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**Weekly report on South Korea & Japan**

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# **Summary of Report**

## **South Korea**

### ***Politico-Strategic Front***

#### **Smart grid spending powers ahead in Asia**

Japan, South Korea and China are investing about \$9 billion this year in infrastructure and information technology to make electricity networks more efficient, creating lucrative opportunities for niche technology and equipment providers. The "smart grid" system, through computerized monitoring of electricity flowing through a power grid, allows utilities to automatically manage electricity usage in a way that is more reliable and flexible.

#### **Lee Renews Pledge to Uproot Election Rigging**

President Lee Myung-bak has urged the country's law-enforcement bodies to strengthen monitoring of irregularities involving public servants and voters ahead of the upcoming June 2 local elections. Lee convened a meeting of senior officials from the Ministry of Justice, the Board of Audit and Inspection, the National Police Agency and the Supreme Prosecutors' Office last week to discuss anti-corruption measures. At the meeting, Lee renewed his pledge to deal sternly with crimes committed by the elite in society, saying the anti-corruption drive should continue for the remainder of his tenure, which ends in February 2013, a presidential spokesman said. The instruction came as political parties are set to pick candidates for the local elections, which will choose mayors, governors and council members. Lee called on the officials to pay particular attention to voter-related crimes, the spokesman said.

#### **Seoul Issue Travel Warning for Russia**

The government is considering issuing travel warnings for certain regions of Russia, following attacks against South Koreans there, the Ministry of Foreign Affairs and Trade said. The proposed plan came as a South Korean student remains in critical condition following an attack from a masked assailant in Moscow Sunday. The incident was the latest in what appears to be a series of hate crimes against people of "non-Slavic" appearance in Russia.

#### **North Korea on combat alert as U.S., South hold drills**

- North Korea said on Monday it had put its army on full combat alert, ready to "blow up" South Korea as joint drills between the South and the United States got underway. The drills, seen by Pyongyang as nuclear war maneuvers, last for about two weeks and are aimed at testing the allies' defense readiness. They draw fiery rhetoric from the North each year that fuels tensions on the Korean peninsula, though they have been held for decades without major incident.

### **S. Korea eyes four more UAE nuclear reactors-official**

South Korea hopes to build an additional four nuclear reactors in the United Arab Emirates, the country's ambassador said. In December, the UAE awarded a South Korean group a deal to build and operate four initial nuclear reactors in the Gulf Arab state.

### **Seoul, Tokyo to hold talks on sea cleaning**

Korea and Japan will hold talks this week on ways to get rid of waste floating in the waters between the countries, Seoul's foreign ministry said Monday, according to Yonhap news agency. The working-level consultations on cleaner seas will be held in Japan's Kitakyushu on Wednesday, the ministry said. The meeting will be the second of its kind since the first was held in South Korea's Busan in February 2009.

### **Korea to host Asia-Pacific forum on Internet safety**

Korea will play host for next year's annual general meeting of the Asia-Pacific Computer Emergency Response Team, a regional forum on on-line security, the country's officials said Monday, according to Yonhap news agency. The APCERT members have agreed to select the Korean resort island of Jeju over Malaysia as the upcoming place to discuss on-line information security and computer safety

### **Japan's top nuclear envoy due in Seoul for talks on N.K**

Japan's chief negotiator in six-nation talks on North Korea's nuclear ambition will visit South Korea this week for talks with his counterparts here on the resumption of the nuclear negotiations, an official at Seoul's foreign ministry said, according to Yonhap News. Akitaka Saiki, director-general of the Asian and Oceanian affairs bureau at Japan's foreign ministry, will arrive here Friday for a meeting with South Korean diplomats on the southern island of Jeju.

### **KMC to Coordinate Multicultural Policy**

The Korea Multicultural Congress (KMC), a nationwide association, was launched Tuesday with the purpose of helping bring harmony to Korean society that is fast becoming multicultural. The KMC will link up support centers and foreign residents. While individual centers focus on providing welfare services for multicultural families in a given area, the KMC is responsible for coordinating inter-regional cooperation and helping the government map out policies and education.

### **N.K. sets up special missile division**

North Korea has recently established an independent military division in charge of deploying and operating intermediate-range ballistic missiles, a government source in Seoul said Tuesday, a

move indicating the North's determination to continue developing missiles with a range of over 3,000 kilometers, according to Yonhap News

### **President of U.N. General Assembly due in Seoul**

U.N. General Assembly President Ali Treki will visit Korea this week for talks on ways to enhance cooperation between the country and the world body on global issues, including security and climate change, Seoul's foreign ministry said according to Yonhap news agency. The former foreign minister of Libya will arrive Thursday for a four-day trip that includes meetings with South Korean President Lee Myung-bak, National Assembly Speaker Kim Hyong-o and Foreign Minister Yu Myung-hwan.

### **'Korea grasps Brazil train requirements'**

Brazil's transportation regulator said a Korean-led group may have the best grasp of the South American country's bidding process and technological needs among six contenders seeking to build and operate a 34.6 billion reais (\$19.3 billion) bullet train system. Companies from Japan, China, Spain, France and Germany may also submit bids to build the 511 kilometers railway linking Rio de Janeiro to Sao Paulo and Campinas, Figueiredo said. Rio de Janeiro and Sao Paulo are Brazil's two largest cities. The auction is scheduled for May, he said.

### **Lee Rules Out Political Motive Over Sejong City**

President Lee Myung-bak called on the residents of the Chungcheong region Wednesday not to be swayed by political interference over the construction of Sejong City. During his first visit to Daejeon since December last year, President Lee said local governments should be fully committed to the long-term development of their region and refrain from being entangled by political interests.

### **'US Will Not Change NK Regime by Force'**

The top U.S. diplomat in South Korea stressed Wednesday that the Obama administration is not hostile toward North Korea and is ready to hold direct talks with the communist state within the six-party denuclearization framework. Ambassador Kathleen Stephens said she has seen North Korea's attitude changing for the better in recent months, expressing hope Pyongyang will rejoin the stalled six-party talks soon.

### **US to Seek Timely Ratification of Korea FTA**

The United States will look to ratify pending free trade agreements (FTAs) with South Korea and two other countries at an appropriate time after remaining issues are addressed, the country's top trade negotiator said Tuesday in Washington. The statements come as the Obama administration



is tackling urgent issues such as health care and financial reform. But it sees trade as a key component in addressing the country's unemployment.

### **Turkey's EUAS to sign nuclear deal Korea's Kepco**

Turkey's state power company Elektrik Uretim AS (EUAS) will sign a nuclear energy cooperation agreement with South Korea's Kepco (015760.KS), a Turkish energy ministry source said on Wednesday.

### **USFK Deploys New Jets for Precision Strikes**

A U.S. Air Force squadron in South Korea has deployed three new A-10 ground attack jet aircraft capable of carrying precision - guided bombs, which can be used to neutralize North Korean artillery units hidden in mountain caves and tunnels near the inter-Korean border, a source at the U.S. Forces Korea (USFK) said Friday. The move comes as the USFK has been pushing to modernize its air assets on the Korean Peninsula ahead of the planned transition of wartime operational control of South Korean forces from the United States to South Korea in 2012.

### **Conservative Group Lists Pro-NK Leaders**

An ultraconservative civic group accused the minor opposition Democratic Labor Party leader Kang Ki-kap, Rep. Choe Kyoo-sik of the main opposition Democratic Party, bestselling novelist Cho Jung-rae and 97 other social leaders of being "pro-North Korea," Friday. The national action committee for the development of Korea held a press conference at a hotel in downtown Seoul and revealed the names of 100 social leaders out of 5,000, whom they suspect to be pro-North Korea. The late former Presidents Kim Dae-jung and Roh Moo-hyun were dropped from the list amid much controversy, but the members said they will be considered for the next edition. Three incumbent lawmakers, two former assemblymen as well as 12 former high-ranking officials, including Cabinet members, were listed while 13 cultural activists, 17 classified-progressive scholars and 10 religious leaders were among those anti-state figures. Some of them were influential powerhouses and the list is expected to cause the resumption of the "ideology war," observers said.

### **N. Korea may join six-party talks in April**

North Korea has internally decided to return to long-stalled six-nation talks on its nuclear arms activities in early April, South Korea's JoongAng Ilbo reported on Saturday, citing an unnamed source from the North. China wants the six-party talks to restart before July but acknowledges it would be difficult, the Chinese envoy on North Korea's nuclear issues said earlier this month.

### **Troubled paths for North Korea nuclear diplomacy**

North Korea will return to dormant nuclear talks in April, ending its year-long boycott of international discussions designed to grant aid for dismantling its nuclear arms programme, a report said on. **DIPLOMACY HEADS BACK ON TRACK** North Korean leader Kim Jong-il may soon go to Beijing, the closest his isolated state has for a major ally, where he will likely try to win economic sweeteners for returning to the table. **STRENGTH THROUGH STATUS QUO** The three countries which favour putting pressure on North Korea -- the United States, Japan and South Korea -- can keep the upper hand on Pyongyang by pushing for enforcement of existing U.N. sanctions while their own unilateral measures have added more trouble for the North's already wobbly economy. North Korea hates being ignored and may try to rattle the region with military grandstanding. The North may be forced to take more drastic moves to be noticed and, crucially, bolster support for leader Kim among his military. This would increase the chances of a third North Korean nuclear test. **THE ELEVATOR RIDE** The North, as it has often done, may later step away from its disarmament pledges and make threats that shake security.

### **GNP leader warns Park over Sejong**

Grand National Party leader Chung Mong-joon yesterday issued a strong warning against party dissenters, saying that remedying messed-up Sejong City policy should be put ahead of the ruling party's very existence. His remark came as factional differences over the government's proposal to cancel the 2005 administrative city plan have threatened to split the GNP.

### **Activist says N. Korea prepares portraits of successor**

North Korea has been churning out portraits of leader Kim Jong-Il's youngest son as the communist state moves closer to a dynastic succession, an anti-Pyongyang activist said Saturday, according to news reports. North is apparently in a hurry to declare Kim Jong-un as the successor,"

### **Kissinger hospitalized in Seoul**

Former U.S. Secretary of State Henry Kissinger was taken to a hospital in Seoul after suffering stomach ache on Saturday. Officials at Yonsei Severance Hospital in western Seoul told The Korea Herald that Kissinger is not in critical condition and is now recovering.

## ***Economic Frontage***

### **Samsung C&T jointly wins \$1.3 bln Abu Dhabi order**

South Korean builder Samsung C&T Co Ltd (000830.KS) said it has jointly won a 1.47 trillion won (\$1.3 billion) project related to the construction of a hospital in Abu Dhabi, along with a Begiam company.

### **Seoul shares flat; techs weigh, Hyundai Heavy gains**

Seoul shares ended flat on Tuesday, with losses in blue chip technology firms including LG Display (034220.KS) weighing, but gains in Hyundai Heavy (009540.KS) and Korean Air Line (003490.KS) lending support.

### **S. Korea BOK chief: no consensus yet on rate rise**

The head of South Korea's central bank said on Thursday most people agreed on the need for the country's interest rates to be raised gradually but added there was no consensus yet about when tightening should start.

### **Korea Pressure for Low Rates Raises Inflation Threat**

South Korea may face accelerating inflation after Governor Lee Seong Tae left interest rates unchanged for a 13th month under political pressure, even as his economy is forecast to be one of the fastest-growing in Asia. Lee, 65, who has had to accept a vice finance minister sitting in at meetings since January, kept rates at a record-low 2 percent yesterday in his final decision. His successor is likely to take a “wait and see attitude” and may not move until after June, said Sharon Lam of Morgan Stanley in Seoul.

### **S. Korea c. bank chief says economy on recovery track**

The head of South Korea's central bank on Thursday played down recent worries that the country's economy may be losing steam and said it would stay on track for a modest recovery. Bank of Korea Governor Lee Seong-tae also told his last monthly news conference on interest rate policy for his current term that consumer inflation would remain contained for the time being.

### **North Korea trade falls for first time in decade-report**

North Korea's international trade dropped last year for the first time in more than a decade after the destitute state was hit by U.N. sanctions to punish it for a nuclear test in May, a South Korean think tank said. The economic woes, made worse by a botched currency reform late last year, have been putting pressure on the North to return to stalled nuclear disarmament talks where it can win aid for decreasing the security threat it poses to the region, analysts said. The report by the state-run Korea Development Institute made available on Wednesday said the largest impact came from a sharp decline in trade with China, the North's biggest benefactor that its leader is expected to visit in coming weeks.

### **Korean economy gets its skates on after medal haul**

Kim Yuna's stunning win at last month's Winter Games will not only boost the career of the Olympic figure skating champion, it should help add several billion dollars to the South Korean economy. Samsung Economic Research Institute economist Lee Dong-hun estimated Asia's

fourth largest economy would benefit to the tune of 20.1768 trillion won (\$17.82 billion) from the record haul of medals by its athletes in Vancouver.

### **S. Korea seen buying dlrs to check won -traders**

South Korea's foreign exchange authorities were seen buying dollars to prevent the won KRW= from rising at around 1,134.0 versus the greenback on Tuesday, traders said.

### **Samsung Life gets bourse nod for record \$4 billion IPO**

The South Korean bourse on Thursday approved an estimated \$4 billion IPO by leading life insurer Samsung Life Insurance, paving the way for what is likely to be the country's biggest share float in May. The offering by Samsung Life, which is part of South Korea's top business conglomerate Samsung Group, comes as the market waits for the pricing next week of an up to \$12 billion offering by Japan's Dai-ichi Mutual Life Insurance, the world's largest IPO since credit card firm Visa (V.N) raised \$19.7 billion in 2008.

### **LG Display to invest \$1.3 bln to add new LCD line**

South Korea's LG Display (034220.KS), the world's No.2 maker of liquid crystal display screens, said on Friday it would invest 1.49 trillion won (\$1.32 billion) to boost production capacity with a new production line.

### **Hynix to invest \$410 mln in production in Q1**

Hynix Semiconductor Inc (000660.KS), the world's No. 2 maker of memory chips, said on Thursday it would invest 465 billion won (\$410 million) to expand and upgrade its production capacity and research and development.

### **Korea, ASEAN agree to further liberalize trade**

Korea and the 10-member Association of Southeast Asian Nations have agreed on work for further trade liberalization starting from 2011, Seoul's trade ministry said Friday, according to Yonhap News. A free trade agreement between Korea and ASEAN on merchandise took effect in January this year. Similar deals on services and investments also came into effect, with some ASEAN nations still working for implementation.

### **Hyundai Motor heir apparent elected to board**

Shareholders of Hyundai Motor Co. yesterday elected Chung Eui-sun, the only son of Hyundai Kia Automotive Group chairman Chung Mong-koo, as an executive board director, laying firmer ground for the passage of the auto empire's managerial rights to the family heir

## *Socio-Cultural façade*

### **S. Korea's Noh wins M'sian Open**

South Korean teenager Noh Seung-yul birdied the final hole Sunday to win the Malaysian Open by one shot ahead of countryman K.J. Choi. The 18-year-old Noh hit a sublime chip shot over the left-hand bunker to within 18 inches of the par-5 18th hole before tapping in for his second Asian Tour and maiden European Tour title. Noh shot a 4-under 68 to finish with a 14-under total of 274 at the US\$2 million (S\$2.80 million) tournament. 'This is more special than my first win,' said Noh, who took the 2008 Midea China Classic title en route to becoming the Asian Tour's Rookie of the Year that season.

### **Blood donors hit record number**

The number of blood donors hit a record high, health officials said yesterday. According to the Korea Centers for Disease Control and Prevention, about 2.57 million people donated blood last year, up 9.5 percent from 2008. Compared with the average over the past three years, the figure is an increase of 14.4 percent, officials said. The KCDC also reported that the nation's blood donating population is becoming diversified, with the participation of more women and people aged over 30. The number of female blood donors increased 13.9 percent last year, while the number of donors aged 30 or over also increased 7.7 percent from the previous year.

### **Government tightens rein on education**

The government seeks to reduce the authority of local education superintendents as part of efforts to eradicate corruption among education officials and senior teachers. An array of bribery and influence peddling incidents involving education circles rocked the nation recently. President Lee Myung-bak has declared a sweeping anti-corruption drive whose main targets include education.

### **Lee declares war against corruption**

President Lee Myung-bak said Tuesday that he will intensify efforts to root out corruption among education officials and other public servants, according to his office, according to Yonhap News. Lee, who entered the third year of this five-year term last month, was apparently mindful of many of his predecessors who ran into trouble due to influence-peddling scandals involving their families or confidants in their final years in office.

### **Doctors Advocate Pro-Choice on Abortion**

An association representing thousands of obstetricians running their own clinics recently issued a statement backing the calls by pro-women rights activists that pregnant women have the exclusive right to determine whether to have an abortion. This has fueled the ongoing debate in the medical sector over the issue, which was ignited last month after a pro-life doctors' group filed a criminal complaint against their peers at hospitals over illegal terminations.

## **South Korea to Co-Chair Int'l PKO Conference**

South Korea and Thailand will co-chair an international conference of peacekeeping experts from March 10 to 12, the Ministry of National Defense said. The fourth ASEAN Regional Forum (ARF) Peacekeeping Experts' Meeting is to be held in Bangkok, the ministry said in a news release. ASEAN refers to the 10-member Association of Southeast Asian Nations. Every year, an ASEAN member country and a non-ASEAN nation co-chair the meeting.

## **New Anti-Influenza Drug Being Developed**

Celltrion has developed a drug based on "human monoclonal antibodies" that can be effective against multiple influenza viruses, the biopharmaceutical company said Tuesday. The company tentatively called the drug a Super Flu-Antibody Therapy. This is the first time a drug effective against multiple viruses has been developed in Korea. Celltrion expects to release the product next year, ahead of major rivals in the U.S. and other countries who have also been successful in developing substances that are effective against one or more viruses. The drug neutralizes a broad spectrum of influenza viruses and could be effective for the pandemic H1N1, H5N1 avian influenza and others, Celltrion said.

## **NK Famine Becoming Widespread Following Currency Reform**

The food situation in North Korea appears to be worsening this year. According to Good Friends, an international non-governmental organization dedicated to helping North Koreans, Tuesday, the area of Sinuiju, a special region in the west bordering with China, has had more than 300 deaths during the first two months of 2010, and another 1,000 are on the verge of starving to death. This came only a few days after a Yonhap report that a homeless girl was spotted in Pyongyang, the capital, which is believed to be the most affluent area in the country.

## **Vice Minister of Gender Equality Named**

A veteran finance official was appointed Friday as the vice minister of gender equality. Kim Kyo-sik, currently head of the policy planning division at the Ministry of Strategy and Finance, will replace Hwang Joon-kee, who quit his job to run for mayor of Seongnam in the June 2 local elections. During his three decades of service at the finance ministry, he worked at several key posts including spokesman and director-general of the consumption tax bureau. Cheong Wa Dae also hinted at the possibility of the imminent replacement of some vice ministerial officials at other government agencies. They added that it may take weeks for President Lee Myung-bak to pick a new home minister.

## **Gov't to crack down on corruption in education sector**

The government will soon launch a special task force to root out corruption among education officials, the prime minister said Friday, according to Yonhap News. Chung Un-chan unveiled

the plan during a state policy coordination meeting, saying, "a set of more fundamental countermeasures are needed to eradicate corruption" among education officials.

### **South Korea transport goes green on recharging road**

South Korea is trying a new way to turn public transport green by using a technology popular in electric toothbrushes and razors to power buses and cars. The country's top technology university on Tuesday unveiled a new electric transport powered by recharging strips embedded in roads that transfer energy through magnetic connections. There are no direct connections with wires. Vehicles with sensor-driven magnetic devices on their underside suck up energy as they travel over the strips embedded a few centimeters (inches) under the road. The online electrical vehicle system so far has proven safe to humans and machinery.

### **Google warned over games**

South Korea on Thursday warned Google it would be penalised if its mobile games content was not regulated, a government official said. South Korea's Games Ratings Board has sent an official letter to Google Korea, urging the web giant to abide by a law that requires all video games to be reviewed and rated by the state agency, the official said.

## **Japan**

### ***Politico-Strategic Front***

#### **Japan to unveil Cold War pacts**

JAPAN'S new centre-left rulers plan to lift the lid soon on secret Cold War nuclear and military pacts with the United States that were denied for decades by previous conservative governments. Soon after coming to power, the government set up a panel of historians to probe the long-whispered existence of pacts between the two countries. Their findings are expected to be released some time this week.

#### **Japan PM support falls to 36%**

ONLY about one-third of Japanese voters support Prime Minister Yukio Hatoyama's government, and about the same percentage plans to vote for the main opposition party in a key mid-year poll, a survey showed. Doubts about Hatoyama's leadership, including his ability to resolve a feud with Washington over a US Marine airbase and funding scandals have eroded his support and now appear to be eating away at that for his party as well. Support for Mr Hatoyama's government has slipped 5.1 points from February to 36.3 percent, a public opinion poll by Kyodo News Agency showed.

## **DPJ needs schooling on equality**

When the Democratic Party of Japan swept to power last year, many people expected Japanese politics to become more rational. The Liberal Democratic Party had maintained a status quo that stifled meaningful change, and the DPJ supposedly won by promising to move forward. But certain impulses have proven difficult to resist. One of the planks of the DPJ platform was a plan to eliminate the need for students to pay tuition at public high schools and provide subsidies to those attending private high schools. The idea that students must pay for continuing their secondary education runs counter to the spirit of the fundamental education law, which guarantees equal educational opportunity to all residents of Japan.

## **Australia searches Sea Shepherd ships on Japan's 'referral'**

Australia (AP) Australian police conducted searches Saturday on two antiwhaling vessels that recently clashed with Japanese ships in the Antarctic Ocean in an attempt to obstruct their annual catch, police and activists said. Federal police with search warrants boarded the Steve Irwin and the Bob Barker, ships belonging to the activist group Sea Shepherd Conservation Society, as the result of a "formal referral from Japanese authorities," a spokesman said on condition of anonymity in accordance with police policy. He gave no further details, including on what basis the warrant was issued.

## **Two options left for moving Futenma**

The government is narrowing the relocation of Futenma air station in Okinawa down to two options, including a plan to build a helipad at the marines' Camp Schwab in Nago, government sources said Saturday. The other option is to reclaim an area between the U.S. Navy facility on White Beach in Uruma and Tsuken Island off the main island of Okinawa, the sources said, noting that the work to decide where to move U.S. Marine Corps Air Station Futenma is now in the final stage. Chief Cabinet Secretary Hirofumi Hirano will explain the two options to Prime Minister Yukio Hatoyama, who will then pick one and present it to U.S. government negotiators. After the government makes a final decision on the site, the Foreign and Defense ministries will enter into full-blown talks with the U.S. and the relevant local governments in Okinawa, they said.

## **Base delay could harm ties, Campbell warns**

A senior U.S. official suggested to visiting opposition lawmakers Friday that if Japan postpones a decision on the relocation of U.S. Marine Corps Air Station Futenma in Okinawa beyond the end of May deadline, it could have a broad impact on bilateral relations. U.S. Assistant Secretary of State Kurt Campbell made the remarks in a meeting with Katsuei Hirasawa, a Lower House member, and Ichita Yamamoto, an Upper House member, both from the Liberal Democratic Party. Campbell said that postponing a decision beyond the deadline could affect budget



deliberations in Congress with regard to the planned transfer of U.S. Marines from Okinawa to Guam and bilateral ties in areas other than security, the lawmakers told reporters.

### **Fukushima rails at Hatoyama's nuclear agenda**

Prime Minister Yukio Hatoyama plans to promote nuclear power in a bill to fight global warming but is facing resistance from a key member of his tripartite ruling bloc. The government plans to submit the bill to the current Diet session, but Social Democratic Party chief Mizuho Fukushima has asked Chief Cabinet Secretary Hirofumi Hirano not to promote nuclear power in the bill.

### **Ozawa unhappy with plans to keep Futenma in Okinawa**

Democratic Party of Japan Secretary General Ichiro Ozawa is criticizing government efforts to relocate Futenma air base within Okinawa Prefecture, saying it could harm the party ahead of the House of Councilors election in July, DPJ sources said Sunday. Ozawa told the ruling party's executives Thursday that the government cannot opt to keep the U.S. Marine Corps base in Okinawa when its prefectural assembly has unanimously demanded it be moved outside the prefecture or abroad, the sources said.

### **Cabinet polling at record-low 36.3%**

The public approval rating for Prime Minister Yukio Hatoyama's Cabinet has fallen to 36.3 percent, the lowest since it was inaugurated last September, the results of a telephone poll showed Sunday. In a Kyodo News survey conducted Saturday and Sunday, 58.6 percent of the respondents said it is not desirable for the ruling Democratic Party of Japan to control the House of Councilors while wielding a majority in the stronger House of Representatives. As for DPJ Secretary General Ichiro Ozawa, 74.8 percent said the party's powerful strategist, currently mired in a political funds scandal, should resign, up 2.1 points from the previous poll in February. The Cabinet's approval rating sank 5.1 points from last month, taking it below 40 percent for the first time since it was formed. The disapproval rating meanwhile rose 3.8 points to 48.9 percent.

### **Okada setting up three summits between Hatoyama, Medvedev**

Foreign Minister Katsuya Okada said Sunday he will work with Russia on arranging three summits with Prime Minister Yukio Hatoyama and Russian President Dmitry Medvedev this year to press for the return of four Russian-held islands off Hokkaido. At a meeting with former residents of the disputed islands in Nemuro, Hokkaido, Okada said he hopes the two leaders will meet more than twice, which was the number of times they met last year.

### **Fukushima rails at Hatoyama's nuclear agenda**

Prime Minister Yukio Hatoyama plans to promote nuclear power in a bill to fight global warming but is facing resistance from a key member of his tripartite ruling bloc. The government plans to submit the bill to the current Diet session, but Social Democratic Party chief Mizuho Fukushima has asked Chief Cabinet Secretary Hirofumi Hirano not to promote nuclear power in the bill.

### **Toyota meets Hatoyama, vows better quality control**

Toyota Motor Corp. President Akio Toyoda met Monday with Prime Minister Yukio Hatoyama and promised to improve quality control to win back the trust of consumers rattled by its global recalls. Toyoda also expressed confidence that sales in the vital North American market will begin picking up this month despite logging an 8.7 percent slide in new vehicle sales in the United States in February.

### **Government climate bill may favor businesses**

A climate bill being prepared by the government may include an option for an emissions trading mechanism favored by businesses that critics say could undermine measures to curb global warming, sources said. Officials are in the final stage of consultations over whether to state in legislation that the idea of setting an emissions ceiling per unit of production will also "be considered" for the trading mechanism for greenhouse gases.

