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**Weekly report on South Korea & Japan**

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# Summary of Report

## South Korea

### *Politico-Strategic Front*

#### **Korean Oil Tanker Hijacked by Pirates**

A South Korean oil tanker, with five Koreans and 19 Filipinos onboard, has been hijacked by pirates in waters off Somalia, the Ministry of Foreign Affairs and Trade said Sunday. The 300,000-ton tanker, the Samho Dream, was on its way to the U.S. state of Louisiana after departing from Iraq when it was seized in the Indian Ocean. The foreign ministry set up a taskforce to deal with the incident and held an emergency meeting with officials from related-ministries. It decided not to reveal the identities of the abducted Korean crewmembers over concerns for their safety, ministry spokesman Cheo Jong-hyun said.

#### **N. Korea's Kim: Mentored, paid, "betrayed" by China**

North Korean leader Kim Jong-il first went to China as a child for safety during the Korean War. He may soon be heading back for a trip seeking to shore up the support that keeps his destitute and derelict state alive. The North has a long, deep and troubled relationship with China that some experts liken to a marriage of convenience, where both parties must endure the pain of being together because they would be worse off apart. Kim may also be taking his youngest son Jong-un, the likely heir to the family dynasty that has ruled the North for more than 60 years, to introduce him to Beijing's leaders and win their understanding for his succession plans, they said. North Korea and China began an alliance as Leninist-socialist brothers that was forged in blood when they fought together during the 1950-53 Korean War and strengthened by numerous visits Kim made to learn from Beijing's leaders while he being groomed to take over the state founded by his father Kim Il-sung. The rift over economic openness began in the 1980s and led Kim Jong-il and the North's media to question whether China was betraying socialist ideals. North Korea's economy, meanwhile, turned into a basket case following the collapse of the Soviet Union, its main benefactor. China supports Kim because it is worried what could happen if Kim family rule collapses, which could bring chaos to its 1,416-km (880 miles) border and a flood of refugees. It is also worried about the South taking over the North and bringing its U.S. military ally to the Chinese border. In 2009, bilateral trade between China and North Korea, with an estimated GDP of \$17 billion, was worth \$2.7 billion. As the North's economy has grown weaker since Kim took over power in 1994, China has supplied more food, oil and goods that serve as a lifeline for his broken state.

### **S. Korea destroyer reaches tanker seized by pirates**

A South Korean navy destroyer has caught up with a supertanker hijacked by pirates that is cruising towards the Somali coast with a cargo of crude oil worth as much as \$170 million, an official said on Tuesday. The South Korean-operated, Singapore-owned Samho Dream, which can carry more than 2 million barrels of crude, was seized on Sunday en route from Iraq to the United States, in the latest sign the sea gangs are targeting bigger quarry. The destroyer, equipped with weapons that can hit targets as far as 32 km (20 miles) away and a Lynx combat helicopter on board, was shadowing the tanker as it headed for East Africa, a South Korean official said.

### **South Korean Navy Pursuing Hijacked Tanker**

A South Korean navy destroyer rushed toward a U.S.-bound supertanker believed to have been hijacked by Somali pirates with up to \$160 million of crude oil on board, officials said Monday, the latest bold seizure in the Indian Ocean.

### **North Korea to jail U.S. man for illegal entry**

North Korea has sentenced a U.S. man to eight years of hard labour for illegally entering the country, its official KCNA news agency said on Wednesday.

### **NK Involvement in Ship Sinking Doubted**

The top American commander here said Tuesday that he has yet to find any clear link between North Korea and the deadly sinking of a South Korean warship in the West Sea on March 26. South Korea's spy chief made similar remarks. Won Se-hoon, director of the National Intelligence Service, said that it was difficult to conclude that North Korea was involved in the incident. Won made the remarks during a closed-door session of the National Assembly Intelligence Committee late Tuesday, according to Rep. Chung Chin-sup of the governing Grand National Party. Gen. Walter Sharp, commander of the ROK-U.S. Combined Forces Command (CFC), said that a joint investigative team involving South Korean and U.S. experts would determine the cause of the incident. The Ministry of National Defense plans to arrange for some of the rescued sailors to meet with the families of their missing shipmates and the media today. The remarks by Sharp and Won came amid mounting speculation here on what caused the sudden sinking.

### **Builders Raided for Bribing Former PM**

Prosecutors raided offices of a construction company and its subsidiary in Goyang, Gyeonggi Province, Thursday, over suspicions its owner had provided bribes to former Prime Minister Han Myeong-sook. They also searched the office of the builder's outside auditing firm. The name of the builder was not disclosed. Investigators from the Seoul Central District Court have secured

accounting books and computer hard discs, which they hope will prove Han took the bribes. The raid is separate from the current legal case against Han, in which the verdict is due today. Prosecutors speculate that the construction firm's president created a slush fund and handed "a large amount" of money to Han.

### **South Korea to Stand Firmer on Dokdo Islets**

The government pledged Thursday to stand firm on any attempts to challenge Korea's sovereignty over the Dokdo Islets in the East Sea. The Ministry of Foreign Affairs and Trade came up with the firmer stance on the matter after Japanese Prime Minister Yukio Hatoyama, according to reports, said there would be no change in Japan's position that Dokdo belongs to Japan. Kim Young-sun, spokesman of the foreign ministry, told reporters that the government will take every necessary measure step by step to ensure that Dokdo is recognized as Korean territory.

### **North Korea parliament meets, succession in focus**

North Korea convenes an annual meeting on Friday of its rubber-stamp parliament, where the secretive state typically reveals changes to its ruling elite and may tip its hand on succession plans for its communist dynasty. Pyongyang is under pressure to end its boycott of nuclear disarmament talks, while tensions with its far richer southern neighbour are high after the sinking of a South Korean naval ship last month in which Seoul has said the North may have had a hand.

### **North Korea says will push South out of tourism deal**

North Korea said on Thursday it was freezing tourism and taking control of some buildings constructed by the South at a mountain resort in the North which once served as a symbol of cooperation between the rival states. The move comes as tensions are high on the peninsula after a South Korean navy ship exploded in late March near a disputed sea border with the North, and Pyongyang has been dragging its heels about returning to nuclear disarmament talks. The South's defense minister said the sinking may have been caused by a North Korean torpedo attack. That worried investors because it raised the possibility of fighting between the states, technically still at war since their 1950-53 conflict ended with a ceasefire and not a peace treaty.

### **Prosecutors Seek Extradition of Sungwon Chairman From US**

Prosecutors have obtained an arrest warrant for the chairman of Sungwon Corp., a financially troubled South Korean mid-sized builder, who fled to the U.S. after failing to pay wages for company employees, the Suwon District Prosecutors Office said Friday. The Sungwon chairman, identified only by his family name Jeon, is accused of failing to pay 12.3 billion won (\$10.9 million) in wages to 499 employees between 2008 and 2009 before fleeing to the U.S. on March

9, prosecutors said. Prosecutors said they will ask the U.S. to extradite Jeon. Local authorities are also looking into Jeon's hidden assets.

### **N. Korea parliament meets, leader Kim skips session**

North Korea convened an annual meeting on Friday of its rubber-stamp parliament, where the secretive state typically reveals changes to its ruling elite and may tip its hand on succession plans for its communist dynasty. Leader Kim Jong-il, 68, did not appear, the South's Yonhap news agency said. Kim does not always attend the meetings of the Supreme People's Assembly, and when he does, he almost never makes speeches. It usually takes a few days for pertinent details of the meeting to filter their way out of the secretive state. At last year's Supreme People's Assembly session, leader Kim made his first public appearance after he was suspected of suffering a stroke in 2008. He appeared gaunt, with thinning hair and having lost his trademark paunch. Images of Kim in his state's media over the past year have shown him in improved health. Kim has yet to reveal to the public his plans for succession in the state his family has run for more than 60 years. Intelligence sources said the North's elite have been informed he intends to anoint his youngest son, Kim Jong-un, as his heir.

### **N. Korea denies involved in South ship sinking-report**

North Korea has denied involvement in the sinking of a South Korean navy ship that broke in half after an explosion last month, leaving 44 sailors still missing, a newspaper reported. Tensions mounted on the Korean peninsula after the ship sank near a disputed maritime border between the two Koreas that has been the scene of deadly clashes in previous years. The cause of the explosion has not been identified, but South Korea's defence minister has said the ship may have been struck by a North Korean torpedo.

### **Lee to Attend Nuclear Security Summit in US**

President Lee Myung-bak will leave tomorrow for Washington DC to attend the Nuclear Security Summit. The summit, to be held Monday and Tuesday, is the first of its kind seeking a joint response to nuclear terrorism. Leaders from 47 countries including the U.S., Russia and China will attend. Lee will deliver South Korea's commitment to contribute to nuclear security and plans to expand the nation's role in that area through four meetings with heads of other nations. During his visit to the U.S., Lee also plans a bilateral summit with the head of the United Arab Emirates, with which Lee has recently signed an agreement to export a nuclear power plant.



## **Economic front;**

### **Sino Polymer applies for up to \$433 mln Korea IPO**

Sino Polymer New Material Co Ltd has applied for a South Korean initial public offering to raise up to \$433 million, the country's main bourse said on Monday. Sino Polymer, whose Chinese unit produces chemicals such as polyphenylene sulfide, sought to raise 456.0 billion-486.9 billion won (\$405.1 million-\$432.5 million) from the IPO, the Korea Exchange said in a statement.

### **S. Korea NHN says considers buying Japan's Livedoor**

NHN Corp (035420.KS), South Korea's top Internet portal and Web search service, said on Monday it was considering buying Japanese Internet portal Livedoor Co to strengthen its operations in Japan. LDH Corp, which put up Livedoor for sale, also said it was considering selling Livedoor but decision has yet to be made. A Livedoor deal will boost NHN's foray into the Japanese Internet search market that it re-entered in July 2009 after leaving in 2005. NHN also runs Hangeame online game portal in Japan.

### **POSCO says to raise stainless steel prices for April**

South Korea's POSCO (005490.KS), the world's No. 4 steelmaker, said on Monday it had raised prices of stainless steel products for a third straight month on rising raw material costs and to match global competitors. It said in a statement that April prices of hot-rolled stainless steel products rose 9.2 percent to 3.55 million won (\$3,162) a tonne, and cold-rolled product prices were increased by 300,000 won to 3.82 million won a tonne.

### **Toyota recalls 13,000 cars in S. Korea for floor mats**

Toyota Motor Corp (7203.T) said on Tuesday it was recalling 12,984 vehicles sold in South Korea due to floor mat problems, the latest in a string of safety problems and product recalls at the Japanese carmaker. South Korea's transport ministry said it had found some carpet mats installed into Lexus ES350, Camry and Camry Hybrids could roll forward and interfere with accelerator pedals if they were not stuck to the floor. The move comes as Toyota faces a proposed \$16.4 million fine from U.S. regulators, the maximum penalty allowed under current laws, after the world's largest automaker failed to notify the government in a timely way about accelerator pedal flaws that were the subject of a massive recall in January.

### **Asia companies more optimistic as demand returns**

Asia's top companies are at their most optimistic since the global financial crisis nearly two years ago, with a steady recovery in economies and financial markets lifting the fortunes of firms across sectors. A Reuters check-up of 100 leading Asian companies, from Japan to India, shows

the government stimulus-fueled recovery across Asia has filtered through to the corporate sector, with the technology and resources industries leading the pack. Of the 100 companies, 59 had a 'positive' to 'very positive' rating on their six-month outlook, its highest since Reuters started the review in mid-2009 and up from 38 in the December review. Those with a 'negative' or 'very negative' view halved to 8, with the rest as 'neutral'. Recent stock market gains have reflected hopes for a recovery in earnings growth, with the MSCI index of Asian shares trading near 2-year highs to test pre-financial crisis levels. The index is up 11 percent from its February lows. Japan's Nikkei average is hovering around 18-month highs and the South Korean market is at 21-month highs. The check-up shows that Japanese companies are significantly more optimistic than they were a quarter ago.

### **S. Korea buys over \$1 bln to curb won's rise -traders**

South Korea's foreign exchange authorities bought an estimated over \$1 billion to check the won's KRW= strength on Wednesday, traders said. The authorities were spotted buying dollars whenever the won was poised to strengthen past a resistance level of 1,120 per dollar, they said. The won strengthened to as firm as 1,120.4, the strongest since Jan. 12

### **Hyundai Home Shopping eyes up to \$712mln IPO-report**

South Korea's Hyundai Home Shopping Network Corp, an affiliate of Hyundai Department Store Co (069960.KS), plans an initial public offering estimated at up to \$712 million, local media reported. Hyundai Home Shopping, No. 3 in the country's online shopping market, is in the process of selecting banks to handle the IPO, online news service eDaily said on Wednesday, citing industry sources.

### **S. Korea 2009 fiscal deficit smaller than expected**

South Korea posted a smaller-than-expected fiscal deficit in 2009 as Asia's fourth-largest economy performed better than had initially been thought, the finance ministry said on Tuesday. The country posted a fiscal deficit of 43.2 trillion won (\$38.50 billion) in calendar 2009, equivalent to 4.1 percent of the annual gross domestic product, less than the targeted 5 percent shortfall, it said in a statement.

### **S. Korea sees softer March retail sales vs Feb**

Annual growth in South Korean domestic retail sales likely slowed in March after posting a 12.9 percent rise in February, although their recovery trend remains intact, the Finance Ministry said. It also said in a monthly report that exports to China, the country's largest market, rose 51.4 percent in March from a year earlier after growing 43.1 percent in February.

### **S. Korea fin min vows to keep policy for time being**

South Korean Finance Minister Yoon Jeung-hyun said on Wednesday the government would maintain the current macroeconomic policy for the time being. Yoon made the remark during the opening part of a scheduled meeting between senior economic and financial officials just two days before the central bank reviews its interest rate policy.

### **Daewoo Motor Sales seeks debt rescheduling -creditor**

South Korea's Daewoo Motor Sales Corp (004550.KS) on Thursday asked its lead creditor Korea Development Bank (KDB) to allow a debt rescheduling programme for the troubled car retailer, KDB said. The move comes after GM Daewoo, South Korea's No. 3 automaker, recently decided to terminate its retail contract with the firm and to use its own and other sales networks, driving the distributor's shares down by almost two-thirds so far this year.

### **Yuan revaluation may be good for S. Korea economy-regulator**

An appreciation of the Chinese yuan may be good for South Korea's economy, although it may also put upward pressure on the won KRW=, Seoul's top financial regulator said on Friday.

### **NK to Freeze S. Korean Assets at Mt. Geumgang**

North Korea has said it will seize South Korean property in the Mt. Geumgang resort area and scrap a tourism deal with the South, according to a statement from the Korean Central News Agency (KCNA) Thursday. Pyongyang will seek a new partner to resume trips to the troubled tourism area and will expel South Korean representatives there, the KCNA reported. North Korea said as its contracts with South Korean operators are no longer valid, it will allow new partners to take over to save the resort area that has been ``financially damaged'' by the suspension of the tours. Some 2 million South Koreans had visited the resort over the past decade before the suspension in 2008.

### **3D TV to face global test in soccer World Cup**

Hundreds of thousands of soccer fans are likely to get their first taste of live 3D viewing during this year's World Cup, the vast majority of them in cinemas rather than at home, according to football body FIFA. Together with partner Sony (6758.T), FIFA plans to supply 25 World Cup matches in the immersive 3D technology made popular in cinemas by blockbuster movie Avatar and expected to spread to living rooms around the world this year. Viewers with 3D television sets who live in a country where the broadcaster with World Cup rights also has 3D capabilities will also be able to watch live in 3D at home -- if they are not put off by the need to wear special glasses. The World Cup runs for a month from June 11 in South Africa.

### **S. Korea launches Woori Finance stake block sale-source**

South Korea has launched a block sale of a 7 percent government stake in Woori Finance Holdings (053000.KS) (WF.N), a deal worth up to \$805 million, a source close to the deal said on Thursday. State-run Korea Deposit Insurance Corp (KDIC), which currently owns 66 percent of the country's No. 3 banking group, is seeking to sell about 56.4 million shares of Woori at between 15,400-16,000 won (\$13.73-\$14.26) each, said the source, who declined to be identified.

### **S. Korea KOGAS March LNG sales up 33 pct y/y**

South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) said on Friday it sold 3.3 million tonnes of liquefied natural gas (LNG) in March, up 33 percent from a year earlier.

### **S. Korea to face inflationary pressure in H2 -c. bank**

South Korea is expected to face considerable inflationary pressures in the second half with the economy growing faster than expected, the new central bank chief said. Bank of Korea Governor Kim Choong-soo said inflation would accelerate but not at a seriously fast pace.

### **S. Korea BOK chief: private sector growth key to rate rise**

The head of South Korea's central bank said on Friday the timing for an interest rate increase would largely depend on whether private sector economic activity had secured a self-sustained recovery.

### **South Korean swaps rise, CD rates hit 8-month low**

South Korean swaps rose on Friday after the new chief of the country's central bank said Asia's fourth-biggest economy would face considerable inflationary pressures in the second half of the year. But rates are expected to remain soft in the near term as the Bank of Korea (BoK) reinforced expectations that interest rates will remain at a record low at least until the end of the first half of this year and with benchmark certificate of deposit rates KRCD=KQ plumbing an 8-month low. South Korean interest rate swaps KRWIRS rose by 1-6 basis points in tenures of less than 5 years but analysts say the trend would remain downwards. A Reuters poll showed on Friday that analysts expect the South Korean central bank to keep rates at a record low at least until the end of the first half of this year.

## **Socio-cultural façade;**

### **20% of Drug Addicts Have Suicidal Urges**

About one in five drug addicts have attempted suicide in the past as a side effect of narcotics usage, the Ministry for Health and Welfare said. The majority of them also have drinking and smoking issues, too, which could trigger extreme choices, the authorities said, announcing the result of its first-ever domestic drug user life pattern research. Professor Kim Dae-jin of the Catholic University of Medicine surveyed 523 people who have used illegal drugs, of whom 86 were receiving special treatment and 271 were incarcerated. Kim found that most of them were over 30, and had finished high school if not further education too.

### **Foreign Students Welcome Seoul Counseling Center**

Muslim students residing here used to complain that university cafeterias had nothing on their menus for them and some other foreign students were unhappy with the shortage of education programs in English and lack of dormitory rooms. To tackle these problems, the Korean government has set up a center to counsel the foreign nationals. The Ministry of Education, Science and Technology said Tuesday that it has opened the center at the National Institute for International Education in Jongno-gu, Seoul. Overseas students welcome the ministry's move to take care of their troubles and difficulties. The center has two counselors and provides students with information regarding admission systems and education courses at Korean universities along with scholarship programs. Foreigners also can get help in finding accommodations and landing jobs here. Currently, services are offered in three foreign languages, English, Chinese and Japanese, and the center is preparing other language services including Mongolian, Vietnamese, Russian and Arabic.

### **Private Cram Schools Suffer Slump on Government Measures**

The number of private cram schools or hagwon in Seoul is falling after a series of government steps to cut the cost of private tutoring. Adding to their woes is the prolonged sluggish economy. According to the Seoul Metropolitan Office of Education, the capital has about 28,000 private education institutes for primary and secondary school students, registered with the office, this year. However, a recent survey has found that 2,600 hagwon or 9.3 percent have closed. Among those that have shut down, nearly half of them were located in the affluent Gangnam area in southeastern Seoul.

### **Head of Nation's Largest Gangster Group Nabbed**

Police arrested the leader of the nation's largest gangster group, "Chilsungpa," in Busan, Tuesday, with the help of a citizen's report. Lee Kang-hwan, 67, is suspected of the kidnapping and physical assault of an unidentified Busan-based businessman from whom Lee extorted more

than 400 million won (\$333,000). He did not resist arrest and was taken to a regional police station in a wheelchair, a police officer said. An investigation revealed that Lee demanded huge "dividends" on a regular basis after forcibly entrusting 1 billion won to the businessman. Police had been unsuccessful in their hunt for him as he disappeared shortly after an arrest warrant was issued in February. Police declared an open search nationwide on March 2. His lawyer reportedly said Lee was on his way to police. Authorities have been urging Lee to surrender through contacts with his cronies.

### **Hall of Fame basketball coach Wilkens to work with South Korea**

Hall of Fame coach Lenny Wilkens has been recruited by South Korea to help prepare their team for this year's Asian Games in Guangzhou. The 72-year-old was inducted into the Hall of Fame both as a player and a coach and set the record for the most coaching wins in the NBA with 1,332 victories. Don Nelson of the Golden State Warriors tied that record on Sunday.

### **Accreditation System Debuts for High School Graduates**

High school students who flunk courses will be unable to graduate. The Ministry of Education, Science and Technology announced Thursday a minimum standard will be set for graduation and only those who pass a certain level of academic courses will be able to advance to higher grades and obtain diplomas. It is the first time that the authorities will introduce an accreditation program for secondary school students. Previously all high school students automatically advanced to higher grades and were able to receive diplomas as long as they attended the required number of days in school.

### **One Third of Korean Students Sleep in Class**

It's not a secret that many Korean students doze off during classes. But how serious is it? A survey by a Japanese institute says it's one in three. The Tokyo-based Japanese youth research center, a unit of the country's education ministry, surveyed a total of 6,173 high school students in Korea, Japan, China and the United States between June and November, last year. Many Korean students study late at private tutoring institutes and tend to doze off at school. Education officials and experts also cite the deteriorating physical strength of Korea's younger generation and tedious teaching styles for the problem as well. In addition, some 40 percent of Korean students prefer textbook-focused classes, compared to 31.2 percent in the U.S., 64.9 percent in China and 71.4 percent in Japan.

### **Election Law Violators Reach 1,387**

The number of election law breakers in 2010 has reached 1,387, as the June 2 local elections approach, the Ministry of Public Administration and Security reported Friday. The figure is based on MOPAS's joint crackdown with the National Police Agency against campaign

violators. It was carried out from January 1 to April 7. On average, 14.3 people have been caught a day for election law violations during the 97-day period, down 4.9 percent from the same period ahead of the 2006 local elections.

### **Japan Steps Up Territory Claim As Election Nears**

Korea's relations with Japan were tested hard this week for the first time since Prime Minister Yukio Hatoyama's Democratic Party of Japan took power last August. Foreign policy experts observe that campaign politics in full swing in Japan have prompted the bilateral relations to turn sour. They noted the embattled Democrats of Japan, who showed a willingness to improve ties with neighboring countries, including Korea, had transformed into hardliners over the Dokdo islets issue as the upper house election slated for July is approaching.

