

NK RECAP: December 2006

In the last NK Recap of 2006, the six-party talks again loom large, and, again, fail to move any closer to resolving the nuclear or economic crises in North Korea. A number of ancillary issues also found their way into the news this month, and are summarized below.

Six-Party Talks

In the run-up to the latest round of six-party talks, Washington proposed on December 2 that North Korea abandon all nuclear programs by 2008, identify all nuclear facilities, and allow International Atomic Energy Agency (IAEA) inspections in return for security and economic assurances and normalization of relations, including removing North Korea from Washington's list of terror-sponsoring states. Washington threatened more sanctions if the proposal was not accepted. It was reported that the incentives offered were specific, which is a change from previous promises, which were vaguely worded.

A report filed by Russian news agency Inter-Tass stated on December 6 that the DPRK would renounce its nuclear weapons when the United States withdraws its nuclear arsenals from the ROK and other countries in the region. According to the report, Pyongyang believes U.S. nuclear weapons are still deployed on the Korean peninsula.

Following a proposal by China, six-party talks were scheduled to restart on December 18. Before re-opening, however, U.S. Secretary of State called for CVID by the end of 2008, Japan's foreign minister stated that the DPRK would be pressed over the abduction issue, and South Korea's chief negotiator criticized U.S. financial pressures, indicating the level of success of pre-talk negotiations aimed at getting all parties on the same page.

North Korean negotiator Kim Kye-gwan failed to show up for a meeting with U.S. negotiator Christopher Hill on December 17, one day prior to six-party talks, despite repeated calls from Pyongyang for bilateral negotiations.

'Talks' opened on December 18 with North Korea making sweeping demands, including that it be treated as a nuclear power. This led Christopher Hill to state that Washington's patience had "reached its limit." Hill and Kim held one-on-one talks during the week, while other officials met to discuss financial sanctions. After Hill announced progress on some issues, talks were extended by two days, finally ending on December 22 with no progress on a deal. U.S. officials said North Korean negotiators had no authority to negotiate and only continued to insist

on the removal of U.S. economic sanctions.

DPRK-Russia

It was reported on December 3 that North Korea offered Moscow exclusive rights to DPRK uranium deposits. Russia has been holding talks with Pyongyang since 2002 in a bid to import DPRK uranium. In return, Pyongyang is asking for Moscow's open support at the six-party talks. This falls on the heels of an announcement by Russia's Finance Ministry of a plan to write off a large portion of DPRK debt. Russian officials declined to comment on the report.

On December 6, seven DPRK representatives concluded trade and economic cooperation talks with Russian Sakhalin specialists in Yuzhno-Sakhalinsk. An agreement was reached which will allow approximately 1,000 DPRK workers into the region. There are currently six enterprises in Sakhalin that have DPRK investment.

Japanese Abduction Issue

Japan's ambassador for human rights issues, Fumiko Saiga, stated on December 13 that it is likely that more than 30 Japanese nationals have been kidnapped and taken to North Korea. This is in addition to the 17 -- of which only 12 have been accounted for -- Japanese previously certified by the government as kidnap victims.

In a new twist, North Korea has now contended that one of its nationals was abducted by Japan in 1991, and "vehemently" condemned Japan, calling this, "a serious infringement upon the sovereignty of the DPRK."

U.S. Military Option

U.S. Defense Secretary Robert Gates stated during his confirmation hearing before the Senate Armed Services Committee, "I've changed my view on how to deal with North Korea. I believe that clearly at this point the best course is the diplomatic one." Previously, Gates had argued that the only option available was to destroy DPRK facilities militarily.

U.S. Financial Pressure

The United States and North Korea held the first working-level meeting on U.S. financial restrictions on December 19 at the U.S. Embassy in China. The U.S. team reiterated that the measures against Banco Delta Asia were based on U.S. finance law and not political sanctions, but seemed to offer a way out for North Korea. It was reported that Washington stated that the fate of North Korea's frozen accounts could be resolved if those responsible for counterfeiting

were punished and counterfeiting equipment was destroyed.

Vietnam's East Asia Commercial Bank reported that it closed all accounts of Pyongyang customers on December 27. A bank official stated that the closures are in "strategic cooperation" with American partners.

DPRK Gold Exports

The extent to which Banco Delta Asia's severance of ties with North Korea has hurt the regime came to light in a Financial Times article on December 10. While the bank was put on notice for accounts related to DPRK counterfeiting operations, it now admits to raising more than 120 million USD for North Korea, buying 9.2 tons of gold over the last three years. Gold is one of North Korea's biggest exports, and buying and selling DPRK gold represents no illegal activity. However, Banco Delta Asia was dealing with the North Korean Tanchon Commercial Bank, which is blacklisted for handling Pyongyang's arms deals.

Since Washington's financial pressures, North Korea's Choson Central Bank has re-entered the London gold market, which it entered in 1976 but was cut from the Good Delivery list of market traders in 2004. It has also exported 28 million USD in gold bullion to Thailand, a market to which it has not exported gold in the last five years.

Sanctions Spark Sales?

The Wall Street Journal reported on December 18 that UN sanctions against North Korea have been followed by reports that DPRK customers are flooding into Dandong, China, purchasing Toyota cars, big screen TVs, gold, and jewelry. PRC customs figures indicate a 77 percent increase in electronics exports to North Korea in 2006.

