

Pyongyang Report

News and views on DPRK - North Korea

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COMMENTARY

When the agreement 'Initial Actions for the Implementation of the Joint Statement' was signed in Beijing on 13 February, there was one strong possibility, and two near certainties. It was very probable that the agreement would not get far, and if that happened, it would be virtually certainly because of the United States, and just as certainly it would be blamed by most of the media on the DPRK. And so it has come to pass.

The success of the agreement was unlikely from the start. There was the underlying ambivalence of the US towards peaceful coexistence towards the DPRK, for reasons of emotion and domestic politics as well as strategic imperatives. The DPRK, for its part, is very suspicious and wary of the US but had every reason to want the agreement implemented, at least up to that stage when it had to do something irreversible. There were, in addition, two issues which could trigger a collapse of the process. The major one was the question of the alleged DPRK heavy enriched uranium [HEU] weapons programme. This had been the ostensible cause of the Bush administration's tearing up of the Agreed Framework signed by Clinton. There were indications that the State Department was backtracking on the allegations, especially the statements by Christopher Hill and Joseph DeTrani expressing 'doubts about how much progress the uranium enrichment program has actually made' (NY Times 1 March 2007). Although HEU had not been specifically mentioned in either the latest agreement, or the Joint Statement of 19 September 2005 itself (reportedly at Chinese insistence) it was clear that the administration was not able to let the issue drop, though some might privately regret that it had been raised in the first place. It was also clear that the issue was inherently liable to derail the peace process. The DPRK denied that it had an HEU programme, but because of the nature of the technology, it would never be able to prove that.

The second issue was the Banco Delta Asia (BDA) affair and 'financial sanctions' and it is this which seems to have brought things to a halt. At the time of writing Pyongyang is still deliberating

whether sanctions have been lifted and has accordingly refused to shut down the Yongbyon reactor. Resolution of the BDA issue was always going to be problematical because even if the administration thoroughly lifted its action against BDA the consequences were less predictable. The international banking system is based on expectations of opportunity and risk, and confidence, once lost, is difficult to restore. However, we did not get that far. The action against the BDA was only partially lifted, and the far smaller part at that. How and why this came about, the reasons for instigating the action in the first place and the degree to which all this is a reflection of infighting within the administration and 'unintended consequences' rather than some considered strategy is a curious mixture of 'known knowns' and 'known unknowns', as Mr Rumsfeld once put it. No doubt there are a few 'unknown unknowns' out there as well, perhaps for history to discover.

The action against the BDA formally commenced on 15 September 2005 when the US Treasury designated the bank as a 'primary money laundering concern' under Section 311 of the USA Patriot Act. This curious section allows Treasury to impose restrictions on foreign banks or countries without producing evidence. By imposing US law on foreign entities it embodies a claim to extraterritoriality which has the Chinese, in particular, very concerned. The timing was seen by many as a deliberate attempt to scuttle the Six Party Talks and, intentionally or not, it kept the Joint Statement of that month suspended until the real reopening of the talks in February 2007.

The Treasury's press statement makes interesting reading because it mixes the indisputably legitimate with allegations of illegality in the same charge sheet. The BDA has provided financial services to DPRK companies for over 20 years and handles the bulk of the DPRK's precious metal sales we are told, as if there were something wrong with that. This is combined with the accusation 'that senior officials in Banco Delta Asia are working with DPRK officials to accept large deposits of cash, including counterfeit U.S.

currency, and agreeing to place that currency into circulation'. It is difficult to see why a bank accepting large amounts of cash is considered improper, but counterfeit currency is another matter and if the US had good reason to think this, and some evidence, it should have been reported to the authorities in Macau. This is not the route they took.

The designation of the bank caused a run and the Macanese authorities were forced to step in and take over the bank, freezing \$25 million in DPRK-related accounts.