### **Ex-PM Han Cleared of Bribery Charge**

A Seoul district court found former Prime Minister Han Myeong-sook not guilty of bribery charges in a high-profile ruling that will provide her with greater leverage to run for Seoul mayor in the local elections in June. Han, 66, was charged of receiving \$50,000 in December 2006 from Kwak Young-wook, a former CEO of Korea Express, in exchange for helping him gain the top post at a state-run company. In its verdict, the Seoul Central District Court questioned the credibility of Kwak's testimony that he had handed \$50,000 to Han.

### **Game-Obsessed Korea Attempts to Save Itself**

South Korea touts itself as the computer games capital of the world, but it is struggling to respond as an obsession with the virtual world transforms into real-world problems. A slew of shocking cases involving game addiction - including deaths by exhaustion, murder and child neglect - has the government vowing a clampdown on the amount of time gamers can spend playing online games. However, Korean online games publishers, which have enjoyed lucrative growth in recent years, are concerned about the new rules disrupting their constant flow of money. The Ministry of Culture, Sports and Tourism is planning to announce a set of controls on Monday to combat addiction to online games and to deter people from playing excessively.

### **Foot-and-Mouth Disease Reported Again**

A new outbreak of foot-and-mouth disease (FMD) was confirmed on a cattle farm in Ganghwa, about 60 kilometers west of Seoul, Friday, less than a month after the government had declared the country clear of the highly contagious disease. Animals at the farm began showing signs of symptoms on Thursday and tested positive shortly afterwards, forcing quarantine officials to close off the farm and restrict movement of the people and vehicles in the area, the Ministry for Food, Agriculture, Forestry and Fisheries reported. The imported Chinese feed found at the farm will be barred from being moved.

# Japan

## **Politico-Strategic Front;**

### **USDA eyes Japan beef import talks, denies pressure**

U.S. Agriculture Secretary Tom Vilsack sought on Wednesday to downplay the probability of Japan agreeing to fully reopen its market to U.S. beef during his visit to Tokyo this week. "We believe we have a safe and quality product," Vilsack told reporters after speaking at a food security symposium hosted by the U.S. Department of Agriculture, adding that he also acknowledged and respected concerns of Japanese consumers. Asked if he expected any deal to be agreed during his visit, Vilsack said it was important to continue dialogue and build on the bilateral relationship. He denied that there was U.S. political pressure on Japan.

### **Japan's Kamei keeps up call for spending before election**

The People's New Party, a tiny coalition partner in Japan's Democratic Party-led government, said on Wednesday it would compile a economic stimulus package larger than its initial 11 trillion yen (\$117 billion) proposal before an election later this year. Party head Shizuka Kamei, who is also the banking minister, told reporters he wants to finalise the proposal by mid-May. The People's New Party policy chief, Takashi Morita, also asked the Ministry of Finance for an 11 trillion yen extra budget, Kyodo News reported.

### **Nearly half of Japan's voters support no party**

Nearly half of Japan's voters support no political party, according to a poll released on Monday, a sign of mounting frustration with both ruling and opposition parties ahead of an election expected in July. Hoping to attract some of these dissatisfied voters, former finance minister Kaoru Yosano and other opposition Liberal Democratic Party (LDP) rebels are aiming to start a new party this week. It is unclear how much support they can attract. Prime Minister Yukio Hatoyama's Democratic Party needs to win an outright majority in the mid-year upper house poll to avoid a policy stalemate, but voter concerns about his leadership skills, messy decision-making and funding scandals are dimming that prospect. The survey by the Yomiuri newspaper showed voter support for the ruling Democrats fell to 24 percent and that for the main opposition LDP dropped to 16 percent.

### **Japan, U.S. eye next week for crucial Futenma talks**

Japan and the United States are likely to launch working-level negotiations next week to discuss the relocation of U.S. Marine Corps Air Station Futenma, government sources said Wednesday. In a meeting held at his official residence Tuesday night, Prime Minister Yukio Hatoyama, who is seeking to settle the issue by the end of May, urged officials from the Foreign and Defense



ministries and Cabinet Secretariat to step up the talks with the United States, the sources said. Before entering full-fledged negotiations, the United States apparently wants to confirm whether the existing deal the two countries signed in 2006 remains a viable option, as Washington believes it is the most feasible relocation plan, the sources said. Prime Minister Yukio Hatoyama will probably hold "informal" talks with U.S. President Barack Obama in Washington on the sidelines of the Nuclear Security Summit to be held for two days from Monday, Japanese government sources said

### **Okada hails new U.S. policy of limiting nukes**

Foreign Minister Katsuya Okada welcomed on Wednesday the new U.S. policy of limiting the use of atomic arms, calling it a big step toward a "world without nuclear weapons" but adding that other nuclear powers need to follow suit to make it effective. The Nuclear Posture Review was released Tuesday by the administration of President Barack Obama, and is the first one since the 2002 review under then President George W. Bush. The 2010 report, which will drive nuclear policy for five to 10 years, renounces the use of nuclear strikes on nonnuclear countries that are in compliance with the Nonproliferation Treaty. He added that the U.S. report will become more effective if a U.N. Security Council resolution or a treaty is adopted

### **Panel questions prosecutors, signals decision on Ozawa indictment**

An inquest committee has reportedly questioned prosecutors who decided against charging Ichiro Ozawa over alleged false reporting by his fundraising organization, indicating the panel may soon render its own decision on whether he should be indicted. The special investigation squad of the Tokyo District Public Prosecutor's Office took up the case after a citizens' group filed a complaint alleging the secretary general of the Democratic Party of Japan should be charged with violating the Political Funds Control Law. The prosecutors decided against indicting Ozawa in February. The citizens' group challenged that decision by taking the case to the inquest panel, which is made up of 11 citizens selected by lot who hold closed-door consultations. Ozawa was questioned by prosecutors on two occasions. They said they didn't gather enough evidence to pursue him as an accomplice.

### **New party to be called Stand Up**

A new political party to be launched Saturday will be named Tachiagare Nippon (Stand Up, Japan), former trade minister Takeo Hiranuma, an independent House of Representatives member who will head the party, said. The same day, House of Councilors member Yoshio Nakagawa tendered his letter of resignation to the Liberal Democratic Party to join the new party, which will be launched by Hiranuma, former Finance Minister Kaoru Yosano and other like-minded lawmakers. He is an uncle of the late former Finance Minister Shoichi Nakagawa, and shares Hiranuma's conservative views.

## **New UNSC chief mulls Iran meet**

New U.N. Security Council President Yukio Takasu said Monday he is prepared to convene a meeting, if required, to discuss additional sanctions on Iran over its nuclear program. Although the Iranian issue was not put on the schedule, it remains in a footnote and therefore could be brought up at any time. The five Security Council permanent members — Britain, China, France, Russia and the United States — as well as Germany have been discussing the possibility of imposing an additional round of sanctions against Tehran for its continued uranium enrichment activities.

## **Japan pledges to deepen security alliance with U.S.**

Nuke disarmament also to be stressed in 2010 foreign policy, Japan will seek to further deepen the security alliance with the United States this year, the 50th anniversary of the bilateral security pact, and actively promote a worldwide movement for the abolition of nuclear weapons, the Foreign Ministry said Tuesday in its annual report on diplomacy. The Diplomatic Blue Book 2010 says it is "an important task" to strengthen the Japan-U.S. security arrangement when there remain "uncertain elements surrounding Japan," adding the alliance has "effectively served as a basic framework to secure the stability and development of the Asia-Pacific region in the postwar period."

## **Ex-Yokohama mayor, allies plan new party**

Ex-Yokohama Mayor Hiroshi Nakada and other former and current local government heads plan to launch a new party, possibly by month's end, and it will pursue cutting corporate taxes and the civil service, sources said Thursday. The party, whose members will also include Hiroshi Yamada, mayor of Tokyo's Suginami Ward, and former Yamagata Gov. Hiroshi Saito, plans to field about 10 candidates in the House of Councilors election, expected in July, the sources said.

## **Japan Democrats kingpin delays U.S. trip amid base row**

The powerful kingpin of the ruling Democratic Party of Japan (DPJ) will postpone a trip to the United States to avoid fanning criticism before an upper house poll expected in July, Japanese media reported. Support for Prime Minister Yukio Hatoyama is sliding as voter doubts grow on his ability to resolve a feud with Washington over the relocation of a U.S. airbase by a self-imposed deadline of end-May, clouding his party's chances of a decisive win in the key vote. Hatoyama is expected to meet U.S. President Barack Obama at a Group of Eight (G8) summit in June. Chances are fading for a new deal to be reached by the deadline. U.S. officials say the current plan to relocate the U.S. Marine airbase within the southern island of Okinawa is the best, but the DPJ's tiny coalition allies oppose this.

### **No spring U.S. visit: Ozawa**

Democratic Party of Japan Secretary General Ichiro Ozawa has ruled out visiting the United States during the Golden Week holidays, several DPJ lawmakers said Wednesday. The plan emerged after Kurt Campbell, U.S. assistant secretary of state for East Asian and Pacific affairs, asked Ozawa to bring a delegation of DPJ lawmakers to the United States when they met in Tokyo in February. Ozawa apparently decided to drop the plan out of concern that the visit could be seen as his negotiating with Washington behind the scenes on the relocation of U.S. Marine Corps Air Station Futenma, which would be contrary to his advocacy of concentrating policymaking power within the Cabinet. In addition, the ruling party has not received any official letter of invitation from the United States, according to the sources.

### **Fujii tenders his resignation letter to LDP ahead of joining new party**

Former transport minister Takao Fujii tendered his resignation Thursday to the Liberal Democratic Party, one of the final steps before Saturday's official launch of a new party led by former trade minister Takeo Hiranuma. Hiranuma, former Finance Minister Kaoru Yosano, former LDP Deputy Secretary General Hiroyuki Sonoda, LDP Upper House lawmaker Yoshio Nakagawa and Fujii, also an LDP Upper House member, were expected to meet Thursday afternoon to work out the key policies and philosophy of the new party, which has been named Tachiagare Nippon (Stand Up, Japan). Yosano, Sonoda and Nakagawa have already submitted their resignations to the LDP. Hiranuma is an independent who left the long-ruling party in 2005 over his opposition to postal privatization.

### **Court hits '09 poll vote-value disparity**

Last August's general election stands but the vote-value disparity marked in the poll, reaching as high as 2.3 to 1, went against the spirit of the Constitution's call for equal weight of votes, the Takamatsu High Court ruled Thursday. The court thus rejected the demand by the plaintiff — a lawyer in Takamatsu — to nullify the House of Representatives election returns in the Kagawa No. 1 constituency. Similar suits have been filed nationwide over the Aug. 30 election that brought the Democratic Party of Japan to power, and already high courts in six cases have ruled it to be either unconstitutional or against the constitutional spirit, while only one has said the poll was constitutional. High courts are the court of first instance for suits on the validity of an election.

### **Japan gets U.S. pitch to buy spy drones**

The U.S.-made RQ-4 Global Hawk spy plane looks like an upside-down double-decker bus with wings, flies slowly, offers zero leg room — and is one of the most coveted pieces of military technology in the world. Impressed by its successes in combat for the U.S. Air Force in Iraq and Afghanistan, countries around the globe are lining up to buy the unmanned drone aircraft to

bolster their own intelligence abilities, despite concerns that exports might send sensitive technology into the wrong hands. Some experts said the export of the planes could also heighten tensions with China, Iran and Russia, which could be the subject of closer observation and perceive the drones' operations as offensive threats. Germany has already contracted for a variant called the EuroHawk to be delivered this year. South Korea is believed to be interested in acquiring them for similar use."China, Russia and others would perceive it as a potentially offensive capability. For Japan, I think it is a bad idea." Drone technology is tightly regulated, as is also the case with stealth fighters such as the F-22, which also has brought interest from Japan and other potential buyers around the world but has not been approved for export by Congress. But, he added, "it's a capability the U.S. wants them to have."

### **Economic Front:**

#### **Japan, U.S. to resume talks on reopening beef market**

Japan has agreed to resume talks on reopening its market to U.S. beef, agriculture minister Hirotaka Akamatsu said on Thursday after meeting his U.S. counterpart Tom Vilsack. Akamatsu quoted Vilsack as saying the Obama administration is willing to take a more flexible approach on the issue. Vilsack said in a statement there was a commitment for further talks on restrictions that cost the U.S. beef industry about \$1 billion a year in exports. He said no specific schedule or details had been decided on how to resume talks. The U.S. aims to persuade Japan to eventually fully reopen its beef market, but Akamatsu said he had the impression it was open to other options at this point. The U.S. is the biggest exporter of agricultural products to Japan, accounting for nearly one-third of Japan's agricultural imports.

#### **Japan central bank stays put on interest rates**

Japan's central bank kept its key interest rate unchanged and held off on new easing steps, saying the economy is improving. The Bank of Japan's policy board voted unanimously to keep its overnight call rate at a super-low 0.1 percent. The bank has not tweaked that rate since December 2008. The central bank described the economy as "picking up" due to expanding overseas demand and stimulus steps. It expects moderate growth for the time being and the expansion to accelerate once the corporate recovery spills over to households. Yoshihisa Morimoto, a power company executive, will fill the Bank of Japan's final vacancy on July 1.

#### **Documents: Toyota lagged in issuing US warnings**

Toyota issued internal repair procedures to its own distributors in 31 European countries about sticking accelerator pedals months before it warned U.S. regulators about the problem - and on the same day it told the U.S. government it would conduct a recall over loose floor mats, according to Toyota documents obtained Tuesday by The Associated Press. Transportation Secretary Ray LaHood earlier this week cited the Sept. 29 European warnings in his decision to

assess a record \$16.4 million fine on the Japanese automaker for failing to alert the U.S. government to its safety problems quickly enough. LaHood on Tuesday said Toyota made a "huge mistake" by not disclosing safety problems with gas pedals on some of its most popular models sooner. Toyota has said the problems involved separate issues and in the case of the sticking gas pedals, the problem was related to the buildup of condensation on sliding surfaces in the accelerator system that helps drivers push down or release the gas pedal. Following the recalls, the Transportation Department demanded in February that Toyota turn over documents detailing when and how it learned of the problems with sticking accelerators and with floor mats trapping gas pedals.

### **Japan machine orders fall shows slow capex recovery**

Japan's core machinery orders unexpectedly fell for a second straight month in February in a sign that the pace of recovery in companies' capital spending could stay slow and weigh on growth. The surplus in Japan's current account rose by almost a third in February from a year earlier due to a record annual gain in exports, showing that a steady pickup in exports, particularly to China, will continue to support Japan's economy. Strong exports should encourage Japanese manufacturers to gradually increase corporate spending as the year progresses, economists say. But non-manufacturers are likely to delay spending due to weak domestic demand, and that will hold back overall growth in capital expenditure. The BOJ kept monetary policy unchanged on Wednesday and made slightly more upbeat comments about capital expenditure and the economy. But some analysts say the machinery orders data may not go down well with the central bank's argument.

### **JAL to cut 16,500 jobs by March next - Nikkei**

Japan Airlines Corp (JALFQ.PK) plans to reduce its workforce by a third within the fiscal year to lower labour costs by 81.7 billion yen a year, the Nikkei business daily said. The restructuring proposal compiled by the carrier and the state-backed Enterprise Turnaround Initiative Corp of Japan (ETIC) suggests to cut 16,500 jobs. The proposed cuts include 5,405 workers from cargo and other peripheral operations, 2,460 flight attendants, 2,043 sales representatives and 775 pilots. Staffing at Kansai International Airport and Central Japan International Airport will be slashed 70 percent to 642 employees, reflecting reduced flight schedules, the Nikkei added.

### **Japan Feb coincident indicator up 0.4 point**

Economic indicators rose a preliminary 0.4 point in February from the previous month, climbing for the 11th straight month in a sign of the economy's gradual recovery. The index of leading economic indicators, compiled using data such as the number of job offers and consumer sentiment and a gauge of the economy a few months ahead, rose 1.0 point from January to mark its 12th straight month of increase. The Cabinet Office maintained its assessment of the coincident index, saying it is improving.

### **Japan MOF's Noda denies extra budget**

Japan's government will use budget reserves to support the economy rather than compiling an extra budget, deputy finance minister Yoshihiko Noda said on Monday. He stressed that the government has budget reserves worth about 1 trillion yen (\$10.60 billion) available for fiscal 2010/11, which started on April 1, and further reserves of the same amount for use in case of emergency. By tapping the reserves, the Democratic Party-led government would avoid the need to issue new bonds on top of a record 44.3 trillion yen (\$469.4 billion) in annual issuance already in the budget. Japan's public debt is about twice the size of the economy.

### **Fujitsu ex-boss seeks ¥5 billion**

Former Fujitsu Ltd. President Kuniaki Nozoe said Wednesday he plans to file a ¥5 billion damages suit against two of the company's executives, claiming the firm sustained losses to that amount by forcing him to resign his position. The losses were incurred because negotiations Nozoe had led for the proposed sale of a Fujitsu subsidiary were suspended due to his "resignation," he said in Tokyo. Nozoe urged the company to set up a third party committee to investigate the reasons some executives forced him out as president last year. He agreed to step down because he understood his actions put the firm's reputation at risk, not because of malpractice or illegal actions, according to the statement. The Tokyo Stock Exchange last month ended a probe into the conflicting reasons given by Fujitsu and determined the firm didn't mislead investors enough to warrant a sanction.

### **Shin-Etsu plans \$1.1 bln chemicals plant at US site**

Japan's Shin-Etsu Chemical Co Ltd (4063.T) said it plans to spend 100 billion yen (\$1.1 billion) to build a new plant to produce vinyl chloride monomer, used in polyvinyl chloride (PVC) production, sending its shares to the highest close in six months. Shin-Etsu is the world's largest maker of PVC, widely used to make pipes and construction materials. Its rivals include Taiwan's Formosa Plastics Corp (1301.TW), Belgium's Solvay SA (SOLB.BR) and Thai Plastic and Chemicals TPC.BK. Shin-Etsu aims to shield its PVC operation from possible fluctuations in raw materials supply by boosting in-house production of vinyl chloride monomer (VCM), a company spokesman said on Monday. Shin-Etsu plans to use its own funds to finance the construction, he said

### **Ministers mull settlement for JNR unionists**

Transport minister Seiji Maehara said he and two other Cabinet ministers finalized a plan to settle a 23-year-old dispute over the refusal by Japan Railway companies to hire unionized workers from the former national railway. Maehara said that he, Deputy Prime Minister and Finance Minister Naoto Kan and Chief Cabinet Secretary Hirofumi Hirano held talks after a Cabinet meeting Tuesday morning and agreed on the plan to settle the workers' compensation

claims. Maehara said he will brief Prime Minister Yukio Hatoyama after obtaining consent from the Democratic Party of Japan, its two coalition partners and New Komeito. The proposal also asks JR companies to hire some 200 former JNR workers. The compromise deal urges Japan Railway Construction, Transport and Technology Agency, an organization that inherited JNR's debts, to pay some ¥23 billion as settlement money to former JNR workers.

### **Japan Kan: explained govt fiscal policy to BOJ**

Japanese Finance Minister Naoto Kan said on Friday that he explained the government's fiscal policy in a meeting with the Bank of Japan's governor and deputy governor the same day.

### **BOJ Gov: PM made no requests in chat on economy**

Bank of Japan Governor Masaaki Shirakawa said he and Prime Minister Yukio Hatoyama exchanged views on the economy and the financial situation. Asked if Hatoyama made any requests during the meeting, Shirakawa said: "He didn't make any requests." He said the two sides plan to hold such meetings every three months.

### **Current account surplus up 30%**

The nation's current account surplus in February rose 29.6 percent from a year earlier to ¥1.471 trillion, underpinned by growing demand for Japanese products overseas, Finance Ministry data showed Thursday. It marks the seventh straight month of year-on-year improvement in the current account balance. Many economists predict the economic recovery will continue in the months ahead on brisk exports, especially to China. Japan has seen a current account surplus for 13 straight months. The surplus in merchandise trade surged 295.1 percent to ¥778.0 billion. Exports jumped 47.3 percent to ¥4.866 trillion, the largest expansion since comparable data became available in 1986.

## ***Socio-cultural***

### **Japan's video game visionary: the console is dying**

Hideo Kojima, one of the world's most famous video game creators, sees a future for digital entertainment outside the box -- outside any box. Kojima, whose "Metal Gear Solid" games have sold more than 27 million copies, says the future of video gaming is on networks that will free players from consoles supplied by the likes of his long-time partner Sony Corp. The prediction of a future without game machines from a figure regarded as both creative maverick and commercial dynamo appeared to rattle a Sony executive on hand for the event.

### **China executes Japanese national for drug smuggling**

China executed a Japanese citizen on Tuesday for drug smuggling, ignoring concern from Tokyo that the move, along with plans to execute three other Japanese, could inflame public opinion. China's official Xinhua news agency, in a brief report, said the sentence was carried out on Mitsunobu Akano on Tuesday morning in the northeastern province of Liaoning. Akano is the first Japanese to be executed by China after the two countries normalised diplomatic relations in 1972, according to Japanese media. Japan, which also has the death penalty, said the execution was regrettable but hoped the move would not harm bilateral ties. China also hoped that the move would not strain ties.

### **Police eye program making it tougher for drunken drivers to get new license**

The National Police Agency is considering requiring people whose drivers' licenses were revoked for drunken driving to go through additional programs designed to fight addiction before getting a new license, officials said Thursday. The NPA will carry out a half-year model project starting in September in four prefectures and followup research for a year on those who go through the program before deciding whether to go ahead with the project full bore, the officials said. If it proves successful in preventing repeat drunken driving offenses, the project would take effect nationwide as early as spring 2013, they said. The drivers will be required to receive counseling, join a group discussion and record their drinking amount and situations for four weeks, as advised by addiction experts, in addition to the conventional curriculum. However, the agency aims to further reduce the figure even more, according to the officials.

### **Missing journalist in Afghan jail**

A Japanese journalist who disappeared in northern Afghanistan last week is in a jail in Baghlan Province, a local Afghan reporter said. The reporter said the information came from Baghlan residents, including witnesses. The Afghan Interior Ministry said Sunday that authorities have been looking for missing journalist Kosuke Tsuneoka, 40, in parts of northern Afghanistan with a strong Taliban presence, focusing their search in Baghlan, Kunduz and Sapapul provinces. Taliban spokesman Zabihullah Mujahid said the group's leadership had made contact with Taliban commanders in the Kunduz area and all of them denied involvement in any kidnapping.

### **Migrant children struggle in public schools**

With the recession taking a particularly heavy toll on migrant communities, many schools for children of Japanese-Brazilian and other backgrounds have closed their doors after struggling through falling enrollments and nonpayment of fees. The closures have forced many children of migrants to enter the public school system, a daunting prospect for those whose entire schooling has been conducted in another language and who don't speak Japanese at home. To help them better integrate into the public school system, the education ministry launched the "Rainbow



Bridge classroom" project last fall, providing additional Japanese-language instruction. But the ministry is struggling to win over migrant parents, many of whom resist the idea of sending their children to Japanese schools.