U.S.-DPRK Trade

It was reported that bilateral trade between the U.S. and DPRK during the first nine months of 2006 was only 3,000 USD, with the United States accepting no imports, and exporting only publications. U.S. humanitarian aid to North Korea totaled 5.8 million USD.

Inter-Korean Relations

On the first day of December, North and South Korean teams marched together under the blue-and-white unification flag as they entered the opening ceremonies of the 2006 Asian Games. Officials from both sides also held talks regarding marching together at the 2008 Olympics, but no agreement was reached.

On December 8, it was announced that there was an agreement for a joint Olympic team in 2014, as well as a joint bid for holding those games in the South Korean city of Pyeongchang. A South Korean spokesperson stated that both sides wish to have a joint team by 2008, and are working to overcome “some technical problems.”

On December 4, South Korean Unification Minister Lee Jong-Seok began a two-day visit to the inter-Korean joint resort project at Mount Kumgang, becoming the highest-ranking ROK visitor to North Korea since the North’s nuclear test.

Following a meeting in Seoul on December 8, the ROK Committee for Implementing the June 15 Joint Declaration has published a white paper on inter-Korean national functions. The white paper was published in two volumes, one containing articles on non-governmental exchanges since June 15, 2000, and one containing pictures of exchanges between the two Koreas in Pyongyang, Seoul, Mt. Kumgang, and other locations.

Inter-Korean Economic Cooperation

A ceremony was held to celebrate the connection of power cables through which South Korea will provide the Kaesong Industrial Complex (KIC), located in North Korea, up to 100,000 kW of electricity. The cables run from South Korea’s Munsan to the KIC, and were part of a 55 million USD project to increase the amount of electricity provided across the border by more than 900 percent.

The *Joong Ang Ilbo* reported on December 21 that, of the DPRK deposits frozen by Banco Delta Asia, 12 million USD was from South Korea’s Hyundai Group. It also reported that some of the funds could be released to North Korea by the end of the year.

ROK Vice Minister of Unification Shin Un-sang stated on December 12 that DPRK officials had shown interest in introducing market economy-based regulations within the Kaesong Industrial Complex. He said that Pyongyang had previously been reluctant, but now agreed on the need for market-based taxation and accounting practices.

KEDO

A final “termination agreement” was reached on December 8 by the Korean Peninsula Energy Development Organization (KEDO) and Korea Electric Power Corporation (KEPCO), making it official that KEPCO will pay the costs of liquidating the KEDO project in return for all

KEDO assets not in the DPRK.

DPRK Insurance Fraud

On December 4, Fox News reported that some “major underwriters around the world strongly suspect that the DPRK is running an elaborate major insurance and reinsurance scam” amounting to tens of millions of dollars. No official action has been taken, but insurers have been skeptical of the claims due to the detailed paperwork evidence compiled by North Korean authorities in “a startlingly brief time.” Foreign adjusters are not allowed to examine much of the evidence, having to rely solely on DPRK government reports.

DPRK Spy Ring

Four South Koreans, including two former and incumbent officials of the ROK Democratic Labor Party, and one Korean American were indicted on December 8 by South Korean prosecutors for allegedly running “the biggest spy ring since the beginning of reconciliation between the two Koreas.” The ring was allegedly set up in 2002.

DPRK European Remittances

The European Parliament is investigating allegations that hundreds of DPRK workers in European countries are forced to send their wages back to North Korea. It is estimated that there are between 10,000 and 15,000 North Korean workers overseas. There has been no public response from DPRK offices, but when similar claims were made regarding the KIC, officials explained that in a socialist economy, those collecting wages from outside sources were taxed in order to reimburse the government for social services.

DPRK Agricultural Aid

A promise of more than 1 million USD in DPRK agricultural aid has a twist; it is outgoing. North Korea has promised to provide Zanzibar with finances for water projects and mango reservation projects, as well as dispatch agricultural experts to the territory.

DPRK Animation

The state-run SEK studio in Pyongyang is the largest animation studio in the world, employing 1,600 workers regularly producing animation for Japanese, South Korean, and European countries. North Korean animation can also be seen in the Teenage Mutant Ninja Turtles, as well as Disney’s The Lion King and Pocahontas. Through SEK, Samcholli, and other DPRK studios, Pyongyang is becoming a global leader in animation.

DPRK Human Rights

The ROK National Human Rights Commission announced on December 11 that it will ignore human rights violations in North Korea because “the South Korean government cannot practically exercise jurisdiction” in the North, despite the ROK constitution stipulating that North Korea is part of the ROK’s territory. The committee did, however, call for “practical and aggressive measures” regarding separated families, ROK POWs and abductees in North Korea.

It was reported on December 12 that 20,000 North Koreans fled to China in 2006, at an average cost of 3,000 USD per person. This is 150 percent of the average North Korean’s yearly salary.

DPRK Health

In continued attempts to control a scarlet fever outbreak, it was reported that Pyongyang has now cut off all train routes to rural areas and closed many schools, beginning ‘winter break’ one month early. The outbreak has affected Hyesan, Bochoenbo, and Baikam in Yangkang district, and cases have been reported in North Pyongan and Jagang districts.

A report released by the General Association of Korean Residents in Japan, a pro-North Korean group, announced that an isolation ward has been built in a Pyongyang hospital in cooperation with the World Health Organization “as part of preventative measures against the spread of contagious diseases,” specifically, avian influenza. Construction on the single-story, eight-room ward began at Songsin Hospital last June.