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### **Secret pacts existed; denials 'dishonest'**

Secret pacts on nuclear arms and other issues were reached between Japan and the United States during the Cold War, a Foreign Ministry panel concluded Tuesday, effectively ending the government's decades-long official denial. While the pacts have already been exposed through U.S. declassified documents and other sources, the panel's investigation, launched after the Democratic Party of Japan's historic rise to power last year, made clear that previous governments led by the ousted, but long-ruling, Liberal Democratic Party were "dishonest" about the issue and raised questions over the management and disclosure of diplomatic papers. Among the pacts the panel acknowledged was "a tacit agreement" that emerged during the 1960 revision of the Japanese-U.S security treaty that led to Tokyo effectively allowing port calls by U.S. vessels carrying nuclear weapons without prior consultation.

## **Shipment of nuclear waste arrives from U.K.**

The first delivery of at least 850 canisters of high-level radioactive vitrified waste arrived Tuesday morning by ship from the U.K. in Rokkasho, Aomori Prefecture, where it will sit in storage for decades before being buried deep underground. Antinuclear activists argue that with no local government yet willing to host a final disposal site and concern over the international security and environmental risks of transporting so much nuclear waste between the U.K. and Japan, the shipments should end. About 14 tons of waste in 28 vitrified high-level waste canisters, each of which weighs about 500 kg, arrived at Mutsu Ogawara port at Rokkasho in the morning.

## **US 'faithfully honoured' pacts**

THE United States said on Tuesday it has been faithful to agreements with Japan but declined comment on findings that it quietly brought nuclear weapons onto the allied nation's territory. Japan's left-leaning government commissioned a report that confirmed longstanding suspicions that previous conservative administrations turned a blind eye to the US arms despite Japan's staunch anti-nuclear stand.

## **Crown Prince attends Ghana Noguchi event**

Crown Prince Naruhito attended a memorial symposium in the Ghanaian capital Tuesday held to present an award named after Japanese bacteriologist Hideyo Noguchi and expressed hope for further efforts by doctors fighting infectious diseases in Africa. The award is given to researchers and others who have made outstanding contributions to medical activities in Africa. Noguchi died in Ghana in 1928 of yellow fever while conducting research on the disease.

## **Japan faces rocky path to emissions trading system**

Japan faces a rocky path to launching an emissions trading system after the government approved legislation on Friday that was vague on how the scheme would set limits on emissions. The proposed climate bill, set to be enacted in parliament by mid-June, set a one-year deadline for the world's fifth-largest greenhouse gas emitter to draft legislation outlining details for a mandatory trading scheme. A national scheme setting emissions targets could be a major boost for carbon trading in Japan, which only has a voluntary carbon market at the national level based on companies' pledged goals. But designing the new market risks becoming complicated as the climate bill leaves room for the trading system to set caps on emissions per unit of production, which would allow rises in emissions when output grows.

## **Activist arrested over boarding Japan whaling ship**

Japan's coastguard on Friday arrested an anti-whaling activist from New Zealand who boarded a whaling vessel in the Antarctic following clashes between hunters and environmentalists, a

spokesman said. Media helicopters hovered overhead as a flotilla of ships sailed into Tokyo Bay and Pete Bethune of the Sea Shepherd Conservation Society was brought ashore after being held on board for the four-week trip.

### **Hatoyama flip-flopped on air base: sources**

Issues of trust tainted the Futenma relocation issue Thursday as bilateral diplomatic sources revealed that Prime Minister Yukio Hatoyama told U.S. Ambassador to Japan John Roos in December that Japan would eventually honor the 2006 accord finalizing the U.S. air base's move from Ginowan to Camp Schwab in Nago, keeping it in Okinawa Prefecture. Tokyo, however, was forced to develop another plan because the winner of Nago's mayoral election in January opposes the 2006 accord. Hatoyama's temporary "verbal pledge" is believed to have spurred U.S. distrust in Japan, straining bilateral ties.

### **Bureaucrats out of Futenma talks loop**

Prime Minister Yukio Hatoyama's Cabinet plans to exclude senior bureaucrats from taking part in bilateral talks over the relocation of U.S. Marine Corps Air Station Futenma in Okinawa, government sources said. The government, which is in the process of choosing an alternative relocation site, also intends to hold the discussions in Japan, in principle, to prevent the pace from being dictated by the United States, the sources said. The exclusion of the Foreign Ministry diplomats, which includes the Japanese Embassy in Washington, is apparently aimed at resolving the issue based on political initiative. The Hatoyama Cabinet has called for politicians to show greater leadership and reduce its dependence on bureaucrats.

### **Hatoyama looks to attend U.S. nuclear summit**

Prime Minister Yukio Hatoyama told visiting U.S. Homeland Security Secretary Janet Napolitano on Friday that he wants to attend the Nuclear Security Summit in Washington next month. Noting he has received an invitation from President Barack Obama, Hatoyama said, "I want to take time out from the Diet session to come over." The summit, which will be held in the U.S. capital on April 12 and 13, will be hosted by Obama, who received the Nobel Peace Prize in 2009 for his pledge to seek a nuclear-free world.

## ***Economic Frontage***

### **China surpasses Japan as the 2nd largest world economy**

CHINA surpassed Japan as the second largest economy in the world in the fourth quarter of 2009. Although Japan's gross domestic product (GDP) for 2009 at US\$5 trillion was higher than that of China at US\$4.9 trillion, from the fourth quarter, China produced more goods and services (i.e. enjoyed higher GDP) than did Japan. *Advantages* On a purchasing power parity (PPP) basis, which assumes similar cost for identical products and services in different countries,

China overtook Japan in 2001 (see chart) and could overtake the US by 2020. As per the International Monetary Fund, China's GDP per capita in 2009 at only US\$3,566 was still significantly lower than that of Japan (US\$39,573) and the US (US\$46,443). *Challenges*, China also faces immense challenges. There is, firstly, an over-reliance on investments and exports to boost the economy while private consumption as a percentage of GDP remains low. In the longer term, China will require a basic social net that will encourage Chinese to save less for future medical and other bills. Taiwan and South Korea have made the transition from autocratic governments to democratic governments.

### **Lenders to cut off homemakers**

Major consumer loan companies will stop issuing loans to housewives and male homemakers without independent income in June as tighter lending rules kick in, sources said. A law revised to reduce heavily indebted borrowers will oblige consumer lenders to limit loan sizes to a third of a borrower's annual income. Since this will also force homemakers to submit more documentation, including consent letters from their income-earning spouses, the lenders have apparently concluded such lending won't be worth the extra clerical work it generates, the sources said Saturday.

### **February business failures down 17%**

Corporate bankruptcies fell 17.29 percent to 1,090 in February, stretching the streak of monthly year-on-year declines to seven, a credit research firm said. Debts left by failed firms also fell sharply, with related liabilities plummeting 64.29 percent to ¥438.83 billion as more credit was made available by government stimulus measures and a new law aimed at assisting smaller firms, Tokyo Shoko Research said. Debts plunged 83.14 percent compared with January, when Japan Airlines Corp. filed for bankruptcy protection in the biggest nonfinancial corporate failure in postwar history.

### **Sony to roll out 3D TVs**

SONY said Tuesday it would start selling 3D televisions in Japan in June, aiming to ride a new wave of interest in the technology thanks to recent movies such as sci-fi blockbuster 'Avatar'. The Japanese giant said its first 3D liquid crystal display TV models would hit the Japanese market on June 10, with a price tag of about 350,000 yen (S\$4,949) for a 46-inch version. Viewers will wear electronic glasses that open and close rapidly in time with images designed for the right and left eye, creating a three-dimensional effect.

### **Minimum guarantee pension eyed**

The government began discussions Monday on a planned two-tier public pension system involving a minimum-guaranteed benefit program, with a view to formulating basic principles at

the end of May. Prime Minister Yukio Hatoyama indicated the government will discuss the issue in connection with proposed tax reforms, including possibly hiking the 5 percent consumption tax.

### **Exports boost January current account surplus**

Japan saw a current account surplus of ¥899.8 billion in January, compared with a record deficit of ¥132.7 billion a year earlier, as exports recovered at the fastest pace on record, the Finance Ministry said. The current account, the broadest gauge of Japan's trade with the rest of the world, stayed in the black for the 12th month running, the ministry said in a preliminary report. The balance of trade in goods and services posted a surplus of ¥37.3 billion, a turnaround from the ¥1.057 trillion deficit a year before.

### **Toyota experts challenge faulty electronics claim**

Toyota, dogged by millions of recalls and claims that it still has not fixed its safety problems, took its strongest step yet Monday to silence critics who blame faulty electronics for runaway cars and trucks. Toyota assembled a group of experts in a bid to refute studies by an Illinois professor who revved Toyota engines simply by short-circuiting the wiring. Toyota's experts say the experiments were done under conditions that would never happen on the road. The automaker maintained its assertion that simpler mechanical flaws, not electronics, were to blame.

### **Honda to build second cycle plant in India**

Honda Motor Co. said Tuesday it will boost its motorcycle production in India to meet robust local demand by building a second plant there. Honda Motorcycle & Scooter India Pvt. Ltd., a wholly owned local unit of the company, aims to operate the planned facility in an industrial area in Rajasthan, about 90 km from central Delhi, from the second half of next year, with annual output capacity projected at 600,000 units, Honda said.

### **JAL taking applications for early retirements**

Japan Airlines Corp. said Tuesday it will start soliciting early-retirement applications Thursday from rank-and-file employees and midlevel managers aged 35 and older at its key flight-services arm, Japan Airlines International Co. JAL, the nation's biggest airline, which filed for bankruptcy protection Jan. 19, said it will seek applications from ground and cabin crew, as well as from aircraft maintenance service mechanics aged 50 or older, at the subsidiary until April 9

### **No easy solutions for U.S., Japan to revive economies**

*Stimulus plans are double-edged swords while tax breaks may prove more effective* Even as Japan and the United States need deficit-funded stimulus now to stay on the recovery path, sustained large budget deficits will be a long-term problem that undermines their future growth

prospects and must be addressed. The real problem about the fiscal situations in both the U.S. and Japan is the long-term prospect of running large budget deficits. But one key common factor is that the U.S. and Japan are still rich countries and both are near the bottom of the list of advanced economies in terms of the share of tax revenue in their GDP, Ettlenger said.

### **Toyota out of top 10 firms for grads**

Toyota Motor Corp. has fallen to 13th place from seventh in terms of popularity among science and engineering students, dropping out of the top 10 most popular companies for the first time in 14 years, the latest annual survey by a job information provider showed Wednesday. Electronics maker Sony Corp., which replaced Toyota as the most popular company a year earlier, fell to fifth place, Mainichi Communications Inc. said. Famed machinery makers have lost popularity as their earnings have deteriorated amid the global recession. Instead, food maker Ajinomoto Co. became the most popular company for the first time, rising from fifth place. Two other food makers — Kagome Co. and Meiji Seika Kaisha Ltd. — joined the top 10.

### **Machinery orders decline 3.7%**

Report shows deflation still plagues nation Machinery orders slipped in January after the biggest jump since 2000, government data showed Wednesday, indicating a subdued appetite among the nation's companies to ramp up capital spending even as manufacturing passed its worst. Orders, a signal of business investment in three to six months, dropped 3.7 percent from December, when they climbed 20.1 percent, the Cabinet Office said. The government said after the report that machinery demand is "bottoming."

### **Japan's economy slows in Q4**

JAPAN'S economy grew at a slower rate than previously thought in the fourth quarter of 2009, new data showed on Thursday, raising fresh concerns over the country's recovery from a crushing recession. The world's number two economy expanded at a pace of 0.9 per cent in October-December from the previous quarter, revised down from an initial estimate of 1.1 per cent growth, the government said. And a revised figure for July-September showed a contraction of 0.1 per cent, illustrating how Japan's nascent revival stalled in the third quarter.

### **Japan's 98th airport opens**

JAPAN'S newest airport opened outside Tokyo on Thursday aiming to lure budget airlines, but there was deep scepticism about its profitability as it has only one scheduled daily flight so far. Ibaraki Airport, about 80 kilometres (50 miles) northeast of Tokyo, began operations as the country's 98th airport and is meant to boost the local economy as a gateway for business passengers and foreign tourists.

### **Growth risks balanced, future foggy: Suda**

Bank of Japan Policy Board member Miyako Suda reiterated the central bank's view Wednesday that the economy will continue to expand gradually, saying upside and downside risks for growth are evenly balanced. "In my view, upside and downside risks for the economy are almost balanced, while the economy's outlook is highly uncertain," Suda said at an economic forum in Tokyo. "The central bank will make persistent efforts to achieve sustainable growth with stable prices."

### **Yen to Drop to 100 as Deflation Spurs BOJ to Add Cash, CIB Says**

The yen is likely to weaken to 100 per dollar, a level last seen in April, as the Bank of Japan pumps money into the financial system to combat deflation, according to Credit Agricole Corporate and Investment Bank. Japan's currency slid almost 2 percent versus the dollar this month as the government urged the central bank to act. Financial Services Minister Shizuka Kamei said he hopes the Bank of Japan will further increase monetary easing. The central bank's options include expanding a 10 trillion yen (\$111 billion) fund providing loans to banks, according to two central bank officials who spoke on condition of anonymity.

### **Japan Kan: Govt, BOJ have common goal for prices**

The Japanese government and the Bank of Japan basically share the same goal of seeing prices rise, Finance Minister Naoto Kan said on Friday. Kan, speaking to lawmakers in parliament, also said he wants the central bank to work towards achieving this goal.

### **Panasonic launches 3-D TV sales at Best Buy**

Panasonic Corp. on Wednesday began selling its first 3-D television in the United States in partnership with local retailer Best Buy Co. Panasonic's Viera VT20, a 50-inch 3-D plasma television, was launched at an event held at a New York outlet of Best Buy a day after South Korean rival Samsung Electronics Co. announced a lineup of 3-D TVs. Priced at \$2,499.95, the TV comes with a Blu-ray player and one pair of 3-D glasses.

### **GDP growth for quarter downgraded**

The economy expanded less than initially estimated in the fourth quarter as companies pared spending and stockpiles as deflation deepened, government data showed Thursday. Gross domestic product rose at an annual 3.8 percent pace, slower than the 4.6 percent reported in preliminary figures last month, the Cabinet Office said. The GDP deflator, a gauge of price trends, fell a record 2.8 percent.



## **Japan Needs \$56 Billion Smart Grid If Law Passes, Deutsche Says**

Tokyo Electric Power Co. and nine other regional utilities may need to spend 5.1 trillion yen (\$56.3 billion) in 20 years to upgrade Japan's power grid if a draft climate-protection legislation is made law. The utilities would need to spend 2.5 trillion yen to install batteries and the rest on smart meters and other devices to cope with the irregular current supplied by renewable energy, said Tomohiro Jikihara, an analyst covering power and gas utilities at Deutsche Securities in Tokyo.

## **Japan's Cabinet Endorses Cap-and-Trade Climate Bill**

Japan's Cabinet has endorsed a climate-protection draft law today that would cap industrial emissions and thrust the second-biggest economy into the \$125 billion market for trading carbon credits. Some polluters will be subject to a flat ceiling on emissions while others may face a limit per unit of production, according to a copy of the bill, distributed to reporters by the Environment Ministry today. The draft leaves open which industries will be affected.

## **Toyota's 'Bargains' May Boost Sales 30%, Edmunds Says**

Toyota Motor Corp., buoyed by an incentive campaign, may report a 30 percent jump in U.S. sales in March after recalls of millions of vehicles damped deliveries for two months, industry researcher Edmunds.com said. No-interest loans for as long as five years and discounted leases on most Toyota brand models from the world's largest automaker are helping drive the rebound from year-earlier levels, Edmunds.com Chief Executive Officer Jeremy Anwyl said by phone today. "Americans love a bargain," Anwyl said. "Car buyers still feeling financially distressed see this as the best time to buy."

## ***Socio-Cultural Façade***

### **Non-English schools hope for aid**

Private international high schools where English is not the language of instruction are hoping they will be eligible for planned annual subsidies of ¥120,000 per student, according to school officials. Unlike at more expensive English-based international schools, the subsidies, which would be disbursed at the discretion of the education ministry, would go a long way to covering tuition.

### **Robot teaches parenting skills**

IT GIGGLES and wiggles its feet when you shake its rattle, but will get cranky and cry from too much tickling: Meet Yotaro, a Japanese robot programmed to be as fickle as a real baby. The cuddly baby-bot looks unearthly with a pair of luminous blue eyes and oversized cheeks, but

engineering students are hoping it will teach young people the pleasures of parenting as Japan faces a demographic crisis.

### **Japan opens marriage school**

IN SEARCH of Mr or Mrs Right, dozens of Japanese are attending a newly launched school in Tokyo that aims turn them into marriage material. The Infini school offers various classes for wannabe brides and grooms at a time when many people in Japan are either shunning the institution of marriage or are finding it very difficult to hook up with a partner. The school, which is open to men and women, teaches students how to talk, walk and present themselves elegantly in a bid to capture the hearts and minds of prospective partners and their parents, who are often a major obstacle to successful unions.

### **Allowance may cover children in institutions**

The ruling tripartite bloc agreed Wednesday to expand the government's planned monthly child rearing allowances to kids at child care institutions and add a clause to that extent in a related bill currently being deliberated at the Diet, as requested by New Komeito. Diet affairs chiefs from the Democratic Party of Japan, the Social Democratic Party and Kokumin Shinto (People's New Party) reached the agreement in their meeting, said Kenji Yamaoka, head of the DPJ's Diet Affairs Committee.

### **Japan to fight for its sushi**

Proposal by global group to halt trade in dwindling bluefin tuna to face strong resistance THE fate of the Atlantic bluefin tuna, eaten to the edge of viability, will be decided in the next two weeks when the world's nations vote on whether to ban cross-border trade in the dwindling species. Japan, the world's biggest consumer of the tuna, is against the proposal, and a government spokesman said yesterday that the country will hold firm to its position and oppose a total ban. 'Basically, the Washington Convention's purpose is to protect endangered species from extinction, but I don't think bluefin tuna faces such a situation,' Mr Hirofumi Hirano told a press conference.

### **School hones marriage skills**

Instructors provide critiques about students' dress, posture and even details such as how they cross their legs or get out of a car. Men and women are taught different skills, which range from how to set a table well to how to be more emotionally expressive. Students also simulate dates, during which their instructors grade their performance and point out what they did wrong.

### **Pollution contaminating shellfish**

CHINA'S coastal waters are increasingly polluted by everything from oil to pesticides, contaminating the nation's marine life including the shellfish supply, state press reported on Friday. Most shellfish in offshore areas contained 'excessive harmful chemicals' such as lead, cadmium and the insecticide DDT, the China Daily said, citing a new report released by the State Oceanic Administration. Levels of lead detected in shellfish were 50 per cent higher than normal, while cadmium and DDT levels were about 40 per cent higher, the report said.

### **Two in three students see grim future**

Roughly two in three university students feel pessimistic about the country's future, according to an Internet survey by FIL Investments (Japan) Ltd. Seventy-two percent of the pessimists attributed their view to the excessive future financial burden they think younger generations will have to shoulder because of the large public deficit, the survey showed.

### **Emissions bill, urging '11 carbon tax, gets nod**

The government formally approved a bill Friday that would aim to slash greenhouse gas emissions by 25 percent from 1990 levels by 2020 on condition that all major emitters set similarly ambitious targets, and introduce a carbon tax next year. The bill on basic policies to curb global warming, adopted at a Cabinet meeting in the morning, also sets an 80 percent emissions cut target for 2050 and calls for measures to realize medium- and long-term goals, including the introduction of an emissions-trading scheme, a carbon tax and the promotion of nuclear energy use.

## **South Korea**

### ***Politico-Strategic Front***

#### **Detailed News:**

##### **(Reuters) Smart grid spending powers ahead in Asia**

SEOUL/HONG KONG (Reuters) - Japan, South Korea and China are investing about \$9 billion this year in infrastructure and information technology to make electricity networks more efficient, creating lucrative opportunities for niche technology and equipment providers.

The "smart grid" system, through computerized monitoring of electricity flowing through a power grid, allows utilities to automatically manage electricity usage in a way that is more reliable and flexible.

Asia's spending on smart grids is expected to outpace the United States, with China alone seen investing \$7.3 billion in the sector this year, according to Zpryme, a market research firm based in Austin, Texas.

"China is pursuing smart grid as aggressively or more aggressively than any other country in the world right now," said Brad Gammons, vice-president of IBM's Global Energy & Utilities Industry, told Reuters in an interview.

"They're very focused and have a very strong commitment to move in that direction," he said.

IBM along with companies such as Cisco and Microsoft are investing in the smart grid market in China.

The focus on smart grids will benefit businesses in the whole power distribution system, from makers of pole transformers to electricity meters and software providers to storage battery manufacturers.

Osaki Electric Co, which makes electric measuring devices in Japan, and South Korea's LS Industrial Systems, which owns power transmission and distribution technologies, are examples of companies that could get a boost from smart grid development.

"Osaki Electric have been developing a smart meter which is a positive catalyst for the share price going forward," said Japaninvest analysts in a report.

Despite a two-third rise in its share price in the past year, LS Industrial trades at 15 times estimated earnings, much lower than Osaki at almost 50 times and the sector average of about 54 times, according to Thomson Reuters data.

Little-known Chinese companies including Zhuzhou CSR Times Electric Co Ltd, which makes electric converters and control systems, and maker of electric meters, Wasion Group are also popular among analysts.

Both stocks have more than doubled in the past year and trade at below sector average PEs, at 33 times and 15 times estimated earnings, respectively.

## GOVERNMENT SPENDING

Analysts said government spending will go a long way to driving regional demand for smart grid equipment and technology, helping create bigger businesses in the sector.

China alone could spend over \$100 billion upgrading its power distribution over the next 10 years, said Yuanta Securities analyst Min Li.

Japan and South Korea, which are a step ahead of China in the building of intelligent power distribution networks, are also ramping up smart grid investment. Both are earmarking spending of more than \$800 million this year, according to a Zpryme report released in January.

South Korea aims to spend 27.5 trillion won (\$23.7 billion) by 2030 on smart grids to help meet its emissions reduction target, and is building the world's largest smart grid test-bed in Jeju island, in the south of the country.

As future distribution networks could eventually go wireless, the upgrade of Asia's power distribution network also could benefit mobile operators such as SK Telecom.

"Smart grid itself is a combination of electricity equipment and IT infrastructure," said analyst with Kim Min-ho at E\*Trade Securities. "As it is highly possible that metering will be made through wireless communication, there will be increasing demand to borrow wireless networks."

Analysts see challenges ahead.

Incentives that would further bolster private investment are lacking in Asian markets including South Korea, while the United States and Europe are making separate moves to shape the standards for smart grid deployment worldwide.

"If the United States or Europe move first to set up global standards, Asian firms will have to spend a lot to develop technologies and systems to meet those standards," said Kim Ik-sang, analyst at Hi Investment & Securities.

"It is important for Asian companies to work with their U.S. and European counterparts and participate this early in the development of these standards," he said.

### **Lee Renews Pledge to Uproot Election Rigging**

President Lee Myung-bak has urged the country's law-enforcement bodies to strengthen monitoring of irregularities involving public servants and voters ahead of the upcoming June 2 local elections, officials said Monday.

Lee convened a meeting of senior officials from the Ministry of Justice, the Board of Audit and Inspection, the National Police Agency and the Supreme Prosecutors' Office last week to discuss anti-corruption measures.

At the meeting, Lee renewed his pledge to deal sternly with crimes committed by the elite in society, saying the anti-corruption drive should continue for the remainder of his tenure, which ends in February 2013, a presidential spokesman said.

The instruction came as political parties are set to pick candidates for the local elections, which will choose mayors, governors and council members.

Lee called on the officials to pay particular attention to voter-related crimes, the spokesman said.

As Lee enters his third year in office, Cheong Wa Dae is taking precautions against possible corruption cases involving the President's relatives, close aides and high-ranking government officials, sources said.

“Lee stressed at the meeting that corruption among social leaders is one of the key challenges for Korea in improving the country's reputation abroad and that their integrity is closely related to national competitiveness,” a spokesman said.

The President has called for a crackdown on corruption in the public and educational sectors.

In a Cabinet meeting last month, he said, “Corruption is the No.1 obstacle for our country on the course of becoming an advanced, top-class economy. We cannot achieve the goal without addressing this malaise.

“It is time to improve all sectors of society commensurate with the country's rising international status. Public servants should work with a sense of responsibility and sacrifice.”

### **Seoul Issue Travel Warning for Russia**

The government is considering issuing travel warnings for certain regions of Russia, following attacks against South Koreans there, the Ministry of Foreign Affairs and Trade said Monday.

The proposed plan came as a South Korean student remains in critical condition following an attack from a masked assailant in Moscow Sunday.

The incident was the latest in what appears to be a series of hate crimes against people of "non-Slavic" appearance in Russia.

About three weeks ago, another South Korean student was stabbed to death in the Siberian city of Barnaul, the capital of the Altai region, in an attack by a group of Russian youths.

"We're considering various options, including the designation of travel warning zones in Russia," an official at the ministry said.

To date, only the southern Kavkaz region has been designated as a restricted travel zone due to the possibility of terrorist activities in Chechnya, the official said.

In the latest case, the 29-year-old South Korean, identified by his surname Shim, was attacked near a shopping mall in Moscow at 5 p.m. when he was heading home after parting with friends and acquaintances, embassy officials said.

The suspect, who wore a mask, stabbed Shim in the neck before fleeing the scene, and excessive bleeding from the wound has left the Korean student in critical condition, they said.

Shim came to Russia six years ago to attend a film college in Moscow.

Local police believe the attack might have been racially motivated as it bore similarities to crimes carried out by Russian skinheads in the area, according to embassy officials.

Another overseas resident here was killed last week by local youths and there has been a steady rise in the number of crimes committed against foreigners, Yonhap News reported.

An embassy official said: "We are advising Korean residents here to take precautions as there has been an increase in the number of transgressions against foreigners," according to Yonhap.

### **(Reuters) North Korea on combat alert as U.S., South hold drills**

SEOUL (Reuters) - North Korea said on Monday it had put its army on full combat alert, ready to "blow up" South Korea as joint drills between the South and the United States got underway.

The drills, seen by Pyongyang as nuclear war maneuvers, last for about two weeks and are aimed at testing the allies' defense readiness. They draw fiery rhetoric from the North each year that fuels tensions on the Korean peninsula, though they have been held for decades without major incident.

"The units of the three services of the KPA (Korean People's Army) should keep themselves fully ready to go into action in order to blow up the citadel of aggressors once the order is issued," the North's KCNA news agency quoted its military command as saying.

The comments were made after China, the North's main benefactor, said it wanted stalled nuclear disarmament talks resumed before July. It urged all parties to the six-country forum, including the United States and South Korea, to try harder.