### **Japanese pair share place in space, in a first**

The space shuttle Discovery docked at the International Space Station on Wednesday, delivering Japanese astronaut Naoko Yamazaki and six other crew members. On the ISS, Yamazaki, 39, met up with fellow astronaut Soichi Noguchi, 44, whose six-month mission comes to an end in June. It is the first time two Japanese astronauts have worked together in space.

### **Invest in young scientists**

Strong investment in science education and research is fundamental to Japan's future, along with government policy that nurtures emerging industries able to provide new services and employment opportunities. The Government Revitalization Unit's scrutiny of fiscal 2010 budget requests, conducted last fall, reduced waste in science-related spending, but in some cases went too far. GRU members showed a lack of understanding of science research — such as how difficult it is to recover lost ground once research programs stop. The fiscal 2010 budget has rectified some of the mistakes committed in the scrutiny.

## **South Korea**

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

#### **Detailed News:**

#### **(The Korea Times) Korean Oil Tanker Hijacked by Pirates**

A South Korean oil tanker, with five Koreans and 19 Filipinos onboard, has been hijacked by pirates in waters off Somalia, the Ministry of Foreign Affairs and Trade said Sunday.

The 300,000-ton tanker, the Samho Dream, was on its way to the U.S. state of Louisiana after departing from Iraq when it was seized in the Indian Ocean at about 4:10 p.m. (KST). The hijacking took place about 1,500 km southeast of the Gulf of Aden, off the Somali coast where the Korean Navy's anti-piracy Cheonghae unit operates.

The tanker owned by Samho Shipping, one of the nation's mid-sized shipping firms, is registered on the Marshall Islands in the Pacific Ocean.

Following the news, the foreign ministry set up a taskforce to deal with the incident and held an emergency meeting with officials from related-ministries at 7:30 p.m. It decided not to reveal the identities of the abducted Korean crewmembers over concerns for their safety, ministry spokesman Cheo Jong-hyun said.

“We are placing top priority on confirming the safety of the crew and the condition of the ship,” Cheo said. Samho Shipping also said it will do its best to ensure the safe release of the tanker and its crew as early as possible.

Separately, the Ministry of Land, Transport and Maritime Affairs issued a warning that Korean ships should take extra caution when sailing in the Indian Ocean near the Somali coast, given the frequent hijackings of ships by pirates there.

### **(Reuters) N. Korea's Kim: Mentored, paid, "betrayed" by China**

SEOUL, April 5 (Reuters) - North Korean leader Kim Jong-il first went to China as a child for safety during the Korean War. He may soon be heading back for a trip seeking to shore up the support that keeps his destitute and derelict state alive.

The North has a long, deep and troubled relationship with China that some experts liken to a marriage of convenience, where both parties must endure the pain of being together because they would be worse off apart.

"China's food and energy assistance can be seen as an insurance premium that Beijing remits regularly to avoid paying the higher economic, political and national security cost of a North Korean collapse, a war on the peninsula, or subsuming of the North into the South," the U.S. Congressional Research Service said in a report earlier this year.

Kim's expected trip will likely lead to a return to stalled international talks hosted by Beijing on ending Pyongyang's nuclear ambitions, analysts said, while he will try to win sweeteners from China for heading back to the table.

Kim may also be taking his youngest son Jong-un, the likely heir to the family dynasty that has ruled the North for more than 60 years, to introduce him to Beijing's leaders and win their understanding for his succession plans, they said.

### **TWO ROADS DIVERGED**

North Korea and China began an alliance as Leninist-socialist brothers that was forged in blood when they fought together during the 1950-53 Korean War and strengthened by numerous visits Kim made to learn from Beijing's leaders while he being groomed to take over the state founded by his father Kim Il-sung.

For Kim Jong-il, China also represents the road not taken in economic reforms. For decades, China's leaders had encouraged the two Kims to open up their economy and form their own brand of socialism that had room for markets.

"Kim has become very interested in the China model for development and expressed admiration for it but we have seen that North Korea's leaders are not willing to take the course that China has taken," said Peter Beck a researcher at Stanford University who is a specialist in Korean affairs.

The rift over economic openness began in the 1980s and led Kim Jong-il and the North's media to question whether China was betraying socialist ideals.

In 1992, when an emerging China forged formal diplomatic ties with a surging South Korea, the North lashed out against "the unfaithful actions of some traitors of the revolution".

North Korea's economy, meanwhile, turned into a basket case following the collapse of the Soviet Union, its main benefactor.

But Kim has painted himself into a corner. Any economic reforms would open his isolated state to the outside world and could undermine his "military first" ideology, which justifies economic hardships at home to build an military strong enough to prevent foreign invaders from attacking.

"They made a critical decision that the market was a threat to the regime and not an opportunity. That is a source of frustration for China that North Korea has not been able to break free of the ideology that they left behind," Beck said.

Late last year, Kim attacked a burgeoning merchant class with a currency revaluation designed to knock out their cash holdings. It also banned their foreign exchange transactions and set up state institutions to take over their private business.

The moves led to rare civil unrest and raised questions about the stability of the Kim regime.

"There should be no doubt that the North Korean economy has basically collapsed," said Zhu Feng, a Peking University international studies professor, at a seminar in Seoul last week.

"The big question is whether increasing economic hardship will cause social unrest and political disorder."

## STABILITY ON THE BORDER

China supports Kim because it is worried what could happen if Kim family rule collapses, which could bring chaos to its 1,416-km (880 miles) border and a flood of refugees.

It is also worried about the South taking over the North and bringing its U.S. military ally to the Chinese border.

Kim will likely try to seek Chinese investment during his trip. Beijing may be willing to help, seeing it as money spent to buy stability for its border provinces, experts said.

In 2009, bilateral trade between China and North Korea, with an estimated GDP of \$17 billion, was worth \$2.7 billion. As the North's economy has grown weaker since Kim took over power in 1994, China has supplied more food, oil and goods that serve as a lifeline for his broken state.

Kim, knowing that he will receive aid even if he defies his neighbour, has not bent to many of China's wishes, particularly to end his boycott of six-country nuclear disarmament talks.

"However unpredictable and annoying the North Korean government may be to Beijing, any conceivable scenario other than maintaining the status quo could seriously damage China's interests," the Congressional Research Service report said.

**(Reuters) S. Korea destroyer reaches tanker seized by pirates**

SEOUL, April 6 (Reuters) - A South Korean navy destroyer has caught up with a supertanker hijacked by pirates that is cruising towards the Somali coast with a cargo of crude oil worth as much as \$170 million, an official said on Tuesday.

The South Korean-operated, Singapore-owned Samho Dream, which can carry more than 2 million barrels of crude, was seized on Sunday en route from Iraq to the United States, in the latest sign the sea gangs are targeting bigger quarry.

The destroyer, equipped with weapons that can hit targets as far as 32 km (20 miles) away and a Lynx combat helicopter on board, was shadowing the tanker as it headed for East Africa, a South Korean official said.

He declined to comment further on what was being planned by the naval unit, which was deployed last year to protect commercial vessels in the Gulf of Aden and the Indian Ocean.

The tanker's crew of five South Koreans and 19 Filipinos was taken hostage when it was seized in the Indian Ocean, about 1,560 km (970 miles) east of the Somali coast.

The operator Samho Shipping denied reports that it has been in contact with the pirates or started negotiations for the release of the crew and the ship. Attempts to reach the crew have so far been unsuccessful, a Samho official said.

Texas-based refiner Valero Energy Corp (VLO.N) said it was the owner of the crude oil cargo, which was bound for the U.S. Gulf Coast.

Increasingly brazen pirate activity has driven up insurance costs, forced some ships to go around South Africa instead of through the Suez Canal, and secured millions of dollars in ransoms.

A Nairobi-based maritime group said the tanker had been seized by Somali pirates, and a pirate source named Mohamed said the ship was now heading for Haradheere, the port and pirates' base at which many ships are held during ransom negotiations.

While attacks in the Gulf of Aden and the Indian Ocean have become an increasing risk for all vessels in recent years, it is rare for pirates to successfully seize the kind of massive supertankers that carry most Gulf crude to refiners.

The 319,000 deadweight tonnage Samho Dream, which was built in 2002, is carrying crude oil that could be worth as much as \$170 million at current oil prices. It holds the equivalent of more than one day's worth of Iraqi exports.

#### **(The St. Petersburg Times) South Korean Navy Pursuing Hijacked Tanker**

SEOUL, South Korea — A South Korean navy destroyer rushed toward a U.S.-bound supertanker believed to have been hijacked by Somali pirates with up to \$160 million of crude oil on board, officials said Monday, the latest bold seizure in the Indian Ocean.

The tanker's highly volatile cargo prevents crews from carrying guns on board or even lighting cigarettes while on deck. It was unclear what the warship would do once it reached the tanker since firing on the vessel would risk igniting the oil or leaking it into the sea.

The warship had been in the Gulf of Aden — one of the world's busiest and most dangerous shipping lanes — on anti-piracy operations. The 300,000-ton-class tanker was about 930 miles (1,500 kilometers) southeast of the gulf at the time of the apparent hijacking Sunday, according to the Foreign Ministry. It has 24 crew — five South Koreans and 19 Filipinos.

#### **(Reuters) North Korea to jail U.S. man for illegal entry**

SEOUL, April 7 (Reuters) - North Korea has sentenced a U.S. man to eight years of hard labour for illegally entering the country, its official KCNA news agency said on Wednesday.

Last month, it said it was putting on trial 30-year-old Aijalon Mahli Gomes, from Boston.

#### **(The Korea Times) NK Involvement in Ship Sinking Doubted**

The top American commander here said Tuesday that he has yet to find any clear link between North Korea and the deadly sinking of a South Korean warship in the West Sea on March 26.

South Korea's spy chief made similar remarks. Won Se-hoon, director of the National Intelligence Service, said that it was difficult to conclude that North Korea was involved in the incident.

Won made the remarks during a closed-door session of the National Assembly Intelligence Committee late Tuesday, according to Rep. Chung Chin-sup of the governing Grand National Party.

"If the North had really been involved, navy commanders or intelligence officials could not have directed such an operation," Won was quoted as saying. "Without approval from Chairman Kim Jong-il of the National Defense Commission, no one (in the North) can undertake that kind of project."

Gen. Walter Sharp, commander of the ROK-U.S. Combined Forces Command (CFC), said that a joint investigative team involving South Korean and U.S. experts would determine the cause of the incident.

The Ministry of National Defense plans to arrange for some of the rescued sailors to meet with the families of their missing shipmates and the media today.

The remarks by Sharp and Won came amid mounting speculation here on what caused the sudden sinking.

North Korea's involvement has been referred to as a scenario, but Cheong Wa Dae has been reluctant to point the finger at Pyongyang, mindful of a potential backlash.

"We, the United States, and the Republic of Korea are forming a joint investigative team and after we get the ship up, we will have the best experts from Korea and the United States really go over and determine what was the cause of the incident," the four-star general said at a luncheon meeting in Seoul hosted by the American Chamber of Commerce in Korea. Sharp concurrently serves as commander of the U.S. Forces Korea (USFK).

"We, as Combined Forces Command and the ROK Joint Chiefs of Staff, watch North Korea very closely every single day of the year and we continue to do that right now," he said. "As this has been said, we see no unusual activity at this time.

"We want to get the right answer, the correct answer and we don't want to rush to that conclusion, to any conclusion as to what was the cause of the incident," the commander added.

A day ago, Sharp pledged that the U.S. military would provide all possible support measures to South Korea to uncover the cause of the tragedy. U.S. experts on naval weapons and explosives will also join the investigative team, he said.

Speculation has raged as to what caused the incident.

Last Friday, Defense Minister Kim Tae-young said that a torpedo from a North Korean submarine could have caused the blast, calling the torpedo option a "likely possibility."

Kim had previously said a mine could have caused the explosion.

Rep. Kim Hak-song, chairman of the National Assembly Defense Committee, said Monday that a North Korean submarine had been unaccounted for in the western waters at the time when the 1,200-ton Cheonan sank. Kim cited classified intelligence on the activity of North Korean vessels near the sea border.

"Two North Korean Shark-class submarines disappeared from our military surveillance between March 23 and 27, and the military authorities failed to find out where one of them was on March 26," the lawmaker told reporters.

Some people raised the possibilities of an onboard explosion or metal fatigue fractures on the 20-year-old ship.

Minesweepers have detected more than 10 sites of metal fragments, which could offer a tip to the cause of a blast.

Operations to hoist the sunken warship were stalled by strong wind and high waves Tuesday, military officials said. The Cheonan sank near the Northern Limit Line (NLL), the de facto sea border between the two Koreas, after an "unexplained explosion."

Fifty-eight crewmembers were rescued by coast guard vessels. One sailor was found dead Saturday, while 45 others remain "missing in action."

A military diver and two fishermen died in desperate search-and-rescue efforts in rough waves and inclement weather. The search operation was called off Sunday and efforts have now shifted to salvaging the ship.

#### **(The Korea Times) Builders Raided for Bribing Former PM**

Prosecutors raided offices of a construction company and its subsidiary in Goyang, Gyeonggi Province, Thursday, over suspicions its owner had provided bribes to former Prime Minister Han Myeong-sook.

They also searched the office of the builder's outside auditing firm. The name of the builder was not disclosed.

Investigators from the Seoul Central District Court have secured accounting books and computer hard discs, which they hope will prove Han took the bribes. The raid is separate from the current legal case against Han, in which the verdict is due today.

Prosecutors speculate that the construction firm's president created a slush fund and handed "a large amount" of money to Han.

"While Han's trial was ongoing, we received a tip. It's a bit burdensome but we decided to investigate it," a prosecutor said. "This investigation will take time as it's in its early stages."

Aides to Han decried the start of an investigation into new allegations just a day ahead of a court ruling on the previous bribery case.

The prosecution indicted Han in December last year on suspicion of receiving \$50,000 from Kwak Young-wook, the former CEO of Korea Express, while she was in office in exchange for using her influence to get him the top post at the state-run Korea Coal Corp.

Prosecutors claim that she received two envelopes containing cash from Kwak during a meeting in the dining room of her residence on Dec. 20, 2006. The investigators asked for a five-year jail term for Han.

Han claimed she had neither seen nor received the envelopes. She said the investigation was a political one against the main opposition Democratic Party's strongest candidate for the Seoul mayor election slated for June 2.

The main opposition Democratic Party Chairman Chung Sey-kyun and former Construction and Transportation Minister Kang Dong-seok were called in to the prosecutors' office for questioning as witnesses in the case.

However, since then, Kwak has changed his testimony several times - once he claimed that he was intimidated by the "fiery" interrogations to make false remarks.

If she is found guilty and receives a jail term, her candidacy for Seoul's mayor will be dropped and subsequently leave an indelible stain on her party's reputation.

If anything is found during the new investigation, a separate trial is expected to take several months, at least.

It will allow more negative press coverage with groundless rumors and allegations, opposition party insiders say, claiming it was political conspiracy.

Rep. Chung Doo-un, the right hand man of President Lee Myung-bak, said in an interview with SisaIn magazine, "Regardless of the outcome of the trial, it seems that Han has been disgraced."

#### **(The Korea Times) South Korea to Stand Firmer on Dokdo Islets**

The government pledged Thursday to stand firm on any attempts to challenge Korea's sovereignty over the Dokdo Islets in the East Sea.



The Ministry of Foreign Affairs and Trade came up with the firmer stance on the matter after Japanese Prime Minister Yukio Hatoyama, according to reports, said there would be no change in Japan's position that Dokdo belongs to Japan.

Kim Young-sun, spokesman of the foreign ministry, told reporters that the government will take every necessary measure step by step to ensure that Dokdo is recognized as Korean territory.

“Some media outlets called the ministry's Dokdo policy quiet diplomacy. But I disagree. The term is incorrect,” Kim said.

Hatoyama's remarks were construed as meaning that his Democratic Party of Japan (DPJ) will uphold the position of his predecessor from the Liberal Democratic Party (LDP) on the islets.

Since taking office last September, Hatoyama has been low-key when it comes to Dokdo. Refraining from raising thorny issues between the two countries, Hatoyama had called for better relations with neighboring nations, including Korea.

On Tuesday, the Diet approved the government's diplomatic bluebook, an annual report on foreign policies and activities, which described Dokdo — called Takeshima in Japanese — as part of Japan's territory.

The diplomatic bluebook came a week after education authorities there approved five school textbooks that asserted Dokdo belonged to Japan, sparking a wave of protests here.

Korea has stationed a police contingent on the islets since the end of the 1950-53 Korean War

#### **(Reuters) North Korea parliament meets, succession in focus**

SEOUL, April 9 (Reuters) - North Korea convenes an annual meeting on Friday of its rubber-stamp parliament, where the secretive state typically reveals changes to its ruling elite and may tip its hand on succession plans for its communist dynasty.

Pyongyang is under pressure to end its boycott of nuclear disarmament talks, while tensions with its far richer southern neighbour are high after the sinking of a South Korean naval ship last month in which Seoul has said the North may have had a hand.

South Korea's defence minister has said it was possible the ship was hit by a North Korean torpedo, worrying investors who fret about an increased chance of armed conflict between the rivals who station more than 1 million troops near their border.

At last year's parliament session leader Kim Jong-il made his first public appearance after he was suspected of suffering a stroke in 2008. He appeared gaunt, with thinning hair and having lost his trademark paunch.

Kim, 68, does not always attend the annual sessions and when he does attend, he typically does not speak. Images of him in his state's official media over the past year have shown him in improved health.

Kim faced a rare crisis to his iron grip on power late last year when a botched currency reform sparked almost unheard of civil unrest, angering an impoverished public by raising prices and making it even more difficult to obtain already scarce food.

Kim has yet to reveal to the North Korean public his plans for succession in the state his family has run for more than 60 years.

Intelligence sources said the North's elite have been informed that he intends to anoint his youngest son, Kim Jong-un, as his heir.

Analysts will be looking to see if Jong-un, 26 and educated in Switzerland, is named as a member of the assembly, which would be a major sign he has been publically moved into the ruling elite. They will also looking closely to see if there will be a purge of economic cadres because of the currency debacle.

It usually takes a few days for details of the meeting to filter their way out of the secretive state.

The carefully choreographed sessions usually do not touch on the North's atomic ambitions or its negotiations with the outside world to reduce the threat it poses to the economically powerful region in return for aid and better global standing.

Last year, Kim was re-elected supreme military ruler and left no doubt about who he saw as his second-in-command when he elevated his brother-in-law, Jang Song-taek, to a powerful military post.

Analysts said Jang was expected to help ease Kim's youngest son into a leadership role and serve as buffer between him and the state's powerful military.

Separately, North Korea said on Thursday it was freezing tourism and taking control of some buildings constructed by the South at a mountain resort in the North that once served as a symbol of cooperation between the rival states.

#### **(Reuters) North Korea says will push South out of tourism deal**

SEOUL (Reuters) - North Korea said on Thursday it was freezing tourism and taking control of some buildings constructed by the South at a mountain resort in the North which once served as a symbol of cooperation between the rival states.

The move comes as tensions are high on the peninsula after a South Korean navy ship exploded in late March near a disputed sea border with the North, and Pyongyang has been dragging its heels about returning to nuclear disarmament talks.

The South's defense minister said the sinking may have been caused by a North Korean torpedo attack.

That worried investors because it raised the possibility of fighting between the states, technically still at war since their 1950-53 conflict ended with a ceasefire and not a peace treaty.

"Enormous are economic losses suffered by us due to the long suspension of the tour, and the confiscation of all real estate and facilities of the South side in the tourist zone would not be enough to compensate for them," the North's official KCNA news agency quoted one of its land development officials as saying.

The Mount Kumgang resort in destitute North Korea earned Pyongyang tens of millions a year in hard cash. Tours were suspended in July 2008 after a North Korean soldier shot dead a South Korean tourist who wandered onto a restricted beach.

The resort was built by an affiliate of the South's Hyundai Group, which invested hundreds of millions of dollars for construction and development at the resort, visited by more than one million South Koreans.

The North said it was ending the deal with the Hyundai firm and threatened to seek a new business partner for tourism at Kumgang.

The South's Unification Ministry said in a statement late last month, when the North threatened to seize assets at Kumgang, that such moves would violate the contract it reached and serve as a reminder to potential foreign investors that the reclusive state is not a reliable business partner.

"This goes against all international practices," it said.

The action against Kumgang could also hurt North Korean leader Kim Jong-il, expected to go to China soon on a trip seeking foreign investment from his state's biggest benefactor to prop up the North's broken economy.

Kim was expected to use the trip to signal his intention to return to stalled international nuclear disarmament-for-aid talks hosted by Beijing, analysts said.

North Korea's estimated \$17 billion a year economy was dealt a heavy blow by U.N. sanctions imposed after a nuclear test in May 2009 and by a botched currency move at the end of the year.

That sparked inflation and rare civil unrest, and raised questions about Kim's grip on power.

The North has also been angered by the loss of aid from the South, once equal to more than 5 percent of its GDP.

President Lee Myung-bak cut off the unconditional handouts after he took office more than two years ago, and linked Seoul's largess to moves the North makes to reduce the security threat it poses to the region.

The two Koreas position more than 1 million troops near their border and there are about 28,000 U.S. troops in the South to support its armed forces.

The only remaining joint project is a factory park in the North Korean border city of Kaesong where South Korean companies use cheap North Korean labor and land to make goods.

#### **(The Korea Times) Prosecutors Seek Extradition of Sungwon Chairman From US**

Prosecutors have obtained an arrest warrant for the chairman of Sungwon Corp., a financially troubled South Korean mid-sized builder, who fled to the U.S. after failing to pay wages for company employees, the Suwon District Prosecutors Office said Friday.

The Sungwon chairman, identified only by his family name Jeon, is accused of failing to pay 12.3 billion won (\$10.9 million) in wages to 499 employees between 2008 and 2009 before fleeing to the U.S. on March 9, prosecutors said.

Sungwon has been placed under court receivership after struggling with a liquidity crisis.

Prosecutors said they will ask the U.S. to extradite Jeon.

"We have learned that Jeon is now staying in New Jersey," said an official. "We will ask the U.S. to cooperate in Jeon's arrest and extradition before his arrest warrant expires in two months."

Local authorities are also looking into Jeon's hidden assets.

#### **(Reuters) N. Korea parliament meets, leader Kim skips session**

SEOUL, April 9 (Reuters) - North Korea convened an annual meeting on Friday of its rubber-stamp parliament, where the secretive state typically reveals changes to its ruling elite and may tip its hand on succession plans for its communist dynasty.

Leader Kim Jong-il, 68, did not appear, the South's Yonhap news agency said. Kim does not always attend the meetings of the Supreme People's Assembly, and when he does, he almost never makes speeches.

