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**Weekly report on South Korea & Japan**

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# Report Of Summary

## South Korea

### Political Front:

#### **South Korea raises warship finds clues on sinking**

South Korea on Saturday raised the front half of a warship that exploded and sank a month ago near a contested sea border with North Korea, finding clues that support growing suspicions Pyongyang attacked the vessel. The 1,200-tonne corvette Cheonan sank in what military officials said was likely a torpedo attack. One body has been found so far in the just-raised wreckage and six sailors were still missing, Yonhap news agency reported. The bodies of most of the 46 missing were found in the stern section raised earlier this month. Another 58 were rescued alive.

#### **South Korean official says torpedo caused ship to sink**

South Korea's defense minister said Sunday that an explosion caused by a torpedo probably tore apart and sank one of his country's warships near the North Korean border. Investigators who examined salvaged wreckage separately said Sunday that a close-range, external explosion probably sank it. Kim did not speculate on who fired the weapon and said it is too early to determine the cause.

#### **South Korea mourns sailors, broods on North's role**

South Korea on Thursday mourned the loss of 46 sailors who died when a Navy ship sank after a blast widely believed to have been the result of a North Korean torpedo. President Lee Myung-bak, wary of the impact on economic recovery efforts, has signalled Seoul would not retaliate by force, calming investor concerns about escalating tension surrounding Asia's fourth-largest economy.

#### **Escalating military tensions between the Koreas**

South Korea suspects the North sank one of its navy ships last month in an attack that killed 46 sailors. Market players do not see the South as planning a revenge strike on the North, but do expect it to increase its military presence near the sea border where its ship went down. They worry that Seoul could then be more likely to attack North Korean vessels nearing the border, instead of issuing warnings first, as it has done before, leading to firefights that spook markets.

The South's main military ally in the United States and the North's biggest backer in China both see it in regional and global interests to prevent an escalating conflict and will pressure Seoul and Pyongyang to keep their tempers and armies under control. The two global powers may not be able to prevent brief, live-fire exchanges between the rival Koreas who station more than 1 million troops near their border. But North Korea may still resort to sabre-rattling that often includes short-range missile tests and threats to attack its capitalist neighbour as it tries to win concessions from global powers to decrease the threat it poses to the economically vibrant region. Markets are long used to this and do not expect such moves to have any impact on trading. A step seen as a larger provocation would come from Pyongyang test-firing its ballistic missiles that are designed to hit all of the South, most of Japan and U.S. military bases in Guam.

They have already been deployed and the North is trying to improve their range and accuracy. If the North demonstrates improved missile technology, it increases the long-term risks to the region, and market jitters might ripple beyond South Korea to affect sentiment on Japanese stocks and the yen. North Korea has tested nuclear devices twice. A third test would put it closer to having a working nuclear bomb, but it would also deplete its meagre supply of fissile material, which is thought to be enough for six to eight bombs. Because a third nuclear test would not significantly alter market perceptions of risks, any negative impact on asset prices would again be relatively small and short-term.

### **South Korea's Lee talks security risks with Chinese leader**

South Korean President Lee Myung-bak held talks with his Chinese counterpart Hu Jintao in Shanghai on Friday that touched on security risks caused by the North's suspected attack on a warship from the South. China, the reclusive and impoverished North's biggest benefactor with the most influence in Pyongyang, wants to prevent further tensions that increase the chances of war but is not about to punish its neighbor, analysts said. Lee, who met Hu on the sidelines of the World Expo in Shanghai, has signaled Seoul will not retaliate with force, calming investor concerns in Asia's fourth largest economy. South Korea lost 46 sailors when their ship was struck last month by what is believed to be a North Korean torpedo. If confirmed, it would be one of the deadliest strikes by Pyongyang since the end of the 1950-53 Korean War. Both Lee and Kim attended the same welcome dinner hosted by Hu in Shanghai, but were seated far apart and did not appear to speak to each other. China's official Xinhua news agency quoted Hu as telling Kim earlier in the day that China was willing "to promote good neighborly relations to new heights." Neither Xinhua, nor a similar report by North Korea's KCNA news agency, made mention of the South Korean ship sinking. North Korea may also try to raise tensions by resorting to saber rattling, experts have said.

## ***Economic Front***

### **S. Korea NPS to buy Berlin Sony Center for \$767 mln**

South Korea's national pension fund, the world's fifth biggest, said on Sunday it was in the final stage of talks to buy Sony Center in Berlin, Germany, for about 850 billion won (\$767 million). National Pension Service (NPS) said in a statement that it had been named a preferred bidder for Sony Center, Berlin's largest commercial complex put up for sale by a Morgan Stanley (MS.N) real estate fund. NPS plans to complete the purchase as early as in May. Following the deal, part of the Korean pension fund's investment diversification, overseas real estate would account for 1.3 percent of its 290 trillion won assets, NPS said.

### **G-20 to Discuss Steps to Prevent Recurrence of Crisis**

President Lee Myung-bak said Wednesday this year's G-20 meetings will focus on measures to prevent other crises similar to the Wall Street-originated worldwide financial meltdown in 2008 from occurring again. He also called for painstaking efforts to improve long-term growth potential for local industries and the financial health of banks and securities firms to brace for a post-crisis economic order. ``The Korean economy has been recovering fast, but we should not

be complacent," Lee said in a speech, read by Sakong Il, chairman of the Presidential Committee on the G-20 Seoul Summit, at an international financial forum in Seoul.

### **S Korea's economy grows 1.8 percent in 1st quarter**

South Korea's economic growth accelerated sharply in the first quarter of 2010 amid a rebound in manufacturing, exports and spending. Asia's fourth-largest economy expanded 1.8 percent in the three months ended March 31 from the fourth quarter last year when it grew 0.2 percent, the Bank of Korea said Tuesday. The result beat the central bank's own forecast of a 1.6 percent expansion made earlier this month. South Korea has recovered strongly from the global downturn, boosted by record-low interest rates, government stimulus spending and robust exports as overseas markets recover. The central bank said this month it expects the economy this year to grow at its fastest pace in four years. Moody's Investors Service, meanwhile, rewarded South Korea with a higher credit rating for emerging from the global crisis with its finances intact. Growth figures for the first quarter are likely to intensify speculation about the timing of a Bank of Korea interest rate hike. The rate is currently at a record low 2 percent.

### **S. Korea SK E&C wins \$320 mln Saudi deal**

South Korean builder SK E&C said on Tuesday it had won a \$320 million construction order from Saudi Arabia's state oil giant Aramco. The unlisted builder said in a statement it would build a housing complex for Aramco employees.

### **S. Korea says Woori Fin privatisation may be delayed**

South Korea hopes to outline a plan to privatise state-owned Woori Finance Holdings (053000.KS) in June but may have to delay it to around year-end, the head of a local financial regulator said on Wednesday. Woori Finance (WF.N), South Korea's third-biggest banking group by market value and the parent of No. 2 local bank Woori Bank, was widely expected to be put up for sale later this year as part of a sector consolidation drive.

### **North Korea to expel South Korean workers from resort**

North Korea ordered on Friday most of the South Korean staff remaining at a joint tourism project in the North to leave the facility in a move that comes as ties between the rivals are rapidly spiraling down. South Korea increasingly suspects the North of sinking one its naval ships last month and killing 46 of its sailors in what could be one of its deadliest attacks since the end of the 1950-53 Korean War. Pyongyang will expel by May 3 all but 16 of the nearly 100 South Koreans and ethnic Koreans from China remaining at the Mount Kumgang resort in North Korea. The resort was once hailed as a symbol of cooperation but was closed about two years ago after a North Korean soldier shot dead a South Korean tourist there.

### **S. Korea Kogas plans to buy 28 tonnes LNG in 2010**

Korea Gas Corp (036460.KS), South Korea's sole wholesaler of liquefied natural gas, said on Thursday it planned to buy 28 million tonnes of LNG this year. KOGAS, the world's biggest

corporate buyer of LNG, expects a 231.6 billion won (\$207 million) net profit this year on sales of 21.5 trillion won, it told the Korea Exchange in a filing.

### **Samsung Elec plans \$17 bln chip spending -report**

Samsung Electronics Co Ltd (005930.KS), the world's top maker of memory chips and flat screen TVs, plans to invest 19.3 trillion won (\$17.31 billion) in semiconductors until 2011, a local newspaper said on Friday. The South Korean firm plans to invest 8.3 trillion won this year and 11 trillion won next year and has started ordering production equipment, the Korea Economic Daily quoted chip equipment suppliers as saying.

### **UAE's ADNOC awards \$5.6 bln worth contracts for Shah**

Italy's Saipem (SPMI.MI) emerged as the biggest winner in a \$5.6 billion round of contracts from Abu Dhabi National Oil Company (ADNOC) for the Shah gas field, days after ConocoPhillips' (COP.N) bailed out of the project. Saipem was awarded three contracts, worth a total of around \$3.1 billion, for a gas process plant, sulphur recovery and product pipelines. South Korea's Samsung Engineering (028050.KS) won a \$1.5 billion contract for the utilities and offsite package. The state-run ADNOC said a consortium of Spain's Tecnicas Reunidas (TRE.MC) and India's Punj Lloyd (PUJL.BO) secured a \$463 million gas gathering package. "The project facilities are scheduled for completion by 2014," ADNOC said.

### **Hyundai-Kia targets 23 pct growth in 2010 China sales**

South Korea's Hyundai Motor Co (005380.KS) and Kia Motors Corp (000270.KS) are aiming to bump up sales in China by almost a quarter this year, heating up competition with global and local rivals. Chung Mong-koo, chairman of the automotive group, on Thursday warned of rapid growth in China's local brands, which have stepped up their quality standards, and called for efforts to make Hyundai and Kia premium brands in China.

### **GE, AMEC eye stake in S. Korea KEPCO unit -report**

U.S. industrial group General Electric Co (GE.N) and British engineering group AMEC (AMEC.L) are interested in buying an about \$230 million stake in a South Korea utility services firm, South Korean media reported on Friday. MoneyToday said citing banking sources GE and AMEC were among potential investors expressing interest in taking a 10 percent stake of Korea Plant Service & Engineering Co Ltd (051600.KS), put up for sale by its parent Korea Electric Power Corp (KEPCO) (015760.KS).

### **KB Fin posts record Q1 but low rate to stall margins**

KB Financial Group (105560.KS), South Korea's No. 2 banking group by market value, said it expects margin growth to slow due to the low rate environment, after it beat forecasts with a record quarterly profit on Friday. South Korean banks are set to benefit from lower financing costs and less major corporate failures this year after aggressive bad loan write-offs in 2009. But

the impact of a prolonged low-rate policy and lingering concerns about weak industries such as construction are key negatives ahead, analysts said.

### **Samsung Q1 net profit surges to record high**

Samsung Electronics said net profit surged more than six-fold in the first quarter to a record high on strong demand and higher prices for memory chips as well as increased sales of mobile phones and flat screen televisions. Samsung earned 3.99 trillion won (\$3.59 billion) in the three months ended March 31, the company said Friday. It recorded net profit of 582 billion won the year before. The latest figure was an all-time high for the company, said spokesman Jason Kim, surpassing 3.81 trillion won in the third quarter of last year.

## ***Socio-cultural Façade;***

### **South Korea completes world's longest seawall**

South Korea formally marked completion of the world's longest seawall on Tuesday, the first step in a massive project aimed at reclaiming the ocean for industry, tourism and agriculture by 2020. The 33.9 kilometre (21 mile) Saemangeum seawall encloses 401 square kilometres (160 square miles) of seawater or tidal mudflats, about two thirds the size of Seoul. Environmentalists say it will destroy huge mudflats which provide habitats for wildlife and serve as natural water purification plants.

### **Figure skater Yu-na to help Korean Olympic bid**

South Korean figure skating gold medalist Kim Yu-na could play a key role in the chase for another top Olympic prize. Bid leaders from Pyeongchang, South Korea, said Wednesday that Kim will lend her support to the city's campaign to host the 2018 Winter Games. Cho said he expects Kim - who won the gold in Vancouver at the age of 19 - to travel to Durban, South Africa, as part of the bid team for the vote by the International Olympic Committee in July 2011. That would put two figure skating gold medalists in the spotlight: Two-time champion Katarina Witt is a top leader of Munich's 2018 bid. The third candidate city is Annecy, France.

### **South Korea honors sailors killed in ship sinking**

Sirens blared across South Korea on Thursday as a solemn military funeral honored 46 seamen killed after a blast sank their warship last month. Officials vowed retaliation against those responsible for an attack many believe North Korea launched. Warships anchored at the base south of Seoul where the funeral was held sounded whistles, and seamen aboard saluted when the vehicles carrying the ashes left for the cemetery. A somber President Lee Myung-bak and his wife - who joined 2,800 mourners at the ceremony - offered white chrysanthemums, burned incense and bowed before the framed photos of the soldiers, while buglers played taps. Lee, the commander in chief of South Korea's armed forces, then saluted. Former President Chun Doo-hwan, lawmakers and military leaders also paid respects to those who died in one of South Korea's worst naval disasters.

## **S Korean golfers call off boycott against OneAsia**

South Korean golfers say they have called off a boycott of the OneAsia tour after coming to an agreement with organizers over player quotas at domestic tournaments. Park Do-kyu, representing the Korean golfers, says OneAsia agreed to allow 60 local golfers to compete in the tour's three South Korean tournaments. The OneAsia Tour was launched last year as a joint venture between the Australian PGA and governing bodies in Asia, including China and South Korea.

## **North Korea has plenty of doctors: WHO**

North Korea's health system would be the envy of many developing countries because of the abundance of medical staff that it has available, the head of the World Health Organization said on Friday. WHO Director-General Margaret Chan, speaking a day after returning from a 2-1/2 day visit to the reclusive country, said malnutrition was a problem in North Korea but she had not seen any obvious signs of it in the capital Pyongyang. North Korea -- which does not allow its citizens to leave the country -- has no shortage of doctors and nurses, in contrast to other developing countries where skilled healthcare workers often emigrate, she said. This allows North Korea to provide comprehensive healthcare, with one "household doctor" looking after every 130 families, said the head of the United Nations health agency, praising North Korea's immunization coverage and mother and child care.