The North has come under pressure to return to the disarmament-for-aid nuclear talks because of U.N. sanctions imposed after a May 2009 nuclear test.

The North said at the weekend that any talks to denuclearize the Korean peninsula would "naturally come to a standstill" because of the drills. North Korea conducted "live fire" exercises near sea borders with the South earlier this year.

Sanctions have dealt a blow to its wobbly economy, and a botched currency move late last year has sparked inflation and rare civil unrest.

The two Koreas are technically still at war because their 1950-53 conflict ended with an armistice and not a peace treaty.

The Resolve/Foal Eagle drills involve about 18,000 U.S. troops, U.S. Forces Korea said, with 8,000 coming from abroad and 10,000 already stationed in the South.

The South's Defense Ministry said about 20,000 of its troops would participate.

The United States, which fought on behalf of the South during the war, has about 28,000 troops in the country to support its 670,000 soldiers. The North deploys most of its 1.2 million troops near the border with the South.

**(Reuters) S. Korea eyes four more UAE nuclear reactors-official**

ABU DHABI, March 8 (Reuters) - South Korea hopes to build an additional four nuclear reactors in the United Arab Emirates, the country's ambassador said on Monday.

In December, the UAE awarded a South Korean group a deal to build and operate four initial nuclear reactors in the Gulf Arab state.

"We hope to build four more reactors, but so far there is no agreement on this," Chung Yong-chil, South Korean ambassador to UAE told Reuters on the sidelines of a conference.

He also reaffirmed South Korea expected to win additional deals worth \$20 billion for services and maintenance after the construction of the first four reactors was completed.

**(The Korea Herald) Seoul, Tokyo to hold talks on sea cleaning**

Korea and Japan will hold talks this week on ways to get rid of waste floating in the waters between the countries, Seoul's foreign ministry said Monday, according to Yonhap news agency.

The working-level consultations on cleaner seas will be held in Japan's Kitakyushu on Wednesday, the ministry said. The meeting will be the second of its kind since the first was held in South Korea's Busan in February 2009.

"At the upcoming talks, the sides will exchange information on the current conditions of waste in the seas between the countries and review their own efforts to eradicate the problem," the ministry said in a press release.

**(The Korea Herald) Korea to host Asia-Pacific forum on Internet safety**

Korea will play host for next year's annual general meeting of the Asia-Pacific Computer Emergency Response Team, a regional forum on on-line security, the country's officials said Monday, according to Yonhap news agency.

The APCERT members have agreed to select the Korean resort island of Jeju over Malaysia as the upcoming place to discuss on-line information security and computer safety, the Korean Communications Commission (KCC), the telecommunications regulator, said in a release.



APCERT is an international forum established in 2003 to foster collaboration against cyber attacks and violations of on-line information security. Its members comprise of 23 private security groups from 16 countries from the Asia-Pacific region.

### **(The Korea herald) Japan's top nuclear envoy due in Seoul for talks on N.K**

Japan's chief negotiator in six-nation talks on North Korea's nuclear ambition will visit South Korea this week for talks with his counterparts here on the resumption of the nuclear negotiations, an official at Seoul's foreign ministry said Tuesday, according to Yonhap News.

Akitaka Saiki, director-general of the Asian and Oceanian affairs bureau at Japan's foreign ministry, will arrive here Friday for a meeting with South Korean diplomats on the southern island of Jeju.

"Saiki will likely stop by in Seoul before or after his trip to Jeju for talks" with his South Korean counterpart Wi Sung-lac, the ministry official said while speaking on condition of anonymity.

The Wi-Saiki meeting will seek to coordinate the countries' efforts to bring North Korea back to the negotiating table with those of China as the Japanese envoy was set to begin a trip to Beijing later Tuesday for talks with Wu Dawei, China's special representative on Korean Peninsula affairs.

The Japanese nuclear negotiator is the latest to visit China after North Korea's chief nuclear envoy Kim Kye-gwan visited there last month for talks with Wu.

Wi visited Beijing late last month, followed by the special U.S. representative for North Korea policy, Stephen Bosworth, who then came to Seoul for talks with the South Korean negotiator.

### **KMC to Coordinate Multicultural Policy**

The Korea Multicultural Congress (KMC), a nationwide association, was launched Tuesday with the purpose of helping bring harmony to Korean society that is fast becoming multicultural.

The KMC will link up support centers and foreign residents. While individual centers focus on providing welfare services for multicultural families in a given area, the KMC is responsible for coordinating inter-regional cooperation and helping the government map out policies and education.

Kwon Young-kee, president of the KMC and a lawyer, said that the organization is aimed at smoothing Korea's transition from a "homogenous" society to a multicultural one.

"Young Korean women are reluctant to have babies, bringing down the birthrate, while married immigrants give birth to four or five children. This will eventually impact on demographics," Kwon said.

He added that multiculturalism should not be discussed only at the level of providing welfare for those families. "Being multicultural is a national, ethnic issue. We will cover education, legislation, labor, public peace and more in settling the issue in Korea," he said.

A former judge Kwon said a case led him to take an interest in multiculturalism. "I deliberated as judge on the Pescamar 15 case in 1996. The murder was a result of lack of understanding of each other due to cultural gaps," Kwon said. "If not for the case, I wouldn't have been working for multiculturalism." The Pescamar was a Korean oceangoing tuna vessel, on which a Chinese Korean sailor killed his Korean shipmates.

Insooni, the mixed-race singer, has been appointed as a representative of KMC. "Insooni was picked for her understanding of the purpose of the congress," Kwon said.

He said many Koreans are not familiar with multiculturalism. "There are some 1.2 million foreigners in Korea now, but the number will soon grow to 4 or 5 million."

Education is the first priority of the KMC. "Koreans have to accept multiculturalism and education will play an important role," the president said.

The target will be government employees, military personnel and police officers. "They are the people leading Korea and it is important to educate them first. If they understand multiculturalism, citizens will follow the idea," Kwon said.

"The world is moving from an oil war to a human resources war," Kwon said. "If Korea does not receive a younger generation from overseas, the future of the country might be in danger."

#### **(The Korea Herald) N.K. sets up special missile division**

North Korea has recently established an independent military division in charge of deploying and operating intermediate-range ballistic missiles, a government source in Seoul said Tuesday, a move indicating the North's determination to continue developing missiles with a range of over 3,000 kilometers, according to Yonhap News.

North Korea in 2007 rolled out its first -- and so far only, according to intelligence -- intermediate-range ballistic missile, which is supposedly capable of reaching Russia, India and Guam.

"We believe North Korea has set up a division under its Korean People's Army General Staff charged solely with arranging and controlling new intermediate-range missiles," the South Korean government source said, requesting not to be named due to the sensitivity of the issue.

**(The Korea Herald) President of U.N. General Assembly due in Seoul**

U.N. General Assembly President Ali Treki will visit Korea this week for talks on ways to enhance cooperation between the country and the world body on global issues, including security and climate change, Seoul's foreign ministry said Tuesday, according to Yonhap news agency.

The former foreign minister of Libya will arrive Thursday for a four-day trip that includes meetings with South Korean President Lee Myung-bak, National Assembly Speaker Kim Hyong-o and Foreign Minister Yu Myung-hwan.

"President Treki's trip to Seoul will be the sixth of its kind by a president of the U.N. General Assembly, which is expected to help further strengthen the cooperation between South Korea and the United Nations through discussions on current issues and an exchange of officials," the ministry said.

**(The Korea Herald) 'Korea grasps Brazil train requirements'**

Brazil's transportation regulator said a Korean-led group may have the best grasp of the South American country's bidding process and technological needs among six contenders seeking to build and operate a 34.6 billion reais (\$19.3 billion) bullet train system.

"They may have a better understanding of what we want to do," Bernardo Figueiredo, head of the National Land Transport Agency, known as ANTT, said in an interview from Brasilia.

"Korea went through a process similar to Brazil."

Companies from Japan, China, Spain, France and Germany may also submit bids to build the 511 kilometers railway linking Rio de Janeiro to Sao Paulo and Campinas, Figueiredo said. Rio de Janeiro and Sao Paulo are Brazil's two largest cities.

The auction is scheduled for May, he said.

Companies won't be able to charge more than 50 centavos per kilometer for the Sao Paulo-Rio de Janeiro coach ticket, while trips to Campinas and other stops may have no cap, Figueiredo said.

Korea's Hyundai Rotem Co., France's Alstom SA, Germany's Siemens AG, Japan's Hitachi Ltd. and Spain's Patentes Talgo SA are among the companies that have expressed interest in building the train, Aguinaldo Nogueira, press officer for the agency said.

Brazil's government will award the contract to build and operate the train to the consortium that offers the cheapest ticket while also requesting the least amount of financing from the state-development bank, known as BNDES.

The bank will finance as much as 21 billion reais, which represents 60 percent of the total estimated cost, Figueiredo said.

Another qualification for a winning bid requires that Brazilian companies have access to the technology used in the train. A state-controlled company will be created to coordinate the technology transfer under the government's so-called Growth Acceleration Program, according to a government report distributed Feb. 4.

The company will have initial capital of 3.5 billion reais to pay for land expropriation and possible environmental impact compensation, Figueiredo said. (Bloomberg)

### **Lee Rules Out Political Motive Over Sejong City**

President Lee Myung-bak called on the residents of the Chungcheong region Wednesday not to be swayed by political interference over the construction of Sejong City.

During his first visit to Daejeon since December last year, President Lee said local governments should be fully committed to the long-term development of their region and refrain from being entangled by political interests.

"Daejeon and the adjacent Chungcheong Provinces are regarded as the country's hub in science and technology," Lee said. "There is no room for political affairs to play out in the region."

The President stressed that the Daejeon-Chungcheong region could best serve the country as well as the nation's central region by specializing in the two fields.

He added that the government's revision plan to build a business-friendly town fostering research and education in Sejong, instead of an administrative town, could further strengthen the region's role as the hub of science and technology.

Lee asked people to trust the government's decision, saying, "You elected me to straighten things that have been bent and rectify wrongdoings.

"I'm certain that you do not expect me to be swayed by populism and political interests."

The Lee administration unveiled its revision of Sejong City in January, focused on education, science and business, in place of the original plan to build a complex administrative city, with nine ministries and four government agencies.

Under the revision plan, the international science-business belt would house four large companies - Samsung, Lotte, Hanwha and Woongjin Group.

## **'US Will Not Change NK Regime by Force'**

The top U.S. diplomat in South Korea stressed Wednesday that the Obama administration is not hostile toward North Korea and is ready to hold direct talks with the communist state within the six-party denuclearization framework.

Ambassador Kathleen Stephens said she has seen North Korea's attitude changing for the better in recent months, expressing hope Pyongyang will rejoin the stalled six-party talks soon.

"The United States has neither hostile intent toward the people of North Korea nor are we threatening to change the North Korean regime through force," she said at a forum in Seoul, hosted by the Korean Council for Reconciliation and Cooperation, a private association of political, religious and civic groups for the reunification of the Korean Peninsula.

"Our aim is to find diplomatic solutions with North Korea," she said, adding that the language from the North has become more positive. "We need to see actions."

The reclusive North pulled out of the six-party forum involving the two Koreas, the United States, China, Japan and Russia last April after the United Nations imposed sanctions against the regime following its test-launch of a long-range missile.

Pyongyang has said it will return to the disarmament talks only when the U.N. sanctions are lifted and the U.S. accepts its demand for direct talks to discuss a peace treaty. The two Koreas remain technically at war since the 1950-53 Korean War ended in an armistice, not a peace treaty.

Stephens made it clear that the establishment of a peace regime and economic aid to the North would be discussed only after progress is made in the six-way talks.

However, the U.S. government will still consider humanitarian aid, Stephens said, emphasizing that North Korea needs to set up a proper system to monitor the distribution of food to its people.

## **US to Seek Timely Ratification of Korea FTA**

The United States will look to ratify pending free trade agreements (FTAs) with South Korea and two other countries at an appropriate time after remaining issues are addressed, the country's top trade negotiator said Tuesday in Washington.

The U.S. is "seeking to resolve outstanding issues with the pending free trade agreements that we have held in terms of Panama, Columbia and Korea," said U.S. Trade Representative Ron Kirk at a National Press Club meeting. "And we've recognized we have to do those things in a way that allows us to work with Congress and others ... to move forward at an appropriate time."

Kirk emphasized the positive effects the deals would have in the U.S., saying they would create "great market opportunities for our farmers, our ranchers and our entrepreneurs and our manufacturers" and "create jobs at home."

He said the Obama administration is "committed to resolving the issues related to each of these agreements," but did not elaborate on sticking points regarding the Korea-U.S Free Trade Agreement (KORUS FTA), which was signed in 2007.

The Office of the United States Trade Representative, the lead agency responsible for shaping trade policy, submitted its 2010 Trade Policy Agenda to Congress last week.

In the document, it said: "With Korea, we are determining how best to address outstanding issues, particularly related to automobiles and beef. If these outstanding issues can be successfully resolved, we will work with Congress on a timeframe to submit them for Congressional consideration."

The statements come as the Obama administration is tackling urgent issues such as health care and financial reform. But it sees trade as a key component in addressing the country's unemployment. In his State of the Union address in January, President Obama said: "If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores, and that's why we will strengthen our trade relations in Asia and with key partners like South Korea, Panama, and Colombia."

#### **(Reuters News) Turkey's EUAS to sign nuclear deal Korea's Kepco**

ANKARA, March 10 (Reuters) - Turkey's state power company Elektrik Uretim AS (EUAS) will sign a nuclear energy cooperation agreement with South Korea's Kepco (015760.KS), a Turkish energy ministry source said on Wednesday.

Turkey's nuclear ambitions were set back last year after a court decision annulled a 2008 tender, won by a consortium of Russia's Atomstroieksport and Inter RAO IRAQ.MM and Turkey's Park Teknik, the sole bidder in the tender.

#### **USFK Deploys New Jets for Precision Strikes**

A U.S. Air Force squadron in South Korea has deployed three new A-10 ground attack jet aircraft capable of carrying precision - guided bombs, which can be used to neutralize North Korean artillery units hidden in mountain caves and tunnels near the inter-Korean border, a source at the U.S. Forces Korea (USFK) said Friday.

The move comes as the USFK has been pushing to modernize its air assets on the Korean Peninsula ahead of the planned transition of wartime operational control of South Korean forces from the United States to South Korea in 2012.

The USFK has pledged it will shift to a naval and air-centric supporting role after 2012, relinquishing most of the ground troops' command-and-control to Korean commanders.

According to the source, the three jets arrived at the 25th Fighter Squadron of the 51st Fighter Wing in Osan, about 35 kilometers south of Seoul, on March 3 to replace retiring older A-10A planes. Two more A-10Cs will land at Osan Air Base soon, the source said.

"Their arrival marks the beginning of the end for the transformation of the A-10 fleet," the source told The Korea Times. "The new jets' enhanced capability will provide lethal, precision firepower in any potential close air support scenario."

The A-10 Thunderbolt II is a single-seat, twin-engine, straight-wing aircraft developed in the early 1970s. It was designed to provide close air support to ground forces by attacking tanks, armored vehicles and other ground targets with a limited air interdiction capability.

Last year, the U.S. Air Force announced a plan to replace hundreds of older aircraft, including the A-10, with upgraded versions or brand new planes in stages over the next few decades. The A-10 will be replaced in 2028 or later.

For USFK's operations, the A-10 is a key air asset, along with the F-16 fleet, in deterring a potential North Korean invasion. Some 20 A-10As are assigned to the Osan Air Base.

The A-10 has been upgraded since 2005 to the C model, which includes a new data link, a new flight computer, new glass cockpit displays and controls, improved fire control system and electronic countermeasures.

The modified variant, in particular, can carry smart weapons, such as the Joint Direct Attack Munition (JDAM) and Wind Corrected Munitions Dispenser.

The JDAM is a satellite-guided bomb capable of making accurate and high-precision strikes in any weather. It has a range of 24 kilometers and can strike within 13 meters of its target. The bomb can penetrate up to 2.4 meters of concrete.

The older A-10, armed with the AGM-65 Maverick air-to-surface missile, the AIM-9 Sidewinder air-to-air missile and cluster bombs, is not able to conduct accurate bombing due to a lack of high-end weapon control systems.

The A-10C has an integrated targeting pod, such as the North Grumman LITENING targeting pod or the Lockheed Martin Sniper XR Advanced Targeting Pod, and a remotely operated video enhanced receiver that provides sensor data to personnel on the ground.

## **Conservative Group Lists Pro-NK Leaders**

An ultraconservative civic group accused the minor opposition Democratic Labor Party leader Kang Ki-kap, Rep. Choe Kyoo-sik of the main opposition Democratic Party, bestselling novelist Cho Jung-rae and 97 other social leaders of being "pro-North Korea," Friday.

The late former Presidents Kim Dae-jung and Roh Moo-hyun were dropped from the list amid much controversy, but the members said they will be considered for the next edition.

The national action committee for the development of Korea held a press conference at a hotel in downtown Seoul and revealed the names of 100 social leaders out of 5,000, whom they suspect to be pro-North Korea.

"Support for the Juche Ideology of the North or being positive toward the communist state's movement were the main criteria in their selection," the group's head Koh Young-joo said.

Three incumbent lawmakers, two former assemblymen as well as 12 former high-ranking officials, including Cabinet members, were listed while 13 cultural activists, 17 classified-progressive scholars and 10 religious leaders were among those anti-state figures. Some of them were influential powerhouses and the list is expected to cause the resumption of the "ideology war," observers said.

The list will be published on Aug. 15 — Liberation Day. The second edition is expected to come out at the end of the year.

### **(Reuters News) N. Korea may join six-party talks in April**

SEOUL (Reuters) - North Korea has internally decided to return to long-stalled six-nation talks on its nuclear arms activities in early April, South Korea's JoongAng Ilbo reported on Saturday, citing an unnamed source from the North.

#### World

The source, speaking to the daily in Beijing, said without elaborating that the North was expected to make its own proposals on nuclear disarmament.

The report comes as North Korean leader Kim Jong-il reportedly may soon visit China, amid growing pressure for Pyongyang, hit by U.N. sanctions after its nuclear test in May 2009, to return to negotiations.

More than a year ago communist North Korea pulled out of the six-party talks that bring it together with South Korea, China, the United States, Japan and Russia, and offer Pyongyang aid in return for nuclear disarmament.



As recently as Tuesday the North said it would boost its nuclear weapons capability because of hostile U.S. policies. Pyongyang has also warned any talks on denuclearizing would come to a standstill due to U.S. and South Korean joint military drills.

China wants the six-party talks to restart before July but acknowledges it would be difficult, the Chinese envoy on North Korea's nuclear issues said earlier this month.

### **(Reuters News) Troubled paths for North Korea nuclear diplomacy**

SEOUL, March 13 (Reuters) - North Korea will return to dormant nuclear talks in April, ending its year-long boycott of international discussions designed to grant aid for dismantling its nuclear arms programme, a report said on Saturday.

The following are a few scenarios that may play out in the six-way negotiations with the reclusive and destitute North.

#### **DIPLOMACY HEADS BACK ON TRACK**

\* North Korean leader Kim Jong-il may soon go to Beijing, the closest his isolated state has for a major ally, where he will likely try to win economic sweeteners for returning to the table.

\* China, the host of the talks that include the two Koreas, Japan, Russia and the United States, then announces a date for resuming discussions.

\* Talks may soon stall if North Korea does not resume taking apart its plutonium-producing Yongbyon nuclear arms plant and allowing international inspectors back.

#### **STRENGTH THROUGH STATUS QUO**

\* The three countries which favour putting pressure on North Korea -- the United States, Japan and South Korea -- can keep the upper hand on Pyongyang by pushing for enforcement of existing U.N. sanctions while their own unilateral measures have added more trouble for the North's already wobbly economy.

\* Talks stall, North Korea stewes, and the Obama administration can spend more time on its front-burner issues, including Iraq, Afghanistan and health care at home.

#### **DANGEROUS ESCALATION**

\* North Korea hates being ignored and may try to rattle the region with military grandstanding.

\* A problem for Pyongyang is that its more recent small-scale skirmishes with the South and firing of missiles are winning less attention from the outside world.

\* The North may be forced to take more drastic moves to be noticed and, crucially, bolster support for leader Kim among his military. This would increase the chances of a third North Korean nuclear test.

\* That, in turn, would worry investors in North Asia, responsible for one-sixth of the global economy, dampening sentiment and causing brief drops in the South Korean won and the Seoul bourse. But market players have said it would take the threat of a major military confrontation to cause lasting harm.

## THE ELEVATOR RIDE

\* North Korea may roll back part of the threat it poses to the region in the hopes of winning aid to prop up its economy. That would also finance an ambitious project at home to build a "great and prosperous nation" by 2012 -- the 100th anniversary of the birth of state founder Kim Il-sung.

\* The North, as it has often done, may later step away from its disarmament pledges and make threats that shake security.

\* Most analysts do not expect Kim to ever give up nuclear arms, seen in Pyongyang as worth the immense sacrifice because they have deterred a feared U.S. invasion and are the most powerful symbol of Kim's military-first rule.

### **(The Korea Herald) GNP leader warns Park over Sejong**

Grand National Party leader Chung Mong-joon yesterday issued a strong warning against party dissenters, saying that remedying messed-up Sejong City policy should be put ahead of the ruling party's very existence.

His remark came as factional differences over the government's proposal to cancel the 2005 administrative city plan have threatened to split the GNP.

"The Sejong City issue could be a greater task than the party's existence itself," he said during a debate with broadcast journalists.

The chairman reiterated his resolve to push ahead with the government-proposed revision aiming to make the city a science and high-tech business center.

He called for cooperation between rival factions to resolve their differences through a newly launched consultation group. But he sharpened criticism of in-house opponents led by former Chairwoman Park Geun-hye.

"There cannot be a society without contradictions. But we should not take an easy-going approach and let contradictions slide," he said.

Such an attitude brought about the devastating foreign exchange crisis in the late 1990s, he said.

The government seeks to scrap a planned relocation of 13 government agencies to the new city in South Chungcheong Province.

Park, followed by about 50 lawmakers, wants to keep the original plan. Her faction and opposition parties together could vote down the revision at the parliament.

The GNP launched a six-member high-level panel to settle the dispute last week.

When asked about the possibility of a national referendum on the issue, Chung said, "It is inappropriate to mention a national referendum at this point. Democracy is based on a representative system."

He welcomed the opposition Democratic Party's proposal to begin debate over the constitutional amendment after the June local elections.

#### **(The Korea Herald) Activist says N. Korea prepares portraits of successor**

North Korea has been churning out portraits of leader Kim Jong-Il's youngest son as the communist state moves closer to a dynastic succession, an anti-Pyongyang activist said Saturday, according to news reports.

Lee Young-Hwa, head of the Tokyo-based Rescue North Korean People Urgent Action Network (RENK), told Yonhap News that the North is preparing to distribute Kim Jong-un's portraits as it readies to present him publicly as a successor.

"We've received information that the North has prepared Kim Jong-un's portraits en masse," Lee told Yonhap.

"The North is apparently in a hurry to declare Kim Jong-un as the successor," he said.

He said the North might distribute the portraits in time for the birthday of North Korea's deceased founder Kim Il-sung on April 15.

#### **(The Korea Herald) Kissinger hospitalized in Seoul**

SEOUL -- Former U.S. Secretary of State Henry Kissinger was taken to a hospital in Seoul after suffering stomach ache on Saturday.

Officials at Yonsei Severance Hospital in western Seoul told The Korea Herald that Kissinger is not in critical condition and is now recovering.

"He will be discharged from the hospital tomorrow and fly to China," a source said.

Hospital staff said Kissinger was taken to the hospital at around 11:00 a.m. on Saturday (KST) after complain of sudden abdominal pain.

The 86-year-old former diplomat came to Seoul this week to deliver a special lecture at a forum on North Korea's nuclear issue on Thursday in Seoul.

He also visited Cheong Wa Dae on Friday and discussed North Korea and East Asia's security order with South Korean President Lee Myung-bak.

Kissinger served as the top U.S. diplomat under the Richard Nixon administration from 1971 to 1977. He won the Nobel Peace prize for his contribution to world peace in 1973.

## ***Economic Frontage***

### **Detailed News:**

#### **(Reuters) Samsung C&T jointly wins \$1.3 bln Abu Dhabi order**

SEOUL, March 9 (Reuters) - South Korean builder Samsung C&T Co Ltd (000830.KS) said it has jointly won a 1.47 trillion won (\$1.3 billion) project related to the construction of a hospital in Abu Dhabi, along with a Begiam company .

#### Industrials

Samsung will take 40 percent of the project, worth 586.7 billion won, with the remainder to be taken by Belgian construction group Besix.

"After a thorough review of the contract, we will decide whether to sign the deal or not," Samsung told the Korea Exchange in a filing. (\$1=1134.3 Won)

#### **(Reuters) Seoul shares flat; techs weigh, Hyundai Heavy gains**

SEOUL, March 9 (Reuters) - Seoul shares ended flat on Tuesday, with losses in blue chip technology firms including LG Display (034220.KS) weighing, but gains in Hyundai Heavy (009540.KS) and Korean Air Line (003490.KS) lending support.

#### Financials

The Korea Composite Stock Price Index (KOSPI) finished up 0.05 percent at 1,660.83 points

#### **S. Korea BOK chief: no consensus yet on rate rise**

SEOUL, March 11 (Reuters) - The head of South Korea's central bank said on Thursday most people agreed on the need for the country's interest rates to be raised gradually but added there was no consensus yet about when tightening should start.

Bank of Korea Governor Lee Seong-tae did not specify the main opponents to an early rate increase, but the comment, made during his news conference on interest rate policy, came after the government has repeatedly expressed opposition to a hasty tightening.

### **(Bloomberg) Korea Pressure for Low Rates Raises Inflation Threat**

March 12 (Bloomberg) -- South Korea may face accelerating inflation after Governor Lee Seong Tae left interest rates unchanged for a 13th month under political pressure, even as his economy is forecast to be one of the fastest-growing in Asia.

Lee, 65, who has had to accept a vice finance minister sitting in at meetings since January, kept rates at a record-low 2 percent yesterday in his final decision. His successor is likely to take a “wait and see attitude” and may not move until after June, said Sharon Lam of Morgan Stanley in Seoul.

The Bank of Korea, forecast last year by BNP Paribas SA to become one of the world’s first central banks to raise rates, has instead fallen behind Australia, Vietnam and Malaysia. South Korea risks a Japan-style 1980s bubble by refusing to act early, said Young Sun Kwon, an economist at Nomura International Ltd.

“In order to quell inflation expectations, rising asset prices and credit growth, we believe the BOK will need to catch up by implementing an aggressive 125 basis points of hikes in the second half of 2010,” said Kwon, who is based in Hong Kong.