It usually takes a few days for pertinent details of the meeting to filter their way out of the secretive state.

Pyongyang is under pressure to end its boycott of nuclear disarmament talks, while tensions with its far richer southern neighbour are high after the sinking of a South Korean naval ship last month in which Seoul has said the North may have had a hand.

South Korea's defence minister has said it was possible the ship was hit by a North Korean torpedo, worrying investors who fret about an increased chance of armed conflict between the rivals who station more than 1 million troops near their border.

Seoul has few appealing options if the North was behind the sinking, but would not likely take an aggressive stance because it could escalate into major conflict that would harm the South's interests, said Andrei Lankov, an expert on the North.

"Such raids would scare investors away from South Korea and damage its financial rating," he wrote in an opinion piece in the International Herald Tribune.

#### A GAUNT FIGURE

At last year's Supreme People's Assembly session, leader Kim made his first public appearance after he was suspected of suffering a stroke in 2008. He appeared gaunt, with thinning hair and having lost his trademark paunch.

Images of Kim in his state's media over the past year have shown him in improved health.

"This year, the Cabinet will boost the production of consumer goods and grain by leaps and bounds by putting spurs to the development of light industry and agriculture," a report on the North's official KCNA news agency quoted a top cadre as saying.

KCNA also carried figures on percentage changes for spending, but offered no monetary amounts on the actual expenditure.

Kim faced a rare crisis to his iron grip on power late last year when a botched currency reform sparked almost unheard of civil unrest, angering an impoverished public by raising prices and making it even more difficult to obtain already scarce food.

Kim has yet to reveal to the public his plans for succession in the state his family has run for more than 60 years.

Intelligence sources said the North's elite have been informed he intends to anoint his youngest son, Kim Jong-un, as his heir.

Analysts will be looking to see if Jong-un, 26 and educated in Switzerland, is named as a member of the assembly, which would be a major sign he has been officially moved into the ruling elite. They will also looking closely to see if there will be a purge of economic cadres because of the currency debacle.

The carefully choreographed sessions usually do not touch on the North's atomic ambitions or its negotiations with the outside world to reduce the threat it poses to the economically powerful region in return for aid and better global standing.

Last year, Kim was re-elected supreme military ruler and left no doubt about his second-in-command when he elevated his brother-in-law, Jang Song-taek, to a powerful military post.

Analysts said Jang was expected to help ease Kim's youngest son into a leadership role and serve as buffer between him and the state's powerful military.

#### **(Reuters) N. Korea denies involved in South ship sinking-report**

SEOUL, April 10 (Reuters) - North Korea has denied involvement in the sinking of a South Korean navy ship that broke in half after an explosion last month, leaving 44 sailors still missing, a newspaper reported on Saturday.

Tensions mounted on the Korean peninsula after the ship sank near a disputed maritime border between the two Koreas that has been the scene of deadly clashes in previous years.

The cause of the explosion has not been identified, but South Korea's defence minister has said the ship may have been struck by a North Korean torpedo.

The head of a North Korean military delegation visiting China told Chinese officials in Beijing on March 30 that Pyongyang had nothing to do with the sinking, South Korea's Dong-a Ilbo newspaper quoted a diplomatic source as saying.

The meeting between North Korean and Chinese military officials included a deputy chairman of China's joint chiefs of staff and an external affairs official from its defence ministry, the report said.

The bodies of two sailors were pulled from the waters last week as recovery work hampered by bad weather and strong currents continues off the peninsula's west coast. Fifth-eight people were rescued as the ship sank after dark on March 26.

North Korea has made no mention of the sinking in its official media but issued a new threat against the South on Saturday of military action unless Seoul stops insulting the North's leadership.

#### **(KBS world) Lee to Attend Nuclear Security Summit in US**

President Lee Myung-bak will leave tomorrow for Washington DC to attend the Nuclear Security Summit.

The summit, to be held Monday and Tuesday, is the first of its kind seeking a joint response to nuclear terrorism. Leaders from 47 countries including the U.S., Russia and China will attend.

Lee will deliver South Korea's commitment to contribute to nuclear security and plans to expand the nation's role in that area through four meetings with heads of other nations.

During his visit to the U.S., Lee also plans a bilateral summit with the head of the United Arab Emirates, with which Lee has recently signed an agreement to export a nuclear power plant.

Also, in the 60th anniversary of the outbreak of the Korean War, Lee will hold a meeting with Korean War veterans and pay respects to their Memorial.

## ***Economic front;***

### **Detailed News:**

#### **(Reuters) Sino Polymer applies for up to \$433 mln Korea IPO**

SEOUL, April 5 (Reuters) - Sino Polymer New Material Co Ltd has applied for a South Korean initial public offering to raise up to \$433 million, the country's main bourse said on Monday.

Sino Polymer, whose Chinese unit produces chemicals such as polyphenylene sulfide, sought to raise 456.0 billion-486.9 billion won (\$405.1 million-\$432.5 million) from the IPO, the Korea Exchange said in a statement.

Daewoo Securities (006800.KS) is handling the IPO. (\$1=1125.7 Won)

#### **(Reuters) S. Korea NHN says considers buying Japan's Livedoor**

SEOUL, April 5 (Reuters) - NHN Corp (035420.KS), South Korea's top Internet portal and Web search service, said on Monday it was considering buying Japanese Internet portal Livedoor Co to strengthen its operations in Japan.

"We are considering various business opportunities in Japan including M&As but nothing has been decided," NHN told the Korea stock exchange in response to media reports that it was about to buy Livedoor for about 7 billion yen. [nTOE63200H]

LDH Corp, which put up Livedoor for sale, also said it was considering selling Livedoor but decision has yet to be made.

A Livedoor deal will boost NHN's foray into the Japanese Internet search market that it re-entered in July 2009 after leaving in 2005. NHN also runs Hangame online game portal in Japan.

NHN dominates the Web search traffic in South Korea, one of the world's most wired countries, leading by far foreign rivals such as Yahoo Inc (YHOO.O) and Google Inc (GOOG.O).

In South Korea, its portal service Naver has 34 million registered users, while users for its gaming portal Hangame reach 30 million.

Livedoor runs a portal site attracting 30 million users a month and earned 1 billion yen operating profit in the last fiscal year ended in September on 9.4 billion yen revenue.

LDH Corp, formerly Livedoor Holdings, was delisted in 2006 in the wake of an accounting scandal.

Shares in NHN rose 2.4 percent to 189,500 won by 0300 GMT, outperforming a 0.4 percent drop in the broader market.

#### **(Reuters) POSCO says to raise stainless steel prices for April**

SEOUL, April 5 (Reuters) - South Korea's POSCO (005490.KS), the world's No. 4 steelmaker, said on Monday it had raised prices of stainless steel products for a third straight month on rising raw material costs and to match global competitors.

#### Basic Materials

It said in a statement that April prices of hot-rolled stainless steel products rose 9.2 percent to 3.55 million won (\$3,162) a tonne, and cold-rolled product prices were increased by 300,000 won to 3.82 million won a tonne.

"Global stainless steel prices have risen 20 percent from the beginning of this year, along with increasing raw material prices," the POSCO statement said.

Prices of nickel MNI3, a key ingredient in stainless steel, on the London Metal Exchange are hovering at around \$25,000 a tonne, a level more than double in the past year as the global economic recovery spurred demand.

POSCO in January said it would raise prices of its stainless steel products for February's release by up to 3.3 percent for the first time since last September. The mill in February raised the metal prices by up to 3.2 percent for March.

#### **(Reuters) Toyota recalls 13,000 cars in S. Korea for floor mats**

SEOUL, April 6 (Reuters) - Toyota Motor Corp (7203.T) said on Tuesday it was recalling 12,984 vehicles sold in South Korea due to floor mat problems, the latest in a string of safety problems and product recalls at the Japanese carmaker.



South Korea's transport ministry said it had found some carpet mats installed into Lexus ES350, Camry and Camry Hybrids could roll forward and interfere with accelerator pedals if they were not stuck to the floor.

The move comes as Toyota faces a proposed \$16.4 million fine from U.S. regulators, the maximum penalty allowed under current laws, after the world's largest automaker failed to notify the government in a timely way about accelerator pedal flaws that were the subject of a massive recall in January.

"It is a voluntary recall to remove risks of a possible misfortune that could arise in the future," Hisao Nakabayashi, president and CEO of Toyota's South Korea operations, told a news conference in Seoul.

The decision affects about a quarter of Toyota sales in Korea between January 2001 and March 2010, and follows the recall of 510 Prius hybrid cars in February in relation to a braking problem.

Toyota's head office in Tokyo said the problem was apparently unique to floor mats made and sold in South Korea and no accidents were reported in relation to the South Korea-sold models.

Nakabayashi was bombarded with a series of questions on why the South Korea was several months behind the United States over the floor mat-related recall.

But he drew a distinction between the South Korea move and recent U.S. recalls, saying floor mats used for the two markets were different.

The problem was restricted to floor mats, he added, saying accelerator pedals, which caused a recall of about 2.3 million vehicles in the United States earlier this year, are different for South Korea-sold units.

### **(Reuters) Asia companies more optimistic as demand returns**

Miyoung Kim and Muralikumar Anantharaman - Analysis

SEOUL/SINGAPORE (Reuters) - Asia's top companies are at their most optimistic since the global financial crisis nearly two years ago, with a steady recovery in economies and financial markets lifting the fortunes of firms across sectors.

### **Hot Stocks**

A Reuters check-up of 100 leading Asian companies, from Japan to India, shows the government stimulus-fueled recovery across Asia has filtered through to the corporate sector, with the technology and resources industries leading the pack.

Of the 100 companies, 59 had a 'positive' to 'very positive' rating on their six-month outlook, its highest since Reuters started the review in mid-2009 and up from 38 in the December review.

Those with a 'negative' or 'very negative' view halved to 8, with the rest as 'neutral'.

"It certainly looks like we are in a growth mode now and that companies are going to have record earnings in 2010," said Todd Martin, Hong Kong-based Asia Equity Strategist at Societe Generale.

The views come after strong quarterly profits at South Korea's Samsung Electronics, the world's biggest electronics company by revenue. And Sony Corp halved its annual loss forecast in February, underscoring the improved mood at technology companies as the corporate sector resumes buying personal computers, and consumers acquire big ticket items such as flat-panel TVs and digital cameras.

"Demand is strong and we are meeting only 80 percent of our customer demand ... so we are seriously considering adding new capacity," Kwon Young-soo, chief executive of the world's No.2 LCD panel maker LG Display (034220.KS) said in March.

The outlook for resources, closely tied to economic fortunes, also appears brighter for the likes of the world's top mining group BHP Billiton and second-ranked steelmaker Nippon Steel.

Miners such as BHP and Rio Tinto are moving to price iron ore to Asian steelmakers quarterly instead of through annual fixed-price deals, helping them cash in on rocketing prices of the steelmaking ingredient this year.

Japan's big automakers, however, are reining in expectations due to massive recalls led by industry leader Toyota Motor, and uncertainty over whether demand growth will be sustained even governments end incentives for the sector.

## PRE-CRISIS HIGHS

Recent stock market gains have reflected hopes for a recovery in earnings growth, with the MSCI index of Asian shares trading near 2-year highs to test pre-financial crisis levels. The index is up 11 percent from its February lows.

Japan's Nikkei average is hovering around 18-month highs and the South Korean market is at 21-month highs. The check-up shows that Japanese companies are significantly more optimistic than they were a quarter ago.

One significant challenge is inflation and the tightening of monetary policies, which may check consumption and force companies to become more cautious about capital spending.

Australia's central bank on Tuesday raised its key cash rate by 25 basis points to a 14-month high of 4.25 percent and flagged further moves ahead as the resource-rich nation rides a tide of Asian demand.

Malaysia and India already hiked rates in March, and Singapore and China are set to tighten market liquidity.

China, the world's third-largest economy, is expected to raise interest rates in the second quarter and once more by early 2011, in addition to more modest tightening measures such as further increases in banks' required reserves, according to a Reuters survey in March.

Still, the gradual rate increases will not reverse the recovery, some analysts said.

"There won't be a double-dip," said Societe Generale's Martin. "We are seeing a synchronous growth."

**(Reuters) S. Korea buys over \$1 bln to curb won's rise -traders**

SEOUL, April 7 (Reuters) - South Korea's foreign exchange authorities bought an estimated over \$1 billion to check the won's KRW= strength on Wednesday, traders said.

The authorities were spotted buying dollars whenever the won was poised to strengthen past a resistance level of 1,120 per dollar, they said.

The local currency ended up 0.2 percent at 1,120.5 per dollar from Tuesday's domestic close KRW=KFTC of 1,123.2.

The won strengthened to as firm as 1,120.4, the strongest since Jan. 12

**(Reuters) Hyundai Home Shopping eyes up to \$712mln IPO-report**

SEOUL, April 7 (Reuters) - South Korea's Hyundai Home Shopping Network Corp, an affiliate of Hyundai Department Store Co (069960.KS), plans an initial public offering estimated at up to \$712 million, local media reported.

**Cyclical Consumer Goods**

Hyundai Home Shopping, No. 3 in the country's online shopping market, is in the process of selecting banks to handle the IPO, online news service eDaily said on Wednesday, citing industry sources.

The IPO is estimated to be worth between 400 billion and 800 billion won (\$356 million-\$712 million), eDaily quoted an analyst as saying, adding the IPO could speed up Hyundai's expansion in the online shopping business.

A spokesman at Hyundai Department Store said no decision had been made regarding the affiliate's IPO.

"Hyundai Home Shopping has a long-term plan to make a public offering, but nothing, including the IPO size or lead manager, has been decided."

**(Reuters) S. Korea 2009 fiscal deficit smaller than expected**

SEOUL, April 6 (Reuters) - South Korea posted a smaller-than-expected fiscal deficit in 2009 as Asia's fourth-largest economy performed better than had initially been thought, the finance ministry said on Tuesday.

The country posted a fiscal deficit of 43.2 trillion won (\$38.50 billion) in calendar 2009, equivalent to 4.1 percent of the annual gross domestic product, less than the targeted 5 percent shortfall, it said in a statement.

It added it plans to use 2 trillion won out of the extra funds available as a result of the smaller deficit to reduce the treasury bond supply during the year.

**(Reuters) S. Korea sees softer March retail sales vs Feb**

SEOUL, April 8 (Reuters) - Annual growth in South Korean domestic retail sales likely slowed in March after posting a 12.9 percent rise in February, although their recovery trend remains intact, the Finance Ministry said on Thursday.

It also said in a monthly report that exports to China, the country's largest market, rose 51.4 percent in March from a year earlier after growing 43.1 percent in February.

The ministry reaffirmed the government would maintain the current growth-oriented economic policy for the time being as the global economy still faced uncertainties such as European fiscal problems and rising commodities prices

**(Reuters) S. Korea fin min vows to keep policy for time being**

SEOUL, April 7 (Reuters) - South Korean Finance Minister Yoon Jeung-hyun said on Wednesday the government would maintain the current macroeconomic policy for the time being.

Yoon made the remark during the opening part of a scheduled meeting between senior economic and financial officials just two days before the central bank reviews its interest rate policy.

**(Reuters) Daewoo Motor Sales seeks debt rescheduling -creditor**

SEOUL, April 8 (Reuters) - South Korea's Daewoo Motor Sales Corp (004550.KS) on Thursday asked its lead creditor Korea Development Bank (KDB) to allow a debt rescheduling programme for the troubled car retailer, KDB said.

The move comes after GM Daewoo, South Korea's No. 3 automaker, recently decided to terminate its retail contract with the firm and to use its own and other sales networks, driving the distributor's shares down by almost two-thirds so far this year.

"Korea Development Bank received the request on April 8 and notified other creditors to hold a first round of meetings to discuss it on April 14," a KDB spokesman said in a statement prepared for media release.

Shares in the former unit of the bankrupt Daewoo Group leapt 11.5 percent to 3,300 won (\$2.9) by 0154 GMT on expectations of a debt payment reprieve, outperforming the wider market , which slipped 0.24 percent.

**(Reuters) Yuan revaluation may be good for S. Korea economy-regulator**

SEOUL, April 9 (Reuters) - An appreciation of the Chinese yuan may be good for South Korea's economy, although it may also put upward pressure on the won KRW=, Seoul's top financial regulator said on Friday.

Financials

"Yuan appreciation may be positive for our economy overall, but may put upward pressure on the won," Chin Dong-soo, chairman of the Financial Services Commission, told a parliamentary session.

**(The Korea Times) NK to Freeze S. Korean Assets at Mt. Geumgang**

North Korea has said it will seize South Korean property in the Mt. Geumgang resort area and scrap a tourism deal with the South, according to a statement from the Korean Central News Agency (KCNA) Thursday.

Pyongyang will seek a new partner to resume trips to the troubled tourism area and will expel South Korean representatives there, the KCNA reported.

North Korea said as its contracts with South Korean operators are no longer valid, it will allow new partners to take over to save the resort area that has been ``financially damaged'' by the suspension of the tours.

In addition, the reclusive regime threatened to review the joint Gaesong Industrial Complex if Seoul doesn't make efforts to improve relations between the two Koreas.

The announcement came following an inspection of South Korean assets in the mountainous resort.

The communist country had threatened to seize assets there if Seoul did not agree to resume its long-suspended cross-border tours to the resort by the start of this month.

Pyongyang has already seized the South's family reunion center and fire station at Geumgang and intimated it would additionally freeze all South Korean assets, including a duty free shop and a hot spring.

Seoul suspended the tours to the resort in 2008 after a North Korean soldier shot a South Korean tourist to death.

The South Korean government has demanded Pyongyang apologize for the incident and come up with measures for tourist security to prevent any recurrence.

Some 2 million South Koreans had visited the resort over the past decade before the suspension in 2008.

### **(Reuters) 3D TV to face global test in soccer World Cup**

LONDON, April 8 (Reuters) - Hundreds of thousands of soccer fans are likely to get their first taste of live 3D viewing during this year's World Cup, the vast majority of them in cinemas rather than at home, according to football body FIFA.

Together with partner Sony (6758.T), FIFA plans to supply 25 World Cup matches in the immersive 3D technology made popular in cinemas by blockbuster movie Avatar and expected to spread to living rooms around the world this year.

Viewers with 3D television sets who live in a country where the broadcaster with World Cup rights also has 3D capabilities will also be able to watch live in 3D at home -- if they are not put off by the need to wear special glasses.

Currently, Disney's (DIS.N) ESPN in the United States, Prisa's (PRS.MC) Sogecable in Spain and Korea's SBS (034120.KS) have live 3D rights. More such deals are expected to be announced "shortly", FIFA's TV Director Niclas Ericson said.

In some countries, home 3D viewing will not be an option. For example, in Britain only BSkyB (BSY.L) will have a 3D channel by the start of the World Cup in June, but the rights are held by ITV (ITV.L) and the publicly-owned BBC. [BBC.UL]

Asked at a London media event on Thursday how many viewers were likely to watch World Cup games live in 3D, Ericson said: "We hope it will be at least a few hundred thousand per match," adding that most of the audience was likely to be in cinemas.

Rights for cinemas and entertainment venues are being managed by Swiss-based Aruna Media AG, which plans to broadcast live to about 26 countries and is in advanced discussions with several major markets, FIFA and Sony said.

Sony hopes the tournament will whet viewers' appetite for 3D, an industry still in its infancy, with several competing technologies and very few TV sets in homes. It plans to show 3D promotional trailers in thousands of retail stores worldwide.

The Japanese electronics giant will start selling its own 3D TVs in early June in Japan. Rivals LG (066570.KS), Panasonic (6752.T) and Samsung (005930.KS) have all also recently unveiled 3D offerings.

Technology research firm iSuppli expects about 4.2 million 3D TV sets to be sold worldwide this year at an average price of \$1,768. That should rise to 78 million sets by 2015, worth a total of \$64.4 billion, iSuppli forecasts.

Much is at stake for Sony, which will need to show it can translate its expertise in 3D hardware and film content to the very different environment of sports, where fast-moving action can mean blurry images and even induce nausea in viewers.

"It will be a much richer experience, there's a lot of depth to it. It won't be similar to the Hollywood experience where there's a lot of in-your-face Wow! type of effects," David Bush, Marketing Director of Sony Professional," told Reuters TV.

"What we expect to replicate is the experience of being in the stadium."

The World Cup runs for a month from June 11 in South Africa.

#### **(Reuters) S. Korea launches Woori Finance stake block sale-source**

SEOUL, April 8 (Reuters) - South Korea has launched a block sale of a 7 percent government stake in Woori Finance Holdings (053000.KS) (WF.N), a deal worth up to \$805 million, a source close to the deal said on Thursday.

#### Financials

State-run Korea Deposit Insurance Corp (KDIC), which currently owns 66 percent of the country's No. 3 banking group, is seeking to sell about 56.4 million shares of Woori at between 15,400-16,000 won (\$13.73-\$14.26) each, said the source, who declined to be identified.

KDIC plans to gradually reduce its stake to 50 percent until it finds a strategic buyer for Woori.

**(Reuters) S. Korea KOGAS March LNG sales up 33 pct y/y**

SEOUL, April 9 (Reuters) - South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) said on Friday it sold 3.3 million tonnes of liquefied natural gas (LNG) in March, up 33 percent from a year earlier.

Of the total, 2 million tonnes were for household and business consumption, while the remainder went to power generation, KOGAS, the world's biggest corporate buyer of LNG and South Korea's sole wholesaler, said in a filing to the stock exchange.

**(Reuters) S. Korea to face inflationary pressure in H2 -c. bank**

SEOUL, April 9 (Reuters) - South Korea is expected to face considerable inflationary pressures in the second half with the economy growing faster than expected, the new central bank chief said on Friday.

Bank of Korea Governor Kim Choong-soo said inflation would accelerate but not at a seriously fast pace.

**(Reuters) S. Korea BOK chief: private sector growth key to rate rise**

SEOUL, April 9 (Reuters) - The head of South Korea's central bank said on Friday the timing for an interest rate increase would largely depend on whether private sector economic activity had secured a self-sustained recovery.

But Bank of Korea Governor Kim Choong-soo refused to comment on all other questions from journalists about the future interest rate policy direction during his debut news conference after taking office last week.

**(Reuters) MONEY MARKETS-South Korean swaps rise, CD rates hit 8-month low**

HONG KONG, April 9 (Reuters) - South Korean swaps rose on Friday after the new chief of the country's central bank said Asia's fourth-biggest economy would face considerable inflationary pressures in the second half of the year.

But rates are expected to remain soft in the near term as the Bank of Korea (BoK) reinforced expectations that interest rates will remain at a record low at least until the end of the first half of this year and with benchmark certificate of deposit rates KRCD=KQ plumbing an 8-month low.