## **Zimbabweans to protest N. Korean soccer team visit**

A Zimbabwean opposition group said Thursday it will protest against North Korean soccer players when they come to train here ahead of the World Cup because of North Korea's role in the massacres of tens of thousands of Zimbabweans in the 1980s. Up to 40,000 civilians were massacred by an army brigade trained by North Korean instructors in western Zimbabwe's Matabeleland province during a five-year uprising. "We have not forgiven them for that. We are totally opposed to the North Koreans coming to any part of Zimbabwe. We don't want them here. We are going to follow them (to Harare) and demonstrate against them," Methuseli Moyo, spokesman for the Zimbabwe African People's Union party, or ZAPU, told The Associated Press by phone.

# **Japan**

## ***Political Front;***

### **90,000 Protest U.S. Base on Okinawa**

More than 90,000 Okinawans rallied Sunday to oppose the relocation of an American air base on their island, adding to the pressure on Prime Minister Yukio Hatoyama to resolve an issue that has divided Tokyo and Washington. The demonstrators, in one of the largest protests on Okinawa in years, demanded that Mr. Hatoyama scrap a 2006 agreement with the United States to move the Futenma Marine Corps Air Station to a different site on the island. Many of the protesters wore yellow to signal they were giving Mr. Hatoyama a warning for appearing to waver on election promises to move the busy base off Okinawa altogether. Since his party's landmark election victory last summer, Mr. Hatoyama has promised to come up with an alternative plan that would reduce the heavy American presence on the southern Japanese island,



home to nearly half of the 50,000 United States military personnel in Japan. He has given himself until the end of May to put together such a plan that would also be acceptable to Washington.

### **Japan PM keeps party kingpin, plans base trip**

Japanese Prime Minister Yukio Hatoyama said on Wednesday he wanted to keep ruling Democratic Party Secretary-General Ichiro Ozawa in his job after a judicial review panel said he should be indicted over a funding scandal. The panel's ruling on Tuesday, which could lead to an indictment within several months, dealt a severe blow to the already floundering party ahead of a key upper house election it needs to win to avoid policy deadlock. "I want Secretary-General Ozawa to continue as he is," Hatoyama told reporters.

### **Japan PM: Ozawa should keep post until election**

Japanese Prime Minister Yukio Hatoyama said on Friday that he wanted to keep ruling Democratic Party Secretary-General Ichiro Ozawa in his job until an election expected in July or August. Hatoyama also told reporters that there had been some impact from a judicial review panel this week saying that Ozawa should be indicted over a funding scandal. The panel's finding has dealt a severe blow to the floundering party ahead of a key upper house election the Democrats need to win to avoid policy deadlock.

### **PM says finalizing plan to end U.S. base row**

Japanese Prime Minister Yukio Hatoyama said on Tuesday he was finalizing a plan to resolve a row over a U.S. airbase by an end-of-May deadline, as he struggles to revive sagging support in the run-up to an election. Hatoyama spoke to reporters hours ahead of the arrival of a U.S. envoy who said in a newspaper interview that Japan had presented a "serious" proposal that could enable talks to progress to a new level. "The situation is that we are considering a government proposal seriously," Hatoyama told reporters outside his residence. "I want to put the final touches to it." But he said working-level talks on the plan between Japan and the United States had not yet begun. The government has not revealed details of the latest proposal, but domestic media say it is a modified version of the 2006 plan, with an offshore runway built on piles driven into the seabed off the existing U.S. Camp Schwab base in Okinawa. Some of Futenma's training facilities would be moved elsewhere in Japan, media reports say.

### **Japan PM support falls as base row heats up**

Two out of three Japanese voters disapprove of Prime Minister Yukio Hatoyama and nearly 60 percent think he should resign if he fails to resolve a feud over a U.S. airbase by an end of May deadline, a media poll showed on Monday. The survey, which comes a day after tens of thousands gathered on Okinawa to demand the base be moved off the island, bodes ill for his ruling Democratic Party's chances of winning a majority in an upcoming election for parliament's upper house. An inconclusive result in the election, expected in July or August, could hamper policymaking as the country struggles to maintain a fragile economic recovery while reining in its massive debt.

Hatoyama got a rare piece of good news on Monday when media said a judicial review panel had ruled that prosecutors were right not to indict the premier over misreporting of his political funds, for which an aide was convicted last week. The panel is still reviewing whether Democratic Party Secretary-General Ichiro Ozawa should be charged over another scandal, media say, and a finding against the ruling party kingpin would be a major blow to the prime minister. The Nikkei newspaper poll, conducted over the weekend, showed 68 percent of voters disapprove of Hatoyama, up 11 percentage points from the previous poll last month, partly on frustrations over the Futenma U.S. base row.

### **Japan panel says OK not to charge PM in scandal: report**

A Japanese judicial panel ruled on Monday that prosecutors' decision not to charge Prime Minister Yukio Hatoyama over suspected falsification of his political funding records was "appropriate", TV broadcasters said. The decision by a panel drawn from the general public will come as a relief for the floundering Hatoyama ahead of an election his ruling Democratic Party of Japan (DPJ) needs to win to avoid policy deadlock. Hatoyama has denied any intentional wrongdoing, but his support rates have nosedived since he took office last year, damaged by financial scandals in his party and the perception that he lacks the ability to make tough decisions on the economy and foreign policy.

### **Japan PM rules out 2006 plan to solve U.S. base row**

Japan's prime minister on Saturday repeated his objection to a 2006 plan to relocate a U.S. airbase on Okinawa after a U.S. newspaper reported Tokyo had told Washington it would broadly accept the deal. The Washington Post said on its website Japanese Foreign Minister Katsuya Okada told U.S. Ambassador John Roos on Friday Tokyo was moving toward accepting major parts of the 2006 deal to move the U.S. Marines' Futenma airbase from the center of a city to a less populated part of Okinawa. "The report is not true ... We cannot accept the existing (2006) plan," Prime Minister Yukio Hatoyama told reporters in comments aired on national television. The original 2006 plan called for shifting the Futenma base to another part of Okinawa, which requires legal approval from the governor of Okinawa who is expected to attend the anti-base rally on Sunday. The Post quoted U.S. officials as saying they were pleased by the latest proposal, but stressed it was a first step and that Japanese officials would be providing more details next week. It was unclear whether the proposal referred to the small island of Tokunoshima, where a crowd of 15,000 recently protested against accepting the airbase.

### **Japan moves to settle dispute with U.S. over Okinawa base relocation**

The Japanese government indicated Friday that it would broadly accept a plan to relocate a U.S. Marine Corps base on Okinawa, a move that could ease months of discord between the two allies, U.S. and Japanese officials said. Foreign Minister Katsuya Okada presented U.S. Ambassador John V. Roos with a proposal to settle the dispute, telling him that Japan was moving toward accepting significant parts of a 2006 deal to move the Futenma air station from the center of a city of 92,000 to a less populated part of Okinawa, the sources said, speaking on the condition of anonymity because of the sensitivity of the issue. The meeting at the U.S. Embassy in Tokyo marked the first significant good news in a relationship that has been marked

by strain, mistrust and befuddlement on both sides ever since a new Japanese government took charge in September after a historic election -- only the second time since the 1950s that an opposition party has taken power. Other events might also have pushed Tokyo to modify its tune. A large demonstration against the relocation plan is scheduled in Okinawa on Sunday. In December, Hatoyama promised the United States that Japan would come up with alternatives to the Futenma issue by the end of May. In March, the Japanese government presented the Obama administration with what the U.S. official dismissively referred to as "ideas, not proposals." One involved building the new station

### **Hatoyama's support rate falls to 20.7% Ozawa scandal, Futenma drag Cabinet down**

The disapproval rate meanwhile surged 11.1 points, to 64.4 percent, which is likely to further weaken the political power base of the already reeling Hatoyama Cabinet in the runup to the Upper House election this summer. Hatoyama's "lack of leadership" was cited by 40.7 percent of the respondents who disapprove of the Cabinet, the most common reason. The poll also showed 83.8 percent of respondents believe Ichiro Ozawa, secretary general of the ruling Democratic Party of Japan, should step down, up 2.4 points from the previous poll conducted April 3 and 4. Some 54 percent, up 7.3 points, also believe that Hatoyama should resign if he fails to settle the feud over the relocation of the U.S. Futenma air base in Okinawa by the end of May, his self-imposed deadline. By political party, 24.1 percent of the respondents said they support the DPJ, down 6.2 points, while the LDP found support among 18.7 percent, up 0.7 points. The minor Your Party got 11.5 percent, the first time it has exceeded the 10 percent level.

At its inception in September, the Cabinet boasted an approval rate of 72 percent

### **Sengoku to attend expo opening**

National policy minister Yoshito Sengoku will attend the opening ceremony of the Shanghai Expo on Friday, government sources said. Sengoku's visit to China comes as Prime Minister Yukio Hatoyama, whom China asked to attend the ceremony, has decided to prioritize dealing with the relocation of U.S. Marine Corps Air Station Futenma, the sources said Wednesday. Hatoyama is set to visit Okinawa Prefecture on Tuesday as part of efforts to settle the dispute over where to relocate the Futenma base, as his self-imposed May 31 deadline to settle the issue nears. Sengoku is likely to leave for Shanghai on Friday on a six-day trip that will also take him to Vietnam. In Hanoi, he will meet with Vietnamese Prime Minister Nguyen Tan Dung and other senior officials.

### **Japan factory output up but jobless rate worsens**

Japan received an uneven assessment of its economic health Friday with indicators showing an increase in joblessness and ominously falling prices. Unemployment worsened in March, and deflation intensified. At the same time, household spending rose and factory output expanded slightly on growing export demand. Separately, the Bank of Japan kept its policy interest rate unchanged at 0.1 percent as widely expected and said it would redouble efforts to boost the economy. The bank will release its latest forecasts for inflation and economic growth later Friday. Japan's seasonally adjusted jobless rate rose to 5 percent in the first increase in five months. The figure is up from 4.9 percent in February and missed Kyodo News agency's forecast

for the rate to be unchanged. The number of jobless totaled 3.5 million during the month, up 4.5 percent from a year earlier. Those with jobs fell 0.6 percent to 62.1 million. The numbers underscore a patchy recovery facing the world's second biggest economy - but the slowest growing one in Asia. Robust growth in China and elsewhere in the region is fueling demand for Japanese cars and gadgets. Corporate profits are up, and business confidence is recovering. Companies, however, remain cautious about spending. Workers have yet to see a major turnaround in jobs or wages, which managed a small rise in March. Goldman Sachs economist Chiwoong Lee describes the labor market as having "no spark."

### **Honda rebounds from loss to post quarterly profit**

Honda posted a 72 billion yen (\$774 million) profit for the January-March quarter in a reversal from red ink a year earlier as booming demand in China and India combined with a fledgling U.S. recovery to boost car sales. Honda Motor Co., Japan's No. 2 automaker, reported Wednesday that quarterly sales surged 28 percent from a year earlier to 2.28 trillion yen (\$24.5 billion). Honda, which makes the Insight hybrid and the Odyssey minivan, sold 874,000 vehicles for the fiscal fourth quarter, up 28.5 percent from 680,000 the year before. Honda's better fortunes mirror similar recoveries at other Japanese automakers, whose results had been battered the previous year by the financial crisis. Honda's sales in Japan recovered, helped by tax breaks for "green" models and brisk demand for smaller models like the Fit, Honda said. For the fiscal year ended March 31, Honda reported a 96 percent rise in profit to 268.4 billion yen (\$2.9 billion). Sales of 8.58 trillion yen (\$92.3 billion) were down 14 percent from the previous year. Honda is expecting better results for the fiscal year through March 31, 2011, forecasting 340 billion yen (\$3.7 billion) in profit, up 27 percent from the fiscal year just ended. Sales are projected to climb 9 percent to 9.34 trillion yen (\$100.4 billion), it said.

### **Japan's central bank holds interest rates steady**

Japan's central bank kept its key interest rate near zero Friday and said it would redouble efforts to boost the world's No. 2 economy. As widely expected, the Bank of Japan's eight-member policy board voted unanimously to leave its overnight call rate target at 0.1 percent. The bank has not tweaked the rate since December 2008. The central bank said it would keep monetary policy "extremely accommodative" to help fight deflation. Government data released Friday showed that consumer prices fell for the 13th straight month in March.

### **BOJ's Shirakawa: no need for further easing now**

Bank of Japan Governor Masaaki Shirakawa said on Friday he did not see any need for more monetary easing at the moment as the effects of current low interest rates on the economy are strengthening. The central bank on Friday raised its estimates for Japan's growth and prices in its twice-yearly outlook report, forecasting consumer prices would turn slightly positive in the year to March 2012. It kept monetary policy unchanged as widely expected, with interest rates already near zero.

### **Mazda's full-year net loss shrinks on cost-cutting**

Mazda Motor Corp. said Tuesday its annual loss shrank to 6.5 billion yen (\$69 million) from 71.5 billion yen the year before thanks to cost-cutting efforts. Japan's No. 4 carmaker made a

profit in the last quarter of the fiscal year through March 2010 and said it expects a net profit of 5 billion yen for the current fiscal year through March 2011. Hit by the yen's appreciation and weaker demand in all major markets save China, Mazda's annual sales fell 15 percent to 2.164 trillion yen.

### **Argentina debt swap offer to start May 7 in Japan**

Argentina filed the terms of a debt swap of \$20 billion in defaulted debt with regulators in Japan on Friday, paving the way for it to return to international finance markets for the first time in eight years. The updated prospectus posted on Japan's Financial Services Agency website said Argentina would start its swap offer for Japanese investors on May 7 and close the offer on June 7. The prospectus showed the payment date of yen, euro and U.S. dollar bonds offered to Japanese investors would be Aug. 2, although it noted that any of the dates could be changed.

### **BOJ sees end of price falls in 2011/12 -outlook report**

The Bank of Japan raised its estimates for Japan's prices in its twice-yearly outlook report on Friday, forecasting core consumer prices would rise slightly in the fiscal year to March 2012. That forecast is unlikely to alleviate government pressure on the BOJ for action to help Japan escape deflation, leaving the Japanese central bank virtually alone among the world's major central banks in continuing to loosen monetary policy.