The authorities commissioned an audit of the bank by the giant US accounting firm Ernst & Young. Ernst & Young, which reported its findings on 16 December 2005, concluded that 'the bank did not introduce counterfeit U.S. currency notes into circulation over the relevant period'. Despite this, US Treasury still claims, without producing evidence, that the bank helped the DPRK 'launder hundreds of millions of dollars'. It is inconceivable that, in the circumstances, Ernst & Young would be less than rigorous in their audit, and hundreds of millions passing through a small bank would be difficult to overlook. Moreover, it is unclear why there was only \$25 million in the accounts if so much money had been sloshing through.

The BDA action not merely froze the DPRK accounts but had a knock-on effect, which delighted Treasury, causing banks to dissociate themselves from DPRK for fear of running foul of Section 311. The DPRK boycotted the Six Party Talks and said it would not return until financial sanctions were lifted.

For a variety of reasons, as discussed in our last issue, Washington appeared to backtrack in late 2006 and in the course of essentially bilateral negotiations between Christopher Hill and Kim Kye-gwan it was agreed that the BDA issue would be 'resolved'. Exactly what was agreed has not been made public; according to the US press it was the subject of a 'side agreement' that stipulated that the matter would be settled within 30 days of the agreement of 13 February. The main provisions of that agreement, mainly the shutting down of the Yongbyon reactor in exchange for initial supplies of oil, were to come into effect 'in parallel' within 60 days. It is clear that for Pyongyang resolution meant not just getting its money returned, but the restoration of its linkage with the international banking system. There seems little reason to suppose that Hill was not made quite aware of that.

Following the February agreement there was a curiously semi-public battle between State and Treasury over the frozen accounts. Although Secretary Rice said that she was working amicably with Treasury Secretary Paulson, there were reports that State officials were complaining that Treasury was sabotaging the Agreement by refusing to

unfreeze all the funds. Apparently Treasury was defeated on this, and was compelled to release all the funds but, in a Parthian shot, blocked the BDA from the US banking system ensuring that, in effect, the sanctions were not lifted. No banks were willing to accept the funds for transfer, or to deal with BDA. At one stage in the State/Treasury battle there was a scheme to transfer all the \$25 million, irrespective of ownership, to a DPRK account at the Bank of China, 'to be used for humanitarian purposes'. The British joint venture Daedong Credit Bank threatened legal action if it lost its \$7 million account. We had the strange irony of the US government stealing money from a British bank to give it to the North Korean government.

The accounts at the BDA were unfrozen on 10 April, just a few days before the 60 day deadline but nearly a month later than it had promised. Pyongyang responded by announcing that a 'DPRK financial institution concerned will confirm soon whether the measure is valid.' It reiterated that it 'remains unchanged in its will to implement the Feb. 13 agreement and will also move when the lifting of the sanction is proved to be a reality.' The media generally blames the DPRK for 'missing the deadline'.

The US is claiming that it has done all that was required of it under the Agreement, but it seems unlikely that the DPRK will concur.

The business raised worrying questions about the conduct of US foreign policy. Did Hill know that the charges against BDA were false? Did he agree to lift the sanctions thinking he could, but was outflanked by Treasury, or was he more devious than that? Is there a coherent foreign policy, or are we seeing the result of conflicting domestic interests? If there is a considered policy, what is really behind it? One of the architects of the sanctions offensive, David Asher, has admitted that they chose BDA because it was small and vulnerable but the real target was the Bank of China. 'It's about Macao, Macao's government, China, the Chinese government and their complicity and their accommodative behavior toward North Korea's illegal activities, proliferation activities and leadership financial activities.' (International Herald Tribune 11 April 2007). Is it really all about the fear of China's rise, and an attempt to weaken the Chinese financial system with the unsubstantiated allegations about the DPRK just a smokescreen?

China has already expressed 'deep regret' over the Treasury's blacklisting of BDA, and the release of the Ernst & Young audit to the US press on 16 April by the Macanese authorities may be an indication that Beijing is increasingly concerned at US actions.

Meanwhile, US sanctions, financial and material, impose a dreadful burden on the people of North Korea. The World Food Programme reports

that millions are going hungry. Although there are positive signs – trade between the two Koreas is up 40% in the first quarter of 2007- that situation is not likely to improve until the US allows the DPRK to participate in the global economy.

