan have voiced doubts over the reliability of Washington’s defense commitment to them. China’s capitalist communists are not the same as the Red Chinese of a generation ago. The greater global threat of communism that rationalized U.S. defense of the region is gone. North Korea, impoverished and dependent on outside aid, is viewed as a convenient threat during domestic security debates. Adding to these reservations is the long festering discomfort East Asian military planners have with being dependent upon the U.S. military. During these country’s development the U.S. presence may have been useful by keeping military budgets down and tensions mitigated. Yet, this overseer role by the U.S. is also considered humiliating. The tacit “cork in the bottle” argument—the US is needed to keep the Asians from harming each other—is seen now as an insult to the modern democracies in Northeast Asia.

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Thus, where can Japan turn for security alternatives if its own nuclear capability is not feasible? Looking to the Chinese would simply be replacing one dependency for another. Russia is Western with its own agenda. As bitter as the memories may be, the reality is that Japan, in part through its colonial past, has ties long and deep within Korea's economic and political structures.

Japan is also the one regional non-communist country with the most developed links to North Korea. It should not be forgotten that pre-war North Korea was a Japanese industrialized zone. Companies that had factories there are interested in reviving those ties as the redevelopment of North Korea would provide a good jumpstart to Japan's moribund economy. More interesting is the near billion dollars a year that flow from Japanese Koreans to their relatives in the North. The DPRK is also not exactly isolated commercially from Japan. Roughly 1000 North Korean cargo ships call on Japanese ports annually. In addition, the Man Gyong Bong 92, a cargo/passenger ship, makes about 30 round trips annually from Niigata to Wonsan, North Korea. Yet to be explored are the linkages between Japanese Koreans, Japan's underworld, Japan's right wing, corrupt Japanese politicians and North Korean officials. In a word, Japan already has important relationships with the DPRK.

A nuclear North Korea is most certainly a danger in the region. Yet, as the Chinese have shown, whoever holds, however tentatively, the leash on this "Mad Dog" is in a more sheltered security position. Neither China nor the US dares attack, as the repercussions would be severe. More interesting is the image of the DRPK as uncontrollable, erratic and every bit crazy. It works well for any state that wants to distance itself from the responsibility of the nuclear option. North Korea provides reasonable deniable accountability.

Beijing understands the usefulness of a loony nuclear Pyongyang. How much real influence the Chinese have on this "Hermit Kingdom" is questionable. Through aid, investment, and personal ties Japan has the potential to develop an even closer "relationship" with the DPRK. China will not be so pleased by this, but neither are they delighted by US troops in South Korea and Japan. To have nuclear arms by proxy ("murder by a borrowed knife" as the Chinese say), albeit tentatively, may be considered one of Japan's security options. Yes, this all sounds crazy as a possible scenario for East Asian security, but they call Kim Jong-Il crazy too and look where he has U.S. President George Bush.

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## 4) CRITICAL REPORTS

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### NORTH KOREA CRISIS

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#### Pre-election North Korea Strategy (1999)

"A Comprehensive Approach to North Korea," by **Richard Armitage**, NDU/INSS, *Strategic Forum #159*, March 1999. See: <http://www.ndu.edu/inss/strforum/forum159.html>. Advocates negotiations and inducements. Product of working group consisting of: Johannes A. Binnendijk, Institute for National Strategic Studies; Peter T.R. Brookes, House Committee on International Relations; Carl W. Ford, Ford and Associates; Kent M. Harrington, Harrington Group L.L.C.; Frank S. Jannuzi, Minority Staff of the Senate Foreign Relations Committee; **Robert A. Manning**, Council on Foreign Relations; RADM Michael A. McDevitt, USN (Ret.), Center for Naval Analyses; James J. Przystup, Institute for National Strategic Studies; GEN Robert W. RisCassi, USA (Ret.), L-3 Communications Corporation; and Ambassador **Paul D. Wolfowitz**, Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University. [Highlighted names are currently in the Administration]

#### Post-election North Korea Strategy (1/17/03)

"From Helsinki to Pyongyang," *The following is a statement of principles for U.S.-North Korean relations, signed by Leith Anderson, William Bennett, Charles Colson, Nicholas Eberstadt, Robert George, Michael Horowitz, Max Kampelman, Penn Kemble, Dianne Knippers, Richard Land, Richard Neuhaus, Michael Novak, Marvin Olasky, Mark Palmer, Nina Shea, Radek Sikorski, and R. James Woolsey*, WSJ, 1/17/03. "Based on **the lessons of Helsinki** [Nixon's 1972 détente with Leonid Brezhnev and the Soviet Union], we strongly believe that

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the U.S. must neither directly nor indirectly license a fragile and oppressive Pyongyang regime to commit heightened atrocities against its own people in exchange for yet another promise not to pose nuclear threats to the world order. We also believe that the U.S. can enter into formal negotiations with Pyongyang in a manner that promotes American and universal ideals and creates unity with our allies....Respond positively to Pyongyang's demand to negotiate with the U.S. over exchanging monitored renunciation of nuclear weaponry for a U.S. commitment of military "non-aggression" -- but on condition that Pyongyang agrees to negotiate over allowing institutions that promote such human rights as the free exchange of people, religious liberty, open borders and family reunification....Express willingness to negotiate an "economic basket" of issues in which the U.S. will consider lifting trade sanctions and offering economic assistance -- but on condition that Pyongyang takes monitored steps that satisfy the president's newly announced "millennial standards" making U.S. foreign aid contingent on the adoption of market-based and rule-of-law reforms....The lessons of Helsinki allow the crisis now created by the Pyongyang regime to be seen as an opportunity for, not a threat to, the free world. They allow the U.S. to focus the current debate on the regime's policies of persecution and starvation and to the massive failure of its economic policies. They allow the president to strengthen democracy and human rights throughout the world, to strengthen the bonds of alliances now temporarily strained by efforts to portray the U.S. as indifferent to Korean peninsular peace, and to maintain his determination never to allow rogue regimes to benefit from threats or broken promises. **We believe that little is lost, and much gained, by immediately broadening negotiations with the Pyongyang regime to include the plight of those who live under its rule.**"

### Congressional Research Service Report

**North Korea's Nuclear Weapons Program**, 1/7/03, 16pg. <http://www.fas.org/spp/starwars/crs/IB91141.pdf>

### Reporting & Statements (Chronologically with most current at top)

**1/20-22** – North and South Korean **Red Cross societies to meet at Mt. Geumgang.**

**1/21-4** – North and South Korea to **resume high-level talks** in Seoul. See:

[http://www.unikorea.go.kr/en/highlights/highlights.php?page\\_code=ue0202&mode=view&ucd=eng0102&ewn\\_num=159&ispr=0](http://www.unikorea.go.kr/en/highlights/highlights.php?page_code=ue0202&mode=view&ucd=eng0102&ewn_num=159&ispr=0).