In India, the overnight indexed swap curve flattened as short-term rates rose following strong inflation data and ahead of a \$2.7 billion bond sale.



In Singapore, the cost of borrowing dollars for 3 months SIUSD3MD=ABSG continued their steady rise, inching up to 0.29567 percent from 0.29417 percent. They have risen nearly 5 bps from an all-time low in mid-March.

South Korean interest rate swaps KRWIRS rose by 1-6 basis points in tenures of less than 5 years but analysts say the trend would remain downwards.

"Following the hawkish tone from the new BoK governor, the market chose to pay up front end rates by 1-2 bps," said a note from Royal Bank of Scotland.

"Nonetheless, we continue to see swap rates coming off given that the 3 month CD fixing continued its downward correction," it said.

The benchmark certificate of deposit rate KRCD=KQ fell 7 bps to 2.46 percent. It has fallen an aggregate 32 bps this week as rates caught up with comparable securities.

Rates are also expected to resume their decline after Governor Kim Choong-soo's assurance that the central bank would wait until a private-sector recovery is secured before it raised interest rates.

A Reuters poll showed on Friday that analysts expect the South Korean central bank to keep rates at a record low at least until the end of the first half of this year.

In India, where data showed food prices accelerated for the second straight week in late-March, short-term rates rose on expectations of a hike in key policy rates when the central bank reviews its policy on April 20.

Overnight indexed swaps INROIS rose by 1-5 basis points in tenures of less than 5 years with the one-year swap rising the most.

"There were some comments yesterday and data has been fairly strong," said Vineet Malik, head of interest rates at HSBC India, Mumbai.

"There are fiscal issues which are putting a lot of upward pressure on yields," he added, referring to the borrowing needs of Asia's third-largest economy.

The government is selling on Friday 50 billion rupees each of 6.85 percent 2012 and 6.35 percent 2020 bonds and 20 billion rupees of 8.26 percent 2027 bonds as part of its first auction for the fiscal year that started on April 1.

## *Socio-cultural façade;*

### **Detailed News:**

#### **(The Korea Times) 20% of Drug Addicts Have Suicidal Urges**

About one in five drug addicts have attempted suicide in the past as a side effect of narcotics usage, the Ministry for Health and Welfare said Monday.

The majority of them also have drinking and smoking issues, too, which could trigger extreme choices, the authorities said, announcing the result of its first-ever domestic drug user life pattern research.

Professor Kim Dae-jin of the Catholic University of Medicine surveyed 523 people who have used illegal drugs, of whom 86 were receiving special treatment and 271 were incarcerated.

Kim found that most of them were over 30, and had finished high school if not further education too.

About 74.5 percent said they drank alcohol on a regular basis and about 64.5 percent said their drinking has now become an issue. About 89.5 percent said they smoked, of which 65 percent said they were unable to control this anymore.

In terms of substances they used, the lion's share went to methamphetamine, commonly known as philopon here, followed by marijuana, ecstasy, cocaine and heroin.

Drug addiction was seen to have been initiated from peer pressure since 95 percent said other drug addicts were close to them. Over half of them said they actually obtained the drugs from people around them.

Most said curiosity led them to try drugs — but soon, they grew to enjoy the narcotics on a regular basis to get rid of stress or physical pain, or seeking extreme sexual pleasure.

However, they suffered from extreme stress and mental side-effects such as depression and anxiety, which often triggered suicidal urges. Nearly 90 percent wanted to get clean, but half said they had no access to professional help.

"The study shows that we need a comprehensive approach to counter drug problems here, along with smoking, drinking and family matters — only 32.9 percent were married, while the rest were single or separated," Kim said.

The ministry is planning to hold an anti-drug campaign on the Internet and other places visited by drug addicts.

### **(The Korea Times) Foreign Students Welcome Seoul Counseling Center**

Muslim students residing here used to complain that university cafeterias had nothing on their menus for them and some other foreign students were unhappy with the shortage of education programs in English and lack of dormitory rooms.

To tackle these problems, the Korean government has set up a center to counsel the foreign nationals. The Ministry of Education, Science and Technology said Tuesday that it has opened the center at the National Institute for International Education in Jongno-gu, Seoul.

Overseas students welcome the ministry's move to take care of their troubles and difficulties.

"It is very meaningful for Korea to have an official channel where foreign students are able to vent their complaints," Sodnomtsog Sukhochir, president of the Mongolian Students Association, told The Korea Times.

The Mongolian student leader, attending Seoul National University (SNU), said the center could initiate a change for a foreigner-friendly academic environment in colleges and universities, noting even his school, one of Korea's best, is poor at dealing with affairs involving international students.

According to the ministry, about half of the total 400 colleges and universities have at least one official in charge of foreign student affairs. However, not many schools have a center or programs to help foreign nationals adapt to school life. The situation is worse in case of colleges out of the Seoul area.

Many foreign students pointed out that their schools have "no concept" about culture differences.

Li Zhong-hui, president of the Federation of Chinese Students, said he expects the education ministry to cooperate with other government agencies or corporations through the newly established center to set up a better environment for foreign students.

"I appreciate the ministry's willingness to take up our problems," he said.

Those who have difficulties in adapting to life here can visit or call the center, which runs from 9 a.m. through 6 p.m. on weekdays.

The center has two counselors and provides students with information regarding admission systems and education courses at Korean universities along with scholarship programs.

Foreigners also can get help in finding accommodations and landing jobs here.

Currently, services are offered in three foreign languages, English, Chinese and Japanese, and the center is preparing other language services including Mongolian, Vietnamese, Russian and Arabic.

"Our center will do its best to serve foreign students and help them enjoy studying here," said Lee Kyeong-lim, deputy director of the ministry.

In addition, the ministry will open an online consulting section at its Web site ([www.studyinkorea.go.kr](http://www.studyinkorea.go.kr)).

It will also publish a book, "Student Guide to Korea," and distribute them to foreign students. For more inquires, call the center at 02-3668-1490-2.

Korea has seen a growing number of foreigners seeking to study here; now some 75,000 students from abroad are enrolled at higher education institutes in the country.

### **(The Korea Times) Private Cram Schools Suffer Slump on Government Measures**

The number of private cram schools or hagwon in Seoul is falling after a series of government steps to cut the cost of private tutoring. Adding to their woes is the prolonged sluggish economy.

According to the Seoul Metropolitan Office of Education, the capital has about 28,000 private education institutes for primary and secondary school students, registered with the office, this year.

However, a recent survey has found that 2,600 hagwon or 9.3 percent have closed.

Among those that have shut down, nearly half of them were located in the affluent Gangnam area in southeastern Seoul.

"We are seeing that our strict policy to cut down on private education is working well. In addition, the prolonged sluggish economy is causing hagwon to close their doors," said an official from the education office.

Since last year, the government has introduced a variety of measures to curb soaring private education costs.

First, each city and provincial education office last year started to crack down on hagwon that ran beyond designated hours and overcharged parents.

In addition, the authorities introduced financial reward programs for ordinary citizens who report hagwon that break the law or regulations.

Tipsters on overcharging, violation of hagwon operation hours and unregistered tutors receive cash rewards of up to 2 million won. About 3 billion won was allotted to finance the project last year.

At the same time, the government has expanded after-school programs and a teacher evaluation system in order to improve the quality of public education so that students don't need to rely on private education institutes.

Hagwon owners strongly oppose the government's policy, especially the after-school programs. In a series of rallies organized by an association of hagwon owners in Seoul, they claimed that schools are forcing students to participate in after-school classes and many students are unhappy with the low-quality programs.

"The government first has to improve the quality of public education so that students don't need classes after school," they said in a statement. "Also, it should stop depriving us of jobs with compulsory after-school programs."

#### **(The Korea Times) Head of Nation's Largest Gangster Group Nabbed**

Police arrested the leader of the nation's largest gangster group, "Chilsungpa," in Busan, Tuesday, with the help of a citizen's report.

Lee Kang-hwan, 67, is suspected of the kidnapping and physical assault of an unidentified Busan-based businessman from whom Lee extorted more than 400 million won (\$333,000).

He did not resist arrest and was taken to a regional police station in a wheelchair, a police officer said.

An investigation revealed that Lee demanded huge "dividends" on a regular basis after forcibly entrusting 1 billion won to the businessman.

Police had been unsuccessful in their hunt for him as he disappeared shortly after an arrest warrant was issued in February. Police declared an open search nationwide on March 2.

Authorities are currently investigating charges against Lee as well as he avoided arrest, questioning those who provided him shelter and members of his "gang."

Police were able to get a hold of him after a tip from a citizen.

He was found in a car parked by a district office in Busan with his lawyer and two Chilsungpa members.

His lawyer reportedly said Lee was on his way to police.

Authorities have been urging Lee to surrender through contacts with his cronies.

The citizen who reported Lee to the police is expected to get a 10 million won reward. The Busan Metropolitan Police Agency offered the reward for reports on Lee's whereabouts shortly after the announcement of the nationwide search.

**(Reuters) Hall of Fame basketball coach Wilkens to work with South Korea**

SEOUL (Reuters) - Hall of Fame coach Lenny Wilkens has been recruited by South Korea to help prepare their team for this year's Asian Games in Guangzhou.

The 72-year-old was inducted into the Hall of Fame both as a player and a coach and set the record for the most coaching wins in the NBA with 1,332 victories.

Don Nelson of the Golden State Warriors tied that record on Sunday.

"We reached a settlement with Wilkens in cooperation with the U.S. National Basketball Association (NBA)," the committee that runs the South Korean team told the Yonhap news agency.

South Korea won gold on home soil at the 2002 Asian Games but finished fifth in Qatar four years ago. The 16th Asian Games take place in southern China from November 12-27.

**(The Korea Times) Accreditation System Debuts for High School Graduates**

High school students who flunk courses will be unable to graduate.

The Ministry of Education, Science and Technology announced Thursday a minimum standard will be set for graduation and only those who pass a certain level of academic courses will be able to advance to higher grades and obtain diplomas.

It is the first time that the authorities will introduce an accreditation program for secondary school students. Previously all high school students automatically advanced to higher grades and were able to receive diplomas as long as they attended the required number of days in school.

In addition, the ministry will introduce various levels of classes for English and mathematics so that students can choose courses more suitable to their academic ability.

The ministry will select 60 exemplary schools and run the programs starting from the fall semester. It will gradually expand the program to include all high schools across the country from 2012.

**(The Korea Times) One Third of Korean Students Sleep in Class**

It's not a secret that many Korean students doze off during classes. But how serious is it? A survey by a Japanese institute says it's one in three.

The Tokyo-based Japanese youth research center, a unit of the country's education ministry, surveyed a total of 6,173 high school students in Korea, Japan, China and the United States between June and November, last year.

The survey found that 32.3 percent of Korean high schoolers nap during classes. Japan posted the highest ratio of 45.1 percent — the figure was 20.8 percent in the U.S. and 4.7 percent for China.

Many Korean students study late at private tutoring institutes and tend to doze off at school.

Education officials and experts also cite the deteriorating physical strength of Korea's younger generation and tedious teaching styles for the problem as well.

“Our students need to undertake huge workloads to advance to prestigious universities. Even after school, they have to stay up at late,” said Park Hee-keun, director in charge of student health and safety at the Ministry of Education, Science and Technology.

He added that many youngsters are addicted to Internet and computer games, which is another reason behind the large number of students dozing off.

The director suggested that each school activate sports clubs to boost the physical strength of the students.

“It is impossible for our students to remain awake in all their classes as they come to school by 7.30 a.m. and stay here until 10 p.m.,” said a teacher at a foreign language high school in Suwon, Gyeonggi Province.

“I think the one-way teaching system is another reason why so many student nod off during the classes. We need more creative programs that they are interested in and teachers need to encourage more students to participate in class,” she added.

Korean and Japanese students are also less interested in lessons, according to the survey results.

The ratio of proactive participation in classes was also much lower for Korean and Japan. While 16.3 percent of Korean students and 14.3 percent of Japanese students said they are trying to speak up during class, China and the U.S. saw much higher figures with 46.2 percent and 51 percent, respectively.

Also, 23.7 percent of Korean students answered that they chat with their friends during lessons, while the figures stood at 64.2 percent in the U.S., 37.7 percent in Japan and 10.4 percent in China.

In addition, some 40 percent of Korean students prefer textbook-focused classes, compared to 31.2 percent in the U.S., 64.9 percent in China and 71.4 percent in Japan.

### **(The Korea Times) Election Law Violators Reach 1,387**

The number of election law breakers in 2010 has reached 1,387, as the June 2 local elections approach, the Ministry of Public Administration and Security reported Friday.

The figure is based on MOPAS's joint crackdown with the National Police Agency against campaign violators. It was carried out from January 1 to April 7.

On average, 14.3 people have been caught a day for election law violations during the 97-day period, down 4.9 percent from the same period ahead of the 2006 local elections.

Of the violators, 507 have been caught for accepting or giving gifts, money or other valuables; 246 for pre-election campaigning; 202 for the distribution of printed publicity materials; 111 for spreading false information; and 321 for other reasons.

Police are currently investigating two public servants for leaking personal information about Um Yong-su, the current mayor of Miryang, South Gyeongsang Province to a prospective candidate.

They are also probing a money-for-news-content deal, in which a reporter allegedly received 5 million won (\$4,468) in return for publishing an article that outlined the career of a governor hopeful.

The upcoming local elections will choose 3,991 officials nationwide, including 16 mayors and provincial governors, 228 heads of lower administrative units, as well as 761 local councilors.

Prohibited activities, beginning April 3, two months prior to the June 2 election, include conducting surveys with the names of certain parties and candidates, and political activities of incumbents that would affect the outcome of the elections.

Incumbents are also banned from promoting their party's platforms, participating in events organized by their party except ceremonies for foundations, mergers and reorganization during the official campaign period.

### **(The Korea Times) Japan Steps Up Territory Claim As Election Nears**

Korea's relations with Japan were tested hard this week for the first time since Prime Minister Yukio Hatoyama's Democratic Party of Japan took power last August.

Foreign policy experts observe that campaign politics in full swing in Japan have prompted the bilateral relations to turn sour.

They noted the embattled Democrats of Japan, who showed a willingness to improve ties with neighboring countries, including Korea, had transformed into hardliners over the Dokdo islets issue as the upper house election slated for July is approaching.



Japan took a series of hawkish measures aimed at strengthening its claim over Dokdo from late March.

Japan's education authorities approved social science textbooks for elementary school students that insisted Dokdo, known as Takeshima in Japan, is their territory on March 30.

A week later, the Japanese foreign ministry made the claim official by unveiling a foreign affairs blue paper that included a phrase about Korea illegally occupying Dokdo.

Hatoyama's remark \_ he had no plan to change the previous conservative Liberal Democratic Party administration's stance on the territory — followed a day later.

Robert Dujarric, director of the Contemporary Asian Studies at Temple University Japan Campus in Tokyo, told The Korea Times that Dokdo is not an area of interest for the vast majority of Japanese people.

"Of the very small number of people who are interested in this, none of them want to do more than formally claim the island is Japan's. No one is considering the use of force, or even sanctions," he said.

"I don't think Hatoyama has focused on the territory issue. What is important is that unlike (former Prime Minister) Shinzo Abe, he doesn't have a revisionist view of history and unlike Koizumi he doesn't pray at Yasukuni."

Rep. Song Min-soon of the main opposition Democratic Party (DP) observed that the upcoming July upper house election would probably have an impact on the Hatoyama administration's stepped-up claim over Dokdo.

In a phone interview with The Korea Times, the former foreign minister said he would not rule out the possibility that such an attempt by Japan was part of the Democrats' campaign strategy designed to turn the tide by making the territory issue flare up.

The four-month old cabinet in Japan is reportedly facing a hostile campaign environment.

A poll conducted by Yomiuri Shimbun in early March found that only 25 percent of voters were considering voting for the Democratic Party in the upcoming election.

Hatoyama admitted rough sailing ahead for the Democrats, saying an increasing number of Japanese believed that nothing has changed since his party took power last September.

To avoid a possible political stalemate, Democrats must win the election because by doing so they can control both the upper and lower houses.

Rep. Song noted that the government change from conservatives to Democrats in Japan would have little effect on Japan's claim over Dokdo.

"This time, the education ministry of Japan instructed all social science textbooks for elementary school children to include the claim over the islets. The measure is worse than what it took earlier," the former foreign minister said.

Dujarric said that the textbooks are vetted by conservatives, not necessarily by bureaucrats in the Japanese education ministry.

Song called on the government to cope with Japan's repeated claim with a tough and consistent stance.

Yet he made it clear that bringing the case to the International Court of Justice should not be an option at all, as doing so is what Japan really wants.

Japan intends to make Dokdo an internationally disputed territory, he stressed.

### **(The Korea Times) Ex-PM Han Cleared of Bribery Charge**

A Seoul district court found former Prime Minister Han Myeong-sook not guilty of bribery charges in a high-profile ruling that will provide her with greater leverage to run for Seoul mayor in the local elections in June.

Han, 66, was charged of receiving \$50,000 in December 2006 from Kwak Young-wook, a former CEO of Korea Express, in exchange for helping him gain the top post at a state-run company.

In its verdict, the Seoul Central District Court questioned the credibility of Kwak's testimony that he had handed \$50,000 to Han.

"Kwak's testimony can hardly be trusted. It seems that he has made false statements in order to avoid a personal crisis" it said in the ruling.

The prosecution said it will appeal.

Prosecutors had demanded a five-year prison term and a \$50,000 fine as punishment for the former prime minister.

Han, currently a senior adviser to the main opposition Democratic Party, was more than pleased with the decision.

"The truth has been unveiled. I really thank the people for believing in me," Han said, emerging from the court. "Han Myeong-sook will never give up. I will fight together with the people to the end for victory."

A crowd of some one thousand supporters and members of the media were waiting for her outside the court, reflecting the keen public interest in the case.

Han has accused the prosecution of having attempted to tarnish her political reputation in the run-up to the June 2 local elections.

Kwak, who is now under arrest on embezzlement charges, has repeatedly changed his testimony since the trial began in early March.

The governing Grand National Party (GNP) said the case has already tarnished the former prime minister's image though she was acquitted of the bribery charge due to a lack of evidence.

Cho Hae-jin, spokesman of the GNP, said they respect the decision of the judicature. However, Cho emphasized that the court verdict of not guilty was due to lack of decisive evidence.

"Former Prime Minister Han's morality was already tarnished since she lied about playing golf and using the villa for free, despite guilt or innocence under the law," he said.

The opposition Democratic Party (DP) applauded Han's innocence. DP spokesman Noh Young-min said the ruling was a victory of truth.

"The ruling is testament that righteousness prevails in the end," Noh said. "Since former Prime Minister Han's innocence is declared, the prosecution should break away from politically retaliatory investigations."

With the ruling, Han is almost certain to win the opposition party's ticket to run for the Seoul mayoral position.

The GNP has the primary election later this month, in which incumbent Mayor Oh Se-hoon and Reps. Won Hee-ryong and La Kyung-won are competing.

Nevertheless, the prosecution opened a new investigation of Han Thursday, raiding a construction company that is suspected of having provided Han with illicit political funds of some 900 million won.

Lee Hoi-chang of the minor opposition Liberty Forward Party (LFP) criticized the prosecution for being "shameful," for starting another investigation just one day before the ruling.

### **(The Korea Times) Game-Obsessed Korea Attempts to Save Itself**

South Korea touts itself as the computer games capital of the world, but it is struggling to respond as an obsession with the virtual world transforms into real-world problems.

A slew of shocking cases involving game addiction - including deaths by exhaustion, murder and child neglect - has the government vowing a clampdown on the amount of time gamers can spend playing online games.

However, Korean online games publishers, which have enjoyed lucrative growth in recent years, are concerned about the new rules disrupting their constant flow of money.

The Ministry of Culture, Sports and Tourism is planning to announce a set of controls on Monday to combat addiction to online games and to deter people from playing excessively.

Although government officials are declining to confirm the details of the measures, it's likely the game companies will be required to introduce "fatigue systems," which force disadvantages in game play when gamers exceed the advised limit for playing time.

Also to be imposed are "shutdowns," which prevent youngsters from playing games during certain hours of the day when requested by parents, industry sources said.

The government is also promising tighter control on the business of Web sites that allow gamers to trade game items, such as virtual characters and weapons, for cash.

"Companies are already accepting the fact that fatigue systems and shutdowns will be the reality," said an official from a Seoul-based online games company.

"The question is, how long will the government set as the limit on playing time - three consecutive hours, or more, or less? And the decision on the methods for restricting access to underage users is also an important issue."

Government officials claim that measures to curb excessive online gaming are inevitable in a country where compulsive gaming and addiction are becoming increasingly serious social problems.

In February, a 22-year-old was arrested in Gyeonggi Province on charges of killing his mother due to a quarrel over his long gaming hours. Just weeks later, a couple was arrested in Suwon after it was found that they had left their 3-month-old daughter to starve to death last year while they spent most of their time in a "PC bang," or computer gaming lounge.

And during the Lunar New Year holiday, a 33-year-old man collapsed in a PC bang in Seoul and died in a hospital hours later. He had been playing games at the shop for five days in a row.

There are arguments on whether the measures will result in substantive changes, as major game companies like NCsoft and NHN have already been putting into effect their own versions of fatigue systems.

Also debated is how far the government should go in enforcing its clampdown, and the companies appear to have different opinions about what qualifies as "excessive," depending on whether they are referring to multiplayer role-playing games or simpler games.

For example, introducing shutdowns on role-playing games would be a complicated matter. Should the parents request game companies to cut off their child after 10 p.m., this would also force other players involved to discontinue, which may increase the threat of fraud related to game play or in-game items.

Allowing gamers to continue with the games accessed before 10 p.m. but preventing them from starting new ones wouldn't necessarily make much difference in limiting gaming hours.

"The sense of fear is apparent among game companies, especially among the mid-sized players, that shutdowns and other measures might torpedo their business," said an official from the Korea Association of Game Industry (KOAGI), who preferred to remain anonymous.

"It seems as if online games are praised as future export engines one day and criticized as a social problem the next. The lack of awareness about good gaming habits is something that needs to be changed, but a domino of regulations could be counterproductive."

### **(The Korea Times) Foot-and-Mouth Disease Reported Again**

#### *Virus Suspected to Have Been Imported From China; More Outbreak Reports Expected*

A new outbreak of foot-and-mouth disease (FMD) was confirmed on a cattle farm in Ganghwa, about 60 kilometers west of Seoul, Friday, less than a month after the government had declared the country clear of the highly contagious disease.

Animals at the farm began showing signs of symptoms on Thursday and tested positive shortly afterwards, forcing quarantine officials to close off the farm and restrict movement of the people and vehicles in the area, the Ministry for Food, Agriculture, Forestry and Fisheries reported.