### **The Navigator: Might airlines try to increase revenues by linking prices to passengers' weight?**

Now that Spirit Airlines has done the unthinkable, announcing plans to begin charging for carry-on bags this summer -- that's right, carry-on bags -- the question everyone seems to be asking is: What's next? Airlines have always had a strained relationship with passengers of size, at least the ones in economy class. Fitting into a 17-inch wide seat is a squeeze for the average American, and it's becoming even more of one as the population expands. A Gallup poll found that the average American weighed 13 more pounds in 2007 than in 1990. Solutions have ranged from Southwest's policy of asking XL passengers to buy a second seat, to the Canadian government's "one person, one fare" rule, which gives disabled and obese passengers a free extra seat on domestic flights. But in the current climate of relatively high fuel prices and an anything-goes attitude toward fees, would anyone be surprised if airlines began charging overweight passengers in the same way that the post office makes you pay more for a heavier parcel? Making heavy passengers pay more, presumably for a second seat, could help air travelers such as Cricket Moore, who recently had the misfortune of sitting next to an oversize passenger on a flight from Phoenix to Tampa.

### **BOJ holds rates steady, eyes steps to support economy**

The Bank of Japan said on Friday its governor had instructed staff to examine ways to support financial institutions via fund supplies to shore up the foundations for economic growth and report back at an unspecified time. The central bank left its interest rate and monetary policy

settings unchanged on Friday as expected. The decision to keep the policy rate on hold at 0.1 percent was made by a unanimous vote of the BOJ policy board.

### **Japan warns debt, fund flows may hurt global growth**

Countries must not be complacent about the state of the global economy, despite brighter signs of recovery, Japanese Finance Minister Naoto Kan on Saturday warned his counterparts at the International Monetary Fund. Huge public debt in developed countries and surging capital inflows to emerging economies could disrupt growth, Kan said. The remarks came after finance leaders from the Group of 20 rich and emerging countries said on Friday that while they had secured a better-than-expected global economic recovery, they were wary of overconfidence as Greece's debt crisis put the focus on worsening public finances.

### **JAL seen posting loss of \$1.7 billion: report**

Debt-ridden Japan Airlines (JAL) is forecast to have posted a group operating loss of about 160 billion yen (\$1.7 billion) for the financial year that ended in March, Japan's Sankei newspaper reported on Sunday. JAL and two subsidiaries filed in January for bankruptcy protection with a combined \$25 billion in debt -- on of the largest corporate failures in Japanese history. JAL's results will be the worst since it had tied up with Japan Airlines System in 2002 as revenue dropped sharply due to a rapid slowdown in the Japanese economy, the newspaper reported without citing any sources.

### **Toyota recalls 50,000 Sequoia SUVs in U.S. for acceleration flaw**

Toyota Motor Corp. is recalling about 50,000 Sequoia sport utility vehicles in the U.S. from the 2003 model year to fix an unexpected slowing of the vehicle. Toyota said Wednesday the recall would address the vehicle's electronic stability control system, which helps maintain traction during turning. In some cases, the stability control could activate at low speed and prevent the SUV from accelerating as quickly as a driver expects, the company said. The National Highway Traffic Safety Administration had been investigating the issue and Toyota said it decided to recall the vehicles to address the government's concerns. The automaker said it has had no reports of accidents or injuries connected to the issue and about half of the vehicles had already been repaired under warranty.

## ***Social Front;***

### **Japan issues warrant for anti-whaling boss**

The Japanese Coast Guard has obtained an arrest warrant for the leader of the Sea Shepherd environmental group for its disruption of Japan's annual whale hunts, media reports said Friday. The move would be the latest in an increasingly aggressive campaign against the radical conservationists by Tokyo, which accuses them of endangering lives during the Antarctic hunt. U.S.-based Sea Shepherd has long insisted that the Japanese fleet is conducting banned commercial whaling under the guise of scientific research. The warrant is for Paul Watson, the Canadian founder of the Sea Shepherd Conservation Society, on suspicion of assault and obstruction of business, Kyodo News agency reported, citing investigative sources. It did not say

which court issued the warrant. Watson, who was believed to be in New York, said in a statement that he was being targeted by Tokyo because of the damage his anti-whaling campaigns have caused.

### **Tokyo population tops 13 million for first time**

The population of Japan's capital - one of the biggest cities in the world - has surpassed 13 million for the first time. Tokyo counted 13.01 million residents as of April 1, up 0.5 percent from the same month a year earlier, the Tokyo Metropolitan Government said Wednesday. The growth contrasts with the overall demographic trend in Japan, where people have long lifespans and stubbornly low birth rates. The result is a shrinking population and tax base that threaten to undermine the world's second-biggest economy. Japan's total population peaked at 127.84 million in 2004, according to the Ministry of Internal Affairs and Communications.

### **Golden Week travelers start overseas trips**

The holiday exodus reached its peak at Narita International Airport, with 46,200 people expected to fly out Thursday to spend Golden Week overseas. Resort areas, including Guam and Hawaii, as well as European countries attract many travelers from Japan during the holiday season through early May, according to airport and travel agency officials. Takahide Oshikawa, 32, from Tokyo, said before leaving for Europe with his family, "I was concerned about cancellation (of the trip) following the volcanic eruption (in Iceland). I hope we can enjoy shopping and the food." At Kansai International Airport near Osaka, meanwhile, some 17,000 people were expected to leave on their vacations Thursday. The number of travelers to and from the airport between April 24 and May 5 is expected to rise 3 percent from the previous year to around 320,000. Takayuki Fujii, 25, from Osaka is planning to make a four-day trip to South Korea with his friends.

### **38.7% of households in red: survey**

A record 38.7 percent of private-sector workers in their 20s to 50s said their household finances fell into the red during the past year, a research institute said Thursday. "While the economy is recovering slightly, many workers still have a negative view of their employment and wage conditions," the Research Institute for Advancement of Living Standards said, based on a survey earlier this month, to which 573 workers in the Tokyo and Osaka areas responded. Among respondents with an annual income of less than ¥4 million, 60.4 percent said their household finances went into the red, with the figure climbing to 62.9 percent among male irregular employees, according to the think tank of the Japanese Trade Union Confederation, known as Rengo.

### **Akasaka Prince, favored venue for power players, to close in '11**

It was a dream hotel for young ladies during the late-1980s bubble economy and the center of politics in the 2000s, but its aging facilities are failing the test of time and foreign competition. The Grand Prince Hotel Akasaka has announced it will close its doors at the end of next March after 55 years in business. The hotel, better known among Tokyoites as "Aka Puri," served as the main celebration venue for many a politician or celebrity. It was also a place where reporters on

the political beat would roam all day covering the main faction of the Liberal Democratic Party, which had its main office and meeting room in the Banquet Building. Four consecutive prime ministers in the 2000s — Yoshiro Mori, Junichiro Koizumi, Shinzo Abe and Yasuo Fukuda — rose to power from the faction, formally called Seiwa Seisaku Kenkyukai, making the hotel one of the grand stages in national politics.

### **Foot-and-mouth suspected in Miyazaki pigs**

Suspected cases of foot-and-mouth disease in livestock have been found at three more locations in Miyazaki Prefecture, including Japan's first suspected cases involving pigs, local officials and the agriculture ministry said Wednesday. The latest findings bring the tally of suspected infections to 10 and will result in the slaughter of about 2,900 cows and pigs in an effort to prevent the disease from spreading, the Miyazaki Prefectural Government said.

### **Travelers get rare 'reminder' about China's death penalty**

The Foreign Ministry on Wednesday issued a rare "reminder" to Japanese travelers bound for China not to get involved in drug smuggling, which could lead to the death penalty. A ministry source said it is extremely rare that overseas travel information is issued with the aim of raising caution over a specific country's criminal punishment. Such "spot information" is usually released when the security situation deteriorates or a terrorist act is committed. The reminder comes after China earlier this month executed four Japanese men convicted of smuggling drugs. It was the first time Japanese nationals were executed there since the two countries normalized diplomatic ties in 1972.

### **Ex-North spy's visit to Japan said difficult**

Hiroshi Nakai, the minister in charge of the abduction issue, said Tuesday it is difficult for former North Korean agent Kim Hyon Hui to visit Japan in May. Nakai spoke to reporters about Kim after attending a meeting in Seoul of South Korean and Japanese families of the abductees. He said the South Korean government is cautious about allowing Kim to visit Japan largely due to the March 26 sinking of a South Korean warship and also the arrest of two North Korean agents on suspicion of trying to kill Hwang Jang Yop, a former high-ranking North Korean defector. Nakai arrived in Seoul on Sunday for a three-day visit to attend a forum on human rights in North Korea.

### **City in Kagawa hopes 400-year-old coins will pull in hordes of tourists**

To attract visitors and boost the local economy, restaurants, hotels and souvenir shops in Kanonji, Kagawa Prefecture, started accepting coins this month that first circulated almost 400 years ago. The coins, called "kanei tsuho," can be used at about 60 businesses in the Seto Inland Sea port, known for a sand sculpture carved to look like the Edo Period currency. Keizo Fujita, a local restaurant operator and a promoter of the plan, said he hopes the campaign will bring new revenue to the city of 64,000, which relies mainly on farming and retail services. The coins were phased out after Japan introduced the yen in 1871. participating merchants in Kanonji will value



the coins at ¥30 each. Fujita, who also sells souvenirs at a weekend flea market, said he is accepting up to 20 coins per transaction.

## South Korea

### Detailed News:

#### Political Front:

#### **(Washington Post) South Korea raises warship finds clues on sinking**

SEOUL (Reuters) - South Korea on Saturday raised the front half of a warship that exploded and sank a month ago near a contested sea border with North Korea, finding clues that support growing suspicions Pyongyang attacked the vessel.

The 1,200-tonne corvette Cheonan sank in what military officials said was likely a torpedo attack.

Forty-six South Korean sailors were killed in what could be one of the deadliest strikes by Pyongyang on its rival since the end of the 1950-53 Korean War. The North has denied involvement.

South Korea's president on Friday gave the clearest signal yet Seoul had no plan to launch a revenge attack, calming investors worried that armed conflict would damage the South's rapidly recovering economy.

"The probably catastrophic costs of a war on the peninsula will greatly constrain the U.S. and South Korean options for a military response, which thus remains an unlikely trigger for major military conflict," the global strategy group Control Risks wrote in a research note this week.  
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The front end of the ship was raised by a giant sea crane and drained before being placed on a barge.

One body has been found so far in the just-raised wreckage and six sailors were still missing, Yonhap news agency reported. The bodies of most of the 46 missing were found in the stern section raised earlier this month. Another 58 were rescued alive.

"The way a hatch (near where the ship split in two) had been thrown off its hinge indicates there had been a very strong external impact," Yonhap quoted an unidentified military official as saying, adding weight to the torpedo theory.

A survey team that includes experts from South Korea, the United States and Australia said after the rear of the ship was raised the Cheonan had been destroyed by an external explosion. That

stoked suspicions of the torpedo attack in waters where the rival Koreas have had two deadly naval fights in the past decade.

Seoul has said it would issue its final verdict on what caused the ship to sink after it had retrieved the front section but has not given a date for releasing its findings.

The sinking of the ship is fraught with risks for South Korean President Lee Myung-bak, who seeks to calm investors, shake off criticism his government tried to deflect suspicions of links to Pyongyang and faces an angry public seeking vengeance.

Lee also needs to prevent turning the affair into a weapon for his political opposition ahead of June local elections. A serious setback in the polls could damage his authority and ability to push through promised pro-business reforms.

The two Koreas, technically still at war, have more than 1 million troops near their border. The United States has about 28,000 troops in the South to support its military.

### **South Korean official says torpedo caused ship to sink**

South Korea's defense minister said Sunday that an explosion caused by a torpedo probably tore apart and sank one of his country's warships near the North Korean border.

"Basically, I think the bubble jet effect caused by a heavy torpedo is the most likely" cause, Defense Minister Kim Tae-young told reporters. The bubble jet effect refers to the rapidly expanding bubble that an underwater blast creates, and the destructive column of water unleashed subsequently.

Investigators who examined salvaged wreckage separately said Sunday that a close-range, external explosion probably sank it. Kim did not speculate on who fired the weapon and said it is too early to determine the cause.

As investigations have pointed to an external explosion, suspicion of the North has grown. Pyongyang has denied involvement.

The Cheonan was on a routine patrol on March 26 when the unexplained explosion split it in two in one of South Korea's worst naval disasters. Forty bodies have been recovered, but six crew members are unaccounted for and presumed dead.

### **(Reuters) South Korea mourns sailors, broods on North's role**

PYEONGTAEK, South Korea, April 29 (Reuters) - South Korea on Thursday mourned the loss of 46 sailors who died when a Navy ship sank after a blast widely believed to have been the result of a North Korean torpedo.

President Lee Myung-bak, wary of the impact on economic recovery efforts, has signalled Seoul would not retaliate by force, calming investor concerns about escalating tension surrounding Asia's fourth-largest economy. (For possible scenarios, click on [ID:nTOE63S01N])

Lee attended the funeral services held at the home base of the navy corvette Cheonan in this west coast port city 200 km (125 miles) from the disputed waters bordering the North where it sank. He awarded each of the dead an Order of Military Merit.

Leading the service on a brisk, windy spring morning, Chief of Naval Operations Admiral Kim Sung-chan vowed to hunt down the culprits and punish them. "We will weed them out and make them pay the price," Kim said. Lee did not speak at the service.

The sailors were killed in what would be one of the deadliest strikes by Pyongyang on its rival since the end of the 1950-53 Korean War. The North has denied involvement.

But a South Korean online news agency said this week the North's ruling Workers' Party had been bragging about the "great revenge" its military had taken against its neighbour, adding to anger in the South where many suspect it was a North Korean torpedo that sank the Cheonan on the night of March 26.

North Korea's nominal leader and its parliament chief, Kim Yong-nam, is expected to arrive in China on Thursday to attend the opening of the World Exposition in Shanghai. The sinking is likely to be discussed among some world leaders there.