**1/22-25** – North and South Korea to hold **second working-level contacts** on road and railway connection in Pyongyang. See:

[http://www.unikorea.go.kr/en/highlights/highlights.php?page\\_code=ue0202&mode=view&ucd=eng0102&ewn\\_num=161&ispr=0](http://www.unikorea.go.kr/en/highlights/highlights.php?page_code=ue0202&mode=view&ucd=eng0102&ewn_num=161&ispr=0).

**"Why Japan Just Might Build Nukes,"** International Edition, Asia, Business Week, 1/20/03. "But if Japan decides to build its own nukes, get ready for an Asian arms race. China would likely want to boost its arsenal, which would prompt India to develop more nuclear weapons, which would spur Pakistan to do the same--and on and on into an ever more perilous future." [http://www.businessweek.com/magazine/content/03\\_03/b3816027.htm](http://www.businessweek.com/magazine/content/03_03/b3816027.htm)

**"S Korea Says It Is Ready For War If Efforts In North Fail,"** FT1/17/02, p5. South Korean Defense Minister Lee Jun said on 1/16 that South Korea was prepared for the "worst-case scenario."

**"South Korea's Roh Urges Diplomacy,"** BBC News Online, 1/17/02. South Korean President Elect Roh Moo Hyun said 1/15 that "I think the problem can be resolved through dialogue because North Korea is sincere about its willingness to open up and reform. It has no other choice."

**"South Korea's President-Elect Rejects Use of Force Against North Korea,"** NYT1/17/03, A11. Pres. Elect Roh Moo Hyun.

**"South Korea's Next Leader Reassures US,"** NYT1/16/03, A12. President Elect Roh Moo Hyun met with US General **Leon J. LaPorte**, Commander USFK, and said, "People have not forgotten and have been thankful to

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American young men who died guarding peace and freedom.” Mr. Roh also called American troops, “the driving force of security and the backbone of our prosperity.” See: US Forces Korea, <http://www.korea.army.mil/index1.htm>.

**“Looming Trade Penalties could Sever a North Korean Link to Japan,”** NYT1/16/03, A12. North Korean ferry, Mangyongbong-92, carrying 5,000 people and roughly \$25 million in trade from Niigata to Wonsan every year is endangered.

**“Pyongyang Rejects US Talks Offer as ‘Pie in the Sky,’”** FT1/16/03, p6. KCNA Statement, “the U.S. loudmouthed supply of energy and food aid are like a painted cake pie in the sky as they are possible only after the DPRK is totally disarmed.” See: <http://www.kcna.co.jp/item/2003/200301/news01/16.htm#13>.

**“Washington’s Strategy is to Reach for a Bigger Carrot: Why the Bush Administration Dropped Attempts to Isolate North Korea and Instead Offered Talks,”** FT1/16/03 p6.

**“For U.S., Nuclear Arms Move To the Center Stage of Policy: The Standoff With North Korea Spotlights Weapons Trade, Threat of Rogue Groups,”** WSJ 1/16/03, p1.

**“Solving the North Korean Puzzle: Once Again, the US will Try Persuasion,”** NYT1/15/03, A11.

**“China Offers to Host US Talks with N. Korea: Beijing Increases Involvement in Attempts to Resolve Stalemate over Pyongyang’s Nuclear Plans,”** WP1/15/03, A15. Foreign Ministry spokeswoman **Zhang Qiyue** made offer to visiting Asst. Secretary of State **James A Kelly**.

**“Bush says Shift by North Korea Could Bring Aid: A New Approach for US: China Offers to Hold Meeting for Pyongyang and US on Nuclear Arms Dispute,”** NYT1/15/03, A1. Bush said on 1/14, “view this as an opportunity to bind together nations in the neighborhood and around the world to make it clear to the North Koreans that we expect this issue to be resolved peacefully, and we expect them to disarm. We expect them not to develop nuclear weapons. And if they so choose to do so -- their choice -- then I will reconsider whether or not we will start the bold initiative that I talked to Secretary Powell about.”  
See: <http://www.whitehouse.gov/news/releases/2003/01/20030114-2.html>.

**“Powell Urges Tougher North Korea Nuclear Pact: Citing Flaws in 1994 Deal, He says US Seeks to Curb Capacity to Make Weapons,”** WSJ1/14/03, A3. Sec. of State **Colin Powell** said in WSJ interview that the 1994 Agreed Framework “‘did succeed in capping production’ of fissile material, ‘But [it] left intact the capacity for production. I think, therefore we need a new arrangement and not just go back to the existing framework.’” “‘Are reactors the best way to give them the kind of energy capacity they need? These are all kind of open questions. ...It might be reactors, it might be some other form of energy.’”

1/12-14 – Assistant Secretary of State for East Asia and the Pacific **James A. Kelly** makes trip to South Korea, to consult on North Korea crisis. Kelly met with President-elect Roh Moo Hyun on 1/14.

See: **Kelly Press Conference**, <http://usinfo.state.gov/cgi-bin/washfile/display.pl?p=/products/washfile/geog/ea&f=03011304.eea&t=/products/washfile/newsitem.shtml>.

**“US Says No New Tack on N. Korea: Envoy’s Remark on Aid Causes Stir,”** WP1/14/03, A14. Press Secretary **Ari Fleischer** comments on the remarks of **James A. Kelly**. “The ball remains in North Korea’s court. They know what they need to do and they need to take that action....I don’t think you have anything new here.”  
See White House: <http://www.whitehouse.gov/news/releases/2003/01/20030113-6.html>

**“Aides Declare U.S. ‘Willing to Talk’ in Korea Dispute: High-Level Team Visiting Seoul Suggests Aid to North if it Drops Nuclear Projects,”** NYT1/14/03 A1.