Tim Beal

DPRK TO MOVE ONLY WHEN LIFTING OF FINANCIAL SANCTION PROVED TO BE REALITY

Pyongyang, April 13 (KCNA) -- A spokesman for the DPRK Foreign Ministry Friday gave the following answer to a question put by KCNA as regards the U.S. and Macao administrative authorities' announcement of the de-freezing of the fund of the DPRK:

The DPRK took note of the announcement made by the U.S. Department of Treasury and the Macao administrative authorities on April 10 that they took a measure of de-freezing the fund of the DPRK deposited in Banco Delta Asia in Macao.

A DPRK financial institution concerned will confirm soon whether the measure is valid.

The DPRK remains unchanged in its will to implement the Feb. 13 agreement and will also move when the lifting of the sanction is proved to be a reality.

Source: KCNA, Pyongyang, 13 April 2007

MONEY LAUNDERING ALLEGATIONS BY U.S. FALSE, REPORT SAYS

By Kevin G. Hall

WASHINGTON - The U.S. Treasury Department's charges that a small bank in Macao knowingly laundered counterfeit U.S. currency for North Korea have no basis in fact, according to a confidential audit ordered by the government of the Chinese enclave.

The audit, obtained by McClatchy Newspapers, also suggests that the Treasury overstated claims that North Korea laundered "hundreds of millions" of dollars in ill-gotten gains through Banco Delta Asia.

On the basis of its allegations, the Treasury Department in September 2005 blacklisted the family-controlled bank, which went into government receivership, and effectively froze \$25 million in accounts linked to North Korea. Last month, Treasury issued a final ruling that prevented the bank from having any transactions with the U.S. banking system and, in effect, the global financial system. ...//..

The dispute over the Macao bank accounts led the Pyongyang government to walk out of six-nation talks on dismantling its nuclear weapons program. North Korea agreed on Feb. 13 to dismantle its nuclear weapons program if the funds were unfrozen. The Bush administration agreed, but regime leaders apparently haven't received all of the funds, and this past weekend, North Korea failed to begin dismantling its nuclear reactor as promised.

Now the release of the bank audit by the giant Ernst & Young accounting firm raises broader questions, among them the credibility of the Bush administration's charges against North Korea and the Macao bank.

The allegation that North Korea was counterfeiting U.S. currency was at the center of the U.S. Treasury's concerns when it first threatened to blacklist the bank in 2005. It said then that "sources show that senior officials at Banco Delta Asia are working with (North Korea) officials to accept large deposits of cash, including counterfeit currency, and agreeing to place that currency in circulation."

Last August, President Bush made a similar allegation. Asked why he continued to focus on alleged money laundering instead of nuclear arms reduction, he told reporters: "Well, counterfeiting U.S. dollars is an issue that every president ought to be concerned about. And when you catch people counterfeiting your money, you need to do something about it."

But the audit showed that the bank, a primary conduit for North Korea's financial dealings with the rest of the world, played no obvious role in laundering counterfeit U.S. currency.

"From our investigations it is apparent that ... the Bank did not introduce counterfeit U.S. currency notes into circulation," the Ernst & Young audit said, noting that large cash deposits from North Korea were routinely screened for counterfeits by the Hong Kong branch of an unidentified bank with U.S. operations.

Moreover, the audit confirmed that the only time Banco Delta knowingly handled counterfeit U.S. notes was in 1994 when its inspectors discovered 100 counterfeit \$100 bills and turned over the money to local authorities. The \$10,000 was far from the \$15 million in counterfeit U.S. currency that the Bush administration said North Korea was manufacturing annually.

The Treasury said front companies for North Korea were suspected of laundering "hundreds of millions of dollars in cash" through the bank, the proceeds of illicit trade in counterfeit U.S. currency, smuggled cigarettes and narcotics.

But the audit found no evidence that this was true...//..

Source: McClatchy Newspapers, Washington, 16 April 2007

CHINA REGRETS US MOVE ON MACAO BANK

By Qin Jize and Zhu Ping

China deeply regrets the US decision to prohibit American financial institutions from dealing with a Macao bank, which has been accused of laundering money for the Democratic People's Republic of Korea (DPRK).