Lee is also going to Shanghai. It will be the first time he will have been near a North Korean leader since taking office more than two years ago and ended years of aid to the South's impoverished neighbour until it stops trying to build nuclear weapons.

China, the closest the North can claim to a major ally, has remained low key in the aftermath of the sinking in apparent displeasure at its unruly communist neighbour, reportedly agreeing to put on hold six-country talks it had hosted aimed at ending Pyongyang's nuclear ambitions.

Seoul has said it would issue its final verdict on what caused the ship to sink after an international team of investigators complete their probe. It has not given a date.

Lee needs to prevent turning the emotionally charged affair into a weapon for his political opposition at home ahead of June local elections which could, if his ruling party suffers a serious setback, damage his authority and ability to push through promised pro-business reforms.

A public opinion poll released this week showed support for Lee inching up slightly to 45 percent and his Grand National Party stretching its lead against the opposition ahead of the June elections.

Relations between the two Koreas, still technically at war, have turned increasingly hostile since Lee took office, with the North accusing him of deliberately ruining any chance of peaceful reunification of the peninsula that has been divided for more than half a century.

## **(Reuters) Escalating military tensions between the Koreas**

South Korea suspects the North sank one of its navy ships last month in an attack that killed 46 sailors. The following is a look at how the military dynamics on the troubled peninsula could change by what may be one of the deadliest strikes since the end of the 1950-53 Korean War and the likely reaction by financial markets.

### **SOUTH KOREA FLEXES ITS MUSCLES**

Market players do not see the South as planning a revenge strike on the North, but do expect it to increase its military presence near the sea border where its ship went down. They worry that Seoul could then be more likely to attack North Korean vessels nearing the border, instead of issuing warnings first, as it has done before, leading to firefights that spook markets. When news first broke of a possible North Korean link shortly after the Cheonan sank in late March, shares on Wall Street fell, the won dropped and the price to insure South Korean sovereign debt rose to 83 basis points from 78 basis, increasing the cost to insure \$10 million in debt by \$5,000 to \$83,000.

### **KEEPING A LID ON THE SITUATION**

The South's main military ally in the United States and the North's biggest backer in China both see it in regional and global interests to prevent an escalating conflict and will pressure Seoul and Pyongyang to keep their tempers and armies under control. The two global powers may not be able to prevent brief, live-fire exchanges between the rival Koreas who station more than 1 million troops near their border.

### **MISSILES, ARTILLERY AND TAUNTS**

But North Korea may still resort to sabre-rattling that often includes short-range missile tests and threats to attack its capitalist neighbour as it tries to win concessions from global powers to decrease the threat it poses to the economically vibrant region. Markets are long used to this and do not expect such moves to have any impact on trading.

### **BALLISTIC MISSILES**

A step seen as a larger provocation would come from Pyongyang test-firing its ballistic missiles that are designed to hit all of the South, most of Japan and U.S. military bases in Guam. They have already been deployed and the North is trying to improve their range and accuracy. If the North demonstrates improved missile technology, it increases the long-term risks to the region, and market jitters might ripple beyond South Korea to affect sentiment on Japanese stocks and the yen. But unless markets thought there was a chance leader Kim Jong-il was moving closer to firing these missiles in anger, any sell-off would be modest and quickly reversed.

### **NUCLEAR TEST**

North Korea has tested nuclear devices twice. A third test would put it closer to having a working nuclear bomb, but it would also deplete its meagre supply of fissile material, which is thought to be enough for six to eight bombs. Because a third nuclear test would not significantly alter market perceptions of risks, any negative impact on asset prices would again be relatively small and short-term. Experts say even if North Korea develops a bomb, it has no practical means to deliver it because its Soviet-era bombers would be no match for U.S., Japanese and South Korean air forces in the region. They add the North is several years away from developing the technology needed to miniaturise a nuclear weapon to mount on a missile and question whether it will ever be able to master the difficult process. So for the moment this is not a scenario that much worries markets.

### **(Reuters) South Korea's Lee talks security risks with Chinese leader**

South Korean President Lee Myung-bak held talks with his Chinese counterpart Hu Jintao in Shanghai on Friday that touched on security risks caused by the North's suspected attack on a warship from the South. China, the reclusive and impoverished North's biggest benefactor with the most influence in Pyongyang, wants to prevent further tensions that increase the chances of war but is not about to punish its neighbor, analysts said. "The bottom line is that Pyongyang knows that Beijing will not forsake them even if they behave in this provocative manner," said Peter Beck, a specialist in Korean affairs at Stanford University. Lee, who met Hu on the sidelines of the World Expo in Shanghai, has signaled Seoul will not retaliate with force, calming investor concerns in Asia's fourth largest economy. "I want to address the tragic loss of your country's warship," Hu told Lee. "To those who died and to their families, please let them know we grieve with them." South Korea lost 46 sailors when their ship was struck last month by what is believed to be a North Korean torpedo. If confirmed, it would be one of the deadliest strikes by Pyongyang since the end of the 1950-53 Korean War. South Korea's defense minister told parliament that investigators have found a piece of aluminum that appears to be not part of the sunken corvette. Military experts say aluminum debris is consistent with a torpedo attack. Lee has been looking for regional support in the wake of the crisis, which experts say could result in economic and political moves to punish Pyongyang if Seoul formally names it as the culprit. Lee may also have his first face-to-face meeting with a top member of the North's ruling class in Shanghai. The North's nominal number 2 leader Kim Yong-nam, who serves as the face of the government, is also attending the Expo.

### **GOOD NEIGHBOURLY RELATIONS**

Both Lee and Kim attended the same welcome dinner hosted by Hu in Shanghai, but were seated far apart and did not appear to speak to each other. China's official Xinhua news agency quoted Hu as telling Kim earlier in the day that China was willing "to promote good neighborly relations to new heights." Neither Xinhua, nor a similar report by North Korea's KCNA news agency, made mention of the South Korean ship sinking. Analysts say Lee's government, which has cut off once lucrative aid to the North and has few economic means left to hurt Pyongyang, risks pushing the North even closer to China if it decides to act tough. "If the drive to cooperate with China starts producing results, North Korea's policy of ignoring the South will become more blatant, as will its hardline position against the South," said Cho Myung-chul of the Korea Institute for International Economic Policy, who was formerly an academic in the North. North

Korea may also try to raise tensions by resorting to saber rattling, experts have said. Japan's Asahi newspaper quoted unnamed military sources as saying the North could test fire its mid-range Rodong ballistic missile from its east coast toward Japan some time next month. The Rodong, with an estimated range of up to 1,400 km (870 miles), can hit all of South Korea and most of Japan. The North is barred from test-firing its missiles by U.N. resolutions.

### ***Economic Front;***

#### **(Reuters) S. Korea NPS to buy Berlin Sony Center for \$767 mln**

South Korea's national pension fund, the world's fifth biggest, said on Sunday it was in the final stage of talks to buy Sony Center in Berlin, Germany, for about 850 billion won (\$767 million).

National Pension Service (NPS) said in a statement that it had been named a preferred bidder for Sony Center, Berlin's largest commercial complex put up for sale by a Morgan Stanley (MS.N) real estate fund. NPS plans to complete the purchase as early as in May.

Following the deal, part of the Korean pension fund's investment diversification, overseas real estate would account for 1.3 percent of its 290 trillion won assets, NPS said.

NPS said without elaborating that it would look for more alternative investments in global companies, technology and energy firms.

Sony Center, initially built as the European headquarters of Japan's Sony Corp (6758.T), is occupied by Sony, Deutsche Bahn [DBN.UL], and Sanofi-Aventis (SASY.PA), among others.

#### **G-20 to Discuss Steps to Prevent Recurrence of Crisis**

President Lee Myung-bak said Wednesday this year's G-20 meetings will focus on measures to prevent other crises similar to the Wall Street-originated worldwide financial meltdown in 2008 from occurring again.

He also called for painstaking efforts to improve long-term growth potential for local industries and the financial health of banks and securities firms to brace for a post-crisis economic order.

“The Korean economy has been recovering fast, but we should not be complacent,” Lee said in a speech, read by Sakong Il, chairman of the Presidential Committee on the G-20 Seoul Summit, at an international financial forum in Seoul.

“The crisis can occur again and nobody knows when. What we have to do now is to reduce risks and strengthen our internal capabilities.”

Lee stressed efforts to keep household and corporate debt under control, create new economic growth engines and globalize local financial firms.

The remarks came one day after the Bank of Korea announced the nation's economy grew at the fastest pace in more than seven years in the first quarter, with gross domestic product (GDP) expanding 7.8 percent compared to the same period a year ago.

Backed by robust exports and reviving domestic demand, the economy's productivity has fully recovered to the pre-crisis level, the central bank said.

President Lee said the country needs to improve risk management capabilities to be better prepared for an external shock. He said the G-20 Summit in Seoul will not only address post-crisis recovery efforts but focus on diverse measures to prevent another financial crisis.

“Countries will share the course of action after the crisis for sustainable growth,” he said. “It is very meaningful that South Korea was allowed to play a leading role in mapping out the measures. We have to be proud of that.”

### **(Washington Post) S Korea's economy grows 1.8 percent in 1st quarter**

SEOUL, South Korea -- South Korea's economic growth accelerated sharply in the first quarter of 2010 amid a rebound in manufacturing, exports and spending.

Asia's fourth-largest economy expanded 1.8 percent in the three months ended March 31 from the fourth quarter last year when it grew 0.2 percent, the Bank of Korea said Tuesday.

The result beat the central bank's own forecast of a 1.6 percent expansion made earlier this month.

South Korea has recovered strongly from the global downturn, boosted by record-low interest rates, government stimulus spending and robust exports as overseas markets recover.

The central bank said this month it expects the economy this year to grow at its fastest pace in four years. Moody's Investors Service, meanwhile, rewarded South Korea with a higher credit rating for emerging from the global crisis with its finances intact.

Growth figures for the first quarter are likely to intensify speculation about the timing of a Bank of Korea interest rate hike. The rate is currently at a record low 2 percent.  
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The economic expansion in January-March is the fifth straight quarter that South Korea's economy has grown after contracting over the final six months of 2008. The GDP results are preliminary and may be revised.

"The recovery is pretty well established," said Oh Suk-tae, regional head of research at Standard Chartered First Bank Korea in Seoul. "Growth is clearly picking up again."

Oh said that the 1.8 percent figure equates to an expansion of 7.5 percent on an annualized basis. The bank does not provide an annualized figure.

Manufacturing grew 3.6 percent in the first quarter after contracting 1.7 percent in the fourth, as the country's factories churned out more semiconductors and other electronics-related products, the central bank said.

Exports also rebounded to expand 3.4 percent after shrinking 1.5 percent. "This growth mainly reflected the upswing in exports of cars, semiconductors and of LCDs," the bank said in a release.

South Korea is the home of Hyundai Motor Co. and Kia Motors Corp., which together form the world's fifth-biggest automotive group.

Samsung Electronics Co. and Hynix Semiconductor Inc., meanwhile, rank No. 1 and No. 2, respectively in computer memory chips. Samsung and LG Display Co. hold similar rankings in liquid crystal displays.

Government spending jumped 5.7 percent after a contraction of 2.4 percent, with the bank crediting an increase in social security expenditure. Private spending, meanwhile, improved to grow 0.6 percent from the fourth quarter's 0.4 percent.

The economy also grew in the first quarter compared with the same period the year before, expanding 7.8 percent for the best performance since growth of 8.1 percent in the final quarter of 2002.

The GDP figures were not enough to cheer investors, however, as South Korea's benchmark stock index declined Tuesday from a 22-month high hit the day before, falling 0.2 percent to close at 1,749.55.

The South Korean won, meanwhile, fell 0.5 percent to close at 1,110.10 against the dollar after Ministry of Strategy and Finance official Kim Ik-joo issued a warning over the currency's recent strength, saying foreign exchange authorities would take "proper measures" to combat it.

Such language is meant to show that the ministry and central bank are ready to intervene in the currency market to weaken the won, which has risen 4.9 percent this year and remains near a 19-month high.

Though a stronger local currency has benefits in that it can reduce South Korea's energy import bill and check inflation, it can also make the country's exports less competitive in overseas markets.

Despite expanding in every quarter in 2009, the economy ended the year a meager 0.2 percent bigger, the worst performance since it contracted 5.7 percent in 1998 during the Asian economic crisis.



Prospects this year look much brighter. The central bank on April 12 raised its 2010 economic growth forecast from 4.6 percent to 5.2 percent on stronger exports and domestic demand. If achieved, that would be the best performance since a similar expansion in 2006.

Moody's on April 14 lifted South Korea's government bond ratings to A1 from A2 - the first increase since July 2007 - saying the country escaped the global downturn without a large increase in government debt and kept its fiscal deficit relatively small.

The Bank of Korea slashed its key interest rate six times from October 2008 to battle the global financial meltdown and ensuing economic slump. The rate has been at 2 percent since February last year.

South Korea's government has cautioned against what it sees as any hasty attempt by the independent central bank to lift borrowing costs, though Oh said resistance may be waning amid strong growth figures.

"I think maybe even the government will let the central bank raise interest rates," Oh said. He expects a hike of a quarter percentage point in the third quarter.

### **S. Korea SK E&C wins \$320 mln Saudi deal**

SEOUL, April 27 (Reuters) - South Korean builder SK E&C said on Tuesday it had won a \$320 million construction order from Saudi Arabia's state oil giant Aramco.

The unlisted builder said in a statement it would build a housing complex for Aramco employees.

### **S. Korea says Woori Fin privatisation may be delayed**

SEOUL, April 28 (Reuters) - South Korea hopes to outline a plan to privatise state-owned Woori Finance Holdings (053000.KS) in June but may have to delay it to around year-end, the head of a local financial regulator said on Wednesday.

#### Financials

"The preparation (of the plan) is taking quite a while. It may be delayed to the year-end," Financial Services Commission Chairman Chin Dong-soo said, adding options such as a sale in the market were being considered.

Woori Finance (WF.N), South Korea's third-biggest banking group by market value and the parent of No. 2 local bank Woori Bank, was widely expected to be put up for sale later this year as part of a sector consolidation drive.