**“Struggle for Survival behind the North Korea’s Brinkmanship; Pyongyang Seeks Concessions From US That It Believes Will Help Its Reform Plans,”** FT1/13/03 p4.

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**“US Struggles to Ease the Korean Standoff: Bush’s Envoy Suggests Possibility of Energy Aid to End Nuclear Impasse,”** WSJ/13/03, A9. Asst. Sec. of State James A. Kelly, in Seoul for talks with ROK government, said in a 1/13 press conference, “Once we get beyond nuclear weapons, there may be opportunities with the US, with private investors, with other countries to help North Korea in the energy area.” See: <http://usinfo.state.gov/cgi-bin/washfile/display.pl?p=/products/washfile/latest&f=03011304.elt&t=/products/washfile/newsitem.shtml>

**“N. Korea Threatens to Resume Missile Tests,”** WP1/12/03, A1. NK Ambassador to China Choe Jin Su said at a 1/11 news conference in Beijing, “The development, test, deployment and export of our missiles entirely belong to our sovereignty. Because all agreements have been nullified by the United States’ side, we believe we cannot go along with the self-imposed missile moratorium any longer.”

**“Bush Administration Shifts Blame for N. Korea Crisis: Clinton-Era Agreement Signed in ’94 with Pyongyang is Called Flawed,”** WP1/12/03 A22. “The new formulation of blame coincides with a spate of accusations, some from strong administration supporters, that President Bush may have antagonized North Korea by labeling it part of the ‘axis of evil’ and helped provoke the crisis.”

**“Mediator Urges Direct Dialogue in Korea Crisis,”** NYT1/12/03 A1. New Mexico Gov. **Bill Richardson** unofficially met with North Korean envoys from the UN on **1/10-12**. He cited their, “willingness to have better relations with the United States” and “to solve the nuclear issue through dialogue.” “I think what now needs to happen is that the governments need to talk to each other.”

**“Moscow is Negotiating with North Korean Officials in Quiet Effort to Defuse Tensions,”** NYT1/12/03 A13.

**“North Korea Could Become ‘Plutonium Supermarket,’”** FT1/11-12/03, p3.

**“Koizumi says Russia could Help Resolve Crisis,”** FT1/11-12/03, p3. Koizumi-Putin 1/10 joint press conference. See: <http://www.kantei.go.jp/jp/koizumispeech/2003/01/10kaiken.html> (j)

### Commentary

**“Cookies and Kimchi,”** Nicholas Kristof, Op-Ed, NYT1/17/03, A25. Kristof interview with South Korean President Elect **Roh Moo Hyun**, “Many Koreans believe that once the US adopts a policy of dialogue,” Mr. Roh added, “that will solve the problem.”

**“Korea Follies,”** Charles Krauthammer, Op-Ed, WP1/17/03, A23. “The Bush position on North Korea is in total collapse. **In less than a month we have gone from ‘tailored containment’ to shoeless appeasement.** It usually takes longer.... Giving up ground every three days – sanctions threatened, then sanctions withdrawn; a pledge not to talk, then talks initiated; a pledge of no rewards, then rewards offered and then quadrupled – is disastrous. Better to say nothing than to keep moving backward.” [Ed. Last week’s op ed advocated a nuclear Japan.]

**“Foreign Minister Kawaguchi’s Visit to S. Korea: Dialogue with N. Korea without Changing the Principle,”** Editorial, MAINICHI Shimbun, 1/17/03. “Now it is N. Korea that has to respond to the message from our side, as Japan promised in the Pyongyang Declaration that it provides economic assistance if the relations is normalized, S. Korea continues to commit to the Sunshine Policy, and the US begin to consider support.”

**“Confusion More Than Clarity,”** Op Ed by Al Hunt, WSJ, 1/16/03. **“North Korea has made a mockery of Bush resolve--remember the old "I say what I mean and I mean what I say" -- as the administration retreats daily. It may be a fatal misreading, but Saddam must see this as the U.S. backing down after its bluff was called.”**

**“Seoul’s Choice: The U.S. or the North,”** Richard V. Allen (National Security Adviser from 1980 to 1982, Senior Fellow, the Hoover Institution), Op-Ed, NYT 1/16/02 A31. “We must make clear to the South that while we will honor the terms of our mutual defense treaty, which means that we will respond to any aggression by the North, we will not stay where we are not wanted. **The first step should be to reduce our military presence on the peninsula by 25 percent by the end of 2004.**...Seoul has stepped into the neutral zone, and now pretends to a role of mediator between Pyongyang and Washington, declaring that both sides must make “concessions.” The cynicism of this act

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constitutes a serious breach of faith. Moreover, it has invited the North to try to drive a wedge deeper into the American-Korean relationship by appealing to regional and ethnic solidarity against the United States.... **We have our own cards to play, not least in guiding Japan to a sensible policy of considering arming itself with nuclear weapons should North Korea persist.**” [Ed. We guess the new Korean government just ended his consulting contract. Heritage is likely to be next.] <http://www.nytimes.com/2003/01/16/opinion/16ALLE.html>

**“N. Korea Is Inner Conflict For Bush,”** WP1/16/03, A16. “In his heart, the president professes to have a deep revulsion for the North Korean leader, Kim Jong Il, who lives what is said to be a lavish lifestyle while millions of his citizens starve. In his head, the president knows the confrontation over North Korea’s nuclear weapons programs cannot be solved without the cooperation of regional powers, some sort of dialogue with North Korea and an eventual agreement that once again caps, if not dismantles, the country’s nuclear ambitions, officials said.”