"We are taking all preventive countermeasures after suspected cows tested positive. Of the 180 heads of 'hanwoo' (cows raised in Korea) on the farm, 10 showed blisters on their mouths," said Lee Chang-buhm, head of the ministry's livestock bureau.

Additional reports from cow farms in the vicinity were made at the ministry Friday, with other cows also showing blisters. Quarantine officials are inspecting the farms. More outbreaks may be reported in the future given past experiences, ministry officials said.

Foot-and-mouth disease affects all cloven-hoofed animals such as cattle, pigs, deer and goats. This is the first time that the disease has broken out for a second time in a year in the country.

The ministry said that the cause of the outbreak is under investigation, but suspects that the farm owner's recent visit to China might have had something to do with the latest outbreak.

"The owner of the farm had recently visited a region of China that reported a foot-and-mouth case last week, and is in the feed import business," Lee said.

The imported Chinese feed found at the farm will be barred from being moved.

Ministry officials said that the latest outbreak should be viewed separately from the six cases confirmed in January because enough time has passed for there to be a physical connection. Previous outbreaks took place in Pocheon and Yeoncheon regions, north of Seoul.

Lee said the latest outbreak was caused by the "O type" virus strain that hit the country in 2000 and 2002, different from the "A type" that was reported in the country earlier this year.

The "O type" tends to spread more quickly among pigs.

Quarantine officials started culling cloven-hoofed animals near a local cattle farm on Friday. They culled some 2,500 heads of cloven-hoofed livestock, including 2,200 pigs within a 500-meter radius of the cattle farm to prevent further outbreaks of the highly contagious disease.

The ministry has declared a "danger zone" of up to 3 kilometers from the farm, with a "monitoring and control zone" extending out to 20 kilometers from the latest confirmed site.

The ministry raised its four-level animal disease alert status from the lowest "blue" level to "yellow" and will move to step up quarantine inspections at airports and ports.

All 82 livestock markets in the country, with the exception of those on Jeju Island have been closed with various gatherings and fairs involving farmers and animals to be cancelled.

The latest confirmation comes after the government declared that it was clear of the disease on March 23 after 5,956 animals were culled at a cost of 43 billion won (\$38 million).

## **Japan**

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

#### **Detailed News:**

**(Washington Post) USDA eyes Japan beef import talks, denies pressure**

TOKYO (Reuters) - U.S. Agriculture Secretary Tom Vilsack sought on Wednesday to downplay the probability of Japan agreeing to fully reopen its market to U.S. beef during his visit to Tokyo this week.

"We believe we have a safe and quality product," Vilsack told reporters after speaking at a food security symposium hosted by the U.S. Department of Agriculture, adding that he also cknnowledged and respected concerns of Japanese consumers.

Asked if he expected any deal to be agreed during his visit, Vilsack said it was important to continue dialogue and build on the bilateral relationship.

He denied that there was U.S. political pressure on Japan.

His Japanese counterpart, Hirotaka Akamatsu, who later spoke at the same conference, reiterated Japan's commitment to have food safety regulations based on scientific knowledge.

"Whether food safety is strictly secured is the issue," Akamatsu told reporters. "The Japan-U.S. relationship is important, but that does not mean food safety can be neglected."

"A good relationship is being able to express views that may be difficult to accept. Secretary Vilsack understands that," he said, adding that both sides maintained different stances.

Akamatsu is scheduled to meet with Vilsack on Thursday.

Ahead of his visit, Vilsack last week offered a cautious outlook on talks with Akamatsu, saying the new government in Japan, which took office last September, was one issue complicating discussions. He reiterated those remarks in Tokyo on Wednesday.

Vilsack is in Tokyo to promote farm exports from the United States to Japan, the world's largest net food importer. Japan was also the biggest export market for U.S. beef until mad cow disease, formally known as bovine spongiform encephalopathy (BSE), was found in the United States in December 2003, prompting Tokyo to impose a ban.

Tokyo resumed U.S. beef imports in 2006 but limited them to meat from cattle aged 20 months or younger, a stipulation that angers U.S. exporters who argue it has no basis in science and costs them billions of dollars in lost sales.

The American beef industry estimates the partial export ban costs it about \$1 billion in lost sales per year.

But Japanese public concerns about U.S. beef remain, given that some cow body parts banned by Japanese import regulations have been found in beef shipments from the U.S. in the past.

The U.S. is the biggest exporter of agricultural products to Japan, accounting for nearly one-third of Japan's agricultural imports.

A report by the U.S. Meat Export Federation last month showed Japan accounted for 13 percent of U.S. beef exports in 2008.

### **(Reuters) Japan's Kamei keeps up call for spending before election**

TOKYO, April 7 (Reuters) - The People's New Party, a tiny coalition partner in Japan's Democratic Party-led government, said on Wednesday it would compile a economic stimulus

package larger than its initial 11 trillion yen (\$117 billion) proposal before an election later this year.

Party head Shizuka Kamei, who is also the banking minister, told reporters he wants to finalise the proposal by mid-May. The People's New Party policy chief, Takashi Morita, also asked the Ministry of Finance for an 11 trillion yen extra budget, Kyodo News reported.

Kamei has made several calls for big spending since last year but has been unsuccessful. Finance Minister Naoto Kan has also said he would rather use 1 trillion yen in budget reserves for the fiscal year that started on April 1 than draft an extra budget.

"Timid measures won't have any impact," Kamei told reporters.

"We have to take steps that are big and bold."

Kamei's party has only three seats in the 480-seat lower house and five seats in the 242-member upper house, so it needs to appeal to voters to increase its presence in parliament.

Prime Minister Yukio Hatoyama could face more pressure to spend big as slumping approval ratings harm the government's chances in the upper house election expected around July.

But a large debt burden and the threat of credit ratings downgrades suggest the government won't rush to spend more for fear of worsening the country's finances and increasing its borrowing costs.

Japan's outstanding debts are almost 200 percent of its gross domestic product, making it the most indebted country among industrialised nations.

The government will aim to set numerical targets to restore its fiscal health in a plan due in June, Hatoyama said on Tuesday after a government draft recommended lowering the debt-GDP ratio. [ID:nTOE635070]

Parliament approved last month a record 92.3 trillion yen budget for the fiscal year starting on April 1 with a record 44.3 trillion yen in new bond issuance. (\$1=93.80 Yen)

### **(Washington Post) Nearly half of Japan's voters support no party**

TOKYO (Reuters) - Nearly half of Japan's voters support no political party, according to a poll released on Monday, a sign of mounting frustration with both ruling and opposition parties ahead of an election expected in July.

Hoping to attract some of these dissatisfied voters, former finance minister Kaoru Yosano and other opposition Liberal Democratic Party (LDP) rebels are aiming to start a new party this week. It is unclear how much support they can attract.



Prime Minister Yukio Hatoyama's Democratic Party needs to win an outright majority in the mid-year upper house poll to avoid a policy stalemate, but voter concerns about his leadership skills, messy decision-making and funding scandals are dimming that prospect.

The survey by the Yomiuri newspaper showed voter support for the ruling Democrats fell to 24 percent and that for the main opposition LDP dropped to 16 percent.

Alarmed LDP executives decided on Monday to form a British-style "shadow cabinet" and to bring in an outspoken lawmaker critical of party's senior members as an executive, Kyodo news agency said, in an effort to prevent further unraveling of the party.

"I would like to show that there are debaters among LDP's next generation and for them to fully explain policies," Sadakazu Tanigaki, the head of the LDP, told a news conference.

The tiny pro-reform opposition Your Party was gaining support and came third in the Yomiuri poll, but still lagged with support of just 4 percent.

When asked which party they plan to cast their ballots for in the upper house election, 44 percent said they had not decided.

With many disappointed by the premier's leadership skills, support for Hatoyama's government dropped to 33 percent, down 8 points from last month's survey.

The survey showed 49 percent said Hatoyama should quit if he cannot resolve a row with Washington over a military base by a self-imposed deadline of end of May, exceeding 43 percent who said there was no such need.

That contrasted with recent polls showing fewer voters think Hatoyama should resign over a funding scandal.

Hatoyama said last week he has a plan to resolve the feud with security ally Washington over the relocation of a U.S. marine base on Okinawa island. But he said the time was not ripe to reveal it and dismissed questions about whether failure might force him to resign.

**(The Japan Times) Japan, U.S. eye next week for crucial Futenma talks**

Japan and the United States are likely to launch working-level negotiations next week to discuss the relocation of U.S. Marine Corps Air Station Futenma, government sources said Wednesday.

In a meeting held at his official residence Tuesday night, Prime Minister Yukio Hatoyama, who is seeking to settle the issue by the end of May, urged officials from the Foreign and Defense ministries and Cabinet Secretariat to step up the talks with the United States, the sources said.

Before entering full-fledged negotiations, the United States apparently wants to confirm whether the existing deal the two countries signed in 2006 remains a viable option, as Washington believes it is the most feasible relocation plan, the sources said.

Under the existing plan, the Futenma base, currently in a crowded residential area in Ginowan, Okinawa, would be relocated to the Henoko coastal area of U.S. Marine Corps Camp Schwab in Nago, also in Okinawa, and would entail extending runways out over water. But the plan has met with fierce opposition from locals.

Some diplomatic sources said Tokyo is planning to move part of the Futenma facility temporarily to an inland heliport to be built at Camp Schwab and eventually to either a yet-to-be-built artificial island near the Katsuren Peninsula and White Beach in the eastern Okinawa city of Uruma or to Tokunoshima Island in Kagoshima Prefecture.

Foreign Minister Katsuya Okada conveyed the plan to U.S. Ambassador to Japan John Roos when they met March 26, the sources said.

But the two-stage relocation plan slightly differs from what Okinawa has been told by the government.

Chief Cabinet Secretary Hirofumi Hirano told Okinawa Gov. Hirokazu Nakaima in their April 1 meeting that Tokyo plans to first transfer Futenma's helicopter unit to Tokunoshima, then build a heliport at Camp Schwab, and eventually move the aircraft operations to the envisioned artificial island.

Obama chat sought

Prime Minister Yukio Hatoyama will probably hold "informal" talks with U.S. President Barack Obama in Washington on the sidelines of the Nuclear Security Summit to be held for two days from Monday, Japanese government sources said Wednesday.

There is speculation that the United States wants to refrain from holding an official meeting with Japan, as there is little prospect of Japan soon settling the stalled issue of where to relocate U.S. Marine Corps Air Station Futenma.

Some diplomatic sources from the two countries have also said Washington is having difficulty finding time for a Japan-U.S. bilateral meeting because Obama will be busy hosting the summit, which is expected to bring together the heads of state from about 40 countries.

At a briefing in Washington, White House press secretary Robert Gibbs announced Tuesday that Obama will meet bilaterally with Chinese President Hu Jintao, German Chancellor Angela Merkel and seven other foreign leaders on the fringes of the security summit.

Gibbs made no mention of Hatoyama.

**(The Japan Times) Okada hails new U.S. policy of limiting nukes**

Foreign Minister Katsuya Okada welcomed on Wednesday the new U.S. policy of limiting the use of atomic arms, calling it a big step toward a "world without nuclear weapons" but adding that other nuclear powers need to follow suit to make it effective.

"The U.S. has squarely recognized that it would not use nuclear arms on nonnuclear countries," Okada said. "I welcome the review, which is in line with the Japanese government's view and what we have been saying."

The Nuclear Posture Review was released Tuesday by the administration of President Barack Obama, and is the first one since the 2002 review under then President George W. Bush. The 2010 report, which will drive nuclear policy for five to 10 years, renounces the use of nuclear strikes on nonnuclear countries that are in compliance with the Nonproliferation Treaty.

"The United States is now prepared to strengthen its long-standing 'negative security assurance' by declaring that the United States will not use or threaten to use nuclear weapons against nonnuclear weapons states that are party to the NPT and in compliance with their nuclear nonproliferation obligations," the review says.

The review, however, does not rule out the U.S. being the first to launch a nuclear attack, something that Okada had called for. But on Wednesday, Okada expressed understanding, saying the U.S. has moved closer to a posture of pure deterrence, that is stating it won't use its atomic arsenal unless it or an ally experiences a nuclear attack.

"As I have been saying, it is difficult to have (the U.S. declare it won't) launch a pre-emptive nuclear strike," Okada said. "The next step would be to ensure that nuclear powers aside from the U.S., like France and Russia, also take measures not to use nuclear weapons on nonnuclear countries."

He added that the U.S. report will become more effective if a U.N. Security Council resolution or a treaty is adopted.

The review maintains the possibility of using nuclear weapons against Iran and North Korea, which are not in compliance with the NPT.

"North Korea is clearly outside the NPT and (can only) be regarded as a nuclear power," Okada said. "I think that the U.S. clearly stated that if North Korea is afraid of a nuclear attack, it should destroy its nuclear arms and return to the NPT."

The report was issued after the U.S. and Russia agreed last week to a new Strategic Arms Reduction Treaty that would reduce deployed nuclear arsenals by 30 percent. Obama and

Russian President Dmitry Medvedev are set to sign the treaty in Prague on Thursday. Washington is also hosting the Nuclear Security Summit next week.

**(The Japan Times) Panel questions prosecutors, signals decision on Ozawa indictment**

An inquest committee has reportedly questioned prosecutors who decided against charging Ichiro Ozawa over alleged false reporting by his fundraising organization, indicating the panel may soon render its own decision on whether he should be indicted.

The special investigation squad of the Tokyo District Public Prosecutor's Office took up the case after a citizens' group filed a complaint alleging the secretary general of the Democratic Party of Japan should be charged with violating the Political Funds Control Law.

The prosecutors decided against indicting Ozawa in February. The citizens' group challenged that decision by taking the case to the inquest panel, which is made up of 11 citizens selected by lot who hold closed-door consultations.

If the panel decides the case "merits indictment" or "does not merit nonindictment," the special squad will again investigate the highly publicized case, which has already damaged Ozawa and the DPJ's image.

Even if the prosecutors decide once again not to file an indictment, their decision could be countermanded if the panel decides an indictment is merited and it once again comes up with a decision favoring indictment. An indictment under such circumstances will be filed by a lawyer appointed by a court.

Ozawa was questioned by prosecutors on two occasions. They said they didn't gather enough evidence to pursue him as an accomplice.

**(The Japan Times) New party to be called Stand Up**

A new political party to be launched Saturday will be named Tachiagare Nippon (Stand Up, Japan), former trade minister Takeo Hiranuma, an independent House of Representatives member who will head the party, said Wednesday.

The same day, House of Councilors member Yoshio Nakagawa tendered his letter of resignation to the Liberal Democratic Party to join the new party, which will be launched by Hiranuma, former Finance Minister Kaoru Yosano and other like-minded lawmakers.

Nakagawa, who has close ties to Hiranuma, is being eyed as the fifth lawmaker needed for the party to be eligible to receive subsidies and other benefits under law.

"(Nakagawa) is one of those agreeing to our movement," Hiranuma told reporters earlier in the day, acknowledging he views the Upper House member as a strong candidate to be the fifth founding member.

So far, Yosano, Hiranuma, former LDP acting Secretary General Hiroyuki Sonoda and former transport minister Takao Fujii, an Upper House member contemplating leaving the LDP, are expected to join the party at the outset.

In a joint essay in the latest issue of monthly magazine Bungeishunju, which hits newsstands soon, Yosano and Sonoda, both of whom have already tendered their resignations to the LDP, referred to the new party as Tachiagare Nippon.

Tokyo Gov. Shintaro Ishihara, who supports the move, came up with the party name, Hiranuma told reporters.

"We have decided to leave the LDP and form a new party, Tachiagare Nippon," Yosano and Sonoda wrote, adding that the party aims to "topple the Democratic Party of Japan-led administration, which is leading Japan on a path to its downfall."

Defections from the LDP have gained momentum in recent months ahead of an Upper House election expected in July, with the once dominant party struggling to reassert itself after its historic defeat in last summer's general election and subsequent fall from power.

Nakagawa, who is serving his second term as an Upper House member from Hokkaido, was expected to retire, given that the LDP's Hokkaido chapter has passed him over for a prospective candidate in the upcoming election.

He is an uncle of the late former Finance Minister Shoichi Nakagawa, and shares Hiranuma's conservative views.

#### **(The Japan Times) New UNSC chief mulls Iran meet**

NEW YORK (Kyodo) New U.N. Security Council President Yukio Takasu said Monday he is prepared to convene a meeting, if required, to discuss additional sanctions on Iran over its nuclear program.

"The Iranian nuclear issue is receiving the highest attention of the political leaders, and as far as I am concerned as the president, I am ready to take it up as soon as the situation warrants, but at this moment we don't have any fixed date," said Takasu, who as Japanese ambassador has taken the rotating presidency of the Security Council for April.

Takasu took over the post from Gabon's ambassador, Emmanuel Issoze-Ngondet, last Thursday. The 15-member Security Council met Monday to adopt the "program of work" for April.

Although the Iranian issue was not put on the schedule, it remains in a footnote and therefore could be brought up at any time.

The five Security Council permanent members — Britain, China, France, Russia and the United States — as well as Germany have been discussing the possibility of imposing an additional round of sanctions against Tehran for its continued uranium enrichment activities.

While Western countries in particular fear Iran could eventually use the technology to produce nuclear weapons, it insists the program is for peaceful purposes only.

Despite Tokyo having an "extremely good bilateral relationship" with Tehran, Takasu said Japan is completely against nuclear proliferation.

"On this nuclear issue, Japan does not want to make any exception," he said. "We are the country that suffered (the) devastation of nuclear weapons. We are against nuclear proliferation."

**(The Japan Times) Japan pledges to deepen security alliance with U.S.**

Nuke disarmament also to be stressed in 2010 foreign policy

Japan will seek to further deepen the security alliance with the United States this year, the 50th anniversary of the bilateral security pact, and actively promote a worldwide movement for the abolition of nuclear weapons, the Foreign Ministry said Tuesday in its annual report on diplomacy.

The Diplomatic Blue Book 2010 says it is "an important task" to strengthen the Japan-U.S. security arrangement when there remain "uncertain elements surrounding Japan," adding the alliance has "effectively served as a basic framework to secure the stability and development of the Asia-Pacific region in the postwar period."

While the two countries are striving to resolve the matter of where to relocate a U.S. Marine base in Okinawa, Foreign Minister Katsuya Okada and Secretary of State Hillary Rodham Clinton agreed in January in Hawaii on the need to work out other important bilateral issues, launching a dialogue to further deepen the alliance, the paper says.

Where to move U.S. Marine Corps Air Station Futenma has been widely viewed as a bone of contention between the two countries.

The report says this year will be significant in the push for nuclear disarmament because of major forums, including the April 12-13 Nuclear Security Summit in Washington and the conference in May to review the operation of the Nuclear Nonproliferation Treaty in New York.

Noting the U.N. General Assembly adopted in December a Japan-initiated resolution on abolishing nuclear arms that was cosponsored by the United States for the first time in nine

years, the paper says Japan will "play a meaningful role" in nuclear disarmament and nonproliferation through talks with concerned nations.

The report highlights Okada's initiative to probe Japan-U.S. secret pacts on nuclear arms and underlines the government's resolve to carry out diplomacy that gains public understanding and trust.

The document says Japan will promote its long-term vision of establishing an East Asian community through efforts to enhance regional cooperation in such areas as trade, investment, finance.

As host of this year's Asia-Pacific Economic Cooperation forum, Tokyo will join hands with Washington, the chair of APEC meetings next year, to create new visions in the region.

Turning to bilateral affairs, the blue book airs concerns about North Korea's missile launches and nuclear test in 2009, saying they "destabilized security conditions surrounding Japan." It also blasts Pyongyang for not making good on its promise to reinvestigate abductions of Japanese by North Korean agents.

The document points out that Japan frequently held summits with South Korea and China last year to boost bilateral ties and resolve pending issues, such as stalled negotiations to seal a free-trade agreement with Seoul and a dispute with Beijing over the development of gas fields in the East China Sea.

The gas exploration dispute stems from the unsettled demarcation of the East China Sea where the exclusive economic zones claimed by the two countries overlap.

On the territorial row with South Korea, the report reaffirms that a pair of South Korea-controlled islets in the Sea of Japan are "integral Japanese territory in terms of history and international law." Japan will try to solve the dispute peacefully through diplomacy.

**(The Japan Times) Ex-Yokohama mayor, allies plan new party**

YOKOHAMA (Kyodo) Ex-Yokohama Mayor Hiroshi Nakada and other former and current local government heads plan to launch a new party, possibly by month's end, and it will pursue cutting corporate taxes and the civil service, sources said Thursday.

The party, whose members will also include Hiroshi Yamada, mayor of Tokyo's Suginami Ward, and former Yamagata Gov. Hiroshi Saito, plans to field about 10 candidates in the House of Councilors election, expected in July, the sources said.

"I will make an announcement soon, probably this month" about the party's name, membership and other details, Yamada told reporters in Tokyo, adding he will not run in the upcoming election.

Nakada and Saito are considering running in the election's proportional representation section, the sources said. No current Diet member is expected to join the party.

As to the possibility that Osaka Gov. Toru Hashimoto may join the party, Yamada said the popular governor "will not directly get involved in the latest move, although we will cooperate with him in various forms."

The mayor said he has come to believe the Democratic Party of Japan-led government will not be able to put Japan on a path toward renewal.

Nakada said his new party will differ from other new forces because it will consist of people who have produced results in local government and can make use of their experience. Among the new party's goals will be a reduction in corporate taxes and fewer national civil servants.

**(Washington Post) Corrected: Japan Democrats kingpin delays U.S. trip amid base row**

TOKYO (Reuters) - The powerful kingpin of the ruling Democratic Party of Japan (DPJ) will postpone a trip to the United States to avoid fanning criticism before an upper house poll expected in July, Japanese media reported on Thursday.

Support for Prime Minister Yukio Hatoyama is sliding as voter doubts grow on his ability to resolve a feud with Washington over the relocation of a U.S. airbase by a self-imposed deadline of end-May, clouding his party's chances of a decisive win in the key vote.

Hatoyama is expected to meet U.S. President Barack Obama at a Group of Eight (G8) summit in June.

If the Democrats fall far short of a majority in the upper chamber, which can delay bills, policymaking could get more confusing as they may have to seek new partners while dealing with a frail economic recovery and a huge public debt.

The DPJ's secretary-general Ichiro Ozawa had planned to visit the United States just weeks ahead of Hatoyama's end-May deadline, but pushed back his trip to avoid bolstering the impression that he is the real power behind the government, media said.

Chances are fading for a new deal to be reached by the deadline.

U.S. officials say the current plan to relocate the U.S. Marine airbase within the southern island of Okinawa is the best, but the DPJ's tiny coalition allies oppose this.

Close to a majority of voters, as well as opposition and coalition lawmakers, have said Hatoyama should step down if he cannot resolve the row by the end of May.