Finance Minister Yoon Jeung Hyun told reporters four days ago that “it is the government’s firm belief that it isn’t the right time for rate hikes,” repeating a call he has made since last year. The Bank of Korea said in a statement after yesterday’s decision that it “will maintain the accommodative policy stance for the time being.”

‘Out of Order’

Government guidance to stoke growth and boost employment has the potential to fuel consumer prices, said David Cohen of Action Economics in Singapore. “If they put so much pressure on the central bank that it fails to exercise necessary restraints, inflation could get out of order,” he said.

South Korean stocks have advanced on expectations for the economy to strengthen -- the International Monetary Fund forecasts it will outpace all but China and India among the world’s 15 largest economies over the next two years.

The rallies in stocks and the won suggest the markets are unconcerned by the failure to appoint a successor to Governor Lee less than three weeks before his term ends. In contrast, the Obama

administration nominated Federal Reserve Chairman Ben S. Bernanke to a second term in August, five months before his term was up.

“The central bank, and its independence, are not that important,” said Kim Eugene, head of fixed income at Samsung Investment Trust Management Co., which manages 60 trillion won (\$53 billion) of funds. “We pay attention to paradigm changes, especially since the financial crisis, that focus on fiscal coordination with the U.S. and other countries.”

### Stocks, Currency

The benchmark Kospi stock index has climbed 4 percent this month. The won reached a seven-week high this week as foreigners added to their holdings of local shares. Bonds have also risen, sending benchmark five-year government bond yields down 17 basis points this month.

The Kospi index rose 0.03 percent to 1,657.16 at 10:52 a.m. in Seoul and the won gained 0.1 percent to 1,132.50 per dollar.

The first task of Lee’s successor will be to coordinate the withdrawal of monetary and fiscal policies implemented after the collapse of Lehman Brothers Holdings Inc. in September 2008, said Oh Suk Tae, an economist at SC First Bank Korea.

“We are in a critical moment in preparation to move from extraordinary policies back to normal levels,” Oh said “If the central bank fails to coordinate policies with the government, it may threaten the implementation of a sound exit strategy.”

### Call for Hearings

President Lee Mung Bak appoints the governor without any review by lawmakers. While members of the opposition Democratic Party had called for the candidate to face hearings, they failed to press for a revision of the rules.

The appointments of the past two governors were announced on March 19 and March 23, less than two weeks before the incumbent’s term expired.

Speculation on Lee’s successor initially centered on 65- year-old Euh Yoon Dae, head of a presidential council to promote South Korea at international forums and a former member of the central bank’s monetary policy committee. He also attended the same university as President Lee. Last week, the Seoul-based Newsis news agency reported that former Finance Minister Kang Man Soo, 65, was the most likely candidate for governor.

Kang, President Lee’s finance minister after he took office in February 2008, came under fire at the time for pursuing a weaker currency policy. He said the won had risen further than other Asian currencies, undermining the competitiveness of exporters. The currency lost 26 percent against the dollar in 2008, and 40 percent versus the yen.

## OECD Envoy

President Lee is also considering Kim Jong Chang, head of the Financial Supervisory Service, Park Cheul, a former deputy governor of the central bank, and Kim Choong Soo, an envoy to the Paris-based Organization for Economic Cooperation and Development, Dong-A Ilbo newspaper reported Feb. 9.

Kim Jong Chang, 62, was also a member of the monetary policy committee. Park Cheul is now chairman of Leading Investment & Securities Co.

“The market believes that the government is smart enough not to appoint someone whose views are so far from the consensus,” Cohen said. “Should the government upset the market with its appointment, long-term rates would rise, presumably contrary to the government’s economic objectives.”

Economists say the bank is likely to raise rates in the second half of this year as exports and industrial production remain strong.

## Inflation Target

The Bank of Korea in November widened its annual inflation target range to between 2 percent and 4 percent. Consumer prices rose 2.7 percent in February from a year earlier, after gaining 3.1 percent in January.

Factory output was better than economists expected in January, helped by rises in production of semiconductors and mobile phones. Exports rose for a fourth month in February and manufacturers’ confidence surged to the highest level in more than seven years. President Lee says gross domestic product will increase more than 5 percent this year.

“We don’t see any economic fundamentals that could push the central bank to raise rates in the first half,” Oh said. “In terms of internal politics, the new central bank governor may not find it easy to raise rates in the next few months.”

## **(Reuters) S. Korea c. bank chief says economy on recovery track**

SEOUL, March 11 (Reuters) - The head of South Korea's central bank on Thursday played down recent worries that the country's economy may be losing steam and said it would stay on track for a modest recovery.

Bank of Korea Governor Lee Seong-tae also told his last monthly news conference on interest rate policy for his current term that consumer inflation would remain contained for the time being.

But he said it was too soon to be confident that the private sector had fully secured a sustained recovery.

**(Reuters) North Korea trade falls for first time in decade-report**

SEOUL, March 10 (Reuters) - North Korea's international trade dropped last year for the first time in more than a decade after the destitute state was hit by U.N. sanctions to punish it for a nuclear test in May, a South Korean think tank said.

The economic woes, made worse by a botched currency reform late last year, have been putting pressure on the North to return to stalled nuclear disarmament talks where it can win aid for decreasing the security threat it poses to the region, analysts said. [ID:nSGE62407A]

The report by the state-run Korea Development Institute made available on Wednesday said the largest impact came from a sharp decline in trade with China, the North's biggest benefactor that its leader is expected to visit in coming weeks.

Trade with South Korea and the European Union was also down, and the combined decline in trade with the three parties that account for nearly 90 percent of the North's trade points to an overall decline of at least 5 percent in the past year, KDI said in the report.

"The decline in the North's imports indicates a foreign exchange shortage in the North," it said, adding the trade decline was the first since 1998.

The North had \$3.8 billion in trade in 2008, according to the South's Bank of Korea, with China accounting for about half.

The North's main exports are weapons and minerals and its main imports are oil, machinery and grain, according to the U.S. Central Intelligence Agency's World Factbook.

The U.N. sanctions were aimed at cutting into the North's illicit arms trade. They also increased apprehension of already skittish investors of doing business with the mercurial state.

The North's abrupt currency move was aimed at cutting into the power of a burgeoning merchant class. It destabilised its won currency, sparked rare social unrest and slowed the flow of consumer goods from China to a trickle, various reports said.

The KDI report said, however, that overall trade with China appeared to be mostly unaffected by the currency move.

The North later eased some curbs placed on black market trading, rolling back part of the currency move after an impoverished public had an even more difficult time buying necessities, the South's spy agency said last month.



## **Korean economy gets its skates on after medal haul**

SEOUL, March 9 (Reuters) - Kim Yuna's stunning win at last month's Winter Games will not only boost the career of the Olympic figure skating champion, it should help add several billion dollars to the South Korean economy.

Samsung Economic Research Institute economist Lee Dong-hun estimated Asia's fourth largest economy would benefit to the tune of 20.1768 trillion won (\$17.82 billion) from the record haul of medals by its athletes in Vancouver.

South Korea finished fifth on the medals table, its best position, with six gold, six silver and two bronze medals.

All of the medals were won in skating events, including one from a world record performance by 19-year-old figure skater Kim, dubbed "Queen Yuna" at home.

"The country's splendid achievement in the 2010 Winter Games will bolster soft power, a prerequisite becoming an advanced country," Lee wrote in a report.

"After watching Kim Yuna's performance, Koreans may have experienced a heightened sense of self-confidence that encourages the belief that, by putting together their capabilities, Koreans can achieve anything."

In a country which has few peers when it comes to producing statistics, he broke down the financial benefits into such areas as greater brand recognition for companies and a boost for exports and domestic demand.

There was also a 3.3 trillion won price tag on indirect effects, including a boost to public morale.

All the more reason, the economist wrote, for South Korea to push hard to host the 2018 Winter Olympics.

The city of Pyeongchang is bidding for the third successive time after narrowly losing out to Vancouver and Russia's Sochi for the 2010 and 2014 Games.

## **S. Korea seen buying dlrs to check won -traders**

SEOUL, March 9 (Reuters) - South Korea's foreign exchange authorities were seen buying dollars to prevent the won KRW= from rising at around 1,134.0 versus the greenback on Tuesday, traders said.

The authorities were absorbing dollar offers linked to recent foreign investor stock purchases, they added.

The won was quoted at 1,133.8/4.1 per dollar as of 0048 GMT, compared with Monday's domestic close KRW=KFTC of 1,132.6.

### **Samsung Life gets bourse nod for record \$4 billion IPO**

SEOUL (Reuters) - The South Korean bourse on Thursday approved an estimated \$4 billion IPO by leading life insurer Samsung Life Insurance, paving the way for what is likely to be the country's biggest share float in May.

The offering by Samsung Life, which is part of South Korea's top business conglomerate Samsung Group, comes as the market waits for the pricing next week of an up to \$12 billion offering by Japan's Dai-ichi Mutual Life Insurance, the world's largest IPO since credit card firm Visa (V.N) raised \$19.7 billion in 2008.

Fund managers and analysts are cautious in predicting demand for Samsung Life, ranked 14th among global life insurers in premiums received, making it bigger than Dai-ichi, but said the IPO would attract developing market-focused funds.

Samsung Life has split its shares at 1-to-10 to help spur trading ahead of the IPO. The stock last traded at 115,000 won (\$101.5) in the over-the-counter market for unlisted stocks, according to the Presdaq Web site.

Dai-ichi will price its shares at between 125,000 yen and 155,000 yen (\$1,385-\$1,717) each.

"Which (of Dai-ichi and Samsung Life) would attract more foreign investor community's attention will depend on final pricing of the IPO, because basically their business model is very similar," said one analyst, who declined to be named.

Analysts expect Samsung Life's pricing to be in line with the current over-the-counter market price. The exact size of the offering has yet to be set, although many see it topping 4 trillion won.

Last week, second-ranked Korea Life (088350.KS) priced its 1.8 trillion won (\$1.6 billion) IPO below its indicative range as fund managers said foreign investors pushed for lower prices ahead of the two larger upcoming deals.

"Managers handling developed market funds will probably focus on Dai-ichi, and those who invest more heavily in developing markets will allocate more to Samsung Life," said a senior fund manager at a European fund house who also declined to be named.

At end-2009, Samsung Life was 21 percent-owned by Samsung Group's former chairman Lee Kun-hee. Samsung Everland, a de-facto holding company for the group, holds 19 percent and Shinsegae (004170.KS) has 14 percent.

Goldman Sachs (GS.N) and Korea Investment & Securities are leading bookrunners of the Samsung IPO.

(\$1=1133.4 Won)

### **LG Display to invest \$1.3 bln to add new LCD line**

Stocks

SEOUL, March 12 (Reuters) - South Korea's LG Display (034220.KS), the world's No.2 maker of liquid crystal display screens, said on Friday it would invest 1.49 trillion won (\$1.32 billion) to boost production capacity with a new production line.

Technology

The new line, which will go into operation in the first half of next year, will manufacture mostly large-sized TV screens.

### **Hynix to invest \$410 mln in production in Q1**

Stocks

SEOUL, March 11 (Reuters) - Hynix Semiconductor Inc (000660.KS), the world's No. 2 maker of memory chips, said on Thursday it would invest 465 billion won (\$410 million) to expand and upgrade its production capacity and research and development.

Technology

Hynix said in a filing with the Korea Exchange the investment, aimed at meeting market demand and improving price competitiveness, would be executed within the first quarter.

### **Korea, ASEAN agree to further liberalize trade**

Korea and the 10-member Association of Southeast Asian Nations have agreed on work for further trade liberalization starting from 2011, Seoul's trade ministry said Friday, according to Yonhap News.

A free trade agreement between Korea and ASEAN on merchandise took effect in January this year. Similar deals on services and investments also came into effect, with some ASEAN nations still working for implementation.

"Both sides have agreed on working for further trade liberalization starting from 2011 ... We will launch preparatory work this year for that," the ministry said.

## **Hyundai Motor heir apparent elected to board**

Shareholders of Hyundai Motor Co. yesterday elected Chung Eui-sun, the only son of Hyundai Kia Automotive Group chairman Chung Mong-koo, as an executive board director, laying firmer ground for the passage of the auto empire's managerial rights to the family heir.

The 40-year-old Chung was officially approved at the Hyundai annual shareholders' meeting.

Chung, who now holds the post of vice chairman of Hyundai Motor, did not make any immediate comments following the approval.

In yesterday's meeting, the senior Chung told shareholders that his top priority this year is to improve product quality.

"Strengthening product quality is the most important task this year, and we aim to increase global sales by maintaining our quality," the 72-year-old said.

The country's leading carmaker last year posted a record net profit of 2.96 trillion won (\$2.61 billion), more than a two-fold jump from the 1.45 trillion won recorded in 2008.

This year, the auto giant is targeting 3.46 million vehicles in sales at home and abroad. Hyundai sold a record 3.11 million vehicles last year, up 11.7 percent from the previous year.

Most industry observers have been expecting the junior Chung to succeed his father to run the family-controlled conglomerate. The country's second-largest business group has about 40 affiliates under its wings, which includes Kia Motors Corp., Hyundai Mobis Co. and Hyundai Steel Co.

Observers believe the junior Chung's latest appointment will move the group to shift its shareholdings among the affiliates.

The junior Chung currently holds only 6,743 shares of Hyundai, 1.99 percent of Kia stocks and a 31.88 percent stake in Glovis Co., the group's logistics arm, according to Yonhap Infomax, the financial news arm of the Yonhap News Agency.

Hyundai has four executive directors on its board, which includes both the father and son.

The younger Chung majored in business administration at Korea University in Seoul, and earned an MBA at the University of San Francisco in the United States. He had a brief stint at the New York subsidiary of Itochu Corp. before joining Hyundai Motor in 1999.

In 2005, he was appointed as a co-chief executive officer of Kia. He was, however, demoted from the post in 2008 after Kia suffered three years of operating losses. This drove down the

company shares by 20 percent, compared with the benchmark stock index's 59 percent gain for the three-year period.

## *Socio-Cultural façade;*

### **Detailed News:**

#### **S. Korea's Noh wins M'sian Open**

KUALA LUMPUR -South Korean teenager Noh Seung-yul birdied the final hole Sunday to win the Malaysian Open by one shot ahead of countryman K.J. Choi.

The 18-year-old Noh hit a sublime chip shot over the left-hand bunker to within 18 inches of the par-5 18th hole before tapping in for his second Asian Tour and maiden European Tour title.

Noh shot a 4-under 68 to finish with a 14-under total of 274 at the US\$2 million (S\$2.80 million) tournament. 'This is more special than my first win,' said Noh, who took the 2008 Midea China Classic title en route to becoming the Asian Tour's Rookie of the Year that season.

Noh led by one stroke going into the 634-yard 18th hole but hooked his drive wildly onto the 10th fairway and then saw Choi - who was playing ahead of him - catch up to him with a birdie on the last. The two looked headed for a playoff as Noh's second shot stayed well left, eventually coming to rest on a concrete path, but he stayed cool to pull off the unlikely birdie.

'It was so hot and I wasn't in the right mind to think,' Noh said. 'I just kept it simple and I wanted to get it on the green on 18 and make par. The fact that K.J. made birdie and I was able to come out with a win is very special to me.'

Choi tipped his cap to Noh, whom he described as a star in the making. 'Noh played brilliantly and I have no complaints,' said Choi, who shot a 69. 'The way that he controls and hits the ball is like no other and I think he has a very bright future. He's got a very good heart as well.' -- AP

#### **Blood donors hit record number**

The number of blood donors hit a record high, health officials said yesterday.

According to the Korea Centers for Disease Control and Prevention, about 2.57 million people donated blood last year, up 9.5 percent from 2008.

Compared with the average over the past three years, the figure is an increase of 14.4 percent, officials said.

The KCDC also reported that the nation's blood donating population is becoming diversified, with the participation of more women and people aged over 30.

The number of female blood donors increased 13.9 percent last year, while the number of donors aged 30 or over also increased 7.7 percent from the previous year.

The nation's blood reserve started running low from May after the outbreak of the H1N1 flu virus, a subtype of influenza A.

Even though the flu virus is a respiratory disease, fear of getting the disease deterred some potential donors, especially group donations at schools.

The nation's blood stockpile stood at less than a three-day supply in late October during the peak season of the disease infection.

The government started a national campaign promoting blood donation, as well as operated blood centers across the country under an emergency management system.

In November, national blood centers could maintain a seven-day supply for routine transfusion demands, which is considered normal.

Despite the increase in collected blood, the supply lags behind the demand of medical institutions, officials said.

While the amount of collected blood increased by 11.6 percent last year, the demand from medical institutions increased by 19.2 percent.

"Blood donation is largely affected by an outbreak of a disease or closure of schools. In order to secure stable supplies, the current campaign for blood donation, which focuses mainly on group donations, has switched focus to individual donations," said an official at the KCDC.

### **Government tightens rein on education**

The government seeks to reduce the authority of local education superintendents as part of efforts to eradicate corruption among education officials and senior teachers.

An array of bribery and influence peddling incidents involving education circles rocked the nation recently. President Lee Myung-bak has declared a sweeping anti-corruption drive whose main targets include education.

Presidential aides said yesterday the government will consider measures to weaken the "excessive" power of local education chiefs, which is considered one of the root causes of rampant corruption.

Former Seoul education czar Gong Jeong-taek, who was dismissed over campaign irregularities, is now at the center of new corruption scandals which several officials, principals and teachers were arrested for recently. He was banned from leaving the country pending the inquiry.

The planned measure also appears to be targeting opponents of Lee's education policy.

Last week, prosecutors indicted Kim Sang-gon, the progressive superintendent of Gyeonggi Province, for dereliction of duty. The charge stems from his refusal to reprimand 15 unionized teachers who were indicted for issuing anti-government statements in violation of two laws banning their political engagement and collective activity. Kim has been the symbol of progressive education for his rejection of nationwide student tests and his policies to provide free meals at school and protect students' human rights.

Superintendents, popularly elected every four years, play a significant role in implementing educational policies in their regions.

They hold responsibilities to approve the establishment and abolishment of educational institutions, set up educational budgeting and funding, formulate education-related rules, and appoint principals of elementary and secondary schools.

"Too much power from personnel affairs to budget planning is concentrated around superintendents. The government is working on steps to distribute the authority," presidential spokeswoman Kim Eun-hye told reporters.

She added the government will announce a comprehensive set of measures soon.

Officials said the Education Ministry seeks to expand public recruitment of principals from the current 5 percent of all schools to 10 percent. Some limitations to their right of educational financing are also under consideration.

Since inauguration in 2008, Lee has pushed reforms of education to raise the quality of school learning, develop diversity and creativity among students, and curb the large private education market.

But the policies have made little progress due to the complicated school entrance system, resistant unionized teachers and vested interests in schools, the bureaucracy and private institutes.

Lee's efforts to expand specialized secondary schools and the role of the college admission officer system have been dampened by a series of admission irregularities and the spread of new kinds of private institutes targeting those systems.

His education policies will be put to a major test during July 2 local elections in which superintendents and members of educational councils will be elected along with administration chiefs and councilors.

Lee yesterday reiterated his resolve to stamp out corruption in local administrative jurisdictions and education circles.

"This will not be a one-off drive. To begin with we will try to root out all kinds of irregularities until the end of this year," Lee was quoted by Kim as saying during a weekly Cabinet meeting.

### **Lee declares war against corruption**

President Lee Myung-bak said Tuesday that he will intensify efforts to root out corruption among education officials and other public servants, according to his office, according to Yonhap News.

Lee, who entered the third year of this five-year term last month, was apparently mindful of many of his predecessors who ran into trouble due to influence-peddling scandals involving their families or confidants in their final years in office.

"I will deal sternly with corruption. To begin with, I will eradicate corruption in various sectors till the end of this year,"

Lee was quoted as saying by his spokeswoman, Kim Eun-hye. Lee made the comments at a weekly Cabinet meeting.

Lee also called for "institutional reform" to resolve the chronic problem of corruption in education sector, Kim said.

Concerns over corruption in the country's heated education field have flared anew following reports of a bribery scandal involving senior officials at the Seoul Metropolitan Office of Education, which supervises elementary, middle and high schools located in Seoul.

The officials allegedly took bribes from those hoping to get key posts at the office, which are said to be shortcuts to becoming a principle of a major school. There have been a series of media reports on similar cases in other provincial education boards.

### **Doctors Advocate Pro-Choice on Abortion**

An association representing thousands of obstetricians running their own clinics recently issued a statement backing the calls by pro-women rights activists that pregnant women have the exclusive right to determine whether to have an abortion.

This has fueled the ongoing debate in the medical sector over the issue, which was ignited last month after a pro-life doctors' group filed a criminal complaint against their peers at hospitals over illegal terminations.

"It's the exclusive right of women to decide whether to have a baby or to have an abortion," the Korea Association of Obstetricians and Gynecologists said in the statement. It stressed it's undesirable to put pressure on pregnant women to deliver babies with the social atmosphere and infrastructure for childcare remaining rudimentary.



"We have had no choice but to help pregnant women abort their fetus at our own risk of being punished because it's for the sake of women's health. But we are viewed as a sort of criminal in the media and society," it said.

Dr. Ahn Hyun-ok, secretary general of the association, told The Korea Times that the current policy on abortion should be ultimately amended in such a way as to empower pregnant women to decide whether or not to have the procedure.

She said that it was the first time that her association has made this pro-choice statement rebutting the law, adding that they support the women's right to choose but within the framework of abiding by the law.

Abortion is illegal except for cases such as pregnancy resulting from incest or rape, or if it poses a "grave threat" to the mother's life.

Doctors convicted of breaking the law can face up to two years in prison and women undergoing the procedure can face up to one year in prison or a fine of two million won (\$1,760).

But these sanctions fall short of making many doctors ignore the "lucrative" business of termination.

According to a study by the Ministry of Health and Welfare in 2005, a total of 342,433 abortions were conducted nationwide, while 435,031 babies were born in the same year.

But activists claim the reported cases are the tip of the iceberg, estimating that the actual number is around 1.5 to 2 million each year.

"Frankly, abortions are very profitable," a doctor said on the condition of anonymity. The obstetrician closed her clinic in Seoul last December with snowballing debts.

"My consistent refusal to conduct illegal terminations for the past years is to blame for the closure," the doctor said.

She said the current law is out of sync with reality, saying, "As long as abortion remains more profitable than legal treatments for pregnant women, anti-abortion campaigns and initiatives will continue to be ineffective."

### **South Korea to Co-Chair Int'l PKO Conference**

South Korea and Thailand will co-chair an international conference of peacekeeping experts from March 10 to 12, the Ministry of National Defense said Tuesday.

The fourth ASEAN Regional Forum (ARF) Peacekeeping Experts' Meeting is to be held in Bangkok, the ministry said in a news release. ASEAN refers to the 10-member Association of Southeast Asian Nations.

The meeting will serve as a venue for regional peacekeeping experts to share their experiences and seek ways of enhancing cooperation on multilateral and international peacekeeping efforts, it said.

South Korea has participated in the conference since 2008.

Every year, an ASEAN member country and a non-ASEAN nation co-chair the meeting.

Participants will include representatives from 26 ARF member countries, the United Nations Department of Peacekeeping and the ASEAN Secretariat, according to the release.

The ARF is the principal forum for security dialogue in Asia. It draws together 27 countries that have a bearing on the security of the Asia-Pacific region.

The ARF is comprised of 27 countries -- the 10 ASEAN member states (Brunei, Burma, Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam); the 10 ASEAN dialogue partners (Australia, Canada, China, South Korea, the European Union, India, Japan, New Zealand, Russia and the United States); Papua New Guinea, an ASEAN observer; and others (North Korea, Mongolia, Pakistan, East Timor, Bangladesh and Sri Lanka).

### **New Anti-Influenza Drug Being Developed**

Celltrion has developed a drug based on "human monoclonal antibodies" that can be effective against multiple influenza viruses, the biopharmaceutical company said Tuesday.

The company tentatively called the drug a Super Flu-Antibody Therapy.

This is the first time a drug effective against multiple viruses has been developed in Korea. Celltrion expects to release the product next year, ahead of major rivals in the U.S. and other countries who have also been successful in developing substances that are effective against one or more viruses.

The drug neutralizes a broad spectrum of influenza viruses and could be effective for the pandemic H1N1, H5N1 avian influenza and others, Celltrion said.

Researchers conducted vitro microneutralization assays and in-vivo animal studies using seasonal pandemic H1, H2 and H5 subtypes of influenza on mice. Tests on primates and humans will be conducted next and the results will be published by end of next year, company spokesman Kim Yong-jung said.

"It will be a universal biopharmaceutical material to treat influenza infections and their complications in humans. The drug is also a potential candidate for treating possible pandemic or zoonotic influenza viruses," the company CEO Seo Jung-jin said Tuesday at a press conference.

The use of monoclonal antibodies was jointly researched by the U.S. Centers for Disease Control's influenza division, the Severance Hospital, Seoul National University Hospital, SC World and Celltrion.

The Spanish Flu that swept the globe in 1918 took the lives of 20 to 40 million people around the world while Influenza A (H3N2), dubbed Hong Kong Flu, killed more than a million. The recent outbreak of H1N1 flu killed more than 16,455, according to the World Health Organization.

### **NK Famine Becoming Widespread Following Currency Reform**

The food situation in North Korea appears to be worsening this year.

According to Good Friends, an international non-governmental organization dedicated to helping North Koreans, Tuesday, the area of Sinuiju, a special region in the west bordering with China, has had more than 300 deaths during the first two months of 2010, and another 1,000 are on the verge of starving to death.

This came only a few days after a Yonhap report that a homeless girl was spotted in Pyongyang, the capital, which is believed to be the most affluent area in the country.

The Good Friends' news letter quoted an anonymous official of the North Korean city saying, "Nothing like this has happened before — not even during the hardest starvation period in the middle of the 1990s. The situation in my city indicates that it's even worse in other provinces."

The cause for the dire food-shortage is multifold.

Recent currency reform is believed to have aggravated the food supply situation. Because of the inflation, people were robbed of what food they had. Many shops and restaurants in the capital had to shut down, or ran out of commodities following the currency reform.

One diplomat in Seoul, who returned from Pyongyang recently, said a restaurant owned by a Japanese-Korean couple that he used to go had closed.

At first he didn't know why, yet was later told that the restaurant went out of business after the reform.

The famine worsened due to a fall in foreign aid.

South Korea stopped its food assistance after conservative Lee Myung-bak arrived at Cheong Wa Dae. The number of vessels with U.S. flags have also dropped after its leader Kim Jong-il's nuclear stunt. Ambassador Robert King, U.S. special envoy for North Korean human rights, did not mention anything on Washington's food assistance during his recent trip to Pyongyang.

International organizations also have a shortage of food to give to the North. The World Food Program's officer in Pyongyang recently told the Financial Times that without new emerging donors, it will have to stop its food distribution after June.