**“Amateur Hour at the White House,”** Richard Cohen, Op-Ed, WP1/16/03, A19. “But it is the Bush administration itself that is reeling. Its rhetoric and pronouncements are at odds with reality. It has been self-indulgent in its moralizing – all that tripe about evil – too pushy in its foreign policy and too eager to personalize matters of international relations. **The administration’s problem with North Korea is symptomatic of a larger one: It talks before it thinks.**”

**“A Japanese-Style Star Wars?”** Business Week, 1/15/03, Eye On Japan By Brian Bremner. “A joint missile-defense shield with the U.S. is becoming a more likely possibility in the face of growing threats from North Korea.” [http://www.businessweek.com/bwdaily/dnflash/jan2003/nf20030115\\_2281.htm](http://www.businessweek.com/bwdaily/dnflash/jan2003/nf20030115_2281.htm)

**“North Korea’s Secret,”** Nicholas D Kristof, Commentary, FT1/14/03, p13. “If only President Clinton had instituted the 1994 agreement with gusto, flooding North Korea with diplomats, investors, traders and pot-bellied bankers who ostentatiously overeat – without exploding – then monuments to the Great Leader might already have been replaced by American-run Internet cafes. So let’s agree to be blackmailed, so that North Korea gives up its nukes in exchange for Western trade and investment. I’m betting that soon Pyongyang will have a Starbucks – accessible to the disabled.”

**“Made-to-Measure Regulations for North Korea,”** John Chapman and Gary Samore (Director, and Director of Studies, International Institute for Strategic Studies), Commentary, FT1/14/03, p13. “The next step in building effective international pressure should lie with the UN Security Council. It should urgently pass a resolution determining that Pyongyang’s actions are a threat to international peace and security under chapter seven of the UN charter.... With the Agreed Framework dead, the US has an opportunity to devise a more comprehensive accord, including additional verification provisions and measures to limit North Korea’s nuclear capabilities.”

**“Take Measures to Protect the Country and Citizens: Double Crisis on Diplomacy: Prepare for Iraq and N. Korea,”** Editorial, SANKEI Shimbun, 1/14/03. “Japan, in cooperation with the US, should carry out the resolute attitude against the threat and brinkmanship of N. Korea. In addition to that, now practical and prudent preparations are necessary to prepare for the missile defense, enact the emergency measures, improve the information gathering ability and strengthen measures to prevent information leak.... Japan’s diplomacy should set its strategic basis on the protection of the dignity and sovereignty of the country as well as the national interest and citizens.”

**“To Pyongyang via Baghdad,”** Editorial, WSJ1/13/03, A10. “The faster Mr. Bush disarms the first member of that axis in Baghdad, the easier it will be to contain and disarm the others.”

**“Japan to Step Up Surveillance of North Korean Ships Calling at Japanese Ports,”** Sankei Shimbun, 1/12/03, FBIS translation JPP20030114000045. Man Gyong Bong 92’s 30 round trips from Niigata to Wonsan.

**“N. Korea Raises Nuclear Stakes: Proliferation Is A Problem That Goes Way Beyond Iraq,”** Editorial, FT1/11-12/03, p6. “The only way forward is patient diplomacy through the UN of the sort that built a consensus in the Security Council on Iraq, using Russia and possibly China as a point-man with Pyongyang, with a clear set of penalties and rewards to induce North Korean compliance.... Overall, prevention is of course the best policy.”

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**“Bush Erred; The US Failed to Carry Out Its Own Doctrine of Pre-Emption When It Let the Sosan Sail On. Pyongyang’s Newest Threat Sets Up a Fresh Test of US Resolve,”** Editorial, FEER, 12/26/02-1/2/03, p6.

“Together, the Sosan incident and Yongbyon threat cry out for a forceful restatement of the meaning of pre-emption.”

**“North Korea: Coming in From the Cold,”** Gavin McCormack (Australian National U), JPRI Working Paper No. 91, January 2003. “Two psychological factors, pride and face, are also immensely important to all North Koreans and they will cling to them with utmost tenacity. At the end of 2002, the readiness to make any concessions to Pyongyang and to understand in a historical context the pain and sense of justice, however perverted, that drive the regime, were conspicuously absent. For this reason, **the more the US resolves to ratchet up the pressure and force Pyongyang into submission, the less likely it is that there will be a successful outcome.**”

<http://www.jpri.org>

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## 5) OPINION, REPORTS & STATEMENTS

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### COVER STORIES

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**NATIONAL JOURNAL** - "Slow Burn - President Bush's economic stimulus plan may be part of a larger effort to fundamentally overhaul the income tax code," 1/11/03,

<http://nationaljournal.com/members/news/2003/01/0110nj1.htm> [limited access].

**ECONOMIST** - "Is Torture Ever Justified? - Is torture still unthinkable in the West? In the battle against al-Qaeda, even democratic governments may be tempted to rule nothing out. The issue ought to be squarely confronted," 1/11/03, [http://www.economist.com/printedition/displaystory.cfm?Story\\_ID=1524784](http://www.economist.com/printedition/displaystory.cfm?Story_ID=1524784) [limited access].

**FAR EASTERN ECONOMIC REVIEW** - "Curbing Kim The Asian Way: What The U.S. Gains By Talking To North Korea - The United States and North Korea offer hope of compromise over their nuclear confrontation. A breakthrough would promise rewards for all," 1/23/03,

[http://www.feer.com/articles/2003/0301\\_23/p012region.html](http://www.feer.com/articles/2003/0301_23/p012region.html). [limited access].

**BUSINESS WEEK ASIA** - "The Other Korean Crisis: While Kim Jong Il Blusters, The North's Economy Edges Closer To Collapse. That's Just What Scars Seoul Most,"

[http://www.businessweek.com/magazine/content/03\\_03/b3816020.htm](http://www.businessweek.com/magazine/content/03_03/b3816020.htm)

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### JAPAN

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#### JAPAN-BANKING

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**“BoJ Frontrunner Warned Against Commitment To Inflation Target,”** FT1/13/03, p4. Toshihiko Fukui, former Deputy Governor of BOJ and possible next Governor, has been warned by supporters that he should not accept the job if he has to commit to an inflation target.

**“Koizumi Seeks Man after his Own Heart to Head BoJ: Only the Prime Minister Knows who he Wants as Japan’s Next Abounds,”** FT1/14/03, p5.

**“Divining Inspiration: Can a New Central-Bank Governor Drag Japan Out of its Economic Rut?”** Economist 1/11/03, p63. “Yet the prime minister has also shied away from bold steps on several occasions, and many are asking whether he will do so again this time. If he really wants to revive the economy, he can choose central

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bankers who seem determined to get prices rising again, and make his case to Parliament. If he compromises, he will have nobody to blame but himself – and Japan's overdue revival will be delayed even longer."