Voter support for the Democrats fell to 24 percent while for the LDP it dropped to 16 percent in a recent Yomiuri newspaper survey. Nearly half said they do not support any party.

To take advantage of voters weary of both parties, small parties are springing up, including a group of current and former governors and mayors as well as a group of aging defectors from the main opposition Liberal Democratic Party.

Experts say that the impact of these new parties on the Democrats has been minimal or unclear so far.

"As of now, they are not threats in an active sense. It is hard to say that people are attracted to what they are insisting on and to say they have a core that can be a weapon to attack the Democrats," said Katsuhiko Nakamura of think tank Asian Forum Japan.

**(Japan times) No spring U.S. visit: Ozawa**

Democratic Party of Japan Secretary General Ichiro Ozawa has ruled out visiting the United States during the Golden Week holidays, several DPJ lawmakers said Wednesday.

The plan emerged after Kurt Campbell, U.S. assistant secretary of state for East Asian and Pacific affairs, asked Ozawa to bring a delegation of DPJ lawmakers to the United States when they met in Tokyo in February.

Ozawa apparently decided to drop the plan out of concern that the visit could be seen as his negotiating with Washington behind the scenes on the relocation of U.S. Marine Corps Air Station Futenma, which would be contrary to his advocacy of concentrating policymaking power within the Cabinet.

In addition, the ruling party has not received any official letter of invitation from the United States, according to the sources.

Ozawa told a news conference shortly after holding the talks with the top U.S. diplomat for Asia on Feb. 2 that he had asked Campbell to arrange "sufficient time" for President Barack Obama to meet with him during such a visit.

But it is rare for the United States to send an invitation to a foreign political party official and there is no custom of the president meeting with such an official visiting the country.

Ozawa may consider visiting the United States after the House of Councilors election this summer, one DPJ lawmaker said.

**(The Japan Times) Fujii tenders his resignation letter to LDP ahead of joining new party**

Former transport minister Takao Fujii tendered his resignation Thursday to the Liberal Democratic Party, one of the final steps before Saturday's official launch of a new party led by former trade minister Takeo Hiranuma.

Hiranuma, former Finance Minister Kaoru Yosano, former LDP Deputy Secretary General Hiroyuki Sonoda, LDP Upper House lawmaker Yoshio Nakagawa and Fujii, also an LDP Upper House member, were expected to meet Thursday afternoon to work out the key policies and philosophy of the new party, which has been named Tachiagare Nippon (Stand Up, Japan).

Yosano, Sonoda and Nakagawa have already submitted their resignations to the LDP. Hiranuma is an independent who left the long-ruling party in 2005 over his opposition to postal privatization.

"After I thought hard about whether I can pull myself through in the quest to beat the Democratic Party of Japan, I made up my mind with the notion that working under a new framework will be a plus to the LDP in the long term," Fujii said.

LDP President Sadakazu Tanigaki expressed regrets about Fujii's move when the two met in the morning, saying he was also surprised because Fujii had not publicly criticized the party leadership, unlike other prospective members of the new party, according to Fujii.

He was first elected to the Upper House in 1981. He switched to the Lower House in 1993 during his third term in the upper chamber. He lost in the 2005 Lower House election, in which he ran as an independent after opposing postal privatization. After making it back into the Upper House in 2007, he returned to the LDP.

**(The Japan Times) Court hits '09 poll vote-value disparity**

TAKAMATSU, Kagawa Pref. (Kyodo) Last August's general election stands but the vote-value disparity marked in the poll, reaching as high as 2.3 to 1, went against the spirit of the Constitution's call for equal weight of votes, the Takamatsu High Court ruled Thursday.

The court thus rejected the demand by the plaintiff — a lawyer in Takamatsu — to nullify the House of Representatives election returns in the Kagawa No. 1 constituency.

Similar suits have been filed nationwide over the Aug. 30 election that brought the Democratic Party of Japan to power, and already high courts in six cases have ruled it to be either unconstitutional or against the constitutional spirit, while only one has said the poll was constitutional.

High courts are the court of first instance for suits on the validity of an election.

In the latest ruling, presiding Judge Masaki Sugimoto said the main factor contributing to the disparity is the election system, which automatically allots a seat to each of the 47 prefectures regardless of population size and then allocates the remainder of the seats according to population.

The largest disparity in vote value was between the least populated No. 3 constituency in Kochi Prefecture and the most populated No. 4 constituency in Chiba Prefecture.

**(The Japan times) Japan gets U.S. pitch to buy spy drones**

But questions remain whether sensitive tech will be exported

The U.S.-made RQ-4 Global Hawk spy plane looks like an upside-down double-decker bus with wings, flies slowly, offers zero leg room — and is one of the most coveted pieces of military technology in the world.

Impressed by its successes in combat for the U.S. Air Force in Iraq and Afghanistan, countries around the globe are lining up to buy the unmanned drone aircraft to bolster their own intelligence abilities, despite concerns that exports might send sensitive technology into the wrong hands.

Some experts said the export of the planes could also heighten tensions with China, Iran and Russia, which could be the subject of closer observation and perceive the drones' operations as offensive threats.

Undaunted by such concerns, Northrop Grumman, the producer of the Global Hawk, just wrapped up an Asian tour in Tokyo with a full-size mockup and says that along with Japan, other countries considering adding the plane to their air forces are South Korea, Australia, Singapore, Britain, Spain, New Zealand and Canada.

Germany has already contracted for a variant called the EuroHawk to be delivered this year.

"That you're going to see a lot more of these airplanes is the bottom line," said Curtis Orchard, vice president in Japan for Northrop Grumman Corp. Aerospace Systems. "There is still a 'boutique' feeling now, but there is going to be widespread usage."

Along with the armed Predator, the Global Hawk, which does not carry weapons, is one of the most successful of the new generation of drones, or Unmanned Aerial Systems, and has become a staple of operations by the U.S. Air Force in Afghanistan and Iraq.

The aircraft is increasingly being used for civilian responses to natural disasters or for scientific research. It recently flew disaster relief missions in support of the Haiti earthquake, providing thousands of images to recovery and relief agencies.

But military operations are where the plane has made its biggest mark.

Since its introduction 11 years ago, the Global Hawk has put in 40,000 flight hours — 75 percent of that in combat. It can fly at altitudes of 18,300 meters for more than 32 hours at a time, meaning it can carry out a wide range of intelligence, surveillance and reconnaissance missions above most countries' defenses that would not be possible with manned aircraft.

"The (U.S.) Air Force just can't get enough of the Global Hawk," said Gemma Loochkartt, the Global Hawk Communications representative for Northrop Grumman Aerospace Systems, in San Diego.

She said the Global Hawk fleet is now 21 planes finished or under construction, and that is likely to grow substantially.

Spy capabilities and the relatively low cost — \$5 million for a Predator and \$30 million for a Global Hawk, compared with \$85 million for the manned Joint Strike Fighter, which is still in development — have made top-of-the-line drones an attractive option for U.S. allies.

Japanese defense officials, for example, have said they are looking into introducing the plane in their next five-year military plan as a means of watching North Korea, which is well within the Global Hawk's 16,000-km range.

South Korea is believed to be interested in acquiring them for similar use.

But Northrop Grumman's sales effort is a delicate one — the Global Hawk is the most sophisticated spy drone in the air force, and not all want to share the eye-in-the-sky edge the U.S. now enjoys.

The political stakes are also high — North Korea, China, Russia and other countries are not likely to welcome spy planes loitering off their coast.

"I think there is a concern, not just in Asia but wherever the spy planes might be sold, of increased tensions if exports are given the go-ahead," said Takehiko Yamamoto, a professor of international relations at Waseda University in Tokyo.

"China, Russia and others would perceive it as a potentially offensive capability. For Japan, I think it is a bad idea."

Drone technology is tightly regulated, as is also the case with stealth fighters such as the F-22, which also has brought interest from Japan and other potential buyers around the world but has not been approved for export by Congress.

Sales of the drones are controlled under the Missile Technology Control Regime, a pact among 34 countries that is meant to limit the spread of missile technology and the proliferation of weapons of mass destruction.

Defense Secretary Robert Gates told the Senate Appropriations Committee in March that he shared the fears that drone technology could get into the wrong hands, citing in particular terrorist groups. But he also noted that potential adversaries — particularly Iran — are already developing their own drone fleets, and sharing technology with allies would be in Washington's best interest.

Orchard acknowledged that the international restrictions remain a major hurdle in building an international market for drones.

"It is a significant issue," Orchard said. "But the Global Hawk is not armed, so that makes it a little easier."

Analyst Lance Gatling, of Tokyo-based Nexil Research, said exports to close U.S. allies are almost inevitable.

"Someone is always going to complain when someone else buys a system like the Global Hawk," he said. "There certainly are sensitive technologies. It definitely has an impact on any country's ability to observe someone else."

But, he added, "it's a capability the U.S. wants them to have."

## ***Economic Front;***

### **Detailed News:**

#### **(Washington Post) Japan, U.S. to resume talks on reopening beef market**

TOKYO (Reuters) - Japan has agreed to resume talks on reopening its market to U.S. beef, agriculture minister Hirotaka Akamatsu said on Thursday after meeting his U.S. counterpart Tom Vilsack.

Akamatsu quoted Vilsack as saying the Obama administration is willing to take a more flexible approach on the issue.

Vilsack said in a statement there was a commitment for further talks on restrictions that cost the U.S. beef industry about \$1 billion a year in exports.

"Given the importance of a candid exchange of views regarding import conditions for U.S. beef and beef products based on science and international standards, we both underscored the commitment of our respective governments to continue discussions," he said in a statement.

Japan is still sticking to restrictions imposed on U.S. beef imports since 2006, limiting them to meat from cattle aged 20 months or younger, while the U.S. stresses the safety and quality of its beef, Akamatsu said.

The U.S. aims to persuade Japan to eventually fully reopen its beef market, but Akamatsu said he had the impression it was open to other options at this point.

"The U.S. said it wanted Japan to also be flexible and asked to move discussions forward, and I said Japan also agrees to the need for such talks to break the impasse," Akamatsu told reporters after the meeting.

"The most important issue is for Japanese consumers to feel confident that U.S. beef is the safest -- otherwise, imports will not increase even if we provide more opportunities," Akamatsu said.

He said no specific schedule or details had been decided on how to resume talks.

Vilsack is in Japan this week to promote U.S. farm exports to Japan, the world's largest net food importer. Japan was also the biggest export market for U.S. beef until mad cow disease, formally known as bovine spongiform encephalopathy (BSE), was found in the U.S. in December 2003, prompting Tokyo to impose a ban.

Japanese public concerns about U.S. beef remain, given that some cow body parts banned by Japanese import regulations have been found in beef shipments from the U.S. in the past.

The U.S. is the biggest exporter of agricultural products to Japan, accounting for nearly one-third of Japan's agricultural imports.

#### **(Washington Post) Japan central bank stays put on interest rates**

TOKYO -- Japan's central bank kept its key interest rate unchanged and held off on new easing steps Wednesday, saying the economy is improving.

The Bank of Japan's policy board voted unanimously to keep its overnight call rate at a super-low 0.1 percent. The bank has not tweaked that rate since December 2008.

The central bank described the economy as "picking up" due to expanding overseas demand and stimulus steps. It expects moderate growth for the time being and the expansion to accelerate once the corporate recovery spills over to households.

It acknowledged, however, that momentum is still too weak to drive a self-sustaining recovery in consumer demand at home.

The decision was widely expected after a key central bank report last week confirmed improving corporate morale. The quarterly "tankan" survey of business sentiment showed confidence rose for the fourth straight quarter amid growing faith in the global recovery.

The data affirmed the Bank of Japan's relatively upbeat view of Japan's economy, giving justification to stay put after loosening policy last month. Board members decided in March to boost liquidity by expanding a low-interest loan program amid political pressure to escalate the fight against deflation.

The central bank says it does not tolerate deflation though it expects prices to head south for the next couple of years. Deflation can hamstring economic growth by depressing company profits, sparking wage cuts and causing consumers to postpone purchases. It may also increase debt burdens.

Board members pledged to maintain an "extremely accommodative financial environment."

"The bank recognizes that it is a critical challenge for Japan's economy to overcome deflation and return to a sustainable growth path with price stability," the bank said in a statement. "To this end, the bank will continue to consistently make contributions as a central bank."

The meeting was the first for new board member Ryuzo Miyao, a former economics professor who joined the central bank in late March. Comments at his first press conference suggested that he would support additional easing steps.

Yoshihisa Morimoto, a power company executive, will fill the Bank of Japan's final vacancy on July 1.

#### **(Washington Post) Documents: Toyota lagged in issuing US warnings**

WASHINGTON -- Toyota issued internal repair procedures to its own distributors in 31 European countries about sticking accelerator pedals months before it warned U.S. regulators about the problem - and on the same day it told the U.S. government it would conduct a recall over loose floor mats, according to Toyota documents obtained Tuesday by The Associated Press.

Transportation Secretary Ray LaHood earlier this week cited the Sept. 29 European warnings in his decision to assess a record \$16.4 million fine on the Japanese automaker for failing to alert the U.S. government to its safety problems quickly enough. LaHood on Tuesday said Toyota made a "huge mistake" by not disclosing safety problems with gas pedals on some of its most popular models sooner.

Detailed chronologies provided by Toyota to the government and obtained by the AP show rising concerns at the end of 2009 about sticking gas pedals and complaints from Toyota owners in the U.S. about the problem. According to the documents, Toyota's European division issued technical information to the European distributors "identifying a production improvement and repair procedure to address complaints by customers in those countries of sticking accelerator pedals, sudden rpm increase and/or sudden vehicle acceleration."

On the same day, Toyota told the National Highway Traffic Safety Administration of its decision to recall several Toyota and Lexus vehicle models "to address the risk of accelerator pedal entrapment by all-weather floor mats," according to a timeline of the company's handling of the floor mat recall. The two timelines, entitled "preliminary chronology of principal events," were provided to the government on March 24.

Toyota has said the problems involved separate issues and in the case of the sticking gas pedals, the problem was related to the buildup of condensation on sliding surfaces in the accelerator system that helps drivers push down or release the gas pedal.

The documents obtained by AP were among 70,000 pages of papers turned over to government investigators. They detail internal communications and testing of the sticking pedals before Toyota presented its findings to NHTSA four months later, during a meeting in Washington on Jan. 19. Two days later, Toyota announced it would recall 2.3 million vehicles to address the sticking pedals.

On Oct. 7, according to the timeline, a staff member of Toyota's product planning and management division at the company's headquarters in Japan sent a Toyota colleague in North America a copy of engineering change instructions describing the same design changes for the accelerator pedal of a Toyota RAV4 as was implemented in Europe.

Two weeks later, the timeline says a member of the product planning team in North America received a call from a colleague in Japan "instructing him not to implement the (engineering change instructions) noted above."

Toyota notified NHTSA in November 2009 of three cases of sticking pedals in Corollas sold in the United States that were reported to the company in late October. In November and December, Toyota engineers examined pedals from the Corollas and "concluded that the phenomenon experienced in the United States was essentially the same as the phenomenon experienced in Europe."

In mid-January, Toyota held internal meetings "to discuss status of production changes and to prepare for meetings with NHTSA" on Jan. 19, according to the timeline.



LaHood told reporters in Chicago on Tuesday that he wouldn't be surprised if a review of documents from Toyota Motor Corp. uncovered additional safety lapses by the Japanese automaker.

"This is the first thing that we have found. It may not be the last thing," LaHood said, adding that "it would not surprise me if we discovered other information."

Under federal law, automakers must notify the National Highway Traffic Safety Administration within five days of determining that a safety defect exists and promptly conduct a recall.

Toyota, in a statement Tuesday, said it "has and will continue to practice its philosophy of satisfying consumers with high quality vehicles that are safe and reliable, and responding to consumer feedback with honesty and integrity."

Toyota has recalled more than 6 million vehicles in the U.S. and a total of more than 8 million worldwide because of acceleration problems in multiple models and braking issues in the Prius hybrid.

The Japanese automaker was still weighing its options on Tuesday about whether to accept or contest the fine. The proposed fine is the most the government could levy, but further penalties are possible under continuing federal investigations. LaHood declined to speculate on whether Toyota will face additional fines.

Toyota's fine of \$16.375 million is the largest ever levied on an automaker and dwarfs the previous record: In 2004, General Motors paid a \$1 million fine for responding too slowly on a recall of nearly 600,000 vehicles over windshield wiper failure.

The fine is just one of several problems Toyota continues to face related to its recalls. Toyota has also been named in 138 potential class-action lawsuits over falling vehicle values and nearly 100 personal injury and wrongful death cases in federal courts nationwide.

Still, Toyota's sales have stabilized over the last month thanks in large part to generous sales incentives. On Tuesday, Toyota said it would continue to offer most of its sales incentives in April after the discounts helped drive up sales more than 40 percent last month. The incentives include cheap leases, zero-percent financing and a two-year free maintenance program.

The government has linked 52 deaths to crashes allegedly involving sudden acceleration in Toyotas. The recalls have led to congressional hearings, a criminal investigation by federal prosecutors, dozens of lawsuits and an intense review by the Transportation Department.

Toyota has attributed the problem to sticking gas pedals and accelerators that can become jammed in floor mats. Dealers have fixed 1.7 million vehicles under recall so far. The sticking

accelerator pedal recall involves the 2007-10 Camry, 2009-10 Corolla, 2009-10 Matrix, 2005-10 Avalon, 2010 Highlander and 2007-10 Tundra.

Consumer groups have suggested electronics could be the culprit, and dozens of Toyota owners who had their cars fixed in the recall have complained of more problems with their vehicles surging forward unexpectedly. Toyota says it has found no evidence of an electrical problem.

Reviews of some recent high-profile crashes in San Diego and suburban New York have failed to find either mechanical or electronic problems. In the New York case, a police investigation found that the driver, not the car, was to blame.

Following the recalls, the Transportation Department demanded in February that Toyota turn over documents detailing when and how it learned of the problems with sticking accelerators and with floor mats trapping gas pedals.

### **(Reuters) -Japan machine orders fall shows slow capex recovery**

Machinery orders fall for 2nd straight month in February

TOKYO, April 8 (Reuters) - Japan's core machinery orders unexpectedly fell for a second straight month in February in a sign that the pace of recovery in companies' capital spending could stay slow and weigh on growth.

The surplus in Japan's current account rose by almost a third in February from a year earlier due to a record annual gain in exports, showing that a steady pickup in exports, particularly to China, will continue to support Japan's economy.

Strong exports should encourage Japanese manufacturers to gradually increase corporate spending as the year progresses, economists say. But non-manufacturers are likely to delay spending due to weak domestic demand, and that will hold back overall growth in capital expenditure.

The decline in machinery orders could cause concern for the government, which took office last September, as it has little leeway to boost the economy with fiscal policy should Japan falter on its gradual recovery path ahead of a mid-year election for parliament's upper house.

The data could also pose a challenge to the Bank of Japan as it could struggle to reconcile its growing optimism on the economy with government pressure to ease monetary policy further.

"This data does fluctuate a lot, but the overall trend is that capex has bottomed out," said Yoshiki Shinke, a senior economist at Dai-ichi Life Research Institute in Tokyo.

"One concern is non-manufacturers pulled down the headline number as domestic demand is weak. From here on, manufacturers will lead gains in capex, but the pace will likely be slow."

Core private-sector machinery orders, a highly volatile series regarded as an indicator of capital spending, fell 5.4 percent in February, against a median market forecast for a 3.7 percent rise.

The core orders, which exclude those for ships and machinery at electric power firms, were 7.1 percent lower than the same month last year, with a 2.0 percent increase expected.

Orders from manufacturers fell 0.3 percent in February, with materials sectors such as steel and chemicals putting a drag on the figure. Orders from non-manufacturers fell 4.0 percent due in part to lower orders from wholesalers, retailers and information services.

#### TOO ROSY VIEW?

The BOJ kept monetary policy unchanged on Wednesday and made slightly more upbeat comments about capital expenditure and the economy. [ID:nTOE63600E]

But some analysts say the machinery orders data may not go down well with the central bank's argument.

"The BOJ has raised its view on the economy which it says is showing some signs of self-sustained recovery, but that sounds a little too rosy when we look at data like today's," said Takeshi Minami, chief economist at Norinchukin Research Institute.

"Deflation remains the focal point in monetary policy, so the central bank will have no choice but to lean towards easing as long as it cannot see a way out of deflation."

The Cabinet Office stuck to its assessment of machinery orders, saying they are levelling off, but officials remain cautious on the outlook.

"We maintain the view that capital spending is levelling off. We have pointed out the possibility of the economy showing some signs of self-sustained recovery but careful judgment is needed," said Keisuke Tsumura, a parliamentary secretary at the Cabinet Office.

The BOJ's latest tankan showed on April 1 that big firms plan to cut capital spending, a key driver of the economy, by 0.4 percent in the fiscal year that started on April 1, against a planned 14.2 percent drop in the previous year.

Japan's current account surplus rose 29.6 percent in February from a year earlier to 1.47 trillion yen (\$15.8 billion), less than the median estimate for a 42.8 percent annual rise. It has been in the black for 13 months in a row.

Japan had a spotty recovery last year from recession, but economists say exports are likely to underpin growth this year. (\$1=93.27 Yen)

**(Reuters) JAL to cut 16,500 jobs by March next - Nikkei**

April 7 (Reuters) - Japan Airlines Corp (JALFQ.PK) plans to reduce its workforce by a third within the fiscal year to lower labour costs by 81.7 billion yen a year, the Nikkei business daily said. The restructuring proposal compiled by the carrier and the state-backed Enterprise Turnaround Initiative Corp of Japan (ETIC) suggests to cut 16,500 jobs.

The proposed cuts include 5,405 workers from cargo and other peripheral operations, 2,460 flight attendants, 2,043 sales representatives and 775 pilots. Staffing at Kansai International Airport and Central Japan International Airport will be slashed 70 percent to 642 employees, reflecting reduced flight schedules, the Nikkei added.

Japan Airlines is currently soliciting 2,700 volunteers for early retirement, with two more rounds slated in the coming months, the newspaper said.

The airline had planned to cut 15,700 jobs over three years under the rehabilitation plan submitted with its bankruptcy filing in January. But operating losses of up to 1 billion yen a day have forced the faster restructuring, the Nikkei said.

With a June deadline for issuing an overhauled business plan, Japan Airlines and ETIC saw the need to quickly trim payroll in tandem with paring routes and selling older aircraft. Charting a swift path to profitability is seen helping garner the support of lenders, the newspaper added.