Earthquakes in Haiti and Chile have played a negative role in securing North Korea's food supply, as North Korea now takes a back seat in priority.

According to the Korea Rural Economic Institute, without assistance from the international community, North Korea will fall short on food demand worth \$1 million to \$2 million.

Observers also say that it isn't just ordinary people who are becoming poor and struggling to feed themselves.

The regime living on the edge of bankruptcy has come up with schemes to rake in foreign cash.

Tourism promotion is one of the pronounced efforts. Not only has the regime lifted restrictions on Chinese tourists, it also lifted a ban on U.S. tourists' entry for the first time.

### **Vice Minister of Gender Equality Named**

A veteran finance official was appointed Friday as the vice minister of gender equality.

Kim Kyo-sik, currently head of the policy planning division at the Ministry of Strategy and Finance, will replace Hwang Joon-kee, who quit his job to run for mayor of Seongnam in the June 2 local elections.

Born in 1952 in Nonsan, South Chungcheong Province, Kim studied political science and diplomacy at Sungkyunkwan University.

During his three decades of service at the finance ministry, he worked at several key posts including spokesman and director-general of the consumption tax bureau.

Cheong Wa Dae also hinted at the possibility of the imminent replacement of some vice ministerial officials at other government agencies.

They added that it may take weeks for President Lee Myung-bak to pick a new home minister.

The post of Public Administration and Security Minister remains vacant after Lee Dal-gon left office last week to pursue his bid to become the governor of South Gyeongsang Province.

### **Gov't to crack down on corruption in education sector**

The government will soon launch a special task force to root out corruption among education officials, the prime minister said Friday, according to Yonhap News.

Chung Un-chan unveiled the plan during a state policy coordination meeting, saying, "a set of more fundamental countermeasures are needed to eradicate corruption" among education officials.

The decision came after President Lee Myung-bak expressed deep concern over a series of corruption scandals involving education officials and other civil servants.

The proposed task force will be composed of relevant officials from the prime minister's office and the ministries of finance, education, law and public administration, officials at Chung's office said after the meeting.

### **South Korea transport goes green on recharging road**

SEOUL (Reuters) - South Korea is trying a new way to turn public transport green by using a technology popular in electric toothbrushes and razors to power buses and cars.

The country's top technology university on Tuesday unveiled a new electric transport powered by recharging strips embedded in roads that transfer energy through magnetic connections. There are no direct connections with wires.

Vehicles with sensor-driven magnetic devices on their underside suck up energy as they travel over the strips embedded a few centimeters (inches) under the road.

"The technological concept behind the idea has been around for about 100 years. We have found a better way to transfer the electricity to make it practical," said B.K. Park, a project member at the Korea Advanced Institute of Science and Technology.

The university about 140 km (90 miles) south of Seoul has four prototype buses using the technology on its campus and is in talks with Seoul and other cities to have buses running in the next three years using the system called "online electrical vehicle."

The strips, which are attached to small electrical stations, are laid in bus lanes and roads running up to intersections so that vehicles can power up where traffic slows down.

The strips are in segments of several tens of meters (yards) in length and vehicles receive what is termed "microcharges" each time they pass over one.

"These vehicles are not like mobile phones that need to be charged for hours. Microcharges are quite efficient," Park said.

Unlike electric lines used for trams, vehicles do not need to be in constant contact with the strips and a person can touch the lines without receiving a shock.

The system allows electric cars and buses to cut down on battery size and extend ranges.

The non-contact transfer of electricity also called inductive charging, works by magnets and cables on the underside of the vehicle making a connection with the current in the recharging strip to receive power as they travel over it.

It is employed in some brands of electric toothbrushes that are sealed and water resistant, which do not need to be plugged into anything but use a magnetic connection to receive energy while resting in a cradle.

The online electrical vehicle system so far has proven safe to humans and machinery.

The cost of installing the system is an estimated 400 million won (\$353,500) per kilometer of road. Electricity is extra.

(\$1=1131.5 Won)

### **Google warned over games**

SEOUL - South Korea on Thursday warned Google it would be penalised if its mobile games content was not regulated, a government official said.

South Korea's Games Ratings Board has sent an official letter to Google Korea, urging the web giant to abide by a law that requires all video games to be reviewed and rated by the state agency, the official said.

The company operates an online software store called Android Market for mobile devices, which allows users to browse, upload and download applications. 'Numerous games which have not received domestic ratings were found in Android Market,' the letter was quoted as saying by Yonhap news agency. 'Unless corrective measures are taken, it would be unavoidable (for government authorities) to cut access to Android Market.'

Lee Jong-Bai, a Games Ratings Board official, said all games, even if they are fed into mobile devices from overseas servers, should be reviewed and rated by local authorities. 'Otherwise, we may cut access from South Korean accounts to Android Market,' he told AFP.

Apple Inc, which runs its own application market, App Store, for iPhone users, does not provide games to South Korean users in order to avoid frictions with regulators, he said.

But many South Korean users bypass regulations by creating accounts outside South Korea in order to download games from App Store. A Google Korea spokesman confirmed the company had received the letter late on Wednesday. 'We are currently reviewing the letter,' she told AFP. 'Anroid Market is open to all in the world. It's unrealistic that games developers in the world must subject their contents to review by South Korean government authorities before they put them on Android Market,' she said. -- AFP

# Japan

## *Politico-Strategic Front*

### **Detailed News:**

#### **(The Straits Times) Japan to unveil Cold War pacts**

TOKYO - JAPAN'S new centre-left rulers plan to lift the lid soon on secret Cold War nuclear and military pacts with the United States that were denied for decades by previous conservative governments.

Soon after coming to power, the government set up a panel of historians to probe the long-whispered existence of pacts between the two countries. Their findings are expected to be released some time this week.

The report comes at a sensitive time for relations between Tokyo and Washington amid a squabble over details of the post-war American military presence in Japan and the relocation of a controversial US base.

The clandestine pacts are already open secrets, thanks to whistle-blowers, media leaks and declassified US documents, but the reformist six-month-old government has made a point of clearing the air once and for all.

The 'secret treaties' - some of them only hinted at in yellowed diplomatic memos - point to what has long been Japan's security paradox. Since its World War II defeat by the United States, which dropped atomic bombs on Hiroshima and Nagasaki, Japan has maintained a pacifist and anti-nuclear stance, yet relies on the superpower for nuclear deterrence.

One of the pacts was agreed under late premier Eisaku Sato, who won the 1974 Nobel Peace prize for stating Japan's hallowed 'three non-nuclear principles' of not making nuclear weapons, possessing them or allowing them on its soil. The report is set to confirm that Sato quietly gave the green light in 1969 to then US president Richard Nixon to take nuclear arms to Okinawa in an emergency even after the island was handed back to Japan in 1972. -- AFP

#### **(The Straits Times) Japan PM support falls to 36%**

TOKYO - ONLY about one-third of Japanese voters support Prime Minister Yukio Hatoyama's government, and about the same percentage plans to vote for the main opposition party in a key mid-year poll, a survey showed on Sunday.

Doubts about Hatoyama's leadership, including his ability to resolve a feud with Washington over a US Marine airbase and funding scandals have eroded his support and now appear to be eating away at that for his party as well.

Mr Hatoyama this weekend reiterated he would keep his pledge to solve a feud over where to relocate a US airbase on the southern island of Okinawa by the self-imposed deadline of end-May, but hinted that he might step down if he could not.

Support for Mr Hatoyama's government has slipped 5.1 points from February to 36.3 percent, a public opinion poll by Kyodo News Agency showed.

Asked which party they plan to vote for in an upper house election expected in July, 26.9 per cent of the respondents said the ruling Democrats, while 26.3 per cent preferred the opposition Liberal Democratic Party. The Democrats swept to power six months ago, winning 308 seats in the 480-seat lower house of parliament against the LDP's 119. Opinion polls had the Democrats with approval ratings around 70 per cent. The party needs to win a majority in the upper house election to avoid policy paralysis as Japan strives to keep a fragile recovery on track and rein in its massive public debt.'

Mr Hatoyama, asked whether he is ready to step down if he cannot settle the base row by the deadline, told reporters on Saturday: 'I am strongly resolved to realise each policy. That is obvious.' Some Japanese media interpreted the premier's remark as meaning he might step down if he could not keep his pledge. -- REUTERS

### **(The Japan Times online) DPJ needs schooling on equality**

By PHILIP BRASOR

When the Democratic Party of Japan swept to power last year, many people expected Japanese politics to become more rational. The Liberal Democratic Party had maintained a status quo that stifled meaningful change, and the DPJ supposedly won by promising to move forward.

But certain impulses have proven difficult to resist. One of the planks of the DPJ platform was a plan to eliminate the need for students to pay tuition at public high schools and provide subsidies to those attending private high schools. The idea that students must pay for continuing their secondary education runs counter to the spirit of the fundamental education law, which guarantees equal educational opportunity to all residents of Japan.

However, many politicians and government officials seem to believe that some schools are more deserving of their largess. Currently, this notion is being expressed in the opinion that chosen gakko, or schools run by the North Korea-affiliated organization Chongryon, should be exempt from the planned tuition subsidies.



Chosen gakko fall outside the parameters dictated by the education ministry and are thus labeled kakushu gakko, which means "miscellaneous schools" and include educational institutions that primarily cater to non-Japanese students of various nationalities. If a graduate of a kakushu gakko wants to attend a Japanese university, he or she is supposed to pass an equivalency test before sitting for entrance exams. However, many universities in recent years have waived the equivalency test for graduates of these schools, including chosen gakko. Everybody is scrambling for students.

Starting next month, the government will start covering tuition for all high schools, including kakushu gakko, but it hasn't yet decided whether or not chosen gakko are eligible for subsidies.

As a series of recent reports in the Asahi Shimbun has pointed out, there is no rational reason to exclude North Korean schools from the tuition-subsidy plan, and the DPJ's credibility has been undermined by its position on the issue. Like the LDP when it was the ruling party, the DPJ is operating in accordance with gut-level revulsion: The government does not want to be seen as supporting an institution that has anything to do with North Korea, whose government has admitted to kidnapping Japanese nationals in the past.

But students who attend chosen gakko are residents of Japan, meaning their parents pay taxes and thus are entitled to benefit from government programs. The fact that their nationality is North Korean should not make any difference, especially since other kakushu gakko are eligible for the subsidy. It should be noted that it's the chosen gakko that the government is targeting, not the students who attend them. After all, the DPJ makes no such distinction with regard to the proposed child allowance, which will be given out to all offspring of resident taxpayers, including North Korea passport holders, even if those offspring don't physically reside in Japan.

DPJ lawmakers have been twisting themselves into knots to find a justification for exempting the 12 chosen gakko high schools from the plan. Hiroshi Nakai, the minister in charge of the abduction issue, said that exclusion would send a strong message to Pyongyang about Japan's determination to see that all the presumed abductees are properly accounted for, thus turning the 2,000 chosen gakko students into political pawns.

When asked by reporters on Feb. 26 to comment on Nakai's controversial remark, Hatoyama was typically indirect: "It's not difficult to understand that people from countries which have relations with Japan should be given priority."

Though the prime minister seemed to be dodging the question, his meaning was clear: Chosen gakko have lower status than other kakushu gakko. Chief Cabinet Secretary Hirofumi Hirano muddied the waters further when he criticized the media for the way it interpreted Hatoyama's statement, but, as the Asahi pointed out, just because Hirano clarified that the abduction issue would not be a factor in the final decision, that didn't mean chosen gakko would not be excluded under the plan. A whole new reason for excluding them had already been formulated. On Feb.

23, Hirano had said that the decision would be tied to whether or not chosen gakko curriculum "was suitable," meaning that it followed education ministry guidelines. The implication was that it did not. Education Minister Tatsuo Kawabata asserted that it was "difficult to understand" their curriculum and since Pyongyang was presumably calling the shots, the ministry would have to determine if the curriculum in the "home country" complied with Japan's guidelines; and that would be impossible since Japan has no diplomatic relations with North Korea.

As Kim Gwan Min, a third-generation North Korean resident of Japan, wrote in the Mainichi Shimbun, the curriculum of chosen gakko are easy to understand. It is the same as that for Japanese schools. Chosen gakko, after all, have to "prepare their students to enter Japanese universities and companies." As for checking the curriculum in North Korea, has the education ministry ever done anything similar with other kakushu gakko?

The DPJ's incoherence in making a case to exclude North Korean schools from its plan demonstrates that the decision to do so came first and then reasons were improvised to make it publicly acceptable. Kim points out that the LDP did something similar several years ago when it allowed graduates of kakushu gakko to sit for Japanese university entrance exams but tried to exclude chosen gakko.

At the time, the DPJ, which was the opposition party, objected to the exclusion. Now that the DPJ is the ruling party, it seems to have developed the same anti-chosen gakko reflex, and reflexes are the opposite of rational thought.

**(The Japan Times online) Australia searches Sea Shepherd ships on Japan's 'referral'**

ADELAIDE, Australia (AP) Australian police conducted searches Saturday on two antiwhaling vessels that recently clashed with Japanese ships in the Antarctic Ocean in an attempt to obstruct their annual catch, police and activists said.

Federal police with search warrants boarded the Steve Irwin and the Bob Barker, ships belonging to the activist group Sea Shepherd Conservation Society, as the result of a "formal referral from Japanese authorities," a spokesman said on condition of anonymity in accordance with police policy. He gave no further details, including on what basis the warrant was issued.

The search took place in Hobart, Tasmania, where the ships docked Saturday after returning from their pursuit of the whalers in their annual three-month hunt for the sea mammals. The hunt is conducted in the name of research, although some of the whale meat is then sold in Japan.

Jeff Hansen, Australian director of Sea Shepherd, said police had confiscated log books, video footage, charts and laptops, as well as interviewed some of the crew.

He said police would not reveal the reason for their search, and the group had no idea what the Japanese complaints could be.

"We're sort of hoping that they do bring on some sort of investigation or charges," Hansen said. "We'd love to see something get into the courts because the reality is . . . (the Japanese) have been the aggressors this year. We'd love to get it in the courts and get their illegal activity into the courts as well."

In the recently ended whaling season, Sea Shepherd vessels and Japanese whalers twice collided. One protest vessel, the *Ady Gil*, sank.

In February, activist Peter Bethune of New Zealand jumped aboard one of the Japanese ships with the stated goal of making a citizen's arrest of the ship's captain, while handing over a \$3 million bill for the destruction of his protest ship.

He is being held on the ship as it returns to Japan, where he may face charges of intrusion.

The Australian police search Saturday came despite the Australian government's strong opposition to the whaling.

Canberra has threatened international legal action against Japan unless it stops its annual catch — which is sanctioned by the International Whaling Commission as an exception to its 1986 ban on commercial whaling.

Prime Minister Kevin Rudd would not comment directly on the police action but reiterated the government's stance against whaling.

"Either the government of Japan agrees to reduce its current catch from where it is to zero, in a reasonable time, or the Australian government will prosecute this matter in the international court of justice and we would initiate that action prior to the next whaling season," he told reporters in Melbourne.

#### **(The Japan Times online) Two options left for moving Futenma**

Kyodo News

The government is narrowing the relocation of Futenma air station in Okinawa down to two options, including a plan to build a helipad at the marines' Camp Schwab in Nago, government sources said Saturday.

The other option is to reclaim an area between the U.S. Navy facility on White Beach in Uruma and Tsuken Island off the main island of Okinawa, the sources said, noting that the work to decide where to move U.S. Marine Corps Air Station Futenma is now in the final stage.

Chief Cabinet Secretary Hirofumi Hirano will explain the two options to Prime Minister Yukio Hatoyama, who will then pick one and present it to U.S. government negotiators.

After the government makes a final decision on the site, the Foreign and Defense ministries will enter into full-blown talks with the U.S. and the relevant local governments in Okinawa, they said.

The United States has described the existing plan as the best option for relocating the Futenma base, as agreed upon in a 2006 deal on the realignment of U.S. forces in Japan. It calls for moving Futenma's functions to a new airfield to be built on the coastal area of the city of Nago.

U.S. Ambassador to Japan John Roos has told Hirano that the U.S. side will not allow Tokyo to make major changes to the existing plan, according to the government sources.

The Hatoyama government is now making arrangements based on building a 500-meter-long helipad at U.S. Marine Corps Camp Schwab, the sources said.

But critics say the plan is not viable given that the U.S. plans to deploy MV-22 Osprey transport aircraft, which normally require a 1,600-meter runway for vertical takeoff and landing, at a base in Okinawa.

If Japan and the U.S. settle on the plan, the Futenma facility may continue to be used for the Osprey aircraft and Tokyo has begun to pursue the idea of moving some of the training drills being held at Futenma to Tokunoshima Island or Mage Island, both in Kagoshima Prefecture, to reduce the noise and danger many associate with the base.

Building a 1,600-meter runway in the area mentioned by the plan requires digging into hillsides, raising environmental concerns. Some critics also point to the danger of military aircraft flying over nearby residential areas.

The other option involves constructing a runway in a reclaimed area between Tsuken Island and an area located in part of Katsuren Peninsula.

The surrounding sea area is shallow, with depths of 1.5 meters to 3 meters, where most coral reefs are said to have become extinct, posing fewer environmental concerns.

This option would require the reclamation of a publicly owned water surface similar to the existing plan. The Okinawa governor has jurisdiction over such reclamation.

In the past, both of the options were proposed to the United States but were ruled out in the process of talks for the 2006 agreement. It is expected to take about 10 years for the construction of all facilities for either plan.

**(The Japan Times online) Base delay could harm ties, Campbell warns**

WASHINGTON (Kyodo) A senior U.S. official suggested to visiting opposition lawmakers Friday that if Japan postpones a decision on the relocation of U.S. Marine Corps Air Station

Futenma in Okinawa beyond the end of May deadline, it could have a broad impact on bilateral relations.

U.S. Assistant Secretary of State Kurt Campbell made the remarks in a meeting with Katsuei Hirasawa, a Lower House member, and Ichita Yamamoto, an Upper House member, both from the Liberal Democratic Party.

Campbell said that postponing a decision beyond the deadline could affect budget deliberations in Congress with regard to the planned transfer of U.S. Marines from Okinawa to Guam and bilateral ties in areas other than security, the lawmakers told reporters.

Campbell, who coordinates U.S. policy toward Japan, reiterated the U.S. view that relocation of the Futenma base in Ginowan to a coastal area of Nago, also in Okinawa, is the best option.

Campbell told the two lawmakers he has no intention of instructing the government what to do on the issue as Tokyo struggles to find an alternative site by the self-imposed deadline.

He declined to comment on the idea of moving the flight functions of the Futenma facility to an inland site at U.S. Marine Corps Camp Schwab, saying he has not formally been informed of it, Hirasawa and Yamamoto said.

The two LDP lawmakers also met with Sen. Daniel Inouye, a Democrat from Hawaii, who told them that U.S. patience will run out if the issue is not settled by the end of May.

Meanwhile, the State Department said earlier in the day that Campbell will leave Sunday for an 11-day trip to Asia including Japan.

Campbell will first visit Singapore and then travel to Malaysia, Laos, Indonesia and Thailand, before arriving in Japan, Assistant Secretary of State for Public Affairs Philip Crowley told a news briefing.

Campbell is expected to exchange views with Japanese officials over the base relocation issue, though Crowley did not elaborate.

Japan and the United States agreed in 2006 to transfer the flight functions of the Futenma facility in Ginowan to a coastal section of Camp Schwab located in the less densely populated city of Nago by 2014. But Tokyo is reviewing the accord under the government of Prime Minister Yukio Hatoyama.

**(The Japan Times online) Ozawa unhappy with plans to keep Futenma in Okinawa**

Democratic Party of Japan Secretary General Ichiro Ozawa is criticizing government efforts to relocate Futenma air base within Okinawa Prefecture, saying it could harm the party ahead of the House of Councilors election in July, DPJ sources said Sunday.

Ozawa told the ruling party's executives Thursday that the government cannot opt to keep the U.S. Marine Corps base in Okinawa when its prefectural assembly has unanimously demanded it be moved outside the prefecture or abroad, the sources said.

"The prime minister has also said it should be moved outside of the prefecture or abroad, and he also knows that (moving it elsewhere in Okinawa) would be disadvantageous in the election," Ozawa was quoted as saying.

Keeping Futenma in the prefecture "would cause huge damage to our image and we would not be able to battle in the election," he added.

The central government is in the final stage of deciding between two options. Both involve keeping the base in Okinawa Prefecture, but not in the place Japan and the United States agreed on in 2006, government sources said.

Ozawa said he will basically respect the Cabinet's decision on Futenma because the policy of the DPJ is to concentrate policymaking power in the Cabinet.

But since Prime Minister Yukio Hatoyama is expected to seek out Ozawa's opinion on the matter, the prime minister will find himself in a difficult position if the veteran DPJ strategist argues against the government's decision and current options, political analysts said.

#### **(The Japan Times online) Cabinet polling at record-low 36.3%**

The public approval rating for Prime Minister Yukio Hatoyama's Cabinet has fallen to 36.3 percent, the lowest since it was inaugurated last September, the results of a telephone poll showed Sunday.

In a Kyodo News survey conducted Saturday and Sunday, 58.6 percent of the respondents said it is not desirable for the ruling Democratic Party of Japan to control the House of Councilors while wielding a majority in the stronger House of Representatives.

As for DPJ Secretary General Ichiro Ozawa, 74.8 percent said the party's powerful strategist, currently mired in a political funds scandal, should resign, up 2.1 points from the previous poll in February.

The Cabinet's approval rating sank 5.1 points from last month, taking it below 40 percent for the first time since it was formed.

The disapproval rating meanwhile rose 3.8 points to 48.9 percent.

Asked which party they would vote for in the proportional representation section of the Upper House election scheduled for July, 26.9 percent chose the DPJ, down 6.7 points, while 26.3 percent opted for the Liberal Democratic Party, up 2.9 points.

Only 28.3 percent said they would want the DPJ to control the entire Diet. The party, which ended five decades of LDP rule by securing a Lower House majority in the general election last August, is short of a majority in the upper chamber and relies on the support of two smaller coalition partners.

The results appear to reflect anger over the funding scandals, with a slight uptick in calls for Ozawa's resignation and three-quarters seeking the departure of another DPJ lawmaker embroiled in a separate funds scandal.

**(The Japan Times online) Okada setting up three summits between Hatoyama, Medvedev**

NEMURO (Kyodo) Foreign Minister Katsuya Okada said Sunday he will work with Russia on arranging three summits with Prime Minister Yukio Hatoyama and Russian President Dmitry Medvedev this year to press for the return of four Russian-held islands off Hokkaido.

At a meeting with former residents of the disputed islands in Nemuro, Hokkaido, Okada said he hopes the two leaders will meet more than twice, which was the number of times they met last year.

"I want the two leaders to meet without fail whenever there is an opportunity to do so, taking advantage of opportunities such as international conferences" that both attend, the foreign minister said.

Earlier in the day, Okada repeated his resolve to get the islands back when he visited a cape in Nemuro to view the territory.

"They are really close when you look at them like this. I will do my best," he said.

The Soviet Union occupied the islands at the end of the war, preventing Tokyo and Moscow from signing a peace treaty.

**(The Japan Times online) Fukushima rails at Hatoyama's nuclear agenda**

Prime Minister Yukio Hatoyama plans to promote nuclear power in a bill to fight global warming but is facing resistance from a key member of his tripartite ruling bloc.

The government plans to submit the bill to the current Diet session, but Social Democratic Party chief Mizuho Fukushima has asked Chief Cabinet Secretary Hirofumi Hirano not to promote nuclear power in the bill.

"Although nuclear power presents problems of waste and safety, it is my understanding that it is an essential energy for saving the global climate and reducing carbon dioxide," Hatoyama told reporters Saturday.

The government had expected the Cabinet to approve the bill by Friday but gave up after failing to decide on the specific wording for the section on nuclear power.

Japan aims to cut greenhouse emissions 25 percent from 1990 levels by 2020 as Hatoyama said in September.

Nongovernmental organizations have claimed the bill will reduce measures to fight global warming compared with the initial draft from the Environment Ministry.

**(The Japan Times online) Toyota meets Hatoyama, vows better quality control**

Toyota Motor Corp. President Akio Toyoda met Monday with Prime Minister Yukio Hatoyama and promised to improve quality control to win back the trust of consumers rattled by its global recalls.

Toyoda also expressed confidence that sales in the vital North American market will begin picking up this month despite logging an 8.7 percent slide in new vehicle sales in the United States in February.

"I told him that we are going to strive to build better cars so people will say Toyota is once again a more transparent and customer-focused company," Toyoda said afterward.

Hatoyama welcomed Toyoda's testimony at a U.S. congressional hearing and his recent trip to China to speak about safety issues. "I asked for further efforts to firmly boost confidence," Hatoyama said, adding faith in safety is key.

**(The Japan Times online) Government climate bill may favor businesses**

A climate bill being prepared by the government may include an option for an emissions trading mechanism favored by businesses that critics say could undermine measures to curb global warming, sources said.

Officials are in the final stage of consultations over whether to state in legislation that the idea of setting an emissions ceiling per unit of production will also "be considered" for the trading mechanism for greenhouse gases.

This approach, however, has drawn criticism from some quarters because it theoretically may allow emissions to increase as long as production volumes grow. Opponents argue it will undermine the impact of the mechanism.

With regard to emissions trading, the original plan for the bill put forward by the Environment Ministry called for setting an overall ceiling to ensure a reduction of emissions.



Some businesses, together with the Ministry of Economy, Trade and Industry, have been arguing that an emissions ceiling based on units of production should also be allowed.

Whether to include this option has been a major focus in drawing up the bill for the basic law on measures to combat global warming. The government is eyeing Cabinet approval of the bill Friday, the sources said.

In delineating emissions trading, the officials are now leaning toward stating in the bill that "a limit will be set on the overall volume of emissions" and that "consideration will be given to the approach of setting a limit on emissions volume per unit that describes production volume or the scale of other business activity," the sources said.

If it is decided that "consideration will be given" to such an idea, provisions will have to be established on whether to allow the setting of an emissions limit per production unit and under what conditions.

The inclusion of the idea in the bill will likely prolong negotiations within the state on finalizing climate steps and prompt businesses to step up pressure on the government to adopt the approach.

**(The Japan Times online) Secret pacts existed; denials 'dishonest'**

*Deals reached on nuclear arms entry, Okinawa reversion: panel*

Secret pacts on nuclear arms and other issues were reached between Japan and the United States during the Cold War, a Foreign Ministry panel concluded Tuesday, effectively ending the government's decades-long official denial.

While the pacts have already been exposed through U.S. declassified documents and other sources, the panel's investigation, launched after the Democratic Party of Japan's historic rise to power last year, made clear that previous governments led by the ousted, but long-ruling, Liberal Democratic Party were "dishonest" about the issue and raised questions over the management and disclosure of diplomatic papers.