**"FSA Presses Sumitomo on the Battle to Gain Control of Aozora,"** FT1/16/03, p19. FSA has put pressure on SMFG to acquire 100% of Aozora bank, rather than its initial ¥100bn for 49%, against bids from Cerberus, Orix and Tokyo Marine and Fire.

## JAPAN-BUSINESS

**"NTT DoCoMo Eyes European Link-Up; Japan's Largest Mobile Operator Plans Ahead for Expected Sector Consolidation,"** FT1/14/03, p19.

**"The Last Man Standing Plays a Waiting Game: Keiji Tachikawa Believes it is a Time for Patience,"** FT1/14/03, p1. FT interview with NTT DoCoMo President.

## JAPAN-BUSINESS-GOLDMAN DEAL

Press release: <http://www.daiei.co.jp/newsrelease/2003/0115/newsrelease.pdf> (j)

**"Goldman to Invest \$1.2bn in Japan's Sumitomo: Deal Boosts US Bank's Lending Ability and Signals Confidence in Japanese Economy,"** FT1/16/03, p1. Goldman Sachs to invest in Sumitomo Mitsui Financial Group convertible preferred stocks while SMFG provides credit loss protection to support Goldman Sachs's lending activities in Japan. See:

[http://www.gs.com/our\\_firm/media\\_center/articles/current\\_press\\_releases\\_article\\_030114192927.html](http://www.gs.com/our_firm/media_center/articles/current_press_releases_article_030114192927.html) (e)

**"Daiei to Sell Four Hotels to Goldman Sachs; Retailer Offloads Asset Bubble Acquisitions; Deal Gives Goldman Opportunity to Protect its Flanks; Pressure Mounts on SMFG to Acquire Aozora,"** FT1/16/03, p19.

**"\$1.27bn Move Polarizes Views about Banks: the US Concern Formerly Held Bearish Opinions on the Industry,"** FT1/16/03, p19. Goldman Sachs \$1.27bn investment in SMFG reflects US investor opinion that banks like SMFG and MTFG are to be saved and those like Mizuho and UFJ are not.

**"Key Player with a Presence,"** FT1/16/03, p19. **Goldman Sachs** in Japan.

## JAPAN-ECONOMY

**"Data Shows Japan's Economy Continues to Slow,"** WSJ/15/03, A8.

**Money Supply** in December down 2.2% year on year and 3.2% since November, slowest since January 2001.

See: [http://www.boj.or.jp/siryostat/ms0212\\_f.htm](http://www.boj.or.jp/siryostat/ms0212_f.htm) (j).

**Bank Lending** in December down 4/4% year on year, 60<sup>th</sup> straight decline.

See: [http://www.boj.or.jp/siryostat/kasi0212\\_f.htm](http://www.boj.or.jp/siryostat/kasi0212_f.htm) (j).

**Core Machinery Orders** in November fell 0.2% from October.

See: <http://www.esri.cao.go.jp/jp/stat/juchu/0211juchu.html> (j), <http://www.esri.cao.go.jp/en/stat/juchu/0211juchue.html> (e).

**"Will One Percent Hike Per Year in Consumption Tax Generate Rush-in Demand? 'I Do Not Want to Cooperate With Policy-Lacking Government;' 'If Rate of Hike Is More Than 2 Percent, I May Buy In Goods Beforehand,'"** Tokyo Shimbun, 1/10/2003, p26. [US Embassy Translation 1/14/03]. A "Woman on the Street" perspective on the Japanese Economy.

**"Moody's Calls on BoJ to Reflate Economy,"** FT1/15/03, p6. **"Japan's Reflation: Proposal Promising, But not a Panacea; Could Yield Improved Ratings Over Time,"** Moody's Commentary, 1/10/03.

See: <http://www.moodys.com/cust/loadHighLight.asp?documentID=150170000004333&original=1> (members only)

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“**Call to Japan to Act on Deflation**,” FT1/17/03, p5. World Bank President **James Wolfensohn**, on trip to Japan, criticized Japan’s lack of reform efforts, saying “Clearly deflation is problematic, and trying to revitalize the economy through monetary policy does appear to be something that would be constructive...What I cannot understand is why somehow you [Japan] don’t take the steps you all know you have to take.” See: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20086623~menuPK:34457~pagePK:34370~piPK:34424~theSitePK:4607,00.html>.

“**Reasons for Optimism in Japan**,” Commentary by **Patrick Smith** (Bloomberg News) International Herald Tribune, 1/14/03. “**Quiet moves hint that Koizumi’s pledges are bearing fruit.**” <http://www.iht.com/cgi-bin/generic.cgi?template=articleprint.tplh&ArticleId=83263>

## JAPAN-FOREIGN POLICY

“**Advisers Urge Tokyo To Cut Payments to UN by 25%**,” FT1/17/03, p5. **Yukio Okamoto**, senior foreign policy adviser to PM Koizumi. [great timing...]

“**Anger as Koizumi Visits War Shrine Again**,” FT1/15/03, p6. Koizumi’s 1/14 visit to **Yasukuni Shrine**.

**1/15 – Asia-Pacific Parliamentary Forum (APPF)**, (President, former PM Yasuhiro Nakasone) meets in Kuala Lumpur convening legislators from 24 Asia-Pacific countries including the US, and agrees that no unilateral action should be taken against Iraq without UN sanction. See: Malaysian APPF site, <http://www.parlimen.gov.my/appf2003/> [Resolutions not yet on website 1/15]

“**Japanese Ambassador Kato Defends US Stand on Iraq, Offers Thoughts on USA**,” by Ryozo Kato (Japanese Amb. To the US), Gaiko Forum, 2/1/03 [FBIS Translation JPP20030110000044, Original Title, “Letter from Ambassador to US – My Thoughts on the USA.”] “The United States may seem roughhewn, but, in fact, it is steadily maturing.”

“**Monthly Discusses Military Emphasis on Defending Western Territory**,” Gunji Kenkyu, 7/1/02, p40-51. [FBIS Translation JPP20021209000008]. GSDF improving its defenses against NK.