Chin previously said merging Woori with another firm was an option if sale efforts hit a snag, spurring speculation that it could be merged with KB Financial Group (105560.KS) to create a bank with the scale to compete globally.

But Chin said on Wednesday that the authorities would put a priority on competitiveness over size in any financial industry consolidation, according to a pool report of his remarks to reporters.

The government owns 57 percent of Woori through state-run Korea Deposit Insurance Corp, after selling a 9 percent stake in the financial group earlier in April through a \$1 billion block deal.

### **(Washington Post) North Korea to expel South Korean workers from resort**

SEOUL (Reuters) - North Korea ordered on Friday most of the South Korean staff remaining at a joint tourism project in the North to leave the facility in a move that comes as ties between the rivals are rapidly spiraling down.

South Korea increasingly suspects the North of sinking one its naval ships last month and killing 46 of its sailors in what could be one of its deadliest attacks since the end of the 1950-53 Korean War.

Pyongyang will expel by May 3 all but 16 of the nearly 100 South Koreans and ethnic Koreans from China remaining at the Mount Kumgang resort in North Korea.

The resort was once hailed as a symbol of cooperation but was closed about two years ago after a North Korean soldier shot dead a South Korean tourist there.

"The 16 are to remain for communication purposes and their nationalities are not important," a South Korean Unification Ministry official quoted a North Korean official as saying.

The Mount Kumgang resort earned destitute Pyongyang tens of millions a year in hard cash and the North has complained it has suffered serious losses due to its closure.

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It has seized assets at the park, which Seoul says violates the contract it reached with North Korean officials and deals another blow to the reclusive state's already tarnished reputation for being an unreliable business partner.

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

### **S. Korea Kogas plans to buy 28 tonnes LNG in 2010**

SEOUL, April 29 (Reuters) - Korea Gas Corp (036460.KS), South Korea's sole wholesaler of liquefied natural gas, said on Thursday it planned to buy 28 million tonnes of LNG this year.

KOGAS, the world's biggest corporate buyer of LNG, expects a 231.6 billion won (\$207 million) net profit this year on sales of 21.5 trillion won, it told the Korea Exchange in a filing.

## **Samsung Elec plans \$17 bln chip spending -report**

SEOUL, April 30 (Reuters) - Samsung Electronics Co Ltd (005930.KS), the world's top maker of memory chips and flat screen TVs, plans to invest 19.3 trillion won (\$17.31 billion) in semiconductors until 2011, a local newspaper said on Friday.

The South Korean firm plans to invest 8.3 trillion won this year and 11 trillion won next year and has started ordering production equipment, the Korea Economic Daily quoted chip equipment suppliers as saying.

Samsung due to announce its first quarter results at around 0100 GMT, declined to comment

## **UAE's ADNOC awards \$5.6 bln worth contracts for Shah**

DUBAI, May 1 (Reuters) - Italy's Saipem (SPMI.MI) emerged as the biggest winner in a \$5.6 billion round of contracts from Abu Dhabi National Oil Company (ADNOC) for the Shah gas field, days after ConocoPhillips' (COP.N) bailed out of the project.

Saipem was awarded three contracts, worth a total of around \$3.1 billion, for a gas process plant, sulphur recovery and product pipelines.

South Korea's Samsung Engineering (028050.KS) won a \$1.5 billion contract for the utilities and offsite package.

The state-run ADNOC said a consortium of Spain's Tecnicas Reunidas (TRE.MC) and India's Punj Lloyd (PUJL.BO) secured a \$463 million gas gathering package.

"The project facilities are scheduled for completion by 2014," ADNOC said.

On Thursday, ADNOC said it would proceed with the development of the Shah gas field despite ConocoPhillips' exit from the scheme. [ID:nLDE63S1MH]

Conoco announced it had ended its participation in the \$10 billion Shah project on Wednesday, its second withdrawal in a month from high-profile projects in the Gulf.

The Shah scheme is to pump and purify gas with a high content of potentially deadly sulphur dioxide, making it tougher and more expensive to produce than conventional gas.

The Gulf Arab state has been slow to develop the world's fifth-largest gas reserves to meet demand from industry and the power sector. To meet the shortfall, it imports gas via pipeline from Qatar.

Shah would pump around 1 billion cubic feet per day (cfd) of raw gas, which after processing would give 540 million cfd of gas fit for consumption.

"Gas production is expected in mid-2014, that's the target," a UAE oil official told Reuters.

Separately, Abu Dhabi offshore unit ADMA-OPCO announced it had awarded U.S. company Fluor Corp (FLR.N) two front-end engineering and design contracts for the Umm Lulu and the Satah al-Razboot fields, although it did say how much the contracts were worth.

### **Hyundai-Kia targets 23 pct growth in 2010 China sales**

SEOUL (Reuters) - South Korea's Hyundai Motor Co (005380.KS) and Kia Motors Corp (000270.KS) are aiming to bump up sales in China by almost a quarter this year, heating up competition with global and local rivals.

Chung Mong-koo, chairman of the automotive group, on Thursday warned of rapid growth in China's local brands, which have stepped up their quality standards, and called for efforts to make Hyundai and Kia premium brands in China.

"China, emerging as the world's largest market, is becoming the battleground to set the future of Hyundai and Kia," Chung said in a statement during his inspection of a plant of Kia Motors in Yancheng, Ziangsu.

"We have to achieve the sales target of 1 million this year and build a strong presence in the Chinese market."

The target, which represents a 23 percent growth from last year, is the largest for a single country at the automotive group, the world's fifth-largest carmaker.

So far this year, Hyundai and Kia have sold a total 247,000 vehicles in China.

Hyundai, which produces Tucson SUVs and Verna compacts in China, is seeking to build a third plant with a 300,000-unit capacity to meet growing demand.

With the new plant completed, as well as a new Kia facility to be constructed in the second half, Hyundai and Kia will be able to churn out a total 1.33 million vehicles a year in China, the statement added, without elaborating.

Hyundai runs an auto joint venture with Beijing Automotive Industry Holdings Co in China and is among the major beneficiaries of Chinese government incentives for car purchases.

Other foreign automakers, including Ford Motor (F.N), General Motors GM.UL and Volkswagen (VOWG\_p.DE), are also ramping up capacity in the world's third-biggest economy to catch up with robust demand.

Honda Motor Co (7267.T), Japan's No. 2 automaker, forecast on Wednesday China sales would rise 11 percent this year.

Shares in Hyundai, which posted a record net profit in the first quarter, closed 3 percent higher after touching a record high of 136,500 won, with Kia adding 1.9 percent against a 0.3 percent slip in the wider market.

### **GE, AMEC eye stake in S. Korea KEPCO unit -report**

SEOUL, April 30 (Reuters) - U.S. industrial group General Electric Co (GE.N) and British engineering group AMEC (AMEC.L) are interested in buying an about \$230 million stake in a South Korea utility services firm, South Korean media reported on Friday.

MoneyToday said citing banking sources GE and AMEC were among potential investors expressing interest in taking a 10 percent stake of Korea Plant Service & Engineering Co Ltd (051600.KS), put up for sale by its parent Korea Electric Power Corp (KEPCO) (015760.KS).

Korea Plant Service & Engineering, which maintains and operates power facilities, is 80 percent owned by state-run KEPCO. KEPCO is set to offload a 10 percent stake in the unit this year and another 10 percent in 2012 under a government plan, the report said.

GE and AMEC are eyeing opportunities rising from overseas nuclear power projects Korea Plant Service & Engineering may participate in, MoneyToday said, adding it was still not clear if they would proceed to bid as KEPCO had been reluctant to allow joint business projects.

### **KB Fin posts record Q1 but low rate to stall margins**

SEOUL, April 30 (Reuters) - KB Financial Group (105560.KS), South Korea's No. 2 banking group by market value, said it expects margin growth to slow due to the low rate environment, after it beat forecasts with a record quarterly profit on Friday.

South Korean banks are set to benefit from lower financing costs and less major corporate failures this year after aggressive bad loan write-offs in 2009.

But the impact of a prolonged low-rate policy and lingering concerns about weak industries such as construction are key negatives ahead, analysts said.

"The improving trend in net interest margin will hit a snag in the second quarter after the rate on certificates of deposits dropped recently," said Lee Hyun-joo, an analyst with Tong Yang Securities.

"Banks' asset quality is healthy overall, but problems with some companies in construction, shipbuilding and shipping firms are concerning."

Despite an improving business outlook, Korean banking shares are trading cheap amid little likelihood of an policy rate hike. The sector's average price to book ratio stands at 0.8 times and even top players like KB and Shinhan (055550.KS) trade around 1.1-1.2 times. Korea's sector average compares with 1.6 times of Singapore's, 1.75 for Hong Kong's and 2.1 for Australia.

PROVISIONING COSTS FALL

KB (KB.N), the parent of top domestic bank Kookmin, posted a 573 billion won (\$514 million) net profit in January-March, far higher than a 410.7 billion won consensus forecast from Thomson Reuters I/B/E/S. It was the best quarterly result in the group's near two year history.

The profit rose from a 238.3 billion won net profit a year earlier and improved sharply from 17.8 billion won earned in the fourth quarter of 2009, when additional provisions to cover its debt exposure to troubled Kumho Asiana Group weighed.

Provisioning costs were 412 billion won, down sharply from 744 billion won in the previous quarter.

The net interest margin at Kookmin Bank rose to 2.82 percent from 2.61 percent in the previous quarter but the bank's loan delinquency ratio rose from the previous quarter.

"The improved profitability will be maintained for the time being," KB executives said on an investor conference call. "But we are now seeing a downtrend in market rates and growth in net interest margin will be deferred for some time."

Also reporting on Friday, Woori Finance Holdings (053000.KS), the country's third-biggest banking group by market value, said its first-quarter net profit more than trebled as improved margins and one-off gains outweighed provisioning costs against troubled companies.

Woori earned 573 billion won in net profit in January-March, beating a 482.9 billion won profit forecast from Thomson Reuters I/B/E/S.

Shinhan Financial Group, the sector's top by market value, posted better-than-expected earnings on Thursday.

KB is expected to earn 2.14 trillion won in net profit for the whole of 2010, quadruple its 2009 profit, according to Thomson Reuters I/B/E/S.

Shares in KB, which competes closely with Woori and Shinhan for the position of top banking group by assets, rose 0.9 percent before the results, in line with the overall market.

Expectations for consolidation would be also in play this year on upcoming the sale of Korea Exchange Bank (004940.KS) by U.S. private equity fund Lone Star and Woori's privatisation.

However, uncertainties over the selection of KB's chairman post, now vacant, has weighed on the stock as investors expect the group may miss acquisition opportunities until the new head is chosen. KB shares fell 8.5 percent in the first quarter against the Seoul market's 0.6 percent rise.

KB executives said the group would "actively consider if any appropriate M&A opportunity arise," without elaborating.

**(Washington Post) Samsung Q1 net profit surges to record high**

SEOUL, South Korea -- Samsung Electronics said net profit surged more than six-fold in the first quarter to a record high on strong demand and higher prices for memory chips as well as increased sales of mobile phones and flat screen televisions.

Samsung earned 3.99 trillion won (\$3.59 billion) in the three months ended March 31, the company said Friday. It recorded net profit of 582 billion won the year before.

The latest figure was an all-time high for the company, said spokesman Jason Kim, surpassing 3.81 trillion won in the third quarter of last year.

The company also said sales in the first quarter totaled 34.64 trillion won. That was 20.8 percent higher than the 28.67 trillion won reported a year earlier.

Samsung Electronics Co. is a major force in the global technology industry, ranking as the largest manufacturer of computer memory chips, flat screen televisions and liquid crystal displays. It also stands No. 2 globally in mobile phones behind Finland's Nokia Corp.

Samsung said in a release that sales in its semiconductor business jumped 57 percent to 8.2 trillion won in the first quarter. The company said tight supply and strong demand caused prices for DRAM, or dynamic random access memory, chips to rise. DRAM are used mostly in personal computers.

The company also cited steady demand for NAND flash memory chips in line with consumer purchases of smart phones and mobile application products. NAND are used in devices such as digital cameras, music players and smart phones.

"Strong demand for mobile products continued despite weak seasonality," Samsung said in presentation materials for investors.

In mobile phones, Samsung sold 64.3 million of the devices in the first quarter, up 40 percent from the year before. It predicted demand will increase in the current second quarter in line with the global economic recovery.

The company also sold 8.4 million flat screen TVs in the first quarter, an increase of 47 percent from the year before. Samsung said it expects demand to grow 34 percent in the second quarter.

"In the TV business, we launched aggressive marketing activities focusing on 3D TV as well as LED TV," Robert Yi, Samsung's head of investor relations, told analysts on a conference call. "As a result, our shipment and profit margin improved significantly year on year."

Investors cheered the results, sending Samsung shares 2.9 percent higher to close at 849,000 won. Samsung's stock price, which surged 77 percent in 2009, hit a record high of 870,000 won on April 5 this year.

## ***Socio-cultural Façade;*** **Detailed News:**

### **South Korea completes world's longest seawall**

SEOUL: South Korea formally marked completion of the world's longest seawall on Tuesday, the first step in a massive project aimed at reclaiming the ocean for industry, tourism and agriculture by 2020.

The 33.9 kilometre (21 mile) Saemangeum seawall encloses 401 square kilometres (160 square miles) of seawater or tidal mudflats, about two thirds the size of Seoul.

"Saemangeum is the largest-ever engineering project in this country and will change the country's landscape," said President Lee Myung-Bak at the televised inauguration.

The government has so far spent 2.9 trillion won (US\$2.6 billion) on the project, which began almost two decades ago but was repeatedly suspended amid a lawsuit by environmentalists.

Another 21 trillion won in state and private spending is envisaged over the next decade to reclaim land, build infrastructure and create giant freshwater reservoirs.

Lee called the structure, which incorporates a road, "the Great Wall on the sea", saying it would become an economic highway for South Korea to reach the world beyond Northeast Asia.

Agriculture minister Chang Tae-Pyong said the project would convert mudflats and shallow tidal waters into a centre for low-carbon, green growth industries, leisure, the environment and agriculture.