"We deeply regret the United States' insistence on using American domestic law to apply a ruling

on Banco Delta Asia (BDA)," Foreign Ministry spokesman Qin Gang said in a regular press briefing yesterday.

The central government and the Macao Special Administrative Region have repeatedly expressed their concerns over the issue to the US, he said.

China expects the US to take action that would help the Six-Party Talks to progress and maintain the financial and social stability of Macao. "We believe both should be taken into full consideration," Qin said.

The US Treasury Department finalized its rule against BDA yesterday, barring the bank from accessing the US financial market directly or indirectly.

Stuart Levey, the department's Under Secretary for Terrorism and Financial Intelligence, said the regulatory action was targeted at BDA as an institution, not Macao as a jurisdiction...//..

Source: China Daily, Beijing, 16 March 2007

TRAIL LED TO MACAO AS FOCUS OF NORTH KOREAN CORRUPTION

By Donald Greenlees and David Lague

HONG KONG, April 12 — For American law enforcement agencies the smuggling investigations were among their most elaborate, producing dozens of arrests and hard evidence that Chinese criminal gangs had smuggled counterfeit United States currency, cigarettes and drugs made in North Korea into the United States.

The investigations, concluded 20 months ago, also produced a money trail that led to the Chinese gambling enclave of Macao, where American investigators concluded that criminals linked to North Korea were laundering their earnings.

This effort produced the hard evidence for the United States to place financial sanctions against Banco Delta Asia, a small, family-owned bank in Macao, near Hong Kong. But those sanctions became a major sticking point in international efforts to dismantle North Korea's nuclear weapons program.

The investigations "were just incontrovertible proof of the role of Macao banks, Macao gangsters, North Koreans in Macao," said David Asher, an outspoken critic of North Korea who at the time of the investigation was one of the most senior State Department officials dealing with the country. ...//..

Yet Banco Delta Asia had never been the main offender in Macao. "The fact is that Banco Delta was an easy target in the sense that it was not so large that its failure would bring down the financial system," said Mr. Asher, who is now a senior associate fellow with the Asian Studies Center of the Heritage Foundation.

"Banco Delta may be a sacrificial lamb in some people's minds, but it is not about Banco Delta," he said. "It's about Macao, Macao's government, China, the Chinese government and their complicity and their accommodative behavior

toward North Korea's illegal activities, proliferation activities and leadership financial activities."

Source: New York Times, 13 April 2007

WHAT IS NORTH KOREA SEEKING IN THE SIX-PARTY STALEMATE?

The six-party talks came to an abrupt halt in Beijing on Thursday as North Korea boycotted negotiations until its US\$25 million frozen at a Macau bank to be transferred to its account. The U.S. had agreed to unfreeze the money on March 19, and insisted that the delay was merely due to issues of a bureaucratic nature.

However, Pyongyang may be trying to use the current situation as an opportunity to get a guarantee from the international community for normal financial status down the road.

Chun Young-woo, South Korea's top negotiator to the nuclear talks, said, "The North didn't want to get the money back in cash, nor have the money transferred to an account at its banks in North Korea, but to one at a foreign bank [Bank of China]." These comments could be interpreted as North Korea seeking not only the funds in question but a general return to normalized relations within the international financial community, as it has requested the funds be transferred into a foreign bank.

Though the U.S. announcement that it would unfreeze the North Korean funds - which had been held at Macau-based Banco Delta Asia since September 2005 - represents the resolution of a major rift between the U.S. and North Korea, Pyongyang is still not able to gain access to most international financial institutions because it is still "blacklisted."

The Bank of China, which said it was willing to handle the \$25 million and was accepted by both North Korea and the U.S., refused to place the money in an already existing North Korean account there, instead agreeing only to transfer the money to a third bank that has not yet been decided upon. The Bank of China, which is already listed on the Shanghai and Hong Kong stock markets as of last year and plans to list on the New York Stock Exchange, is reportedly worried about the potential disadvantages it would face in the international financial community if it accepted the money into one of its accounts.