Among the pacts the panel acknowledged was "a tacit agreement" that emerged during the 1960 revision of the Japanese-U.S security treaty that led to Tokyo effectively allowing port calls by U.S. vessels carrying nuclear weapons without prior consultation.

Earlier reports also said entry of U.S. aircraft carrying atomic weapons was also covered by the pact.

Foreign Minister Katsuya Okada said Tuesday he cannot rule out that nuclear weapons were brought into Japan under the secret pacts.

Officially, Washington was supposed to consult with Tokyo beforehand when bringing nuclear weapons into the country, due to strong antinuclear sentiment among the Japanese public.

With the details of the bilateral security arrangements finally brought to light from the Japanese side in the form of about 330 newly declassified documents, the panel revealed that the country's nonnuclear principles of not possessing, producing or allowing nuclear weapons on its territory were a sham.

Prime Minister Yukio Hatoyama, the DPJ president, said earlier his government would stick to the three nonnuclear principles, first declared in 1967 by then Prime Minister Eisaku Sato, even if the panel admits the existence of the secret nuclear deal to the contrary.

Japan has, up to now, maintained that since prior consultations have never taken place, no atomic weapons have been brought into Japan.

Under Okada's initiative, the Foreign Ministry and an expert panel, headed by University of Tokyo professor Shinichi Kitaoka, have looked into four alleged secret pacts, including the nuclear arms deal.

In the report, the panel looked into both explicitly documented pacts and tacit accord, whose contents often differ from those specified on paper.

The panel acknowledged there was a secret pact allowing Washington to use U.S. bases in Japan without prior consultation in the event of a crisis on the Korean Peninsula, as well as one covering cost burdens for the 1972 return of Okinawa to Japan from U.S. rule.

But it said another alleged pact to allow Washington to bring nuclear weapons into Okinawa in an emergency does not fit the definition of a "secret pact" as it was unlikely to go far beyond the content of the 1969 Japan-U.S. statement on Okinawa's reversion.

As for the secret nuclear deal, the panel concluded that, at the time of the security treaty revision, Japan and the U.S. "intentionally" avoided the question of whether the entry of U.S. vessels into Japanese ports would be subject to prior consultations so as not to disrupt the alliance.

"By leaving the issue ambiguous, (U.S.) ships carrying nuclear weapons could stop at Japanese ports without prior consultation, while Japan, according to its official stance, could deny such a development. But neither side would make a protest," the panel's report said.

This tacit agreement, or "secret pact in a broad sense," in 1963 became set policy after then U.S. Ambassador to Japan Edwin O. Reischauer told Foreign Minister Masayoshi Ohira that Washington did not consider the port calls a matter for prior consultation.

Although Tokyo was aware U.S. nuclear-armed ships were likely to frequent its ports, the government did not protest and representatives continued to say in the Diet that port calls by such vessels would be subject to prior consultation, the report said.

"The Japanese government offered dishonest explanations, including lies, from beginning to end. This attitude should not have been allowed under the principle of democracy," the panel said.

But the panel also pointed out it was not easy in those days to achieve a balance "between a nuclear deterrence strategy in the Cold War era and the Japanese people's antinuclear sentiments."

The report noted that after the 1991 announcement by then U.S. President George H.W. Bush, after the Cold War ended, that the U.S. would pull tactical nuclear arms from its vessels, the port call issue no longer troubled Japan-U.S. ties.

On the agreement that allowed Washington to use U.S. bases in Japan in the event of a crisis on the Korean Peninsula, the panel said that while it found a document proving that secret pact existed, it is no longer in effect.

On Okinawa's reversion costs, the panel said a secret pact in a broad sense can be confirmed, under which Tokyo agreed to shoulder \$4 million the U.S. was supposed to pay to restore plots used by U.S. forces to their original state.

Meanwhile, the panel proposed that the Foreign Ministry consider ways to ensure its basic policy of declassifying documents after 30 years is followed by, for example, increasing the staff handling such tasks. It also said it is undesirable for so much of Japan's diplomatic history to be described mainly in the records of other countries.

It also expressed regret that many key documents were missing, and it called for further investigations amid media reports that there was an internal order at the ministry to destroy documents related to the secret nuclear pact.

**(The Japan Times online) Shipment of nuclear waste arrives from U.K.**

OSAKA — The first delivery of at least 850 canisters of high-level radioactive vitrified waste arrived Tuesday morning by ship from the U.K. in Rokkasho, Aomori Prefecture, where it will sit in storage for decades before being buried deep underground.

Antinuclear activists argue that with no local government yet willing to host a final disposal site and concern over the international security and environmental risks of transporting so much nuclear waste between the U.K. and Japan, the shipments should end.

About 14 tons of waste in 28 vitrified high-level waste canisters, each of which weighs about 500 kg, arrived at Mutsu Ogawara port at Rokkasho in the morning.

The waste was originally spent fuel from domestic power plants operated by Tokyo Electric Power Co., Kansai Electric Power Co., Shikoku Electric Power Co. and Kyushu Electric Power Co.

The waste was sent to Britain for reprocessing under an agreement between a British firm and the utilities. Tuesday's delivery is the first of what are expected to be numerous shipments over the next decade.

Philip White, international liaison at the Tokyo-based Citizens' Nuclear Information Center, warned the waste could stay in Aomori indefinitely and future shipments pose risks to not only Japan but also the countries and oceans through which the waste is transported.

Aomori Prefecture has an agreement with the utilities to store high-level waste at Rokkasho for 30 to 50 years. But the original plan was to then move the waste to a final disposal facility elsewhere in the country, and so far, no sites have been found due to local opposition.

"In addition, shipping Japan's highly radioactive waste around the world imposes grave risks on en-route countries and the marine environment," White said.

Aileen Mioko Smith of Kyoto-based Green Action said there are concerns about the quality control process because independent oversight over the vitrification process was lacking.

"There is no government authority (in Britain) inspecting or regulating the quality control of the vitrified material. Much of the reprocessing was undertaken during the 1990s by British Nuclear Fuels Ltd. BNFL is the same company that falsified the quality control data for Kansai Electric MOX (mixed oxide) fuel in 1999," she said.

In 2004, BNFL's facilities were taken over by a public body, the Nuclear Decommissioning Authority, which does not operate the waste reprocessing plant in Britain directly but has the ultimate responsibility for ensuring past high-level waste reprocessing and return agreements signed between Japanese companies and BNFL are carried out.

### **(The Straits Times) US 'faithfully honoured' pacts**

WASHINGTON - THE United States said on Tuesday it has been faithful to agreements with Japan but declined comment on findings that it quietly brought nuclear weapons onto the allied nation's territory.

Japan's left-leaning government commissioned a report that confirmed longstanding suspicions that previous conservative administrations turned a blind eye to the US arms despite Japan's staunch anti-nuclear stand.

'We do not discuss the presence or absence of nuclear weapons aboard specific ships, submarines or aircraft,' Pentagon spokesman Bryan Whitman told AFP. 'The US government understands the

special sentiment of the Japanese people with regard to nuclear weapons and has faithfully honored its obligations under the Treaty of Mutual Cooperation and Security and will continue to do so,' he said.

Japan is the only nation to have been attacked with nuclear weapons. The United States dropped atomic bombs on Hiroshima and Nagasaki in 1945, killing more than 210,000 people and leading to Japan's surrender in World War II.

Japan has since campaigned to abolish the weapons. Former prime minister Eisaku Sato won the Nobel Peace Prize largely for his 'three principles' - that Japan will not possess, produce or allow nuclear weapons on its soil.

But a panel of historians said on Tuesday that Japan nonetheless allowed US warships to carry nuclear weapons across Japanese territory and, in the case of emergency, to take them to US bases on the southern island of Okinawa. Foreign Minister Katsuya Okada said he doubted this has happened since 1991, when the United States announced the withdrawal of tactical nuclear arms from its warships. -- AFP

#### **(The Japan Times online) Crown Prince attends Ghana Noguchi event**

ACCRA (Kyodo) Crown Prince Naruhito attended a memorial symposium in the Ghanaian capital Tuesday held to present an award named after Japanese bacteriologist Hideyo Noguchi and expressed hope for further efforts by doctors fighting infectious diseases in Africa.

"I hope from deep in my heart that the medical researchers and professionals who are fighting infectious diseases in Africa will continue putting their efforts into their activities," the Crown Prince said in a speech at the Hideyo Noguchi award symposium.

The award is given to researchers and others who have made outstanding contributions to medical activities in Africa. Noguchi died in Ghana in 1928 of yellow fever while conducting research on the disease.

The Crown Prince later visited a monument in Accra and offered flowers for four Japanese who died in Ghana during missions as Japan Overseas Cooperation Volunteers.

On Monday, he met with Ghanaian President John Atta Mills after arriving in Ghana the previous day on the first leg of an official visit to the west African country and Kenya.

"I hope my visit this time will help promote the exchanges between Japan and Ghana to enter a new era and that the mutual understanding and friendly ties between the two countries will further advance," the Crown Prince said in a speech during a luncheon hosted by the president.

Mills said he feels honored that the Crown Prince has chosen Ghana as the destination of his first visit to sub-Saharan Africa and is grateful for Japan's long years of assistance to the country.

Later Monday, the Crown Prince visited a memorial laboratory for Noguchi at a hospital in Accra. The laboratory is currently being used by a public health research institution and has a small room where memorabilia related to Noguchi, including photographs and letters, are displayed.

### **(Reuters News) Japan faces rocky path to emissions trading system**

Climate bill set to clear parliament by mid-June, Bill vague on how emission limits will be set, Industries against volume caps on emissions

TOKYO, March 12 (Reuters) - Japan faces a rocky path to launching an emissions trading system after the government approved legislation on Friday that was vague on how the scheme would set limits on emissions.

The proposed climate bill, set to be enacted in parliament by mid-June, set a one-year deadline for the world's fifth-largest greenhouse gas emitter to draft legislation outlining details for a mandatory trading scheme.

A national scheme setting emissions targets could be a major boost for carbon trading in Japan, which only has a voluntary carbon market at the national level based on companies' pledged goals.

But designing the new market risks becoming complicated as the climate bill leaves room for the trading system to set caps on emissions per unit of production, which would allow rises in emissions when output grows.

While an early draft of the bill by the Environment Ministry proposed a "cap-and-trade" scheme that sets absolute volume caps on emissions, the bill was watered down after complaints from businesses that volume caps would stifle growth.

Environment Minister Sakihito Ozawa tried to play down worries on Friday that the bill risked doing little to lower emissions.

"The important thing is that we achieve the 25 percent target and that we boost economic growth with environment (policies)," he said, referring to Japan's target to cut greenhouse gas emissions by 25 percent by 2020 from 1990 levels on condition a global climate deal is reached.

Ozawa hinted on Thursday that he still envisioned a system based on volume caps, saying the government was likely to adopt a methodology that used industries' carbon efficiency to set absolute emission limits.

He added, however, that nothing had been decided and that details of the scheme would be worked out over the next year.

## INDUSTRY PRESSURE

Cap-and-trade, which sets limits on emissions that becomes tougher over time, would force companies to invest in steps to cut their carbon pollution or face having to buy permits for every tonne of emissions that they are over their target.

Businesses, struggling with a fragile economic recovery and deflation, have instead favoured carbon intensity goals, which would encourage them to boost energy efficiency but still allow them to increase output.

Industry groups have put pressure on the Ministry of Economy, Trade and Industry (METI) in protest at volume caps, posing a dilemma for the government as it struggles with declining support ahead of an election for the upper house expected in July. [ID:nTOE62B04U]

METI denied on Friday that the climate bill, which calls for the government to set volume caps in principle but to also "consider carbon intensity", restricted debate simply to using carbon intensity as a tool to determine volume caps.

"We have checked and that is not the interpretation of the wording," a METI official told reporters.

The vagueness of the climate bill, along with uncertainties over the fate of climate legislation in the United States, could lead to a drawn-out process in designing the trading scheme, an analyst said.

"Designing the emissions trading scheme will be complicated, because debate from now won't just involve cabinet ministers but other officials from various ministries," said Yasushi Setoguchi, deputy general manager of environment, natural resources and energy at Mizuho Information and Research Institute.

### **(Reuters News) Activist arrested over boarding Japan whaling ship**

Japan arrests whaling protester

TOKYO (Reuters) - Japan's coastguard on Friday arrested an anti-whaling activist from New Zealand who boarded a whaling vessel in the Antarctic following clashes between hunters and environmentalists, a spokesman said.

Media helicopters hovered overhead as a flotilla of ships sailed into Tokyo Bay and Pete Bethune of the Sea Shepherd Conservation Society was brought ashore after being held on board for the four-week trip.

Sea Shepherd said 44-year-old Bethune had been planning to attempt a citizen's arrest of the Japanese whaling vessel's skipper when he boarded the ship in February, and that it has arranged legal representation in Japan for him.

The hardline anti-whaling group's regular attempts to block the annual whale hunt have sparked irritation in Japan, where the government says whaling is an important cultural tradition.

"Of course, different people and countries may have different feelings toward whaling, but Sea Shepherd's vicious actions are dangerous and cannot be accepted," Japanese Prime Minister Yukio Hatoyama told reporters.

"It's a matter of course that he has been arrested. He should be probed and tried in Japan based on the truth, but I think this will not hurt ties with Australia or New Zealand," he said.

Bethune, the captain of the *Ady Gil*, a high-tech vessel that was damaged in a collision with a Japanese whaling ship in January, approached Japan's *Shonan Maru 2* on a jet ski, breached anti-boarding nets and climbed aboard in darkness on February 15.

Bethune was arrested on the ship on arrival in Tokyo, the coastguard spokesman said. Crowds of media and a handful of pro-whaling demonstrators were awaiting his arrival on the pier, which was blocked from view by blue tarpaulins.

"We want the Japanese government to punish the activist as severely as possible under Japanese law and ask the New Zealand government to remove the *Ady Gil*'s ship registration," said protester Shuhei Nishimura.

A coastguard official later told reporters Bethune appeared to be in good health and was answering questions readily.

Kyodo News Agency quoted Sea Shepherd head Paul Watson as saying it was "very strange ... the aggrieved captain is the one who is going to be arrested."

"We are rallying a lot of support in New Zealand and Australia for Pete, he may be considered a criminal in Japan but he's a hero in Australia and New Zealand," Watson said.

Bethune could face imprisonment for up to 3 years or a fine of up to 100,000 yen (\$1,100), according to Japanese media.

Last month Australia set Japan a November deadline to stop Southern Ocean whaling or face an international legal challenge.

Some legal experts say Japan's hunt breaches international laws such as the Antarctic Treaty System. A court challenge would lead to provisional orders for Japan to halt whaling immediately ahead of a full hearing.



Commercial whaling was banned under a 1986 moratorium, but Japan still hunts whales for what it says are research purposes. The meat mostly ends up on dinner tables.

**(The Japan Times online) Hatoyama flip-flopped on air base: sources**

Issues of trust tainted the Futenma relocation issue Thursday as bilateral diplomatic sources revealed that Prime Minister Yukio Hatoyama told U.S. Ambassador to Japan John Roos in December that Japan would eventually honor the 2006 accord finalizing the U.S. air base's move from Ginowan to Camp Schwab in Nago, keeping it in Okinawa Prefecture.

Tokyo, however, was forced to develop another plan because the winner of Nago's mayoral election in January opposes the 2006 accord.

Hatoyama's temporary "verbal pledge" is believed to have spurred U.S. distrust in Japan, straining bilateral ties.

The remarks were made after Roos had met Dec. 15 with certain Cabinet members, who gave him conflicting messages about the base's future, prompting the ambassador to seek the meeting with the prime minister to clarify the issue, the sources said.

The ministers involved were Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa and Land, Infrastructure, Transport and Tourism Minister Seiji Maehara, who is also in charge of Okinawan affairs.

Whereas Okada told Roos he would push for the existing plan but that it would take time due to political reasons, Kitazawa told the ambassador the plan had been dropped and that the government would study fresh relocation options, the sources said.

Maehara, meanwhile, told the ambassador there would be no choice other than to accept the existing plan.

At the meeting between Hatoyama and Roos later that day, Okada, who also attended, repeated his support for the 2006 plan and was backed by Hatoyama, the sources said.

As a result, the ambassador believed the existing plan would be eventually honored, and this perception came to be shared on the U.S. side, the sources said.

On that day, however, the Hatoyama government decided to put off the Futenma decision until 2010.

**(The Japan Times online) Bureaucrats out of Futenma talks loop**

Prime Minister Yukio Hatoyama's Cabinet plans to exclude senior bureaucrats from taking part in bilateral talks over the relocation of U.S. Marine Corps Air Station Futenma in Okinawa, government sources said.

The government, which is in the process of choosing an alternative relocation site, also intends to hold the discussions in Japan, in principle, to prevent the pace from being dictated by the United States, the sources said Wednesday.

The exclusion of the Foreign Ministry diplomats, which includes the Japanese Embassy in Washington, is apparently aimed at resolving the issue based on political initiative. The Hatoyama Cabinet has called for politicians to show greater leadership and reduce its dependence on bureaucrats.

Japan is looking to make a decision on the matter by the end of March, with Chief Cabinet Secretary Hirofumi Hirano, State Secretary for Foreign Affairs Koichi Takemasa, Senior Vice Defense Minister Kazuya Shimba and working-level experts from the Defense Ministry taking part in the process.

The same members are participating in concurrent arrangements with the U.S. government on the matter, including determining the feasibility of candidate sites with U.S. military personnel.

Once the government's proposal is finalized, Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa will engage in negotiations with their U.S. counterparts to pave the way for Hatoyama's visit to the United States to reach agreement with President Barack Obama.

The Foreign Ministry is said to be willing to have Japanese Ambassador to the U.S. Ichiro Fujisaki make arrangements with senior officials from the U.S. State Department, but the Cabinet is concerned about letting such talks proceed at a U.S. pace, the sources said.

**(The Japan Times online) Hatoyama looks to attend U.S. nuclear summit**

Prime Minister Yukio Hatoyama told visiting U.S. Homeland Security Secretary Janet Napolitano on Friday that he wants to attend the Nuclear Security Summit in Washington next month.

Noting he has received an invitation from President Barack Obama, Hatoyama said, "I want to take time out from the Diet session to come over."

The summit, which will be held in the U.S. capital on April 12 and 13, will be hosted by Obama, who received the Nobel Peace Prize in 2009 for his pledge to seek a nuclear-free world.

Stressing the importance of the Japan-U.S. security alliance during the meeting at his office, Hatoyama said, "We must deepen it further," as this year marks the 50th anniversary of the bilateral security treaty's revision.

Tokyo will seek to arrange for Hatoyama to have a summit with Obama, government officials said. Such a meeting would inevitably focus on where to relocate U.S. Marine Corps Air Station Futenma in Okinawa, the most pressing issue now facing the two allies. Hatoyama said later Friday no bilateral summit has been set yet.

## ***Economic Frontage***

### **Detailed News:**

#### **(The Star Online) China surpasses Japan as the 2nd largest world economy**

China's growth and challenges

CHINA surpassed Japan as the second largest economy in the world in the fourth quarter of 2009.

Although Japan's gross domestic product (GDP) for 2009 at US\$5 trillion was higher than that of China at US\$4.9 trillion, from the fourth quarter, China produced more goods and services (i.e. enjoyed higher GDP) than did Japan.

It still has some way to go before catching up with the United States, which had a GDP of US\$14.5 trillion in 2009.

If China can grow 4% faster than the US annually, it is likely to surpass the US economy in 25-30 years. This could be sooner if the undervalued renminbi is revalued upwards.

Advantages

On a purchasing power parity (PPP) basis, which assumes similar cost for identical products and services in different countries, China overtook Japan in 2001 (see chart) and could overtake the US by 2020.

As per the International Monetary Fund, China's GDP per capita in 2009 at only US\$3,566 was still significantly lower than that of Japan (US\$39,573) and the US (US\$46,443).

Growing from a low base was the easy part; the challenge is to sustain growth when China becomes a middle income nation.

China has a few advantages that will help it sustain growth. First, it has a strong pro-growth government that can implement its plans.

In the past, such plans like the Great Leap Forward and the Cultural Revolution were socio-economic disasters but under the collective leadership structure, policies are more measured.

A strong government has enabled China to quickly modernise its infrastructure (unlike India) and enhance its strong position in certain sectors like renewable energy, steel and manufactured exports.

Second, China has a very large domestic market that enables domestic producers to achieve economies of scale and attract foreign direct investments and technology into the country.

Third, China has made good strides in education and research and development. According to Unesco, China's share of global researchers rose to 20.1% from only 14% in 2002 (see table on the previous page).

### Challenges

China also faces immense challenges. There is, firstly, an over-reliance on investments and exports to boost the economy while private consumption as a percentage of GDP remains low.

In the longer term, China will require a basic social net that will encourage Chinese to save less for future medical and other bills.

China's strong one-party rule may be suitable for leading a country from a low to middle income nation but to make the leap to a high income nation requires a focus on innovation and a liberal environment that retains and attracts talent (like the US).

Taiwan and South Korea have made the transition from autocratic governments to democratic governments.

The challenge is for China to maintain stability and yet sufficiently relax its grip on its people to allow this transition.

Another challenge lies in how an emerging China interacts with the US and the Western world. Both sides will have to resolve tensions from differing world views and competition for natural resources and markets.

In the longer term, China faces a demographic time bomb due to its one child policy. China's rapidly aging population is expected to peak at 1.45 billion in 2030 according to a UN study.

By then, China could suffer from what Japan is suffering now, a stagnant economy and a declining population that represents a strain on its healthcare and social welfare system.

China was the world's richest nation until 1850, a position that was toppled by an inept government in the last days of the Manchu dynasty and unfair treaties imposed after the Opium

War in 1842, aimed at reducing British trade deficit with China by selling opium to the Chinese in exchange for Chinese goods.

Barring major military conflicts (unlikely in the nuclear age) and major policy blunders, China is likely to resume its position as the world's richest nation, a position it held for almost 2,000 years since the days of the Han Dynasty (206 BC–AD 220) which rivalled the Roman Empire.

The nature of the world will change as an emerging China interacts with a declining but still powerful West.

Western liberal democratic traditions focused on individual rights will square off with Eastern collectivist paradigm putting society above the individual.

Inter-Asian trade and relations will strengthen China's influence in Asia and position the renminbi as the de facto trading currency for the Asian bloc.

Failure of China and the West in accommodating each other could lead to trade war and even a new cold war, an outcome that can be avoided if more moderate voices that value an open diverse world can prevail over xenophobic ultra-nationalistic/religious voices.

In this new global reality, Malaysia will find it increasingly difficult to compete in manufacturing. Malaysia has to fight tooth and nail to retain and attract talent and boost services (like tourism). This means crafting an attractive liberal environment for its citizens and foreign talent.

#### **(The Japan Times online) Lenders to cut off homemakers**

*40% of breadwinners kept in dark about spouses' side debts*

Major consumer loan companies will stop issuing loans to housewives and male homemakers without independent income in June as tighter lending rules kick in, sources said.

A law revised to reduce heavily indebted borrowers will oblige consumer lenders to limit loan sizes to a third of a borrower's annual income.

Since this will also force homemakers to submit more documentation, including consent letters from their income-earning spouses, the lenders have apparently concluded such lending won't be worth the extra clerical work it generates, the sources said Saturday.

According to a survey by the Japan Financial Services Association, nearly 40 percent of homemakers with consumer loans have not told their spouses about their debts. While the legal revision may succeed in reducing the number of heavily indebted borrowers, it may also crimp lending to housewives seeking minor loans.

Consumer lenders Promise Co., Acom Co. and Aiful Corp. have already cut lending to homemakers, including house husbands who lack their own income. They will stop accepting new applications in June and stop offering additional loans to existing nonearning borrowers, the sources said.

Major lender Takefuji Corp. remains wary of the situation.

'We'd like to observe discussions by the Financial Services Agency" on steps to ease drastic changes in lending, a company official said.

The new regulations will oblige borrowers to submit documents stating their annual income so the lenders can assess their ability to repay. If the borrower is a homemaker with no income, a letter of consent from the income-earning spouse will have to be submitted along with proof of that person's income and a certificate of marriage.

"There will be few homemakers who will come to borrow money after obtaining income verification," a senior official at one major lender said.

Moneylenders will continue lending to homemakers drawing income from part-time jobs, the sources said.

#### **(The Japan Times online) February business failures down 17%**

Corporate bankruptcies fell 17.29 percent to 1,090 in February, stretching the streak of monthly year-on-year declines to seven, a credit research firm said Monday.

Debts left by failed firms also fell sharply, with related liabilities plummeting 64.29 percent to ¥438.83 billion as more credit was made available by government stimulus measures and a new law aimed at assisting smaller firms, Tokyo Shoko Research said.

Debts plunged 83.14 percent compared with January, when Japan Airlines Corp. filed for bankruptcy protection in the biggest nonfinancial corporate failure in postwar history.

In February, Willcom Inc., a provider of personal handy-phone system services, became the largest telecommunications bankruptcy, with liabilities of ¥206 billion.

Bankruptcies declined year-on-year for a second consecutive month in all nine geographic regions covered by Tokyo Shoko Research.

By sector, failures rose in four categories — financial and insurance businesses; information and telecommunications; agriculture, forestry, fisheries and mining; and others, including services.

Large-scale bankruptcies, defined as those involving at least ¥1 billion in debt, tumbled 61.4 percent to 37, dropping below 40 for the first time in 19 years.

According to Teikoku Databank, another private credit research firm, corporate failures in February totaled 966.

**(The Japan Times online) Sony to roll out 3D TVs**

TOKYO - SONY said Tuesday it would start selling 3D televisions in Japan in June, aiming to ride a new wave of interest in the technology thanks to recent movies such as sci-fi blockbuster 'Avatar'.

The Japanese giant said its first 3D liquid crystal display TV models would hit the Japanese market on June 10, with a price tag of about 350,000 yen (\$4,949) for a 46-inch version.

Viewers will wear electronic glasses that open and close rapidly in time with images designed for the right and left eye, creating a three-dimensional effect.

Sony said its overall television business would shift into high gear in the fiscal year to March 2011, targeting sales of more than 25 million liquid crystal display TVs - up two thirds from its forecast for this year. It aims for 10 per cent of the sets to be capable of viewing 3D images.

The next 12 months are 'really a year when we think we can attack,' Yoshihisa Ishida, senior vice president in charge of Sony's home entertainment business, said at a press conference. Sony has been caught off guard in recent years by innovative new products such as Apple's iPod and Nintendo's Wii, but it has high hopes for 3D televisions.