The ministry said it replaces the Zuiderzee dyke in the Netherlands, completed in 1933, as the world's longest seawall.

The inauguration of the first phase featured the opening of the road along the top.

The reclamation project was first mooted in the early 1970s and work on the west coast dyke, 200 kilometres (125 miles) south of Seoul, began in 1991.

Originally the government planned to use 70 per cent of the reclaimed land for farming but the South Korea's rice production now outstrips demand.

The plan now is to build a new city focused on logistics, industry, tourism and leisure as well as floriculture.

The reclaimed area and the port city of Gunsan will jointly house an international business complex, to be called the Saemangeum-Gunsan Free Economic Zone, by 2020.



The project has been dogged by fears of environmental disaster, and was marked by protests and clashes with riot police.

Environmentalists say it will destroy huge mudflats which provide habitats for wildlife and serve as natural water purification plants.

Opposition eased somewhat as authorities promised to invest more to address environmental concerns, including tighter control of pollution upstream on the two rivers that flow into the area. "However, the overall development project must be reviewed in order to preserve the mudflats as much as possible," Jee Woon-Geun, a director of the Korean Federation for Environmental Movement, told AFP.

"Mudflats enable sustainable development. They are also a great tourist attraction."

Lee, quoted by Yonhap news agency, defended the project against claims it would severely damage the ecosystem.

"It is another effort by us for low-carbon and green growth, along with the four rivers project," he said, referring to his controversial drive to restore the country's four major rivers.

### **Figure skater Yu-na to help Korean Olympic bid**

DUBAI, United Arab Emirates -- South Korean figure skating gold medalist Kim Yu-na could play a key role in the chase for another top Olympic prize.

Bid leaders from Pyeongchang, South Korea, said Wednesday that Kim will lend her support to the city's campaign to host the 2018 Winter Games.

"She has promised me she will come to events to promote the bid," said Cho Yang-ho, co-chair of the bid and head of Korean Air.

Cho said he expects Kim - who won the gold in Vancouver at the age of 19 - to travel to Durban, South Africa, as part of the bid team for the vote by the International Olympic Committee in July 2011.

That would put two figure skating gold medalists in the spotlight: Two-time champion Katarina Witt is a top leader of Munich's 2018 bid. The third candidate city is Annecy, France.

Leaders of all three bids have come to Dubai to spread their message at the SportAccord convention, a major gathering of sports and Olympic officials from around the world.

The race won't move into high gear until June when the International Olympic Committee officially approves the list of finalist candidates.

For now, the bid cities are limited to meeting and greeting IOC members and pushing their case through media interviews.

Pyeongchang is making its third consecutive bid after narrow defeats in the votes for the 2010 and 2014 Games.

It's not like the Olympic movement owes something to Pyeongchang," said Kim Jin-sun, governor of Gangwon province and co-chair of the bid. "But we feel it is very important for the Olympic movement to give Asia the opportunity to host the Games."

Pyeongchang officials said their bid has been boosted by South Korea's strong performance in Vancouver, where the country's athletes placed fifth in the medals table with six golds and 14 in total.

Willy Bogner, a former Olympic skier and movie maker who heads Munich's bid, said he does not feel disadvantaged by Pyeongchang's head start as a third-time candidate.

"It is like a race," he said. "You have more experienced people and you have newer people. Ours is a fresh bid."

Munich, which hosted the 1972 Summer Olympics, is seeking to become the first city to stage both winter and summer games.

Bogner said Munich's 1972 Olympic Stadium remains a great legacy and the Olympic Park is "a living thing" which hosts around 300 events a year, meaning the city won't have to build many new costly facilities.

While the Annecy bid, led by former Olympic moguls champion Edgar Grosjean, is considered the outsider, Bogner said the French should not be counted out.

"You can never underestimate a competitor," he said. "I wouldn't call it a two-horse race. France has a strong Olympic connection, and the French are good politicians."

Beyond 2018, some cities are exploring bids for the 2020 Summer Olympics - including Dubai.

Sheik Mohammed bin Rashid Al Maktoum and his wife, Princess Haya of Jordan, spoke with reporters Wednesday and acknowledged that the searing heat could be an issue in a city where temperatures can exceed 120 degrees.

Another Gulf city - Doha, Qatar - failed to make the list of finalists for the 2016 Games, mainly because of the heat during the traditional Olympic months of July and August.

Mohammed reiterated that Dubai was carrying out a feasibility study about a potential bid.

"We have to do our homework," he said. "A bid is not organized yet. My people are studying this."

The Olympics have never been held in the Middle East.

"Really, it would be a dream to have the Olympic Games in this part of the world," the sheik said.

**(Washington Post) South Korea honors sailors killed in ship sinking**

PYEONGTAEK, South Korea -- Sirens blared across South Korea on Thursday as a solemn military funeral honored 46 seamen killed after a blast sank their warship last month. Officials vowed retaliation against those responsible for an attack many believe North Korea launched.

Warships anchored at the base south of Seoul where the funeral was held sounded whistles, and seamen aboard saluted when the vehicles carrying the ashes left for the cemetery.

A somber President Lee Myung-bak and his wife - who joined 2,800 mourners at the ceremony - offered white chrysanthemums, burned incense and bowed before the framed photos of the soldiers, while buglers played taps. Lee, the commander in chief of South Korea's armed forces, then saluted.

Former President Chun Doo-hwan, lawmakers and military leaders also paid respects to those who died in one of South Korea's worst naval disasters.

South Korea has not directly blamed its Cold War-era rival North Korea, but suspicion has focused on Pyongyang given its history of provocations and attacks on the South. South Korea's defense minister said this week the blast was most likely caused by a torpedo attack. North Korea has denied any role.

The name of each sailor was read out while Lee, clad in a black suit and tie, placed military decorations on a giant alter below photos of each man. They had all been posthumously promoted by one rank in recent days.

Buddhist monks clad in orange and white robes chanted prayers at the interfaith funeral. A Roman Catholic priest and a Protestant minister also participated.

"The Cheonan is engraved as history into the people's hearts and your honorable sacrifice is being reborn as patriotism," Chief Petty Officer Kim Hyun-rae, one of the 58 survivors of the disaster, said in an address to the funeral.

Tears welled up in the eyes of President Lee as he listened to Kim's speech.

The sailors went down with the 1,200-ton Cheonan near the tense western sea border with North Korea on March 26 shortly after it was torn apart by what investigators believe was an underwater blast from outside the ship.

The bodies of 40 of the sailors were recovered, while six others remained unaccounted for and are presumed dead.

The Cheonan was on a routine patrol before it split in two and sank near the disputed western sea border, a scene of three bloody sea battles between the rival Koreas that remain locked in a state of war since their 1950-53 conflict ended in a truce instead of a peace treaty.

"We cannot forgive this and must not forgive it and must not forget it," Navy Chief of Staff Kim Sung-chan said in a speech at the funeral. "We will never sit idly against whoever inflicted huge pain to our people. "

Military retaliation against Pyongyang, however, is considered unlikely as it could lead to major conflict and frighten away investors at a time when South Korea is recovering fast from the global financial meltdown and prepares to hold a summit of leaders from the Group of 20 in November.

North Korea has waged a slew of attacks against South Korea, including a 1987 downing of a South Korean passenger plane that killed all 115 people on board, one of the reasons the country is suspected of involvement.

The funeral took place at the 2nd Fleet headquarters in Pyeongtaek, about 45 miles (70 kilometers) south of Seoul, the Cheonan's home base. After the ceremony, the remains were transported by hearse to the national cemetery in the central city of Daejeon for burial later Thursday.

About 3,000 white and black balloons were released into the air. Cheonan survivors carried photos of the dead sailors.

Uniformed soldiers lined the streets outside the navy base and saluted when the funeral procession went by.

People at Seoul's main railway station, including uniformed soldiers on leave and traveling home, gathered around television screens to pause in remembrance.

Kim Yong-mi wiped away tears with a handkerchief, her eyes red and watery.

"So many died too young," said Kim, 68. "As someone who's lived all these years more than they ever will, I'm ashamed to be standing here, alive."

Flags in South Korea are flying at half-staff and many government buildings in Seoul have hung large black-and-white placards reading, "We will not forget your honorable sacrifice." An estimated 400,000 people have reportedly visited mourning locations set up across the country to pay respects.

### **S Korean golfers call off boycott against OneAsia**

SEOUL, South Korea -- South Korean golfers say they have called off a boycott of the OneAsia tour after coming to an agreement with organizers over player quotas at domestic tournaments.

Park Do-kyu, representing the Korean golfers, says OneAsia agreed to allow 60 local golfers to compete in the tour's three South Korean tournaments.

The OneAsia Tour was launched last year as a joint venture between the Australian PGA and governing bodies in Asia, including China and South Korea.

South Korean pros protested the tour's qualification rules. They complained that only half the number of locals would be able to participate this year.

Park said the 13-day boycott caused much damage to the golfers and corporate sponsors.

**(Washington Post) North Korea has plenty of doctors: WHO**

GENEVA (Reuters) - North Korea's health system would be the envy of many developing countries because of the abundance of medical staff that it has available, the head of the World Health Organization said on Friday.

WHO Director-General Margaret Chan, speaking a day after returning from a 2-1/2 day visit to the reclusive country, said malnutrition was a problem in North Korea but she had not seen any obvious signs of it in the capital Pyongyang.

North Korea -- which does not allow its citizens to leave the country -- has no shortage of doctors and nurses, in contrast to other developing countries where skilled healthcare workers often emigrate, she said.

This allows North Korea to provide comprehensive healthcare, with one "household doctor" looking after every 130 families, said the head of the United Nations health agency, praising North Korea's immunization coverage and mother and child care.

"They have something which most other developing countries would envy," Chan told a news conference, noting that her visit was a rare sign of the communist state's willingness to cooperate with outside agencies.

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Chan's comments marked a significant change from the assessment of her predecessor, Gro Harlem Brundtland, who said in 2001 that North Korea's health system was near collapse.

Chan, who acknowledged that countries that she visits always try to look good while pointing to where they need help, met a series of North Korean officials, visited several hospitals, and also talked to Pyongyang-based diplomats, United Nations officials and representatives of the Red Cross.

The authorities acknowledge there is a problem with malnutrition, she said, but things have become better since famine in the 1990s and a series of natural disasters in 2001.

"Nutrition is an area that the government has to pay attention (to) and especially for pregnant women and for young children," Chan said.

#### NO SIGNS OF OBESITY

Chan spent most of her brief visit in Pyongyang, and she said that from what she had seen there most people had the same height and weight as Asians in other countries, while there were no signs of the obesity emerging in some parts of Asia.

But she said conditions could be different in the countryside. News reports said earlier this year that North Koreans were starving to death and unrest was growing as last year's currency revaluation caused prices to soar.

Chan, who described her visit as "technical and professional" -- in other words avoiding politics - - said the North Korean government's readiness to work with international agencies, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, was encouraging.

The Global Fund requires countries it works with to provide sound data, account for resources contributed and allow access by officials, she noted.

"I can confirm that at least in the area of health the government is receptive to engagement with international partners," she said.

"They are receptive to requests for increasing transparency -- have a better quality data -- and being held accountable for the resources flowing into the country to improve health."

North Korea, whose human rights record has been strongly condemned by U.N. experts, is refusing to return to six-party talks about its nuclear program, which has led to U.N. sanctions being imposed after a nuclear test in May last year.

Tension is increasing with South Korea, with which the North fought a war in 1950-53, after the sinking of a South Korean naval vessel last month for which Seoul increasingly suspects Pyongyang.

But Chan praised a joint project between North and South Korea to improve women's and children's health, which she said was promoting dialogue and trust between the two rivals.

Last month, the WHO said North Korea has reduced deaths from surgery and among women in childbirth under the South Korea-funded program.

#### **(Washington Post) Zimbabweans to protest N. Korean soccer team visit**

HARARE, Zimbabwe -- A Zimbabwean opposition group said Thursday it will protest against North Korean soccer players when they come to train here ahead of the World Cup because of North Korea's role in the massacres of tens of thousands of Zimbabweans in the 1980s.

Up to 40,000 civilians were massacred by an army brigade trained by North Korean instructors in western Zimbabwe's Matabeleland province during a five-year uprising.

"We have not forgiven them for that. We are totally opposed to the North Koreans coming to any part of Zimbabwe. We don't want them here. We are going to follow them (to Harare) and demonstrate against them," Methuseli Moyo, spokesman for the Zimbabwe African People's Union party, or ZAPU, told The Associated Press by phone.

North Korea's World Cup soccer team initially was to train in Bulawayo, in Matabeleland province. Zimbabwe Tourism Minister Walter Mzembi said the team now plans to train at a stadium in Harare, the capital, next month ahead of the tournament in neighboring South Africa. Mzembi denied the change of venue was politically motivated and said sporting facilities in Bulawayo were not adequate.

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ZAPU, which is based in western Zimbabwe, said the whole affair has reopened wounds for families of victims massacred by troops loyal to President Robert Mugabe - a longtime ally of North Korea.

Troops were trained and commanded by North Koreans to crush the uprising after Zimbabwe won independence from colonial-era rule in 1980. Some human rights activists liken the five-year purge to genocide. Parts of Matabeleland were blocked from access to medicine and food during a drought.

The uprising ended when Mugabe signed a peace pact with ZAPU rebels and made party leader Joshua Nkomo a vice president in 1987.

Sports Minister David Coltart said Thursday the dates of the North Koreans' visit are still to be confirmed.

"It is important that the Zimbabwe government deals with this matter in a very sensitive way and does not ignore the history of North Korea here, and does not do anything that might inflame passions or reopen old wounds," he said.

But he added: "I don't think it is right to attack a group of young players for what happened 27 years ago in this country."

North Korea has qualified for its first World Cup since 1966 and will play Brazil, Portugal and Ivory Coast at the 2010 World Cup in what is probably the toughest of the eight competing groups.

Coltart described as speculation reports that North Korean team managers favored staying in Zimbabwe in the run-up to the World Cup amid fears some players might defect if they went elsewhere.