“**Japan Said Considering Legalizing Logistic Support of US Attacks on Iraq**,” Mainichi Online, 1/1/03 [FBIS Transcribed Text JPP200301010000050]. “We have to clearly show the alliance between Japan and the US is solid,” a Cabinet secretariat official said.”

“**Japan May Allow Vice Ministers to Visit Taiwan, Official Says**,” Kyodo News, 1/14/03. [FBIS Transcribed Text JP20030114000123]. Katsuhisa Uchida, head of Taipei office of the Interchange Association, Japan’s de facto diplomatic mission, said in an interview with NNA that Japanese officials from METI and other ministries would be allowed to visit Taiwan. [N.B. This summer a MOFA vice minister resigned in protest that he was not allowed to travel to Taiwan.]

“**Defense Agency to fly with unmanned spy planes**,” Mainichi Online, 1/13/03 The Defense Agency has allocated 260 million yen for development of unmanned reconnaissance planes from the draft budget for fiscal 2003. <http://mdn.mainichi.co.jp/news/20030113p2a00m0fp017001c.html>

## JAPAN-KOIZUMI VISIT TO RUSSIA

“**Russian Ponder 2 Competing Oil Routes in East Asia**,” NYT1/14/03, W1.

### “Japan Route”

\$5billion

4,000km

Angarsk to Nakhodka on the Sea of Japan  
requiring 1million bpd

Backed by pipeline monopoly Transneft

### “China Route”

\$1.8billion

2,400km

Angarsk to Manchuria/industrial Northeast China  
requiring 400,000bpd

Backed by No. 2 Russian oil company Lukos.

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**“Japan Offers Funding for Pacific Pipeline,”** FT1/14/03, p6. After 4-day Koizumi visit to Russia, Senior Japanese Government Official offered the backing of several state financial institutions for Russian Angarsk-Nakhodka pipeline if feasibility is demonstrated.

**“Koizumi Visits Energy-Rich Russian Region, Seeking Oil,”** NYT1/13/03, A4. Visit to city of Khabarovsk in Russian Far East. See: [http://www.kantei.go.jp/foreign/koizumiphoto/2003/01/12russia\\_e.html](http://www.kantei.go.jp/foreign/koizumiphoto/2003/01/12russia_e.html)

**“Struggle Looms Over Rival Oil Pipeline Routes From Siberia: Plans To Export More Of Russia’s Booming Oil Output To The East Has Spawned Projects For Pipelines To Supply Japan And China. But Is There Room For Both?”** FT1/11-12/03, p4.

See: **“Japan-Russia Joint Action Plan,”**

[http://www.kantei.go.jp/foreign/koizumispeech/2003/01/10keikaku\\_e.html](http://www.kantei.go.jp/foreign/koizumispeech/2003/01/10keikaku_e.html)

## JAPAN-POLITICS

**“Taking Look At Koizumi And Dissolution In 2003: Winning Second Term Is His Top Priority,”** ASAHI, 1/16/03, p4, [US Embassy translation]. “Getting re-elected as LDP president to stay in office as prime minister is Koizumi’s number one target. Beset with a weak support base in the party, Koizumi is still clinging to the word “reform” that dramatically raised public support ratings as a result of a series of confrontations with “forces of resistance.” He cannot afford to discard his Diet dissolution-general election card until the end.”

**“Kato Hints He May Run in General Election,”** Yomiuri Online, 1/12/03. At 1/11 New Years party thrown by his supporter’s association, former LDP Secretary General Koichi Kato said, “If I am allowed, I want to commit myself to politics again as I did in the past.”

**“Speculation On Poll Date Rampant; Election Timing Linked to Koizumi’s Bid for LDP Presidency,”** Yomiuri Online, 1/13/03.

**“Yomiuri Shimbun Chief Says He’s ‘Given Up’ on ‘Harmful, Useless’ Koizumi,”** Shukan Asahi, 1/17/03, p30-34. [FBIS Translated Text JPP200301140000085; Original Title, “Yomiuri Shimbun President Tsuneo Watanabe Vigorously Declares ‘I Give Up on Ignorant Prime Minister Koizumi.’”]

## JAPAN-YOKOSUKA ISSUE

**“Navy, Japanese Say No Agreement To Base Nuclear Carrier At Yokosuka Exists,”** Navy Times, 1/16/03. “U.S. Navy and Japanese officials are denying a Japanese newspaper report [see below] that an agreement has been reached to base a nuclear-powered U.S. aircraft carrier at Fleet Activities Yokosuka. The United States has been in negotiations with Japan to replace the aging non-nuclear carrier Kitty Hawk - now based at Yokosuka - with a nuclear-powered carrier when Kitty Hawk decommissions. <http://www.navytimes.com> (access only by subscription).

**“U.S. N-vessel to be based at Yokosuka,”** Yomiuri Shimbun 1/14/02. “The Japanese and U.S. governments have agreed for the first time to allow a U.S. Navy nuclear-powered aircraft carrier to be based at Yokosuka, Kanagawa Prefecture, Japanese government sources said Monday. It will be the first time for such a vessel to be permitted to be based in Japan. <http://www.yomiuri.co.jp/newse/20030114wo01.htm>

## JAPAN-RELEVANT

## CHINA-ECONOMY

**“China Gambles On Big Projects For Its Stability,”** NYT1/13/03, A1.

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**“China Brings in New Rules to Stem Capital Flight,”** FT1/14/03, p5. **People’s Bank of China** introduced new rules on 1/13 to combat money laundering and illegal activities including: tightening registration systems, identify and track bank/financial customers, and to crack down on the use of false accounts. See: <http://www.pbc.gov.cn/> [Chinese Only, 1/15/02]

#### CHINA-FOREIGN POLICY

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**“China Throws Burma A Financial Lifeline,”** FT1/17/03, p5. China has offered debt relief and a \$200m loan for Burma.

#### CHINA-POLITICS

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**“China Tries Labor Leaders Amid Protest; Crowd at Courthouse Highlights Mounting Problem for Communist Party,”** WP1/16/03, A14. Trial of labor leaders **Yao Fuxin** and **Xiao Yunliang** arrested last march in Liaoyang, China.