The TVs are key to chief executive Howard Stringer's goal of converging Sony's strengths in electronics, such as Bravia televisions and PlayStation game consoles, and content generated by its movie studio and music label. But many experts think consumers are unlikely to rush to buy the premium-priced 3D TVs due to the need for special glasses and because many people have already upgraded to high-definition sets in recent years. -- AFP

**(The Japan Times online) Minimum guarantee pension eyed**

*Talks begin on two-tier system linked to possible sales tax hike*

The government began discussions Monday on a planned two-tier public pension system involving a minimum-guaranteed benefit program, with a view to formulating basic principles at the end of May.

Prime Minister Yukio Hatoyama indicated the government will discuss the issue in connection with proposed tax reforms, including possibly hiking the 5 percent consumption tax.

"There will be connections with the taxation system in a sense," he said at the first meeting of a panel devoted to reforming the pension system. "I want you to discuss this with the intent to pour everything you have into creating a new pension system."

Under the ruling Democratic Party of Japan's campaign platform for last summer's general election, the public pension system would be consolidated into the minimum-guaranteed pension, funded by revenues from the consumption tax, in which everyone would participate regardless of their occupation, and the other in which people at the same income levels would pay equal premiums.

The DPJ wants to have legislation enacted by the end of the fiscal year through March 2014 to cover the plan.

The party had said work would get under way during the fiscal year starting in April 2012, but it has now been front-loaded.

The faster-paced reform drive apparently reflects hopes within the government to shore up popular support ahead of the House of Councilors election this summer, but a sales tax hike would undoubtedly not go over well with voters.

But discussions on the planned reforms are likely to face stumbling blocks, given the need to secure a funding source through the consumption tax and keep track of the incomes of self-employed business operators.

The panel "will come up with the basic principles of the new system at the end of May," Motohisa Furukawa, a senior vice minister of the Cabinet Office who serves as the chief of the secretariat in the panel, told reporters after the meeting.

Once the panel comes up with the principles, the government plans to consult with the DPJ's coalition partners to forge an agreement within the ruling bloc. It would also consider consulting opposition parties, including the Liberal Democratic Party, Furukawa suggested.

Hatoyama chairs the panel, which also includes Finance Minister Naoto Kan, national policy minister Yoshito Sengoku and welfare minister Akira Nagatsuma.

Currently, the public pension system breaks into three parts: the national pension program mainly for self-employed business operators, the welfare pension program for company employees, and the mutual aid pension program for public servants.

Under the DPJ-proposed reform initiative, a recipient would receive ¥70,000 every month under a minimum-guaranteed pension program.

Given the need to keep track of the incomes of self-employed business operators, the Japan Pension Service, the successor body of the Social Insurance Agency, would be integrated with the National Tax Agency to become a revenue agency that collects taxes and pension premiums in an integrated manner.



**(The Japan Times online) Exports boost January current account surplus**

Japan saw a current account surplus of ¥899.8 billion in January, compared with a record deficit of ¥132.7 billion a year earlier, as exports recovered at the fastest pace on record, the Finance Ministry said Monday.

The current account, the broadest gauge of Japan's trade with the rest of the world, stayed in the black for the 12th month running, the ministry said in a preliminary report.

The balance of trade in goods and services posted a surplus of ¥37.3 billion, a turnaround from the ¥1.057 trillion deficit a year before.

The year-on-year expansion was the largest since January 1986, when comparable data became available.

The surplus in merchandise trade stood at ¥197.2 billion, compared with a deficit of ¥844.8 billion a year earlier.

Exports jumped 40.6 percent to ¥4.617 trillion for the second straight month of expansion. The year-on-year growth for exports was also the largest on record, as Japan saw a steady rise in shipments of cars, auto parts and high-tech products to China and the rest of Asia.

Imports turned positive for the first time in 15 months, up 7.1 percent to ¥4.42 trillion, partly because the average import price of crude oil rose about 80 percent from a year before.

"It is almost certain that Japan will continue to post a current account surplus because the pickup in overseas demand is much stronger than that in domestic demand," said Norio Miyagawa, senior economist at Shinko Research Institute.

"The Japanese economy has been driven mainly by external demand from Asia, and this trend will continue for some time," he said.

The dramatic improvements in current account figures in the reporting month are also largely attributable to favorable comparisons with the previous year's figures.

On a year-on-year basis, the current account in terms of value recovered at the second-fastest pace on record. In January 2009, mired in the global financial crisis, Japan posted a current account deficit for the first time in 13 years.

**(The Japan Times online) Toyota experts challenge faulty electronics claim**

Carmaker maintains mechanical flaws to blame

WASHINGTON (AP) Toyota, dogged by millions of recalls and claims that it still has not fixed its safety problems, took its strongest step yet Monday to silence critics who blame faulty electronics for runaway cars and trucks.

Toyota assembled a group of experts in a bid to refute studies by an Illinois professor who revved Toyota engines simply by short-circuiting the wiring. Toyota's experts say the experiments were done under conditions that would never happen on the road.

The automaker maintained its assertion that simpler mechanical flaws, not electronics, were to blame.

"There isn't a ghost issue out there," Kristen Tabar, an electronics general manager with Toyota's technical center, told a news conference at the company's North American headquarters in Torrance, Calif.

Meeting with reporters, Toyota addressed the work of David W. Gilbert, an automotive technology professor at Southern Illinois University-Carbondale, whose work has been part of the basis of doubts about Toyota's mechanical fixes.

At least one outside expert said that even if Toyota's criticisms are accurate, the professor's work shows the systems that allow brakes to override stuck gas pedals can be compromised.

Toyota is mounting a public campaign to reassure its drivers about its vehicles' safety and defending itself against critics who question the fix for 8 million recalled cars and trucks. Regulators have linked 52 deaths to crashes allegedly caused by the acceleration problems.

The company's fix addresses gas pedal parts and floor mats that can cause the accelerator to stick in the depressed position. More than 60 Toyota owners who have had their cars fixed have complained the problem has persisted.

Toyota dealers have fixed more than 1 million vehicles. But the government has warned that if the remedy provided by Toyota does not properly address the problem, federal regulators could order the company to come up with another solution.

Gilbert told a congressional hearing Feb. 23 that he re-created sudden acceleration in a Toyota Tundra by short-circuiting the electronics behind the gas pedal — without triggering any trouble codes in the truck's computer.

The trouble codes send the car's computer into a fail-safe mode that lets the brake override the gas. Gilbert called his findings a "startling discovery."

House lawmakers seized on the testimony as evidence Toyota engineers missed a potential problem with the electronics that could have caused the unwanted acceleration.

But Monday, Chris Gerdes, director of Stanford University's Center for Automotive Research, and a consulting firm, Exponent Inc., rejected the professor's findings.

Toyota's assembled experts said the professor's tests could not be re-created on the actual road. For example, they said, Gilbert had shaved away insulation on wiring and connected wires that would not normally touch each other.

"There is no evidence that I've seen to indicate that this situation is happening at all in the real world," Gerdes said. He added that the professor's work "could result in misguided policy and unwarranted fear."

To prove their point, Toyota officials revved the engines of cars made by competitors, including a Subaru Forester and a Ford Fusion, by connecting a circuit rigged up to the wiring of the gas pedals.

Toyota supports other research programs at Stanford's engineering school and is an affiliate of the Center for Automotive Research, but Gerdes said he came to his conclusions "with complete independence."

Gilbert didn't respond to messages seeking comment.

Exponent has conducted work for companies that are being sued and once claimed it had determined that secondhand tobacco smoke was not cancerous. It was also hired by the U.S. to probe the Columbia space shuttle disaster.

Exponent officials said they were conducting an extensive study of Toyota electronics but they had not yet found any problems with the electronic throttle controls.

An outside expert, Raj Rajkumar, an electrical and computer-engineering professor at Carnegie Mellon University in Pittsburgh who studies auto electronics, said Gilbert's work raises doubts about the fail-safe systems.

"Pretty much anybody who works on electronic-based vehicle systems understands that things can go wrong," he said.

He said a number of factors could cause vehicle electronics to malfunction, including software coding errors, electrical interference and static electricity. He said technology wasn't available to prove that a system as complex as Toyota's electronic throttle control will always behave correctly.

Gilbert wasn't trying to prove that his test was a real-world scenario, said Keith Armstrong, a British electronic engineer and consultant who advises companies on electromagnetic interference. Instead, Gilbert demonstrated that fail-safe systems may not kick in if faulty signals are sent to the throttle, Armstrong said after reviewing Exponent's report on Gilbert's tests.

**(The Japan Times online) Honda to build second cycle plant in India**

Honda Motor Co. said Tuesday it will boost its motorcycle production in India to meet robust local demand by building a second plant there.

Honda Motorcycle & Scooter India Pvt. Ltd., a wholly owned local unit of the company, aims to operate the planned facility in an industrial area in Rajasthan, about 90 km from central Delhi, from the second half of next year, with annual output capacity projected at 600,000 units, Honda said.

The existing plant in India will raise its annual production capacity to 1.55 million units by the end of this month and to 1.6 million units next year from the current 1.25 million units, the company said.

Honda Motorcycle & Scooter expects to employ some 2,000 workers by the time production peaks. The investment cost is estimated at about 4.7 billion rupees (some ¥8.9 billion).

The Indian subsidiary, which began production in 2001, sold 1.09 million motorbikes last year, up 111 percent from a year earlier and hitting a record high for the ninth year in a row.

**(The Japan Times online) JAL taking applications for early retirements**

Japan Airlines Corp. said Tuesday it will start soliciting early-retirement applications Thursday from rank-and-file employees and midlevel managers aged 35 and older at its key flight-services arm, Japan Airlines International Co.

JAL, the nation's biggest airline, which filed for bankruptcy protection Jan. 19, said it will seek applications from ground and cabin crew, as well as from aircraft maintenance service mechanics aged 50 or older, at the subsidiary until April 9.

The move is part of the deficit-ridden airline's program to eventually eliminate 15,700 jobs, or about 30 percent of its group workforce, by the business year through March 2013 as it aims to turn itself around under a government-supervised rehabilitation process.

On March 1, JAL said it will solicit 2,700 applications from employees at its group firms, including 1,700 at Japan Airlines International.

JAL officials said the airline expects to reduce its personnel expenses by ¥18 billion in fiscal 2010, which begins April 1.

The carrier also plans to solicit early-retirement applications from pilots at a later date, they said.

**No easy solutions for U.S., Japan to revive economies**

*Stimulus plans are double-edged swords while tax breaks may prove more effective*

Even as Japan and the United States need deficit-funded stimulus now to stay on the recovery path, sustained large budget deficits will be a long-term problem that undermines their future growth prospects and must be addressed. But how?

Tax hikes might be one inevitable solution, given that the two countries are near the bottom of the list of advanced economies around the world in terms of tax-to-gross domestic product ratio. U.S. data meanwhile suggest that tax reduction is a much more effective tool than increases in government spending as a tool to turn the economy around.

These were among the views expressed by American experts who took part in the Feb. 19 symposium in Tokyo, organized by Keizai Koho Center under the theme "Revitalization of the Japanese economy — views from U.S. think tank researchers." Tetsuro Sugiura, chief economist at Mizuho Research Institute, served as moderator of discussions.

Over the short term, the huge budget deficits incurred by the U.S. and Japanese governments are "appropriate," said Michael Ettliger, vice president for economic policy at the Center for American Progress.

"The problem is not this year or not even the next year. We should be running large deficits. We've needed large stimulus to get our economies growing. In fact, for our long-term deficits to come down, we need economic growth, so deficits now to promote economic growth are actually important to achieving the lower deficits that we need in the future," he said.

It is widely believed that the large stimulus introduced by the government in response to the financial crisis "has had a positive impact" in the U.S., Ettliger said. However, he added, he is not sure yet that the U.S. economy has changed its momentum.

"I view the U.S. economy as teetering and it could still slip back," and this is a concern that is shared by many in Japan about its own economy, he said. "So in my view, it is not the right time to take our foot off the gas pedal. In the U.S., only about a third of the stimulus money went out in 2009 so there is still more to come in 2010, and we will have a very large budget deficit in 2010. But if anything in the U.S., I think we need more deficit-funded stimulus — not less — to ensure that we break out of the downward spiral. (And) it may be called for (in Japan) as well."

The real problem about the fiscal situations in both the U.S. and Japan, he said, is the long-term prospect of running large budget deficits.

"Unless there is a change of course, both of our countries are in a situation where we're going to be running deficits of pretty substantial size for a pretty long period, and these are deficits that are higher than what is widely agreed on as acceptable," he noted.

Running high, sustained budget deficits leads to the risk of sharply higher interest rates, which would increase the debt-servicing expenses and thereby divert resources from government

investments necessary to boost the economy, he said. And debt payment "simply dampens future economic growth" in the sense that "we're borrowing from our future," he added.

Ettlinger pointed to similarities and differences between the Japanese and U.S. situations as both countries try to tackle their long-term fiscal problems.

In addition to aging populations and rising health care costs, "we both face political barriers where raising taxes and cutting spending are very difficult," he said. The Democratic Party of Japan-led government has said no to a hike in the consumption tax in the near future, while U.S. President Barack Obama has said there will be no tax increases on those earning less than \$250,000 a year, he noted.

"Another similarity is that in both countries the public is likely to blame the deficits on wasteful government spending, even though eliminating waste — although it is an important obligation to taxpayers and politically necessary — is not enough to solve the problem," he said.

Among key differences between the two economies is that Japan's population is set to fall while that of the U.S. is growing; Japan has larger overall debt than the U.S. but much of the debt is owed to its own people while the U.S. relies on funds from abroad; and that Japan's projected economic growth in the coming years is weaker than that of the U.S., he noted.

But one key common factor is that the U.S. and Japan are still rich countries and both are near the bottom of the list of advanced economies in terms of the share of tax revenue in their GDP, Ettlinger said.

Therefore, he said, the difficulty that U.S. and Japanese governments face in trying to raise taxes to address their budget deficits will be "not economic but political" in nature, and it will ultimately be a "question of political will" if they are going to do it.

The 1990s saw a turnaround from a U.S. budget deficit when Bill Clinton became president in 1993 to a surplus later in the decade following robust economic growth. Strong economic growth makes it easier for governments to resolve deficits, "but I think we need a plan that would succeed in reducing the deficits even if we don't get extraordinary economic growth" like the one in the 1990s, Ettlinger said.

Effective policy approaches should be similar for both the U.S. and Japan even though their economies differ in important respects, said Benjamin Zycher, a senior fellow of the Pacific Research Institute. Analysis of U.S. economic data and recent studies by economists show that tax cuts will be a much more effective tool than government spending in stimulating economic growth, he said.

Of the four key components of GDP — consumption, investment, net exports and government spending — U.S. data from 2007 to 2009 indicate that ups and downs in investment account for much of the recession and the recent rebound in GDP growth, Zycher said.

While the fluctuation of personal consumption also moves closely with GDP changes, ups and downs in net U.S. exports appears to have almost no correlation with the GDP growth trend, he noted.

And the U.S. government's non-defense spending has "effectively no effect on GDP growth" during the period, Zycher said. This may not be surprising, given that increases in government spending on some sectors have to be financed with reduced spending on others, and it is "extremely difficult" for the government to target the spending effectively on the shrinking sectors in a timely manner, given that large parts of a stimulus package are actually spent after a substantial time lag, he noted.

These data and other recent studies show that "increased government spending appears to be a very weak tool with which to increase economic growth . . . and that tax reduction is a more powerful tool. Strengthened incentives for investments may be particularly effective," Zycher said.

And tax reduction "allows the market to allocate resources much more efficiently and quickly than government spending programs are able to do," he added.

In the October-December period, Japan's economy grew by an annualized 4.6 percent from the previous quarter partly due to a recovery in exports, prompting government officials to say that the fears of a double-dip recession have become smaller.

However, Marc Levinson, a senior fellow for international business at the Council on Foreign Relations, warned that Japan's reliance on increases in net exports for GDP growth may not be sustainable as a long-term strategy because various new factors in cross-border trade, including non-macroeconomic ones, could change today's patterns of international trade.

The global boom in international trade over the past several decades has been supported by sharp declines in freight costs and cheap oil for much of the 30 years after the oil crises of the 1970s, Levinson noted. These made it practical for manufacturers to have "very long supply chains with very timely delivery," including the many Japanese firms that launched operations in the U.S. while relying on supplies from home, he said.

Environmental regulations in the transport sector have long been quite weak and border controls on cargo remained lax, which also contributed to the low freight cost and timely delivery, he noted.

The problem today, Levinson said, is that many of these factors "no longer continue to exist."

He pointed to emerging signs of "diseconomies of scale" in the maritime transport sector, where shipping lines are ordering "extremely large" cargo vessels that will be more efficient at sea but will take much longer to unload at ports. Serious congestion at ports caused by the arrival of vessels carrying 7,000 to 8,000 containers will raise the costs of international cargo shipping, he said.

The age of cheap oil is now over, which would increase shipping costs over the long term that will be quickly passed on to shippers, Levinson said.

Increased environmental pressures on the carriers in all transport sectors, more stringent controls on aircraft noise and greater difficulty involved in the construction of new airport runways will all add up to higher freight costs, he noted.

And the increased security concerns — fears of terrorism, drug smuggling, illegal immigrants and so forth — are driving border authorities to inspect more cargo shipments, Levinson pointed out.

Increases in cargo transport costs will likely raise the price of imported goods relative to domestic products, Levinson said. But the more important impact would be that reliability of imports would diminish because guaranteed delivery time would become hard to achieve, requiring the importers to have larger inventories, he noted.

"Transport costs and transport reliability will become more important in manufacturers' and retailers' decisions about what to produce where," he said. This may lead to some revival of manufacturing of high-value products in the U.S. and Europe because it would make more sense to produce where the goods are used given the higher cost and reduced reliability of transport — and to the relocation of the production of low-value goods closer to the the end-user markets, he noted.

"This throws into question the strategy of reliance on an export-driven economic model, which will be increasingly difficult to sustain over a long period of time," Levinson noted. "I do not believe the volume of trade is going to decline, but I think that in the years ahead we are going to see trade expand at a much slower rate than has been the case in the past."

The political focus in the U.S. and Japan this year will likely be on domestic issues given that both the Obama administration and Japan's ruling coalition, led by Prime Minister Yukio Hatoyama, face crucial elections in the months ahead.

Still, Japan's position as host to this year's Asia-Pacific Economic Cooperation forum meetings and that of the U.S. as APEC chair next year give them good opportunities to work together on the regional and global trade agenda, said Nicholas Szechenyi, deputy director of the Office of the Japan Chair at the Center for Strategic and International Studies.



In Washington, there is an "overwhelming emphasis on the need to recover from the economic crisis, and economic stimulus is certainly the priority," Szechenyi said. "There is also the midterm election this year, and therefore much of the rhetoric on economy that we hear is about boosting the economy and increasing government spending, and not very much on trade."

But while trade is apparently not at the top of the list of the administration's agenda, Obama, in his Asian tour last November, spoke of the need for the United States to be an active participant in Asia as a trading nation, and in his State of the Union address in January, Obama mentioned an initiative to double U.S. exports in five years, Szechenyi noted.

It was probably not a clearly defined initiative, "but I think it's a signal of a shift in the approach and understanding that for the U.S. to have credibility as an economic partner in this region it is going to have to show a lot more detailed ideas and more concrete vision for the future, and I think the U.S.-Japan alliance is a key tool in that process," Szechenyi said.

#### **(The Japan Times online) Toyota out of top 10 firms for grads**

Toyota Motor Corp. has fallen to 13th place from seventh in terms of popularity among science and engineering students, dropping out of the top 10 most popular companies for the first time in 14 years, the latest annual survey by a job information provider showed Wednesday.

Electronics maker Sony Corp., which replaced Toyota as the most popular company a year earlier, fell to fifth place, Mainichi Communications Inc. said.

Famed machinery makers have lost popularity as their earnings have deteriorated amid the global recession.

Instead, food maker Ajinomoto Co. became the most popular company for the first time, rising from fifth place. Two other food makers — Kagome Co. and Meiji Seika Kaisha Ltd. — joined the top 10.

The latest survey, conducted between October and February, received responses from around 24,000 university students, including postgraduates who were seeking employment after graduation in spring 2011.

Among liberal arts students, travel agent JTB Corp. remained the most popular company for the third consecutive year, followed by cosmetics maker Shiseido Co. and All Nippon Airways Co., which were also ranked second and third last year.

Japan Airlines Corp., which filed for bankruptcy protection and rehabilitation in January, plunged from fifth to 40th place.

**(The Japan Times online) Machinery orders decline 3.7%**

Report shows deflation still plagues nation

Bloomberg

Machinery orders slipped in January after the biggest jump since 2000, government data showed Wednesday, indicating a subdued appetite among the nation's companies to ramp up capital spending even as manufacturing passed its worst.

Orders, a signal of business investment in three to six months, dropped 3.7 percent from December, when they climbed 20.1 percent, the Cabinet Office said. The government said after the report that machinery demand is "bottoming."

The level of orders remains below the peak reached before the nation's worst postwar recession, underscoring concern that business spending will lag behind exports as a driver of growth. The recovery has been led by shipments to the expanding economies across Asia, which now take up more than half the country's sales abroad.

"Exports are coming back as a driving force for the economy and that's pushing capital spending and alleviating concerns among business executives," said Yoshiki Shinke, senior economist at Dai-ichi Life Research Institute Inc. in Tokyo. "Still, the level of the economy and business investment is very low and it'll take a while to get back to prerecession levels."

A separate report showed Japan remains plagued by deflation. Producer prices fell 1.5 percent in February from a year earlier, the 14th consecutive drop, the Bank of Japan said.

The Cabinet Office's upgrade of the machinery indicator was the first in four months. It said the decline in January was exacerbated by weaker demand for mobile phones, and orders rose 2.2 percent when excluding the devices.

"Considering December's big jump, this month's retreat was relatively moderate," said Kyohei Morita, chief economist at Barclays Capital in Tokyo. "Business investment's not going to keep falling — we've passed that stage. But capital spending isn't going to lead the recovery ahead."

The decline in wholesale prices was the smallest since January 2009 because of an increase in commodity costs that few companies are able to pass on amid weak domestic demand.

"The gap between supply and demand in the domestic economy has yet to shrink," said Morita at Barclays Capital. "It'll be very difficult for companies to pass on those costs. That's not good for their profits."

Companies including Panasonic Corp. are paring costs to protect earnings. The world's largest maker of plasma televisions may make its money-losing TV operations profitable in the year

ending next March, helped by cost reductions and sales of 3-D sets, President Fumio Ohtsubo said last week. The Osaka-based company cut costs by ¥259 billion in the nine months that ended Dec. 31.

Other reports for January indicate the economy's revival remains intact, led by exports. The coincident index, the broadest indicator of economic health, rose to levels prior to the September 2008 collapse of Lehman Brothers Holdings Inc., the Cabinet Office said Tuesday.

The unemployment rate dropped to a 10-month low of 4.9 percent and wages climbed for the first time in 20 months. Manufacturers increased output at a faster pace and exports climbed the most in almost 30 years.

Hitachi Construction Machinery Co., Asia's second-largest excavator maker, may double sales in China this quarter as spending on railroads and mining spurs demand, Chief Executive Officer Michijiro Kikawa said this month.

#### **(The Straits Times) Japan's economy slows in Q4**

TOKYO - JAPAN'S economy grew at a slower rate than previously thought in the fourth quarter of 2009, new data showed on Thursday, raising fresh concerns over the country's recovery from a crushing recession.

The world's number two economy expanded at a pace of 0.9 per cent in October-December from the previous quarter, revised down from an initial estimate of 1.1 per cent growth, the government said.

And a revised figure for July-September showed a contraction of 0.1 per cent, illustrating how Japan's nascent revival stalled in the third quarter.

With the pace of recovery slower than previously thought, the latest gloomy data will add to the pressure being placed on the Bank of Japan by the government to boost growth-lifting efforts, analysts said.

Gross domestic product (GDP) expanded at an annualised pace of 3.8 per cent in the fourth quarter of last year, less than the 4.6 per cent previously thought and missing analyst expectations. Japan's economic output dived last year as exports and factory production collapsed during the global economic downturn. The country's economy contracted 5.2 per cent for the whole of 2009, even worse than an initial estimate of a 5.0 per cent decline, the latest figures showed.

While Japan remained ahead of China as the world's number two economy in 2009, the latest figures have brought it closer to losing the position it has held for more than 40 years. With China expected to enjoy another year of strong growth in 2010, Japan risks ending this year in

third place worldwide as it struggles to cope with renewed deflation and a shrinking population, analysts said. -- AFP

**(The Straits Times) Japan's 98th airport opens**

TOKYO- JAPAN'S newest airport opened outside Tokyo on Thursday aiming to lure budget airlines, but there was deep scepticism about its profitability as it has only one scheduled daily flight so far.

Ibaraki Airport, about 80 kilometres (50 miles) northeast of Tokyo, began operations as the country's 98th airport and is meant to boost the local economy as a gateway for business passengers and foreign tourists.

But the new terminal is already expecting an annual loss of 20 million yen (\$309,096), with one daily Asiana Airlines flight to Seoul. Another regular flight by Skymark Airlines to the western Japanese city of Kobe is only expected to start from April.

Ibaraki Governor Masaru Hashimoto said his prefecture would continue to approach low cost carriers (LCCs) to use the airport as an alternative destination for the greater Tokyo area.

'LCC is a segment that is expected to grow, and Ibaraki Airport will be the only airport to seriously work with them,' Mr Hashimoto said at the opening ceremony. 'We will make sure that this will grow as a major airport.'

However, the 22-billion-yen facility, part of which will be used by the Air Self-Defence Force, opened at an turbulent time for the aviation sector. Many people questioned the business rationale for the airport, which is more remote than the huge and convenient Haneda airport inside the capital and Narita airport, Japan's main gateway for international flights. -- AFP

**(The Japan Times online) Growth risks balanced, future foggy: Suda**

Bloomberg

Bank of Japan Policy Board member Miyako Suda reiterated the central bank's view Wednesday that the economy will continue to expand gradually, saying upside and downside risks for growth are evenly balanced.

"In my view, upside and downside risks for the economy are almost balanced, while the economy's outlook is highly uncertain," Suda said at an economic forum in Tokyo. "The central bank will make persistent efforts to achieve sustainable growth with stable prices."

Stocks rose and the yen weakened this past week on increased speculation that the BOJ may take more policy actions to counter deflation. Suda, who opposed some emergency lending measures

the BOJ implemented amid the global financial crisis, reiterated its pledge to support the recovery with monetary policy.

"In terms of monetary policy, we will maintain an extremely accommodative financial environment," Suda said.

BOJ Gov. Masaaki Shirakawa will hold his next rate-setting meeting March 16-17. Board members who have spoken publicly in the past month haven't signaled a need for easier policy. Member Tadao Noda said last week risks for the outlook are balanced and further monetary easing would have limited impact, given that the benchmark interest rate is at 0.1 percent.