For North Korea, just being guaranteed its money back may not be enough to ensure it that it will quickly be welcomed again as a member of the international financial community. The countries party to the talks could not have surmised that the U.S.-led sanctions, which were announced in September 2005, would lead to the North being so strongly shunned by the international financial community. Given the situation, it would come as no surprise if the North, through insisting upon a

foreign bank as the destination of its fund, is placing less emphasis on whether it can get its money back than on whether all of its financial capabilities return to normal in the international sphere.

If the North does in fact demand a return to full status in the international financial community, the current stalemate would escalate into something that would be a tall order to tackle. ...

Source: Hankyoreh, Seoul, 24 March 2007

CHINA ENDS NORTH KOREA TALKS AMID DELAY IN RETURN OF FUNDS

By David Lague

BEIJING, March 22 — Talks here aimed at dismantling North Korea's nuclear weapons program were halted by China late Thursday after they stalled over the failure to release from a Macao bank up to \$25 million that North Korea had demanded be returned before it continued negotiations. ...

Accounts controlled by about 50 North Korean banks, trading companies and people were frozen in Banco Delta Asia with \$7 million in the account of Daedong Credit Bank, the North's only foreign-managed bank.

After an 18-month investigation, the United States Treasury Department on March 14 banned American banks from dealing with Banco Delta Asia, effectively isolating it from the American financial system. The Treasury Department's action has angered North Korea and become a major sticking point in nuclear disarmament efforts. ...

However, banking analysts said it was unlikely that all account holders would agree to have their money transferred to an account they could not control in the Bank of China. They also questioned whether the Chinese bank would be comfortable accepting money without question from a bank that the United States had accused of crimes.

Daedong has said it can prove that the sources of the money frozen in its account are legitimate and has been lobbying officials in Macao and Washington to have the money released. Colin McAskill, a British businessman who is buying the bank, was unavailable for comment.

Soon after the United States moved against the bank in September 2005, North Korea boycotted the six-nation talks with protests reported by its state-controlled news media. It consented to return to the talks only when the United States agreed late last year to hold separate negotiations on Banco Delta Asia.

The United States announced Monday that the frozen money would be returned to the North via the Bank of China after North Korea pledged that the money would be used for humanitarian purposes and education.

Source: New York Times, 23 March 2007

OWNER OF MACAU BANK DENIES ILLEGAL DEALINGS WITH N. KOREA

By Tim Johnson and Kevin G. Hall

BEIJING - The owner of the bank at the center of a dispute that's threatening to derail nuclear talks with North Korea has denied the U.S. Treasury Department's allegations that his bank handled counterfeit American currency and laundered illicit earnings for the isolated communist regime in Pyongyang.

In a four-page statement delivered to McClatchy Newspapers on Tuesday, Stanley Au, the founder of Banco Delta Asia in Macau, said U.S. officials had provided "no evidence or proof" that account holders had links to North Korean groups that dealt in bogus dollars, counterfeit cigarettes or narcotics.

Au said that when Washington accused his bank in September 2005, none of the bank's clients was on any international "black list" for unlawful activity, and he denied the American charges that North Korea funneled bogus bills through his bank.

The Treasury leveled those charges under an obscure provision of the USA Patriot Act that now threatens to backfire against the Bush administration's efforts to dismantle North Korea's nuclear program and to combat terrorism, counterfeiting, drug trafficking and human rights abuses.

Section 311 of the Patriot Act allows the Treasury to lock any foreign bank out of the U.S. financial system without allowing the bank to defend itself or even to see the evidence against it. ...

The Bank of China and other banks, however, have refused to accept money that the United States has declared tainted, fearing they could be targeted under the same Patriot Act provision, and North Korea says it won't proceed with the nuclear accord until the money is in hand.

China demands assurances that the Treasury won't target its financial sector if it takes North Korean money. ...

Bankers around the world express growing unease about the Patriot Act's global reach, its presumption of guilt and its lack of due process.

"They do not like the unilateral nature of our sanctions ... so when we suddenly waive those sanctions, as in the case in North Korea, it causes us ... credibility problems," said Bruce Zagaris, a lawyer based in Washington, D.C., who specializes in complex international tax and finance enforcement issues. ...