**(Reuters) Japan Feb coincident indicator up 0.4 point**

Economic indicators rose a preliminary 0.4 point in February from the previous month, climbing for the 11th straight month in a sign of the economy's gradual recovery. The index of leading economic indicators, compiled using data such as the number of job offers and consumer sentiment and a gauge of the economy a few months ahead, rose 1.0 point from January to mark its 12th straight month of increase. The Cabinet Office maintained its assessment of the coincident index, saying it is improving. Details were as follows: (month-on-month changes in points)

FEB	JAN	DEC	NOV		
Leading Index	+1.0	+2.1	+3.5	+1.8	
Coincident Index	+0.4	+2.7	+1.6	+1.8	
Lagging Index	+0.5	+2.3	+0.7	-0.4	

**(Reuters) Japan MOF's Noda denies extra budget**

TOKYO, April 5 (Reuters) - Japan's government will use budget reserves to support the economy rather than compiling an extra budget, deputy finance minister Yoshihiko Noda said on Monday.

"The government is ready to respond flexibly if the economy shows some changes," Noda told a news conference.

He stressed that the government has budget reserves worth about 1 trillion yen (\$10.60 billion) available for fiscal 2010/11, which started on April 1, and further reserves of the same amount for use in case of emergency.

"The government will use the reserves first," he said, adding that there had been no discussion of a supplementary budget for fiscal year.

By tapping the reserves, the Democratic Party-led government would avoid the need to issue new bonds on top of a record 44.3 trillion yen (\$469.4 billion) in annual issuance already in the budget.

"The DPJ is worried about the election as polls show their popularity is declining," said Satoru Ogasawara, an economist at Credit Suisse in Tokyo.

Media polls show the Democratic Party of Japan's lead over the opposition Liberal Democratic Party is narrowing ahead of an election expected in July for parliament's upper house. The Democrats need to win an outright majority in the upper house to avoid relying on two small coalition parties.

"At this moment, they may not need to spend more money. Many people are also concerned about the budget deficit, so spending the reserves may not necessarily earn them votes," Ogasawara said.

Credit rating agencies have threatened to downgrade Japan's sovereign rating as the government's ambitious spending plans have fuelled concerns that Japan's debt burden will continue to grow.

Japan's public debt is about twice the size of the economy. (\$1=94.38 Yen)

**(The Japan Times) Fujitsu ex-boss seeks ¥5 billion**

Denies ties to mob, readies lawsuit over 'forced' resignation; Former Fujitsu Ltd. President Kuniaki Nozoe said Wednesday he plans to file a ¥5 billion damages suit against two of the company's executives, claiming the firm sustained losses to that amount by forcing him to resign his position.

The losses were incurred because negotiations Nozoe had led for the proposed sale of a Fujitsu subsidiary were suspended due to his "resignation," he said in Tokyo.

Nozoe urged the company to set up a third party committee to investigate the reasons some executives forced him out as president last year.

"It was an unusual situation where a company chief was (effectively) dismissed for a false reason," he said. "I really want to know the reason why such a situation emerged."

The move escalates a dispute that started last month, when the former executive at Japan's biggest computer-services company asked Fujitsu to nullify his September resignation and reinstate him. The public spat reflects a breakdown of corporate governance, said Yoshihiro Ito, senior strategist at Okasan Asset Management Co.

"Given what a huge corporation this is, it shakes people's trust in the company," Ito said. "If Fujitsu can continue to turn in better results, they'll be able to win back investor trust."

Fujitsu said March 6 it asked Nozoe to resign because he had links to a company with an "unfavorable" reputation, more than five months after saying he quit for health reasons.

Nozoe, 62, denies having ties to "antisocial forces," or organized crime, his lawyer, Kei Hata, said last month.

Nozoe planned to seek several hundred million yen in compensation, a newspaper reported earlier Wednesday, citing an unidentified source familiar with the plan. Fujitsu has no knowledge of such a claim, said Yasuhiko Yodo, a company spokesman.

"Whatever happens next in court doesn't mean much to investors," Ito said. "The question is how the company performs. So you have a few people tied up in court; that's not going to send shock waves through a company this size."

Shareholder suits are required by law to first be channeled through corporate auditors whose job it is to police company directors, said Mitsuhiro Kamiya, a partner at Skadden, Arps, Slate, Meagher & Flom LLP in Tokyo. Shareholders can sue the executives directly if auditors don't act within 60 days, he said.

"Unless the former CEO can produce new evidence about which they're not aware, it's highly unlikely that the statutory auditors will take action against the directors."

Fujitsu told Nozoe his links to a fund involved in the potential sale of Fujitsu subsidiary Nifty Corp. were improper because the fund had connections with "antisocial forces," or organized crime, Hata said last month, declining to identify the fund.

Nozoe, who was sick at the time of his September exit, agreed to cite health reasons to avoid damaging the reputation of the firm he headed, Fujitsu said in its March statement.

He agreed to step down because he understood his actions put the firm's reputation at risk, not because of malpractice or illegal actions, according to the statement.

The Tokyo Stock Exchange last month ended a probe into the conflicting reasons given by Fujitsu and determined the firm didn't mislead investors enough to warrant a sanction.

Masami Yamamoto was named in January to take over as president from Chairman Michiyoshi Mazuka, who temporarily assumed the position after Nozoe's resignation through the end of March.

During Nozoe's 15-month stint, the company pushed forward with the sale of its hard-disk-drive business to Toshiba Corp. and agreed to outsource some chip production to Taiwan Semiconductor Manufacturing Co. to cut spending. The company also sought to strengthen its operations in Europe by making Netherlands-based Fujitsu Siemens Computers Holding BV a fully owned subsidiary.

Fujitsu swung to a profit in the third quarter after the company sold money-losing hardware businesses. Net income was ¥4.1 billion in the three months that ended Dec. 31, compared with a ¥40.8 billion loss a year earlier.

#### **(Reuters) Shin-Etsu plans \$1.1 bln chemicals plant at US site**

TOKYO, April 5 (Reuters) - Japan's Shin-Etsu Chemical Co Ltd (4063.T) said it plans to spend 100 billion yen (\$1.1 billion) to build a new plant to produce vinyl chloride monomer, used in polyvinyl chloride (PVC) production, sending its shares to the highest close in six months.

Shin-Etsu is the world's largest maker of PVC, widely used to make pipes and construction materials. Its rivals include Taiwan's Formosa Plastics Corp (1301.TW), Belgium's Solvay SA (SOLB.BR) and Thai Plastic and Chemicals TPC.BK.

Shin-Etsu aims to shield its PVC operation from possible fluctuations in raw materials supply by boosting in-house production of vinyl chloride monomer (VCM), a company spokesman said on Monday.

It plans to build the new VCM factory, with an annual output capacity of 800,000 tonnes, at its manufacturing site in the U.S. state of Louisiana by 2011, doubling the manufacturing complex's total VCM production capability to 1.6 million tonnes.

Completion of the new plant will boost the ratio of in-house VCM in its U.S. PVC manufacturing operation to 60 percent from 30 percent, consequently lowering the amount of VCM it procures from Dow Chemical (DOW.N), the spokesman said.

Shin-Etsu plans to use its own funds to finance the construction, he said.

Shares in Shin-Etsu ended up 3.8 percent at 5,700 yen, their highest close since Sept. 25, 2009. The benchmark Nikkei average .N225 gained 0.5 percent.

**(The Japan Times) Ministers mull settlement for JNR unionists**

Transport minister Seiji Maehara said he and two other Cabinet ministers finalized a plan to settle a 23-year-old dispute over the refusal by Japan Railway companies to hire unionized workers from the former national railway.

Maehara said that he, Deputy Prime Minister and Finance Minister Naoto Kan and Chief Cabinet Secretary Hirofumi Hirano held talks after a Cabinet meeting Tuesday morning and agreed on the plan to settle the workers' compensation claims.

Maehara said he will brief Prime Minister Yukio Hatoyama after obtaining consent from the Democratic Party of Japan, its two coalition partners and New Komeito.

The three ruling parties and the opposition party last month proposed a settlement package worth ¥23 billion to resolve the dispute, which stems from the 1987 privatization of the Japanese National Railways.

The proposal also asks JR companies to hire some 200 former JNR workers.

Hatoyama said at the time that the government had to study the proposal seriously, also stressing that many former JNR workers had endured hardship for the past 23 years.

The newly created railway companies refused to hire 1,047 workers, many of whom were members of the National Railway Workers Union (Kokuro).

The compromise deal urges Japan Railway Construction, Transport and Technology Agency, an organization that inherited JNR's debts, to pay some ¥23 billion as settlement money to former JNR workers.

**(Reuters) Japan Kan: explained govt fiscal policy to BOJ**

TOKYO, April 9 (Reuters) - Japanese Finance Minister Naoto Kan said on Friday that he explained the government's fiscal policy in a meeting with the Bank of Japan's governor and deputy governor the same day.

Kan, speaking to reporters after the meeting with Prime Minister Yukio Hatoyama, BOJ Governor Masaaki Shirakawa and BOJ Deputy Governor Hirohide Yamaguchi, said the government wanted to keep communicating with the central bank to end deflation and ensure an economic recovery.



**(Reuters) BOJ Gov: PM made no requests in chat on economy**

TOKYO, April 9 (Reuters) - Bank of Japan Governor Masaaki Shirakawa said he and Prime Minister Yukio Hatoyama exchanged views on the economy and the financial situation on Friday.

"The prime minister asked questions about the economy and the financial situation, and I explained our views to him," Shirakawa told reporters after the meeting, which lasted almost two hours.

Asked if Hatoyama made any requests during the meeting, Shirakawa said: "He didn't make any requests."

He said the two sides plan to hold such meetings every three months.

**(The Japan Times) Current account surplus up 30%**

The nation's current account surplus in February rose 29.6 percent from a year earlier to ¥1.471 trillion, underpinned by growing demand for Japanese products overseas, Finance Ministry data showed Thursday.

It marks the seventh straight month of year-on-year improvement in the current account balance.

Many economists predict the economic recovery will continue in the months ahead on brisk exports, especially to China.

Japan has seen a current account surplus for 13 straight months.

The balance of trade in goods and services posted a surplus of ¥693.4 billion, up from ¥69.3 billion a year before, the Finance Ministry said in a preliminary report.

The surplus in merchandise trade surged 295.1 percent to ¥778.0 billion.

Exports jumped 47.3 percent to ¥4.866 trillion, the largest expansion since comparable data became available in 1986.

The third straight month of growth was led by increases in shipments of cars, machinery and high-tech devices to Asia and North America.

Imports expanded for the second month running, up 31.6 percent to ¥4.087 trillion, partly because of rising oil prices.

Atsushi Matsumoto, an economist at Mizuho Research Institute, said a weakening of the yen in recent weeks is an additional positive factor for the ongoing export-driven recovery.

"It is likely that exports will stay firm for at least six months," Matsumoto said. "But it remains to be seen whether the trend will carry on after around October. That largely depends on the course of China."

## *Socio-cultural*

### **Detailed News:**

#### **(Washington Post) Japan's video game visionary: the console is dying**

TOKYO (Reuters) - Hideo Kojima, one of the world's most famous video game creators, sees a future for digital entertainment outside the box -- outside any box.

Kojima, whose "Metal Gear Solid" games have sold more than 27 million copies, says the future of video gaming is on networks that will free players from consoles supplied by the likes of his long-time partner Sony Corp.

"In the near future, we'll have games that don't depend on any platform," Kojima said at a news conference announcing the latest installment in a game saga that began in 1987.

"Gamers should be able to take the experience with them in their living rooms, on the go, when they travel -- wherever they are and whenever they want to play. It should be the same software and the same experience," he said.

Kojima was speaking at an event in Tokyo to detail plans for the late April launch of "Metal Gear Solid: Peace Walker," a video game he developed and directed and Konami Corp is launching for Sony's portable PSP device.

The prediction of a future without game machines from a figure regarded as both creative maverick and commercial dynamo appeared to rattle a Sony executive on hand for the event.

"It's a bold prediction," Sony Computer Entertainment Japan President Hiroshi Kawano told reporters with a nervous smile. "We hope he continues to develop for platforms, but we deeply respect his sense of taking on a challenge."

"Metal Gear Solid: Peace Walker" goes on sale in Japan at the end of April and the United States and Europe in June.

Kojima, 46, is known for sneaking pacifist themes into a game series that features stealth combat and elaborate plot lines that often reflect on the dangers of technology.

The latest installment features Metal Gear's mercenary hero, Snake, as he and a group of soldiers of fortune set off to save Costa Rica from invasion in 1974 by a mysterious army.

Kojima said players are rewarded for cooperating and encouraged to stun and capture -- not kill - enemy soldiers they encounter in order to put them to work.

"This is software that develops management skills," Kojima said. "You can even fire workers, something that you can't really do in real life. In the game, I couldn't stop doing it."

Kojima has said he hopes to develop movies as well as video games. Like recent Hollywood productions, his latest game is packed with product placements to bring in additional revenue, including AXE bodywash from Unilever and Doritos corn chips and Mountain Dew from PepsiCo.

Kojima said he hoped the release of the new game on Sony's PSP device would give his development team a sense of what works in portable gaming in preparation for his vision of gaming on demand over the Internet.

"I looked at this in part as an experiment aimed at the future," he said.

#### **(Reuters) China executes Japanese national for drug smuggling**

BEIJING, April 6 (Reuters) - China executed a Japanese citizen on Tuesday for drug smuggling, ignoring concern from Tokyo that the move, along with plans to execute three other Japanese, could inflame public opinion.

China's official Xinhua news agency, in a brief report, said the sentence was carried out on Mitsunobu Akano on Tuesday morning in the northeastern province of Liaoning.

Akano is the first Japanese to be executed by China after the two countries normalised diplomatic relations in 1972, according to Japanese media.

Japan, which also has the death penalty, said the execution was regrettable but hoped the move would not harm bilateral ties.

"Because our judicial systems are different, Japanese people will naturally think that this (punishment) is too harsh, but people must understand that each country is different," Japanese Prime Minister Yukio Hatoyama told reporters.

"The government will do what it can to make sure that this does not cause a rift in Japan-China ties."

Japanese Foreign Minister Katsuya Okada met Chinese Ambassador Cheng Yonghua on Friday and expressed concern about a possible Japanese backlash against plans for China to execute Akano and three other Japanese death-row inmates soon.

China also hoped that the move would not strain ties.

"We attach great importance to Sino-Japanese relations, and hope the case will not have any impact upon bilateral ties," Chinese Foreign Ministry spokeswoman Jiang Yu told reporters.

While relations have improved of late, the two countries regularly clash over Japan's wartime past in China and various territorial disputes.

In December, China executed a Briton, also for drug smuggling, prompting a British outcry over what it said was the lack of any mental health assessment.

Rights group Amnesty International believes China executes thousands of people every year. Beijing does not give a breakdown of the number of people it puts to death.

Japan, along with the United States, are the only two of the Group of Eight countries that conduct executions. A government poll showed in February that 86 percent of Japanese approve of the death penalty.

#### **(The Japan Times) Police eye program making it tougher for drunken drivers to get new license**

The National Police Agency is considering requiring people whose drivers' licenses were revoked for drunken driving to go through additional programs designed to fight addiction before getting a new license, officials said Thursday.

The NPA will carry out a half-year model project starting in September in four prefectures and followup research for a year on those who go through the program before deciding whether to go ahead with the project full bore, the officials said.

If it proves successful in preventing repeat drunken driving offenses, the project would take effect nationwide as early as spring 2013, they said.

The drivers will be required to receive counseling, join a group discussion and record their drinking amount and situations for four weeks, as advised by addiction experts, in addition to the conventional curriculum.

The current program comprises 13 hours of aptitude tests, lectures and driving practice accompanied by instructors over two days. Participants who finish the course and whose disqualification period is over can take a new driving test.

The number of fatal accidents caused by drunken driving declined to 292 last year, one-fourth the amount of a decade ago, thanks to the criminal charge of dangerous driving resulting in death and injury instituted in 2001 and toughened penalties.

However, the agency aims to further reduce the figure even more, according to the officials.

**(The Japan Times) Missing journalist in Afghan jail**

KABUL (Kyodo) A Japanese journalist who disappeared in northern Afghanistan last week is in a jail in Baghlan Province, a local Afghan reporter said Sunday.

The reporter said the information came from Baghlan residents, including witnesses.

The Afghan Interior Ministry said Sunday that authorities have been looking for missing journalist Kosuke Tsuneoka, 40, in parts of northern Afghanistan with a strong Taliban presence, focusing their search in Baghlan, Kunduz and Sapapul provinces.

Ministry spokesman Zamary Bashry said Afghan authorities were not aware of Tsuneoka's presence in Afghanistan until his disappearance was made public, indicating he did not enter on a journalist visa.

Tsuneoka was reported missing after heading to Kunduz in the north last week, and was last heard from Thursday.

On Sunday, Taliban spokesman Zabihullah Mujahid said the group's leadership had made contact with Taliban commanders in the Kunduz area and all of them denied involvement in any kidnapping.

"We assigned our commanders to find out who had kidnapped the Japanese journalist. They have reported back that they are not involved in the kidnapping. They do not know who is holding him," Mujahid said.

A purported Taliban commander in Kunduz reportedly claimed Saturday that his men seized Tsuneoka between Baghlan and Kunduz. He also claimed the Taliban leadership was unaware of the kidnapping because he had not contacted them. Officials at Afghanistan's intelligence agency, which launched a search for Tsuneoka, earlier said he might have been kidnapped for ransom, a local official said.

The Taliban as well as the militant group Hizb-i-Islami and the al-Qaida network are active in Kunduz. These groups have kidnapped local residents for ransom to secure funds for their operations, local security officials said. There are also gangs of robbers in the province who kidnap people for money and sometimes claim responsibility in the name of the Taliban.

**(The Japan Times) Migrant children struggle in public schools**

With the recession taking a particularly heavy toll on migrant communities, many schools for children of Japanese-Brazilian and other backgrounds have closed their doors after struggling through falling enrollments and nonpayment of fees.

The closures have forced many children of migrants to enter the public school system, a daunting prospect for those whose entire schooling has been conducted in another language and who don't speak Japanese at home.

To help them better integrate into the public school system, the education ministry launched the "Rainbow Bridge classroom" project last fall, providing additional Japanese-language instruction.

But the ministry is struggling to win over migrant parents, many of whom resist the idea of sending their children to Japanese schools.

There were about 90 Brazilian schools across the country at the end of 2008. The number had fallen to around 60 this February. Many parents lost their jobs, leaving them unable to pay their children's tuition. Others returned with their families to their home countries.

The Colegio Brasil Japao, a Brazilian school in Minato Ward, Nagoya, had 80 students at the end of 2008, but the number dropped to 49 at the end of last year. Each month, 10 to 20 students failed to pay a monthly fee of about ¥30,000, forcing the school to post a monthly loss of around ¥800,000.

"We have tried our best, but there is a limit to what we can endure," said the school's principal, Carlos Shinoda, at a January meeting to notify guardians of the suspension of some classes.

None of the parents said they wanted to send their children to Japanese schools.

Yojiro Arlindo Ogasawara, 40, whose three children attend the Brazilian school, said, "If they attend a Japanese school, they will be left behind academically while trying to learn the Japanese language."

He continued to send his children to the school, even after losing his job, because he said his eldest son had been bullied at a Japanese nursery school, where he was told, "Foreigners are stupid."

Many guardians are worried that their children will be treated only as "guests" in public school classrooms unless they know the Japanese language.

"Enrolling in Japanese schools is the last resort," said a 38-year-old mother. "I would like to continue to send my daughter to a classroom where the atmosphere is warm."

Thirty-two organizations, including boards of education and nonprofit organizations, were running Rainbow Bridge classrooms in Ibaraki, Gunma, Saitama, Kanagawa, Yamanashi, Nagano, Gifu, Shizuoka, Aichi, Mie, Shiga and Okayama prefectures as of February, to teach Japanese to foreign children. Portuguese lessons are also offered.

"Public schools are given the cold shoulder by foreigners because of experiences and rumors of bullying," said Akio Nakayama, representative in Japan of the International Organization for Migration, which is promoting the project at the request of the education ministry. "A coordinator at each classroom is visiting families to urge them to take part in the class."

Besides Brazilians, there are foreign children who can't attend public schools because they require special assistance, and even if they are enrolled in such schools many refuse to attend.

Although the Rainbow Bridge role in classrooms is becoming increasingly important, Nakayama pointed to the need for schools to do more to assist foreign children.

"In addition to the creation of a framework by Japanese public schools to receive and support foreign children, roles like the one performed by coordinators at Rainbow Bridge classrooms should be institutionalized," he said.

Such classrooms accept not only Brazilian but also other foreign children.

#### **(The Japan Times) Japanese pair share place in space, in a first**

HOUSTON (Kyodo) The space shuttle Discovery docked at the International Space Station on Wednesday, delivering Japanese astronaut Naoko Yamazaki and six other crew members.

On the ISS, Yamazaki, 39, met up with fellow astronaut Soichi Noguchi, 44, whose six-month mission comes to an end in June. It is the first time two Japanese astronauts have worked together in space.

The shuttle is taking some 8 tons of supplies and experimental equipment to the space station during its 13-day mission through April 18.

In charge of ensuring smooth transport of the supplies and operating robotic arms, Yamazaki is the second Japanese female astronaut to fly on a shuttle mission, following Chiaki Mukai, who was aboard missions in 1994 and 1998.

#### **(The Japan Times) Invest in young scientists**

Strong investment in science education and research is fundamental to Japan's future, along with government policy that nurtures emerging industries able to provide new services and employment opportunities.

The Government Revitalization Unit's scrutiny of fiscal 2010 budget requests, conducted last fall, reduced waste in science-related spending, but in some cases went too far. GRU members showed a lack of understanding of science research — such as how difficult it is to recover lost ground once research programs stop. The fiscal 2010 budget has rectified some of the mistakes committed in the scrutiny.

The Council for Science and Technology Policy, headed by Prime Minister Yukio Hatoyama, has decided to offer ¥100 billion over five years to 30 cutting-edge research projects, in fields including possible therapeutic applications of iPS cells (induced pluripotent stem cells) and development of an advanced cancer-treatment apparatus. It also has decided to give ¥50 billion to young or female researchers engaged in environment- or health promotion-related research.

But fiscal 2010 budget spending on the Global Center of Excellence (COE) program — aimed at supporting young researchers at selected graduate schools engaged in cutting-edge research — has been cut by more than 20 percent. This contradicts the Hatoyama administration's long-term goal of full employment for researchers with doctorates by 2020.

For fiscal 2007, the first year of the COE program, 63 graduate schools were selected. For fiscal 2008, a further 68 were added. But for fiscal 2009, only nine schools were added.

The program provides not only research funds but also a livelihood for graduate students and postdoctorate researchers, who are the driving force in research activities at these schools and are bound to play central roles in important future research.

Investing in these people's work is investing in Japan's future. The Hatoyama administration should work out strong, long-term measures to support young researchers and attract more students to schools of science.