Faster economic growth supported by a resurgence in exports and factory production hasn't spread to the domestic economy, which is still grappling with falling prices. Consumer prices excluding fresh food slid 1.3 percent in January from a year earlier, an 11th straight decline. Separate reports Wednesday showed the costs producers pay fell for a 14th consecutive month in February and machinery orders slid 3.7 percent in January.

Consumer prices "are expected to keep falling around the current pace for the time being," Suda said. "Given that the balance between supply and demand in the economy will likely improve gradually, the pace of price declines will start to moderate again."

Board members said in December they won't tolerate price declines and stamping out deflation is a crucial challenge.

### **(Bloomberg) Yen to Drop to 100 as Deflation Spurs BOJ to Add Cash, CIB Says**

March 12 (Bloomberg) -- The yen is likely to weaken to 100 per dollar, a level last seen in April, as the Bank of Japan pumps money into the financial system to combat deflation, according to Credit Agricole Corporate and Investment Bank.

Japan's currency slid almost 2 percent versus the dollar this month as the government urged the central bank to act. Financial Services Minister Shizuka Kamei said he hopes the Bank of Japan will further increase monetary easing. The central bank's options include expanding a 10 trillion yen (\$111 billion) fund providing loans to banks, according to two central bank officials who spoke on condition of anonymity.

"There's been a policy shift in the government to the weaker yen bias," Mitul Kotecha, Hong Kong-based head of global foreign-exchange strategy for Credit Agricole CIB, said in an interview with Bloomberg in Tokyo. "There is a probability of something more aggressive from the Bank of Japan. They are coming closer to doing something, so that could very well be engineered towards weakening the yen."

Japan's currency weakened to 90.53 per dollar as of 10:37 a.m. in Tokyo, from 90.51 yesterday in New York and 88.97 on Feb. 26. The yen last traded at 100 per dollar on April 14, 2009.

Credit Agricole's forecast is more bearish than the year- end median forecast of 98 yen per dollar in a Bloomberg survey of 39 analysts. The estimate puts heavier weightings on more recent predictions.

### *Bank of Japan*

The central bank has kept Japan's benchmark overnight lending rate at 0.1 percent since December 2008 and is buying 1.8 trillion yen of government bonds each month.

It has lent 9.6 trillion yen under the three-month bank loan program that was introduced in December, close to the current limit. In the unlimited lending facility set to expire this month, there was 5.9 trillion yen outstanding as of Feb. 28. Both facilities offer three-month credit at 0.1 percent.

Current "policies are very much aimed at weakening the yen as well as combating deflation," Kotecha added. "Our forecasts show that we expect less deflation pressure in the coming months, but we don't see it returning to positive for some time."

The costs companies pay for energy and unfinished goods declined 1.5 percent from a year earlier, after sliding 2.1 percent in January, the Bank of Japan said March 10 in Tokyo.

Investors expect consumer prices to drop an average of 1.14 percent a year over the next five years, according to Japanese breakeven rates, or the yield differential between conventional and inflation-protected securities.

Japanese Deputy Finance Minister Yoshihiko Noda said yesterday that the Bank of Japan understands the risk that falling prices pose to the nation's economy.

"The government and Bank of Japan share the view that the economy is in a mild deflationary state," Noda told reporters in Tokyo yesterday. "I think the central bank has a sense of that threat and I will pay attention" to the outcome of next week's policy meeting, he said.

### **(Reuters News) Japan Kan: Govt, BOJ have common goal for prices**

TOKYO, March 12 (Reuters) - The Japanese government and the Bank of Japan basically share the same goal of seeing prices rise, Finance Minister Naoto Kan said on Friday.

Kan, speaking to lawmakers in parliament, also said he wants the central bank to work towards achieving this goal.

### **Panasonic launches 3-D TV sales at Best Buy**

NEW YORK (Kyodo) Panasonic Corp. on Wednesday began selling its first 3-D television in the United States in partnership with local retailer Best Buy Co.

Panasonic's Viera VT20, a 50-inch 3-D plasma television, was launched at an event held at a New York outlet of Best Buy a day after South Korean rival Samsung Electronics Co. announced a lineup of 3-D TVs.

Priced at \$2,499.95, the TV comes with a Blu-ray player and one pair of 3-D glasses.

Panasonic plans to launch the TV on the domestic market April 23. It is aiming for global sales of about 1 million units of its 3-D TV in the 2010 business year starting April, including 500,000 units in the U.S.

On Tuesday, Samsung, the leading company in the U.S. flat-screen TV market, said it would offer a range of TVs with 3-D features — LED TVs, plasma sets and fluorescent-backlit LCD TVs.

### **(The Japan Times online) GDP growth for quarter downgraded**

Bloomberg

The economy expanded less than initially estimated in the fourth quarter as companies pared spending and stockpiles as deflation deepened, government data showed Thursday.

Gross domestic product rose at an annual 3.8 percent pace, slower than the 4.6 percent reported in preliminary figures last month, the Cabinet Office said. The GDP deflator, a gauge of price trends, fell a record 2.8 percent.

The report suggests business spending remains the weak link of an economic recovery that has begun to spread from exporters to households. Renewed demand in Asia is helping boost profits at exporters, which may minimize an economic slowdown in the coming months as government stimulus measures fade.

"A rebound in capital investment is key for Japan's economy to regain momentum," said Mari Iwashita, chief market economist at Nikko Cordial Securities Inc.

"While declines in investment are coming to a halt, it's hard to tell when companies will start to beef up spending again," she said.

The median estimate of 29 economists surveyed by Bloomberg News was for 4 percent growth on an annualized basis. The economy grew 0.9 percent in the fourth quarter from the previous three months, slower than the 1.1 percent first reported.

"Concerns about a double-dip recession have receded slightly," Keisuke Tsumura, a parliamentary secretary at the Cabinet Office, told reporters in Tokyo. "There are budding signs for self-sustained recovery."

Private inventories shaved 0.1 percentage point from growth, after the initial report showed it added to GDP, the main reason for Thursday's revision. Automakers may have responded to higher demand by paring stockpiles, Tsumura said. Capital spending rose 0.9 percent in the three months through December from the previous quarter, compared with a 1 percent increase estimated last month.

About a third of factory capacity is sitting idle and falling prices are squeezing profit margins, prompting major companies, including Sony Corp., to cut costs to protect their earnings. Sony last month narrowed its forecast for a net loss, saying it is approaching its target of trimming ¥330 billion in costs by eliminating jobs and shutting factories.

The government has been providing incentives to encourage people to buy energy-efficient cars and home appliances. Prime Minister Yukio Hatoyama unveiled a ¥7.2 trillion stimulus package in December. Consumer spending, which makes up about 60 percent of the economy, climbed 0.7 percent, unchanged from the initial report, the government said.

The increase in household spending may not last as government stimulus fades and a shortfall in demand keeps suppressing prices, said Hiroshi Watanabe, a senior economist at Daiwa Institute of Research. "The stimulus program gives a one-shot boost to the economy, but it won't substantially increase consumer spending," he said.

Finance Minister Naoto Kan last week increased pressure on the Bank of Japan to help arrest deflation, saying he hopes prices will rise this year.

The drop in the GDP deflator, the broadest measure of prices in the economy, was the largest since comparable data were made available in 1955. The government initially reported a 3 percent fall in the gauge.

"The deflator number really is terrible at the moment," said Richard Jerram, chief economist at Macquarie Securities Ltd. in Tokyo. "The worst-case scenario is that if you never get out of deflation, you're running an economy with interest rates that are persistently too high, which damages growth and also makes it impossible to stabilize public finances."

### **(Bloomberg) Japan Needs \$56 Billion Smart Grid If Law Passes, Deutsche Says**

March 12 (Bloomberg) -- Tokyo Electric Power Co. and nine other regional utilities may need to spend 5.1 trillion yen (\$56.3 billion) in 20 years to upgrade Japan's power grid if a draft climate-protection legislation is made law.

The utilities would need to spend 2.5 trillion yen to install batteries and the rest on smart meters and other devices to cope with the irregular current supplied by renewable energy, said Tomohiro Jikihara, an analyst covering power and gas utilities at Deutsche Securities in Tokyo.



The Cabinet today passed a draft climate law calling for a cap-and-trade system and more renewable energy to meet a target of cutting greenhouse emissions by 25 percent from 1990 levels by 2020. The bill proposes 10 percent of the country's energy should come from renewable sources by 2030 compared with 3 percent in 2007, according to the International Energy Agency.

“Hatoyama's climate policy can be, by some extent, a stimulant to creating new jobs and investment on advanced energy technologies,” Jikihara said.

Electricity from solar- and wind-power plants fluctuates, depending on the weather. The trade ministry has estimated the shift to renewable power will require a grid upgrade at a cost of between 4.61 trillion and 6.7 trillion yen by 2030.

### **(Bloomberg) Japan's Cabinet Endorses Cap-and-Trade Climate Bill**

March 12 (Bloomberg) -- Japan's Cabinet has endorsed a climate-protection draft law today that would cap industrial emissions and thrust the second-biggest economy into the \$125 billion market for trading carbon credits.

Some polluters will be subject to a flat ceiling on emissions while others may face a limit per unit of production, according to a copy of the bill, distributed to reporters by the Environment Ministry today. The draft leaves open which industries will be affected.

Efforts to pass climate legislation in Australia and the U.S. have stalled over criticism of proposed emission-trading programs. In Japan, power utilities, steelmakers and seven other industry groups said now isn't the time for a law they claim will hurt domestic companies as they compete with peers in China and India who won't face the same pollution limits.

“It's extremely regrettable the Cabinet approved the bill without enough nationwide discussion,” the group led by Tokyo Electric Power Co. and Nippon Steel Corp., two of the nation's biggest emitters of greenhouse gases, said in a statement today. “We ask the government to ensure the public understands the issues before the bill is debated in the Diet.”

Prime Minister Yukio Hatoyama has set a goal for Japan to cut emissions by 25 percent by 2020 and may pursue European- style trading of carbon-emission credits. China and India, the world's fastest growing major economies, have said they will target a reduction of emissions per unit of gross domestic product rather than setting a ceiling on overall emissions.

### **'Easier Option'**

Japan's emissions as a ratio of national productivity are among the lowest in the Organization of Economic Cooperation and Development, according to the Institute of Energy Economics Japan, a government think tank. Japan produced 244 metric tons of carbon dioxide per \$1 million of

GDP in 2006, compared with the OECD average of 444 tons and 510 tons for the U.S. China produced 2,685 tons and Russia emitted 4,190 tons.

By not mandating a flat cap on all industrial pollution, Japan is taking an easier option, said Roger Raufer, New Jersey- based independent carbon market consultant. “But they’re a very efficient country, so this is a tough thing for them to do politically,” he said by phone today.

Details of Japan’s cap-and-trade program, including limits on specific industries and a timeframe, will be worked out within a year of the bill becoming law, according to the draft.

The legislation calls for a possible carbon tax from the year starting April 2011, expansion of nuclear generation and boosting the “feed-in tariff” to cover all renewable energy, including biofuels along with hydro, solar, wind and geothermal power.

#### Feed-in Tariff

Japan introduced a feed-in tariff in November, requiring utilities to buy surplus solar power supplied to the grid by homes and businesses, and pay as much as double the regular rate. Consumers pay for the cost in higher power bills.

Japan should supply 10 percent of its primary energy from renewable sources by 2020, according to the bill. In 2007, renewables accounted for about 3 percent of the total, according to the International Energy Agency.

Hatoyama’s government on Jan. 26 reiterated a promise to the United Nations to cut Japan’s emissions of heat-trapping gases blamed for global warming by 25 percent by 2020 from 1990 levels. The pledge comes with the condition that “all other major emitters agree to a fair and realistic international treaty that calls for an ambitious reduction target,” Hatoyama said.

#### **(Bloomberg) Toyota’s ‘Bargains’ May Boost Sales 30%, Edmunds Says (Update4)**

March 10 (Bloomberg) -- Toyota Motor Corp., buoyed by an incentive campaign, may report a 30 percent jump in U.S. sales in March after recalls of millions of vehicles damped deliveries for two months, industry researcher Edmunds.com said.

No-interest loans for as long as five years and discounted leases on most Toyota brand models from the world’s largest automaker are helping drive the rebound from year-earlier levels, Edmunds.com Chief Executive Officer Jeremy Anwyl said by phone today.

“Americans love a bargain,” Anwyl said. “Car buyers still feeling financially distressed see this as the best time to buy.”

The incentives and the “huge reservoir of goodwill” Toyota has built up over the years are limiting fallout from global recalls of more than 8 million cars, Anwyl said. Santa Monica,

California-based Edmunds.com tracks pricing and consumer behavior on its car-information Web site.

Spending on incentives may add as much as 100 billion yen (\$1.1 billion) in costs for Toyota City, Japan-based Toyota, Kohei Takahashi, an analyst at JPMorgan Chase & Co., said in a March 2 report. Other recall-related costs may total 315 billion yen through May 2011, and litigation settlements may cost about 100 billion yen, he said.

### Sales Surge

Excluding the Lexus brand, Toyota's U.S. sales surged 50.5 percent in the first eight days of March from a year earlier, spokeswoman Celeste Migliore in Torrance, California, said today. President Akio Toyoda, 53, said this week that the company's sales in the nation will recover in March after falling 8.7 percent in February and 16 percent in January.

Toyota's incentives "are showing initial evidence of improvement" in U.S. deliveries, Himanshu Patel, a JPMorgan Chase analyst in New York, said today in a note to investors. Competitors may "aggressively" match Toyota's offerings, spurring industrywide sales, Patel wrote.

Seventy-four percent of Toyota owners said they haven't lost confidence in the company's vehicles, and 82 percent think they are safe, Gallup said last week, citing a poll conducted on Feb. 27 and 28.

Toyota's American depository receipts slid 0.4 percent, or 31 cents, to \$76.36 at 4:15 p.m. in New York Stock Exchange composite trading. Toyota shares fell 1.4 percent to close at 3,445 yen in Tokyo Stock Exchange trading, and have declined 11 percent this year as the carmaker recalled vehicles worldwide to repair defects linked to reports of sudden, unintended acceleration.

The company faces as many as 105 class-action and 31 individual lawsuits claiming deaths or injuries connected to vehicles speeding out of control.

### Cost-Cutting Efforts

New incentives, lower North American sales, an increase in advertising spending and scaled-back cost-cutting efforts may cut Toyota's operating profit by 290 billion yen next fiscal year, Kurt Sanger, a Tokyo-based auto analyst at Deutsche Bank Group, said in a report on Feb. 18. The analysis anticipated the incentive program announced on March 2, Deutsche Bank spokesman Aston Bridgman said.

Toyota may post 390 billion yen in operating profit and 359 billion yen in net income in the fiscal year beginning April 1, compared with the company's current-year forecast for a 20 billion

yen operating loss and 80 billion yen in net income, according to Sanger's report. Profit will rise as sales and margins improve in emerging markets and in Japan, he said.

The company may post net income of 469 billion yen next fiscal year, according to the median of 20 analyst estimates compiled by Bloomberg. Toyota reported a 437 billion yen net loss in the year ended March 31, 2009.

## *Socio-Cultural Façade*

### **Detailed News:**

#### **(The Japan Times) Non-English schools hope for aid**

Private international high schools where English is not the language of instruction are hoping they will be eligible for planned annual subsidies of ¥120,000 per student, according to school officials.

Unlike at more expensive English-based international schools, the subsidies, which would be disbursed at the discretion of the education ministry, would go a long way to covering tuition.

"The discount of ¥120,000 would be a big relief for parents," said Chang Chienkuo, acting headmaster of Tokyo Chinese School, in Chiyoda Ward. The school, where classes are taught in Chinese, charges high school students an annual tuition of ¥558,000.

"I hope the government considers international schools among the educational institutions in Japan."

The ruling Democratic Party of Japan aims to pass a bill to scrap tuition for public high schools and provide a per-student subsidy of ¥120,000 a year to families whose children attend private high schools, including some, but not all, institutions catering to foreign students.

International schools are categorized as "kakushu gakkou," or miscellaneous schools. If the bill clears the Diet by the end of the month, the subsidy will be applicable in April to "the type of miscellaneous schools whose curriculum is equivalent to that of Japanese high schools."

Education ministry official Kazuhiro Kuriyama said the ministry will devise a guideline on which types of miscellaneous schools are entitled to the subsidy as soon as the bill is passed. Yun Taigil, an official at Tokyo Korean Junior & Senior High School in Kita Ward, where the tuition is ¥384,000 a year, said parents have high hopes for the bill.

But because it is a pro-Pyongyang school, it may face exclusion from the subsidy program due to Tokyo's political row with the North.

"It's wrong to exclude (pro-Pyongyang) schools, because children have nothing to do with politics," Yun said.

Meanwhile, the subsidies are unlikely to have much impact at English-language international schools, where the tuitions typically run as high as about ¥2 million a year. In many cases, parents' companies foot the bill for the children's education.

"There won't be much impact," an official at St. Mary's International School in Tokyo's Setagaya Ward said. "But there is nothing negative about this, either."

### **(The Straits Times) Robot teaches parenting skills**

TSUKUBA (Japan) - IT GIGGLES and wiggles its feet when you shake its rattle, but will get cranky and cry from too much tickling: Meet Yotaro, a Japanese robot programmed to be as fickle as a real baby.

The cuddly baby-bot looks unearthly with a pair of luminous blue eyes and oversized cheeks, but engineering students are hoping it will teach young people the pleasures of parenting as Japan faces a demographic crisis.

'Yotaro is a robot with which you can experience physical contact just like with a real baby and reproduce the same feelings,' said Hiroki Kunimura of Tsukuba University's robotics and behavioural sciences lab north of Tokyo.

Yotaro's face, made of soft translucent silicon with a rosy hue, is backlit by a projector connected to a computer to simulate crying, sneezing, sleeping and smiling, while a speaker can let out bursts of baby giggles.

The baby changes its facial expressions and moves its arms and legs when different parts of its face and body are touched. Physical contact is detected by sensors, and Yotaro's mood changes based on the frequency of touches. Yotaro also simulates a runny nose, with the help of a water pump that releases body-temperature droplets of water through the nostrils.

While the baby robot has a balloon-sized head and exaggerated facial features, its inventors nonetheless hope 'Yotaro could help young parents to learn about raising a baby,' said research team member Masatada Muramoto. -- AFP

### **(The Straits Times) Japan opens marriage school**

TOKYO - IN SEARCH of Mr or Mrs Right, dozens of Japanese are attending a newly launched school in Tokyo that aims turn them into marriage material. The Infini school offers various

classes for wannabe brides and grooms at a time when many people in Japan are either shunning the institution of marriage or are finding it very difficult to hook up with a partner.

The school, which is open to men and women, teaches students how to talk, walk and present themselves elegantly in a bid to capture the hearts and minds of prospective partners and their parents, who are often a major obstacle to successful unions.

Infini, which opened last month, now has about 30 female students. An almost equal number of males has signed up, but those who actually turn up to class are much fewer than their female counterparts.

'I had never even thought that my boyfriend's mother could play such a big role in my relationship, but now I've realised I need to start thinking seriously about how to impress my future in-laws,' said Kozue Sugawara, 29, who joined the school after her previous marriage plans failed.

With women wielding increased economic clout and changing social attitudes towards marriage, more Japanese in their 20s and 30s are single than ever before. Government statistics show nearly two-thirds of women under the age of 34 are unmarried, despite some 3,800 firms in Japan offering match-making services. The average age of the school's female students is 30 years.

Instructors provide critiques about students' dress, posture and even details such as how they cross their legs or get out of a car. Men and men are taught different skills, which range from how to set a table well to how to be more emotionally expressive. Students also simulate dates, during which their instructors grade their performance and point out what they did wrong.

The school charges an annual fee of 200,000 yen (US\$3,090) for unlimited access to its classes. -  
- REUTERS

### **(The Japan Times) Allowance may cover children in institutions**

The ruling tripartite bloc agreed Wednesday to expand the government's planned monthly child rearing allowances to kids at child care institutions and add a clause to that extent in a related bill currently being deliberated at the Diet, as requested by New Komeito.

Diet affairs chiefs from the Democratic Party of Japan, the Social Democratic Party and Kokumin Shinto (People's New Party) reached the agreement in their meeting, said Kenji Yamaoka, head of the DPJ's Diet Affairs Committee.

Earlier in the day, Prime Minister Yukio Hatoyama said during deliberations on the bill by the House of Representatives Health, Labor and Welfare Committee, "I will think about it thoroughly when making arrangements for fiscal 2011 and beyond."

Under the bill, the government plans to offer parents ¥13,000 a month for each child of junior high school age or younger in fiscal 2010 from April 1, while Hatoyama's Democratic Party of Japan aims to offer ¥26,000 in the following year and beyond as it promised during last year's election campaign.

New Komeito has requested that the allowances also be offered for children at the facilities, who will not be eligible under the current bill, and also that the government secure stable financial resources for fiscal 2011 and beyond.

Hatoyama also displayed his eagerness to lift a ban on online election campaigning.

"The time has come for us to do this," he said. "I want each political party to work on it as quickly as possible and come to a conclusion by the next election (for the Upper House this summer)."

#### **(The Straits Times) Japan to fight for its sushi**

Proposal by global group to halt trade in dwindling bluefin tuna to face strong resistance

PARIS - THE fate of the Atlantic bluefin tuna, eaten to the edge of viability, will be decided in the next two weeks when the world's nations vote on whether to ban cross-border trade in the dwindling species.

Japan, the world's biggest consumer of the tuna, is against the proposal, and a government spokesman said yesterday that the country will hold firm to its position and oppose a total ban.

'Basically, the Washington Convention's purpose is to protect endangered species from extinction, but I don't think bluefin tuna faces such a situation,' Mr Hirofumi Hirano told a press conference.

'Japan will claim its unchanged position that resource control should take place' instead of a trade ban, Mr Hirano said ahead of the meeting of the 175-nation Convention on International Trade in Endangered Species of Wild Fauna and Flora (Cites) in Doha, Qatar, which begins tomorrow and stretches till March 25.

The passage of the ban, proposed by Monaco and backed by the European Union and the United States, would need a two-thirds vote from Cites - which is also called the Washington Convention.

Any steps to remove the ban, if enforced, would depend on the species' capacity to regenerate, which experts say could take a decade or more.

#### **(The Straits Times) School hones marriage skills**

What the school teaches

Instructors provide critiques about students' dress, posture and even details such as how they cross their legs or get out of a car. Men and women are taught different skills, which range from how to set a table well to how to be more emotionally expressive.

Students also simulate dates, during which their instructors grade their performance and point out what they did wrong.

The school charges an annual fee of 200,000 yen (S\$3,082) for unlimited access to its classes.

And some students, such as 32-year-old Mei Oda, seem to think it's an investment worth making.  
– REUTERS

### **(The Straits Times) Pollution contaminating shellfish**

BEIJING - CHINA'S coastal waters are increasingly polluted by everything from oil to pesticides, contaminating the nation's marine life including the shellfish supply, state press reported on Friday.

Most shellfish in offshore areas contained 'excessive harmful chemicals' such as lead, cadmium and the insecticide DDT, the China Daily said, citing a new report released by the State Oceanic Administration.

Levels of lead detected in shellfish were 50 per cent higher than normal, while cadmium and DDT levels were about 40 per cent higher, the report said.

Lead can damage the human nervous system and cause blood and brain disorders if consumed in unsafe amounts, while DDT is listed as a 'moderately hazardous' pesticide by the World Health Organisation.

The administration's report said that about 147,000 square kilometres (59,000 square miles) of China's coastal waters failed to meet standards for 'clear water' last year, an increase of 7.3 per cent over 2008.

China's coastal waters last year suffered 68 red tides, or algae blooms, caused by excessive sewage in the water that affected 14,100 square kilometres, 3.4 times the area affected by such blooms in the 1990s, the report said.

China's fast-paced economic growth was resulting in more industrial and domestic garbage being dumped into the sea, it added. Following 30 years of explosive growth, China's is on track to overtake Japan as the world's second-largest economy, but that success has made it one of the most polluted nations in the world. -- AFP



**(The Japan Times online) Two in three students see grim future**

Roughly two in three university students feel pessimistic about the country's future, according to an Internet survey by FIL Investments (Japan) Ltd.

Seventy-two percent of the pessimists attributed their view to the excessive future financial burden they think younger generations will have to shoulder because of the large public deficit, the survey showed.

Seventy percent of the pessimistic respondents cited an expected continuation of unstable employment conditions in light of the economic slump, while 55 percent of them pointed to the difficulty of reducing the overdependence on younger generations in securing financial sources for public pensions, the survey said.

As for the future social security system, more than half of those surveyed called for benefit levels to be maintained or enhanced, even if larger financial burdens result for the current working population.

**(The Japan Times) Emissions bill, urging '11 carbon tax, gets nod**

The government formally approved a bill Friday that would aim to slash greenhouse gas emissions by 25 percent from 1990 levels by 2020 on condition that all major emitters set similarly ambitious targets, and introduce a carbon tax next year.

The bill on basic policies to curb global warming, adopted at a Cabinet meeting in the morning, also sets an 80 percent emissions cut target for 2050 and calls for measures to realize medium- and long-term goals, including the introduction of an emissions-trading scheme, a carbon tax and the promotion of nuclear energy use.

"The greatest aspect (of the bill) is that it stipulates a 25 percent cut," Prime Minister Yukio Hatoyama told reporters.

"The most important thing is to have the public share such a perception."

The bill, however, left room for allowing setting an emissions ceiling per unit of production for some industries in designing a specific emissions-trading scheme, although the approach has been criticized by environmental groups.

While calling in principle for setting an overall ceiling for emissions to ensure a reduction, the bill also seeks "consideration" of a ceiling per unit of production, which may lead to an increase in emissions as output grows, apparently in view of business concerns.

The government would be required to draft another bill on emissions-trading within a year from the legislation, if enacted, taking effect.

On renewable energy, the bill sets a target of boosting it to 10 percent of primary energy supply by 2020, and seeks to create a mechanism to require power utilities to buy all the electricity generated with renewable energy at fixed prices.

It also calls for introducing a carbon tax in fiscal 2011, and promoting nuclear energy despite resistance from the coalition government's junior member, the Social Democratic Party.

Oxfam International has criticized the draft climate bill for "watering down the country's responsibility to contribute to global efforts to tackle climate change."

Jeremy Hobbs, Oxfam International's executive director who is on a Tokyo visit to meet with Japanese government officials, said Thursday the Cabinet "failed to provide international leadership, which was desperately needed to build trust between developed and developing countries," according to a press release.

Hobbs especially criticized the draft bill for allowing an approach that could lead to an increase in industries' overall emissions and for making the 25 percent emissions-cut goal conditional.