"We have certainly voiced concerns about the extraterritoriality of the Patriot Act," said Florence Ranson, a spokeswoman for the European Banking Federation in Brussels, Belgium, which represents almost 5,000 banks in 29 countries. ...

Source: McClatchy Newspapers, Washington, 27 March 2007

NORTH KOREA'S \$25 MILLION AND BANCO DELTA ASIA

Another abuse under the U.S. Patriot Act
by Ronda Hauben

A little known provision in the U.S. Patriot Act (2001) has been used by the Bush administration against North Korea to freeze \$25 million dollars of its funds and to deny it access to the international banking system and to hard currency. Actions under this provision of the Patriot Act effectively stymied progress in disarmament talks between the U.S., North Korea, South Korea, China, Russia and Japan for over 18 months. North Korea says that only when the seized \$25 million and access to the international banking system are restored is it willing to continue negotiations under the six-party-agreement concerning security and denuclearization of the Korean peninsula.

The little known provision of the Patriot Act 2001 is Section 311. It is also known as the "International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001."

The original purpose was allegedly related to the prevention, detection and prosecution of money laundering connected to the financing of terrorism. The law has rarely been used for its original purpose. Instead it has been used by the Bush administration as a means of unchecked political power against financial institutions like the Banco Delta Asia. This case has an impact on those nations or institutions who used the bank, like North Korea...//..

Section 311 has been called by its supporters "a diplomatic sledgehammer that gets results" and by its critics a provision that denies the accused "due process and presumes guilt."

This provision gives the U.S. Treasury the ability to use an Executive Branch administrative procedure rather than a legal proceeding as a way to accuse a financial institution that is part of another nation's regulatory system of wrong doing, and then to find them guilty. Under this provision of the Patriot Act, the accused is denied knowledge of the evidence against them and is denied the right to speak in their own defense...//..

Invoking Section 311 against the BDA effectively sabotaged the implementation of the six-party-agreement of September 2005 for 18 months as BDA did not have a process to challenge the Treasury Department action, nor did those whose accounts at the bank had been frozen, like North Korea. It was only after North Korea conducted a missile test in July 2006 and the test of a nuclear device in October 2006, that the Bush administration was willing to agree to negotiations over the Treasury action...//..

The critical difference that has been overlooked, however, is that a requirement of the Feb. 13 agreement was that the U.S. restore the funds that were frozen by the actions of the U.S.

Treasury Department. Also North Korea's access to the international financial system was to be restored.

These requirements caused "intense friction" in Washington between officials in the State Department and "officials in the Treasury Department and in the Office of Vice President Dick Cheney who were said to favor maintaining maximum pressure" on North Korea...//..

Source: Hankyoreh, Seoul, 21 March 2007

CLEANING UP THE 20TH CENTURY

By Jim Yardley

FOR more than three years, the grinding, often exasperating negotiations over North Korea's nuclear weapons program have been about taking the bomb away from Kim Jong-il. As if that were not complicated enough, the agenda is now becoming more ambitious. One new goal could be loosely described as cleaning up the 20th century...//..

The process might accomplish far more than denuclearization — a formal peace treaty ending the Korean War could be one dramatic possibility. Or it could just as easily collapse under the weight of so many moveable pieces and kill a nuclear deal, too.

"This process, not unlike a video game, gets more and more difficult as you go into more and more levels," Christopher R. Hill, the assistant secretary of state for East Asian and Pacific affairs and chief American envoy, said earlier this month in New York.

History can be omnipresent or repressed in northeast Asia, but nearly everyone agrees it is festering and unresolved...//.. North Korea is a bit like the crazy uncle whose refusal to stay locked and quiet in the region's attic has forced everyone to the same table, with historic baggage and contemporary rivalries in tow. The North's demands for economic and energy aid nearly derailed the last round of talks, and now negotiations are being separated into working groups to tackle decades-old issues like normalizing relations between North Korea and both Japan and the United States. Discussions over a peace treaty to end the Korean War will be held in a "separate forum" that has yet to be named.