# Japan

## *Political Front;*

### *Detailed New:*

#### **Newyork times 90,000 Protest U.S. Base on Okinawa**

TOKYO — More than 90,000 Okinawans rallied Sunday to oppose the relocation of an American air base on their island, adding to the pressure on Prime Minister Yukio Hatoyama to resolve an issue that has divided Tokyo and Washington.

The demonstrators, in one of the largest protests on Okinawa in years, demanded that Mr. Hatoyama scrap a 2006 agreement with the United States to move the Futenma Marine Corps Air Station to a different site on the island. Many of the protesters wore yellow to signal they were giving Mr. Hatoyama a warning for appearing to waver on election promises to move the busy base off Okinawa altogether.

Since his party's landmark election victory last summer, Mr. Hatoyama has promised to come up with an alternative plan that would reduce the heavy American presence on the southern Japanese island, home to nearly half of the 50,000 United States military personnel in Japan. He has given himself until the end of May to put together such a plan that would also be acceptable to Washington.

So far, his efforts to find a new location for the base have not appeased Washington; it initially demanded that Tokyo adhere to the original 2006 deal but has recently signaled greater flexibility. The 2006 deal calls for moving the base from its current location, in the center of the city of Ginowan, to Camp Schwab, an existing Marine base in less-populated northern Okinawa.

The perception that Mr. Hatoyama has mishandled the relationship with the United States, Japan's longtime protector, has contributed to his falling approval ratings, which have dropped below 30 percent. Opposition leaders and media commentators have begun calling on him to resign if he fails to find a compromise by the end of May.

While Mr. Hatoyama has remained tight-lipped about what his plan may look like, officials from his government have made repeated visits to Okinawa to sound out local leaders. Okinawan politicians and the local news media have described the emerging plan as a modified version of the 2006 agreement.

They said the government was considering building a smaller airbase at Camp Schwab than under the 2006 agreement and moving at least part of Futenma's functions — most likely some of its training operations, and perhaps some of its helicopters — to Tokunoshima, a smaller island about 120 miles north of Okinawa. Japanese news media have interpreted this proposal as a token gesture to appease Okinawans by moving at least some of the Marines off the island.

Okinawan leaders and local media reports have also said the government is considering constructing a new air base on an artificial island to be built off the Okinawan city of Uruma.



Japanese media reports have said the island could take decades to build and would serve as a longer-term home for the Marines.

However, on Sunday, local leaders told the demonstrators that they rejected any plan that kept the air base on Okinawa. Toshio Shimabukuro, the mayor of Uruma, said he opposed the construction of the island, which he said would turn his city in “a major military site,” according to Japan’s Kyodo News.

The governor of Okinawa, Hirokazu Nakaima, who dropped his earlier support for the 2006 plan to join a rising movement against the base, called on the rest of Japan to share more of the burden of the American military presence. “This is not a problem that concerns only Okinawans,” he said, according to Kyodo.

#### **Washington post Japan PM keeps party kingpin, plans base trip**

TOKYO (Reuters) - Japanese Prime Minister Yukio Hatoyama said on Wednesday he wanted to keep ruling Democratic Party Secretary-General Ichiro Ozawa in his job after a judicial review panel said he should be indicted over a funding scandal.

The panel's ruling on Tuesday, which could lead to an indictment within several months, dealt a severe blow to the already floundering party ahead of a key upper house election it needs to win to avoid policy deadlock.

"I want Secretary-General Ozawa to continue as he is," Hatoyama told reporters.

Ozawa, who is seen as a master election strategist but also as something of a liability after three former and current aides were indicted over the funding scandal, said on Tuesday his conscience was clear and that he had no plans to step down.

The Democrats, who took power just seven months ago, need to win an outright majority in the upper chamber in an election expected in July or August to avoid policy stalemate as the country strives to keep a fragile economic recovery on track and rein in a massive public debt.

#### **FUTENMA FEUD**

Pressure inside the ruling party to dump Ozawa, seen by many as the power behind Hatoyama's government, could mount but his considerable clout means many are reluctant to challenge him openly for fear he will bolt and split the party.

"I think both will stay on until the election," independent political commentator Hirotaka Futatsuki said of the pair.

"People in the DPJ question whether Ozawa is really that good at election strategy but they lack confidence that they can win without him," he added.

Hatoyama's ratings have already nosedived, eroded by the premier's perceived mishandling of a feud over a U.S. Marine base in southern Japan as well as funding scandals, dimming the chances of a decisive Democratic Party victory.

The 63-year-old premier is struggling to resolve the dispute over relocating the U.S. Marines' Futenma airbase in Okinawa by a self-imposed deadline of the end of May. Some even in his own party say he may have to resign if he fails to meet the deadline.

U.S. Assistant Secretary of State Kurt Campbell, who left a meeting with Foreign Ministry officials on Wednesday without comment, told a newspaper this week he had received a "serious" proposal from Japan that could move discussions forward.

Under a 2006 agreement still backed by Washington, Futenma's facilities were to be shifted from a city center to a less heavily populated part of Okinawa, but Hatoyama raised hopes before his election victory last year that the airbase could be moved off the island.

Hatoyama hopes to have the tiny island of Tokunoshima, northeast of Okinawa, host some of the Futenma Marines and training, while altering plans for a new runway off the coast of Okinawa to reduce the environmental impact, domestic media said.

He plans to visit Okinawa on May 4, media said, after tens of thousands of people rallied there last weekend to demand Futenma be moved off the island. Hatoyama's spokesman was unable to confirm the visit.

Tokunoshima leaders told Hatoyama in a meeting on Wednesday that his proposal was not feasible, Kyodo news agency quoted local member of parliament Takeshi Tokuda as saying.

Resistance to the airbase has grown steadily in Okinawa, where many resent bearing what they consider an unfair burden for maintaining the 50-year-old U.S.-Japan security alliance and dislike the crime, accidents and noise associated with the bases.

**Reuters Japan PM: Ozawa should keep post until election**

TOKYO, April 30 (Reuters) - Japanese Prime Minister Yukio Hatoyama said on Friday that he wanted to keep ruling Democratic Party Secretary-General Ichiro Ozawa in his job until an election expected in July or August.

Hatoyama also told reporters that there had been some impact from a judicial review panel this week saying that Ozawa should be indicted over a funding scandal.

The panel's finding has dealt a severe blow to the floundering party ahead of a key upper house election the Democrats need to win to avoid policy deadlock.

**Washington post Japan PM says finalizing plan to end U.S. base row**

TOKYO (Reuters) - Japanese Prime Minister Yukio Hatoyama said on Tuesday he was finalizing a plan to resolve a row over a U.S. airbase by an end-of-May deadline, as he struggles to revive sagging support in the run-up to an election.

Hatoyama spoke to reporters hours ahead of the arrival of a U.S. envoy who said in a newspaper interview that Japan had presented a "serious" proposal that could enable talks to progress to a new level.

"The situation is that we are considering a government proposal seriously," Hatoyama told reporters outside his residence. "I want to put the final touches to it."

But he said working-level talks on the plan between Japan and the United States had not yet begun.

Hatoyama's support has slumped to about 25 percent in recent polls, partly on voters' perception that he has mishandled the base issue, boding ill for his ruling Democratic Party's chances of winning an upper house election expected in July or August.

Failure to secure a majority could mean policy deadlock just as the country seeks to maintain a fragile economic recovery while reining in its massive debt.

Under a 2006 agreement, the U.S. Marines' Futenma base was to be shifted from a city center to a less heavily populated part of Okinawa, but Hatoyama raised hopes before his election victory last year that Futenma could be moved off the island.

#### MODIFIED PLAN

The government has not revealed details of the latest proposal, but domestic media say it is a modified version of the 2006 plan, with an offshore runway built on piles driven into the seabed off the existing U.S. Camp Schwab base in Okinawa.

The plan avoids the use of reclaimed land in an effort to lessen damage to the environment and shifts the runway further offshore to alleviate noise pollution in a neighboring village, the Sankei newspaper said.

Some of Futenma's training facilities would be moved elsewhere in Japan, media reports say.

It is unclear if such a plan would be accepted in Okinawa, where tens of thousands of people rallied last weekend to call for the base to be moved off the island.

A few dozen renewed their demands with a sit-in protest outside the parliament building in Tokyo on Tuesday and Okinawa lawmakers were set to meet cabinet ministers to press their case.

Angered by the noise, pollution and crime they associate with the bases, many Okinawans feel they bear an unfair share of the burden of hosting the U.S. military.

Assistant Secretary of State for East Asia Kurt Campbell referred to a "serious" proposal in an interview with the Asahi newspaper published on Tuesday, but did not specify what it involved. He arrives in Tokyo on Tuesday and is set to meet Japanese officials on Wednesday.

Washington has repeatedly said it believes the 2006 plan is the best option, but Japan's Defense Minister Toshimi Kitazawa told reporters that plan was currently far from consideration.

### **Washington post Japan PM support falls as base row heats up**

TOKYO (Reuters) - Two out of three Japanese voters disapprove of Prime Minister Yukio Hatoyama and nearly 60 percent think he should resign if he fails to resolve a feud over a U.S. airbase by an end of May deadline, a media poll showed on Monday.

The survey, which comes a day after tens of thousands gathered on Okinawa to demand the base be moved off the island, bodes ill for his ruling Democratic Party's chances of winning a majority in an upcoming election for parliament's upper house.

An inconclusive result in the election, expected in July or August, could hamper policymaking as the country struggles to maintain a fragile economic recovery while reining in its massive debt.

Hatoyama got a rare piece of good news on Monday when media said a judicial review panel had ruled that prosecutors were right not to indict the premier over misreporting of his political funds, for which an aide was convicted last week.

The panel is still reviewing whether Democratic Party Secretary-General Ichiro Ozawa should be charged over another scandal, media say, and a finding against the ruling party kingpin would be a major blow to the prime minister.

The Nikkei newspaper poll, conducted over the weekend, showed 68 percent of voters disapprove of Hatoyama, up 11 percentage points from the previous poll last month, partly on frustrations over the Futenma U.S. base row.

The United States wants to push ahead with a 2006 agreement to move the base from a city center to a less crowded part of the island, but Hatoyama raised hopes during his election campaign last year that a new location could be found outside Okinawa.

A number of alternative proposals have been leaked to domestic media, but Hatoyama's failure to find one acceptable to both Japan's biggest ally and Okinawa residents has helped erode support already damaged by funding scandals within his party.

"We see this as one expression of public opinion," Hatoyama told reporters when asked about the Okinawa rally.

He said he remained determined to lighten the burden on Okinawa, which plays reluctant host to about half the U.S. forces in Japan, and to remove the threat to public safety presented by Futenma's location in a densely populated area.

U.S. Assistant Secretary of State Kurt Campbell, who travels to Japan on Tuesday, said talks between the two countries were progressing well.

"Some of the recent dialogue between U.S. and Japan and some of the proposals that we are now looking at are encouraging," he told the Kyodo news agency in Hong Kong.

He later told reporters:

"The next phase on how to handle discussions between our two countries on Okinawa will be critical. I think we've seen some signs that give us some cause ... that we're encouraged but there's a lot of hard work to be done."

Only 24 percent of respondents to the Nikkei poll said they supported Hatoyama, down 12 points on the previous survey and compared with levels of about 70 percent when he took office last September after a landslide election victory.

Twenty percent of respondents said they would vote for the Democrats in the upper house election, down 4 percentage points. Support for the main opposition Liberal Democratic Party (LDP) was down at 14 percent, the Nikkei said.

The politician of whom voters said they had the highest expectations was Yoichi Masuzoe, who left the LDP and formed his own small party last week, further fragmenting the opposition.

In second place was Transport Minister Seiji Maehara, known for clashing with Ozawa.

#### **Washington post Japan panel says OK not to charge PM in scandal: report**

TOKYO (Reuters) - A Japanese judicial panel ruled on Monday that prosecutors' decision not to charge Prime Minister Yukio Hatoyama over suspected falsification of his political funding records was "appropriate", TV broadcasters said.

The decision by a panel drawn from the general public will come as a relief for the floundering Hatoyama ahead of an election his ruling Democratic Party of Japan (DPJ) needs to win to avoid policy deadlock.

Hatoyama has denied any intentional wrongdoing, but his support rates have nosedived since he took office last year, damaged by financial scandals in his party and the perception that he lacks the ability to make tough decisions on the economy and foreign policy.

Judicial panels of ordinary citizens review cases where a complaint has been made about prosecutors' decision not to indict a suspect.

**Washington post Japan PM rules out 2006 plan to solve U.S. base row**

TOKYO (Reuters) - Japan's prime minister on Saturday repeated his objection to a 2006 plan to relocate a U.S. airbase on Okinawa after a U.S. newspaper reported Tokyo had told Washington it would broadly accept the deal.

The Washington Post said on its website Japanese Foreign Minister Katsuya Okada told U.S. Ambassador John Roos on Friday Tokyo was moving toward accepting major parts of the 2006 deal to move the U.S. Marines' Futenma airbase from the center of a city to a less populated part of Okinawa.

"The report is not true ... We cannot accept the existing (2006) plan," Prime Minister Yukio Hatoyama told reporters in comments aired on national television.

Hatoyama, whose support rates have been sinking ahead of a key mid-year upper house election, has said he would stake his job on settling the feud by a self-imposed end of May deadline.

In the absence of a deal, speculation has simmered he might even have to step down if he fails.

Okada said later he had met Roos "recently" but also denied the Washington Post report. Kyodo news agency said Hatoyama sidestepped the question of whether Tokyo had proposed revising the 2006 deal in talks with its key ally Washington.

The Washington Post report of movement on the deal was likely to spark anger on Japan's southern island of Okinawa, whose residents plan to hold a big anti-base rally on Sunday.

It also comes a few days ahead of a visit to Japan by U.S. Assistant Secretary of State Kurt Campbell.

Separately, a Japanese newspaper reported that some in the Japanese government are considering broadly accepting the 2006 plan because they feel it might be the only way to meet the end of May deadline to resolve the row with Washington.

**FIRST STEP**

The original 2006 plan called for shifting the Futenma base to another part of Okinawa, which requires legal approval from the governor of Okinawa who is expected to attend the anti-base rally on Sunday.