**“China’s New Leader Works To Set Himself Apart: Hu Makes Poverty An Early Focus,”** NYT1/12/03, A6.

**“China Tests ‘Western’ Reforms,”** FT1/13/03, p1. Shenzhen, China, already a Special Economic Zone, is set to experience more reforms designed to bring transparency and a system of checks and balances to the regional government with the power of the CCP to be strictly limited.

**“‘For 20 Years We Have Made Economic Reforms. Now We Need Corresponding Reforms To Our Political System’: The Southern Chinese City Of Shenzhen Is Set To Introduce Dramatic Changes To Its Political System. The Experiment Marks The Start Of The Boldest Political Reforms Since 1949,”** James Kynge, Commentary, FT1/13/03, p9.

#### ECONOMIC ESPIONAGE

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**“Two Silicon Valley Cases Raise Fears of Chinese Espionage: Authorities Suspect Alleged Trade-Secret Thefts Tied to Government-Controlled Companies,”** WSJ1/15/03, A4. Alleged stolen technologies are computer-chip designs and software used to find oil and gas.

**“Fuji Caught Up in China Smuggling Allegations,”** FT1/17/03, p3. Fuji’s Hong Kong-based distributor is accused of smuggling Fuji film into China to sell at low prices.

#### ENERGY

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**“Oil Exporters Try To Reassure World Markets Over Output; Cartel Agrees to Increase Production by 1.5M B/D; ‘Political’ Decision Likely to Stabilize Prices,”** FT1/13/03, p1. OPEC increases output to 24.5m bpd to compensate for loss of 2.5m bpd from Venezuela. See: [http://www.opec.org/NewsInfo/PressReleases/pr2003/PR2\\_2003.htm](http://www.opec.org/NewsInfo/PressReleases/pr2003/PR2_2003.htm)

#### FOREIGN POLICY

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**“Foreign Aid in the National Interest; Promoting Freedom, Security, and Opportunity,”** USAID Report, 1/10/03. See: <http://www.usaid.gov/fani>.

#### INDONESIA

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**“Graft Mars Crackdown on Illegal Logging; Indonesian Government Attempts to Halt Destruction of Forests is Failing,”** FT1/14/03, p5. *Above the Law: Corruption, Collusion, and Nepotism and the Fate of Indonesia’s Forests*, Environmental Investigation Agency, 1/14/03. See: <http://209.68.34.145/eia/cgi/news/news.cgi?a=114&t=template.htm>

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“Indonesians Begin to See Conspiracy as Homegrown,” WP1/14/03, A14.

## INTELLECTUAL PROPERTY

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**2002 Top 10 Private Sector Patent Recipients.** United States Patent and Trademark Office (USPTO). For the tenth consecutive year, IBM received more patents than any other private sector organization. In 2002, four U.S. corporations are included on the list of top ten patenting organizations, up from two in 2001. Seven Japanese corporations are among the ten. Last year one Korean and another Japanese firm were among the ten. See: <http://www.uspto.gov/web/offices/com/speeches/03-01.htm>

## IRAQ ISSUES

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“US Decision On Iraq Has Puzzling Past: Opponents Of War Wonder When, How Policy Was Set,” WP1/12/03, A1. “Often, the process circumvented traditional policymaking channels as longtime advocates of ousting Hussein pushed Iraq to the top of the agenda by connecting their cause to the war on terrorism... The decision to confront Iraq was in many ways a victory for a small group of conservatives who, at the start of the administration, found themselves outnumbered by more moderate voices in the military and the foreign policy bureaucracy

“Clear Proof is Needed on Iraq: Legitimacy Requires That UN Inspectors be Given Time,” Editorial, FT1/15/03, p12. “While the process is still unfolding, Washington cannot simply declare Iraq in breach and start a war. Legitimacy and continuing support from the Security Council demand that evidence takes precedence over whatever Mr. Bush and Mr. Blair believe to be the case.”

## LEADERSHIP

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“US Leaders Score 27% in Global Trust Poll,” FT1/15/03, p3. *Trust In Leaders*, report by Environics International (World Economic Forum supported) 1/14/02. Worldwide, US leaders are least trustworthy (trusted by 27% of those surveyed) while those of NGOs are most trustworthy (trusted by 56% of those surveyed). See: [http://www.environicsinternational.com/news\\_archives/Trust\\_in\\_Leaders.pdf](http://www.environicsinternational.com/news_archives/Trust_in_Leaders.pdf)

“Defense Chief’s Bark Proves Worse Than Bite: Military Finds Rumsfeld will Back off Aggressive Stances when Strongly Challenged,” WSJ1/14/03, A4. [A new image spin in the making?]

## SCIENCE & TECHNOLOGY

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“Nuclear Alchemy: The National Weapons Laboratories Are Increasingly Switching Their Creative Energies From Maintaining Nuclear Bombs To Enhancing Homeland Securities,” James Kitfield, National Journal 1/4/03, p32.

**Rescue Robots in Japan** (ATIP03.003, 1/03). The 1995 Kobe earthquake was one of the most devastating natural disasters in the history of Japan. With an estimated 2,300,000 people affected by the quake and 10 trillion yen in direct damage costs, the event caused major infrastructure problems to Japan and even affected worldwide shipping. However, what mostly shocked disaster relief experts around the world was the loss of so many lives and properties in Japan, which is considered to be one of the most prepared countries in the world for dealing with natural disasters. This event, along with Japan's preponderance of natural disasters has caused a rethinking and urgency among Japanese government officials for developing new techniques and equipment to aid in rescue relief efforts. In addition, the recent terrorist incidents in the U.S. and Bali, Indonesia, have underscored the importance of such developments. Report outlines some of the latest university research efforts, non-profit organizations' activities, and government initiatives in regards to Rescue Robotics in Japan.

Summary: <http://www.atip.org/public/atip.reports.03/atip03.003.pdf>

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**SOUTH KOREA**

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**“S. Korea Snubs Japan over Visit to Shrine,”** FT1/16/03, p6. South Korean President **Kim Dae-jung** canceled a 1/15 meeting with visiting Japanese Foreign Minister **Kawaguchi** after Koizumi’s 1/14 visit to Yasukuni shrine.