"These are the precise issues that North Korea really wants to address," said Bates Gill, a China specialist at the Center for Strategic and International Studies in Washington. "They want a peace treaty. They want a normal relationship with the United States."...//..

Source: New York Times, 18 March 2007

FOR PYONGYANG TALKS ARE A WAY TO MAKE FRIENDS

Getting off Washington's terror list is the North's priority in talks.

By Brian Lee

Establishing diplomatic relations with Washington is at the heart of Pyongyang's wish list in current talks over its nuclear program. Bitterly estranged since the Korean War, for the two countries normalization of relations is again in the air, but it is going to take a lot of talking. ...

For Pyongyang, gaining diplomatic recognition in Washington is seen as a way of addressing its economic collapse, according to a South Korean government official. "It makes sense," said the official. "You get diplomatic recognition, sanctions are lifted and business will follow."

Falling short of that goal at the end of the Clinton administration, the North is now eager to capitalize on the latest opportunity.

But in order to gain diplomatic status, Pyongyang first needs to get off Washington's list of countries designated as state sponsors of terrorism, a status that currently restricts trade and has led to layers of economic sanctions that Pyongyang views as proof of Washington's hostility.

Being designated a state sponsor of terrorism subjects the country to various sections of three laws: the Export Administration Act, the Arms Export Control Act and the Foreign Assistance Act. Under the laws, U.S. foreign assistance is restricted, defense materiel cannot be sold, and exports of dual use items are banned. Financial restrictions mean the United States automatically opposes loans by the World Bank and other international financial institutions to North Korea. ...

Source: JoongAng Ilbo 13 March 2007

NO QUICK REMOVAL FROM U.S. TERROR LIST FOR N.KOREA

North Korea will not be easily removed from the U.S. list of states that sponsor terrorism. U.S. State Department spokesman Tom Casey said that taking North Korea off the terrorism blacklist is a process that will require a lot of time and careful reviews. He also made it clear that the process to normalize diplomatic ties between the U.S. and North Korea can move forward only when the North takes steps to make the Korean Peninsula nuclear-free. ...

The six-nation agreement reached in Beijing on Feb. 13 requires the U.S. to start the process to remove the North from the terror list in the initial 60-day stage.

Source: Chosun Ilbo, Seoul, 14 March 2007

N.K. DRUG COMPANY URGES AID DONORS TO 'BUY LOCAL'

By Chris Gelken

"Its not just about making money, at least not from our perspective as a producer," declared Felix Abt, president of the Pyongyang-based pharmaceutical company PyongSu Pharma. "The

profit margins are very small. It is more about supplying a necessary and quality product at a price people can afford."

Abt was in Seoul earlier this week meeting with South Korean pharmaceutical companies and aid organizations. On the table was a unique opportunity that would allow them to expand their existing humanitarian work, while at the same time helping to lay a solid foundation for the future of the pharmaceutical sector in North Korea.

"One of the main purposes of my visit here is to meet with the people who donate drugs and medicines to North Korea, or their agents who are based here," Abt told The Korea Herald. The "frontier-businessman" believes substantial savings could be realized if the donor had the drugs produced locally, in North Korea, rather than purchasing them here in the South or overseas and then having them shipped in. ...

PyongSu recently underwent an international inspection and has been approved as a producer that meets the highest standards of pharmaceutical producers worldwide.

The company was launched in the summer of 2004 in a joint venture between the Ministry of Public Health and a group of foreign investors. By the end of 2006, PyongSu was producing a range of medications including painkillers and antibiotics among others.

The company's mission was to reach and maintain production quality and service standards comparable to any pharmaceutical producer elsewhere in the world.

"We are making a direct contribution to the improvement of the local pharmaceutical sector," Abt said, "through training, education, and our sharing of knowledge with medical professionals and staff at all levels throughout the DPRK." ...

Abt said PyongSu has its finger on the pulse of the medical sector in the DPRK, and is in a unique position to serve humanitarian and aid organizations by producing drugs on their behalf and distributing them, "to those who are in need of them."