**“Fears Grow Over Widening Rift Between Seoul And US: Rising Tide Of Anti-American Feeling May Be Pushing Relations Between Two Nations To Crisis,”** FT1/13/03, p4.

**“Seoul’s Textbook Détente: Revised History Reader Reflects South’s Waning Fear of the North,”** WSJ1/14/03, A10. South Koreans allow reference to Kim Il Sung as hero to North Korea in history textbooks.

**SOUTHEAST ASIA**

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**“Philippines Act On Banks’ Bad Debts,”** FT1/11-12/03, p4. President Gloria Macapagal Arroyo approved bill that gives tax breaks to financial institutions selling bad debts to asset management companies. See: <http://www.op.gov.ph/news.asp?newsid=2440>.

**STEEL**

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**“Bush Tariffs Have Rejuvenated Steel Industry Dinosaurs: Trade Barriers Helped to ‘Create a Dislocation of Foreign Imports which Gave us the Opportunity to Re-Engage with Our Customers,’”** FT1/15/03, p3.

**“Complaints Force China to Give Way over Steel Tariffs; Outcry Leads to Rethink Over Exemptions,”** FT1/16/03, p7.

**TAIWAN**

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**“Taiwan Acts on Banking to Push Reform,”** FT1/15/03, p6. Taiwan’s MOF has encouraged banks to solve their balance sheet problems by offering streamlined product approval for those with non-performing loan ratios of below 5 per cent. See: <http://www.mof.gov.tw/>.

**TRADE**

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**“WTO Rejects Byrd Pay-Outs,”** FT1/17/03, p3. WTO appellate court rejects **Byrd Amendment**, which pays out the proceeds from anti-dumping/anti-subsidy penalties to US companies – more than \$500m since late 2000. See: [http://www.wto.org/english/news\\_e/news\\_e.htm#217-234](http://www.wto.org/english/news_e/news_e.htm#217-234);  
**USTR Statement**, <http://www.ustr.gov/releases/2003/01/2003-01-16-statement-wto.PDF>

**“Zoellick Raises the Legal Stakes over GM Crops: Washington Looks Ready to Mount a Case Against the EU, but it Might Trigger Retaliation,”** FT1/14/03, p6.

**“Fischer Warns against EU Farm Reform Failure,”** FT1/16/03, p7. European Union’s Agriculture Commissioner **Franz Fischler** said on 1/15 that without a radical overhaul of the EU’s agricultural policy, “either the entire WTO round will collapse, with all the negative consequences that go far beyond agriculture, or there will have to be cuts in the payments to farmers.” See: [http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.getfile=gf&doc=IP/03/65|0|RAPID&lg=EN&type=PDF](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.getfile=gf&doc=IP/03/65|0|RAPID&lg=EN&type=PDF).

**“WTO Agricultural Negotiations At Critical Juncture; Can High Rice Tariff Be Maintained? Currently More Than 300 percent is in Effect Imposed; US Proposes Rate of Below 25 percent,”** Asahi Shimbun, 1/13/03, p7. “There has been a tendency to regard (Japan’s high tariff) as an excuse to protect growers. However, the trend is beginning to change. The recent BSE incident has heightened people’s awareness of food safety. More consumers now prefer domestically grown products. Amid the hollowing out of Japan’s industry, a view is likely to crop up that sees agriculture intended to maintain local communities as necessary.”

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## US ECONOMY

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**1/17 - U.S. trade deficit grew more than expected in November** amid sharply higher imports after West Coast ports reopened. The deficit in international trade in goods and services widened to \$40.1 billion from a revised \$35.22 billion in October. The November deficit was the highest ever, boosted by a \$5.8 billion rise in imports. That increase was the largest since a \$6.1 billion jump in July 1984. <http://www.bea.gov/bea/newsrel/tradnewsrelease.htm>

**1/17 – U.S. industrial production fell in December**, erasing a gain from the previous month. Federal Reserve reported that production at the nation's factories, mines and utilities slipped by 0.2% in December, more than erasing a 0.1% gain the previous month. <http://www.federalreserve.gov/releases/g17/current/default.htm>

**1/17 – University of Michigan's index of consumer sentiment** showed that U.S. consumer confidence fell in mid-January. The index fell to 83.7 from 86.7 in December, according to people who have seen the subscribers-only report. The index stood at 84.2 in November. <http://www.sca.isr.umich.edu/>

**“Fed Signals Concern as Economy Remains Sluggish,”** FT1/16/03, p1. **Beige Book** released 1/15. See: <http://www.federalreserve.gov/fomc/beigebook/2003/20030115/FullReport.htm>

**“The Danger of Doing Well; The New US Economic Team Is Being Asked to Help Promote A Strong Recovery. But a Blow-Out in Consumer Spending Could Be Troublesome,”** FEER, 12/16/02-1/2/03, p22-23.

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## 6) WEBSITE OF THE WEEK

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The People's Korea (Japanese, Korean and English)

<http://www.korea-np.co.jp/pk/>

Newspaper for the N. Korean nationals in Japan

Chosen Soren (Japanese and Korean only)

<http://www.chongryon.com/index-j.htm>

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## 7) KEY & QUICK NEWS LINKS

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\*\*\*\*\*Many are by subscription\*\*\*\*\*

\*Asahi Shimbun (AS): <http://www.asahi.com>

\*BBC Online: <http://news.bbc.co.uk>

\*Economist (EC): <http://www.economist.com>

\*Far Eastern Economic Review (FEER): <http://www.feer.com>

\*Financial Times (FT): <http://www.FT.com>

\*Inside U.S. Trade (IUST): <http://www.insidetrade.com>

\*Japan Digest (JD): <http://www.japandigest.com>

\*New York Times (NYT): <http://www.nytimes.com>

\*Nikkei (NK): <http://www.nni.nikkei.co.jp>

\*Oriental Economist (OE): <http://www.orientaleconomist.com>

\*Wall Street Journal (WSJ): <http://www.wsj.com>

\*Washington Post (WP): <http://www.washingtonpost.com>

\*Yomiuri On-line (YM): <http://www.yomiuri.co.jp/index-e.htm>

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