Source: Korea Herald, Seoul, 30 March 2007

THE MASSACRE AT NO GUN RI: ARMY LETTER REVEALS U.S. INTENT

By Charles J. Hanley and Martha Mendoza (Associated Press)

Six years after declaring the U.S. killing of Korean War refugees at No Gun Ri was "not deliberate," the Army has acknowledged it found but did not divulge that a high-level document said the U.S. military had a policy of shooting approaching civilians in South Korea.

The document, a letter from the U.S. ambassador in South Korea to the State Department in Washington, is dated the day in 1950 when U.S. troops began the No Gun Ri shootings, in which

survivors say hundreds, mostly women and children, were killed.

Exclusion of the embassy letter from the Army's 2001 investigative report is the most significant among numerous omissions of documents and testimony pointing to a policy of firing on refugee groups — undisclosed evidence uncovered by Associated Press archival research and Freedom of Information Act requests.

South Korean petitioners say hundreds more refugees died later in 1950 as a result of the U.S. practice. The Seoul government is investigating one such large-scale killing, of refugees stranded on a beach, newly confirmed via U.S. archives.

No Gun Ri survivors, who call the Army's 2001 investigation a "whitewash," are demanding a reopened investigation, compensation and a U.S. apology...//..

But Muccio's message to Assistant Secretary of State Dean Rusk states unambiguously that "decisions made" at a high-level U.S.-South Korean meeting in Taegu, South Korea, on July 25, 1950, included a policy to shoot approaching refugees. The reason: American commanders feared that disguised North Korean enemy troops were infiltrating their lines via refugee groups.

"If refugees do appear from north of US lines they will receive warning shots, and if they then persist in advancing they will be shot," the ambassador told Rusk, cautioning that these shootings might cause "repercussions in the United States." Deliberately attacking noncombatants is a war crime...//..

The killings remained hidden from history until an AP report in 1999 cited a dozen ex-soldiers who corroborated the Korean survivors' accounts, prompting the Pentagon to open its inquiry after years of dismissing the allegations.

The Army veterans' estimates of dead ranged from under 100 to "hundreds." Korean survivors say they believe about 400 were killed. Korean authorities have certified the identities of at least 163 dead or missing.

No Gun Ri, where no evidence emerged of enemy infiltrators, was not the only such incident. As 1950 wore on, U.S. commanders repeatedly ordered refugees shot, according to declassified documents obtained by the AP...//..

Source: Japan Focus, 15 April 2007

NORTH-SOUTH TRADE JUMPS

The Inter-Korean Trade Volume during the First Quarter Increased by 40 percent.

Vice-Minister Shin said the inter-Korean trade volume during the first quarter recorded 260.94 million dollars, rose by 40percent than the same period of the previous year.

He also said this increasing trend would be maintained during the second quarter thanks to the recovery of the inter-Korean relations. The increase would be affected by the rise of domestic demand for North Korean steel and mineral products, increase in the number of enterprises operated in Gaecheon [Kaesong Industrial Complex], and public and private aid toward the North, he said.

Source: ROK Ministry of Unification, Seoul, 5 April 2007

CALL FOR NEW ZEALAND TO DECLARE PEACE WITH THE DPRK

At its April meeting the Wellington Presbytery of the Presbyterian Church of Aotearoa New Zealand unanimously resolved to call on the NZ Government to enter into a Peace Agreement with the DPRK, and to invite other denominations to support the resolution.

Members expressed shock when they learnt that 60 years after the cessation of hostilities NZ was still supporting a Ceasefire Agreement as declared by the Korean Armistice Agreement.

NZ-DPRK SOCIETY AID AND DEVELOPMENT APPEAL

Donations are being sought to cover the cost of a Farm Truck for the Haksan NZ Friendship Farm; and a three month teaching assignment in Pyongyang by Christchurch Primary school teacher Tim Kearns. Both projects are part of a continuing support relationship between citizens of New Zealand and North Korea.

In the near future it is hoped that two Korean women will be sponsored to come to New Zealand for three months for English training and professional development.

If you wish to contribute financially, or otherwise, or would like some more information, please contact Stuart Vogel at s.vogel@xtra.co.nz...

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

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