The Post quoted U.S. officials as saying they were pleased by the latest proposal, but stressed it was a first step and that Japanese officials would be providing more details next week.

It said Okada had suggested some changes, including altering the design of the runway at the new air station, planned for the town of Henoko, and moving parts of the Marine Corps facility to an island about 100 miles from Okinawa.

It was unclear whether the proposal referred to the small island of Tokunoshima, where a crowd of 15,000 recently protested against accepting the airbase.

Hatoyama has also said any deal must be acceptable to Washington, local residents, and his Democratic Party's small coalition partners.

The Washington Post said the Japanese government presented the Obama administration in March with what a U.S. official dismissively referred to as "ideas, not proposals."

One involved building the new station on a massive landfill near the White Beach Naval Facility, also on Okinawa. The other would have had the Marines split the base between a facility on Okinawa and another on Tokunoshima, more than 100 miles to the northeast.

None of those ideas was "operationally sustainable or politically viable," a senior Pentagon official was quoted by the Post as saying.

But it said U.S. officials characterized Okada's new package as a "proposal" after Friday's meeting at the U.S. Embassy in Tokyo and expressed satisfaction both countries were now working toward a solution.

#### **Washington post Japan moves to settle dispute with U.S. over Okinawa base relocation**

The Japanese government indicated Friday that it would broadly accept a plan to relocate a U.S. Marine Corps base on Okinawa, a move that could ease months of discord between the two allies, U.S. and Japanese officials said.

Foreign Minister Katsuya Okada presented U.S. Ambassador John V. Roos with a proposal to settle the dispute, telling him that Japan was moving toward accepting significant parts of a 2006 deal to move the Futenma air station from the center of a city of 92,000 to a less populated part of Okinawa, the sources said, speaking on the condition of anonymity because of the sensitivity of the issue.

Okada, however, suggested some changes, including altering the design of the runway at the new air station, planned for the town of Henoko, and moving parts of the Marine Corps facility to an island about 100 miles from Okinawa, the sources said. U.S. officials said they were pleased by the proposal but stressed that it was a first step and that Japanese officials would be providing more details next week.

The meeting at the U.S. Embassy in Tokyo marked the first significant good news in a relationship that has been marked by strain, mistrust and befuddlement on both sides ever since a new Japanese government took charge in September after a historic election -- only the second time since the 1950s that an opposition party has taken power.

Prime Minister Yukio Hatoyama's party, the Democratic Party of Japan, came to power on a platform calling for a more equal relationship with the United States. To drive that point home,

Hatoyama froze the \$26 billion base relocation plan and suggested that the Marines move their airfield off Okinawa and even out of Japan altogether.

The U.S. alliance with Japan is the centerpiece of American policy in Asia and has been a foundation of security in the region for decades. As the alliance has wavered, concern has spread across the region, with officials from South Korea to Australia expressing worries about the future of the U.S. security role.

The meeting Friday followed a brief and blunt tete-a-tete between President Obama and Hatoyama on April 12 during the prime minister's visit to Washington for the Nuclear Security Summit. During the 10-minute encounter, Obama told Hatoyama that the two countries were "running out of time" and asked him whether he could be trusted. Japanese officials were so taken aback by the toughness of Obama's tone that they did not draw up a written record of the words exchanged between the two leaders, sources said.

"The president underscored the seriousness of the situation and the need for us to move forward," said a U.S. official who has been involved in the talks with Japan. U.S. officials gave similar treatment to Hatoyama's executive assistant, Tadakatsu Sano, during his visit to Washington this week.

Mike Hammer, a spokesman for the National Security Council, said Obama and Hatoyama "agreed fully on the importance of the relationship and committed to cooperate on alliance issues."

Other events might also have pushed Tokyo to modify its tune.

In mid-April, warships from China's navy conducted one of their largest open-water exercises near Japan. China did not inform Japan of the exercise, and during one of the maneuvers a Chinese military helicopter buzzed a Japanese destroyer, prompting a diplomatic protest from Japan.

The base plan was worked out in part to confront China's expanding military by deploying U.S. forces in Japan more rationally and building up Guam as a counterweight to Beijing's growing navy. Under the plan, 7,000 Marines would move from Japan to Guam.

Hatoyama also has faced pressure from inside Japan. When Washington Post columnist Al Kamen deemed Hatoyama the "loser" of the summit in a column on April 14, it caused a media storm in Japan. On Wednesday, Hatoyama surprised many in the Diet, Japan's parliament, by seeming to agree with the thrust of the piece.

"As The Washington Post says, I may certainly be a foolish prime minister," he said, because he had sought to reopen the Futenma issue. "If I'd settled . . . last December, I can't say how much easier things would have been, but we weren't in a situation where we could work on reclamation work," he said, referring to long-standing opposition in Okinawa to Futenma's relocation to a landfill site on its east coast.



A large demonstration against the relocation plan is scheduled in Okinawa on Sunday.

In December, Hatoyama promised the United States that Japan would come up with alternatives to the Futenma issue by the end of May.

In March, the Japanese government presented the Obama administration with what the U.S. official dismissively referred to as "ideas, not proposals." One involved building the new station on a massive landfill near the White Beach Naval Facility, also on Okinawa. The other would have had the Marines basically split the air station between a facility on Okinawa and Tokunoshima, an island more than 100 miles to the northeast. None of the ideas was "operationally sustainable or politically viable," a senior Pentagon official said.

But after Friday's meeting, U.S. officials characterized Okada's new package as a "proposal" and expressed satisfaction that both countries were now working toward a solution.

Japanese officials credited a clearer U.S. tone with helping to push Japan toward a broad acceptance of the plan.

The tougher U.S. tactics mark a break from the softer tone that had dominated U.S. interactions with the new Japanese government. Although some officials, such as Defense Secretary Robert M. Gates, had taken a stronger line with Tokyo, others, such as Secretary of State Hillary Rodham Clinton, had been softer. Clinton made statements that Japanese officials interpreted as a sign that the United States was open to renegotiating the relocation deal.

Some in the administration had argued that the United States needed to be sensitive to Japan's new government and recognize the historic nature of the political changes. But others contended that Hatoyama's government misinterpreted the friendly U.S. tone.

"There were clearly mis-signals and misunderstanding on both sides," the U.S. official said. "But it's not necessary to conduct an autopsy on a patient that's still alive. It would have been nice if things had been smoother."

**Japan times Hatoyama's support rate falls to 20.7% Ozawa scandal, Futenma drag Cabinet down**

The disapproval rate meanwhile surged 11.1 points, to 64.4 percent, which is likely to further weaken the political power base of the already reeling Hatoyama Cabinet in the runup to the Upper House election this summer.

Hatoyama's "lack of leadership" was cited by 40.7 percent of the respondents who disapprove of the Cabinet, the most common reason.

The poll also showed 83.8 percent of respondents believe Ichiro Ozawa, secretary general of the ruling Democratic Party of Japan, should step down, up 2.4 points from the previous poll conducted April 3 and 4.

Some 54 percent, up 7.3 points, also believe that Hatoyama should resign if he fails to settle the feud over the relocation of the U.S. Futenma air base in Okinawa by the end of May, his self-imposed deadline.

By political party, 24.1 percent of the respondents said they support the DPJ, down 6.2 points, while the LDP found support among 18.7 percent, up 0.7 points. The minor Your Party got 11.5 percent, the first time it has exceeded the 10 percent level.

The support rate stood at 3.1 percent for New Komeito, 2.7 percent for the Japanese Communist Party, 1.6 percent each for the Social Democratic Party and Yoichi Masuzoe's Shinto Kaikaku, and 1.3 percent for Tachiagare Nippon (Sunrise Party of Japan).

More than half the respondents, 56.1 percent, said it would be desirable that the DPJ does not secure an absolute majority in the Upper House.

Asked who is best suited to be prime minister, Masuzoe remained at top of the list. But support for him slipped from 22.4 percent to 18.3 percent in the first survey since he left the LDP and announced the launch of his new party.

Seiji Maehara, minister of land, infrastructure, transport and tourism, surged into second with 10.6 percent. Maehara, who is in an anti-Ozawa group within the DPJ, had just 4.9 percent support in the previous poll.

At its inception in September, the Cabinet boasted an approval rate of 72 percent.

The figure fell to the 30 percent level in March due to a money scandal involving Hatoyama and the Futenma issue, mirroring the pattern of the previous Cabinets of Shinzo Abe and Taro Aso, both of whom saw rapid falls in their approval rates after launching governments with strong approval ratings.

Hatoyama has argued that Futenma should be relocated outside Okinawa or even overseas, but facing resistance from residents of possible base sites in Japan and in the halls of power in the United States, it now appears the issue won't be settled by May 31.

Ozawa has been plagued by a money scandal involving three of his secretaries, who have been indicted by prosecutors for alleged violations of the Political Funds Control Law.

Prosecutors had decided not to press charges against Ozawa himself, citing a lack of evidence.

But an inquest panel earlier this week concluded the prosecutors should indict him, which will force the prosecutors to restart their investigation, a heavy blow for Ozawa and the DPJ-led government.

If prosecutors decide again not to indict Ozawa, a fresh inquest panel will be given another chance to mull recommendations.

If that panel concludes charges are warranted, Ozawa would automatically be indicted.

Meanwhile, Mizuho Fukushima, who heads the Social Democratic Party, a coalition partner of the DPJ, said Thursday "now is not the time" to discuss the party's possible secession from the ruling bloc.

The Sankei Shimbun reported Thursday that the SDP, supported by left-leaning pacifist groups, is considering breaking away from the DPJ-led coalition if Hatoyama tries to relocate the Futenma base within Okinawa.

### **Japan times Sengoku to attend expo opening**

National policy minister Yoshito Sengoku will attend the opening ceremony of the Shanghai Expo on Friday, government sources said.

Sengoku's visit to China comes as Prime Minister Yukio Hatoyama, whom China asked to attend the ceremony, has decided to prioritize dealing with the relocation of U.S. Marine Corps Air Station Futenma, the sources said Wednesday.

Hatoyama is set to visit Okinawa Prefecture on Tuesday as part of efforts to settle the dispute over where to relocate the Futenma base, as his self-imposed May 31 deadline to settle the issue nears.

Sengoku is likely to leave for Shanghai on Friday on a six-day trip that will also take him to Vietnam.

In Hanoi, he will meet with Vietnamese Prime Minister Nguyen Tan Dung and other senior officials.

Sengoku is expected to join Land, Infrastructure, Transport and Tourism Minister Seiji Maehara there in making a pitch for Japanese technologies for nuclear power plants and bullet trains.

## ***Economic Front***

### ***Detailed New:***

### **New York times Japan Forces Bureaucrats to Defend Spending**

TOKYO — Seeking to bring its spiraling debt under control, Japan has undertaken an unlikely exercise: lawmakers are forcing bureaucrats to defend their budgets at public hearings and are slashing wanton spending.

The hearings, streamed live on the Internet, are part of an effort by the eight-month-old government of Prime Minister Yukio Hatoyama to tackle the country's public debt, which has mushroomed to twice the size of Japan's \$5 trillion economy after years of profligate spending.

Greece's debt crisis, which has panicked investors and forced the rest of Europe to put together a multibillion-dollar bailout, has fed fears in Tokyo that if spending is unchecked, Japan could become the center of the next global financial crisis.

Mr. Hatoyama and his ruling Democratic Party are also trying to wrest control of Japan's economy from the country's powerful bureaucracy.

"We want the public to see how their tax money is really being spent," said Yukio Edano, the state minister in charge of administrative reform, who is heading the effort. "Then we will bring about big changes."

The target of the most recent hearings, which began Friday, is Japan's web of quasi-government agencies and public corporations — nonprofits that draw some 3.4 trillion yen (\$36 billion) in annual public funds, but operate with little public scrutiny. Critics have long argued that these organizations, many of which offer cushy executive jobs to retired public officials, epitomize the wasteful spending that has driven Japan's public debt to dangerous levels.

The daily testimony by cowering bureaucrats, covered extensively in local media, has given the Japanese their first-ever detailed look at state spending. So far, viewers have looked on in disbelief over the apparent absurdity of some of the government spending.

In one example scrutinized on Tuesday, the National Agriculture and Food Research Organization, which is government financed, spent 130 million yen (\$1.4 million) last year on a 3-D movie theater used to show footage of scenery from the countryside.

The movie dome, which also plays recordings of chirping insects and babbling streams, is closed to the public and is used to study how the human brain reacts to different types of scenery, said Takami Komae, head of the organization's rural engineering department. The findings will be used to help rural areas think of ways to attract more tourists, he testified.

Politicians ridiculed the project. "The dome is located in the countryside anyway, isn't it?" said Manabu Terada, a Democratic Party lawmaker, at a public hearing in Tokyo. "Can't we just step outside and see the real thing?"

At the end of the hourlong hearing, all financing for the dome's upkeep was canceled and the organization was urged to sell the facility off to salvage some of the construction cost.

"Budgets have always been drafted behind closed doors, with nothing to underpin how much should be spent or why," said Hideo Fukui, a professor of law and economics at the National Graduate Institute for Policy Studies in Tokyo. "Until now, nobody knew how unscrupulous the spending was."

Many analysts say that Japan must slash wasteful spending and start cutting its public debt to avert the interest rate and refinancing risks that have wreaked havoc in Greece. Japan's

government debt reached 201 percent of its gross domestic product by the end of 2009, Fitch Ratings said in a report last week — by far the highest among industrialized countries.

Much of that government debt is held publicly and financed by the country's once-ample private savings. But a slow drop in the savings rate has raised fears about the long-run sustainability of public finances, especially given the country's lackluster economic outlook, the Fitch report said.

Addressing Japan's debt crisis was among the many promises made by Mr. Hatoyama, who swept to power in August when voters tossed out the Liberal Democratic Party after half a century of almost uninterrupted single-party rule. Mr. Hatoyama's Democratic Party has also been keen to find extra money to pay for an ambitious social agenda, including cash payments to families with small children and free public high school education.

The public interest in the budget hearings has been among the few bright spots for Mr. Hatoyama, whose poll ratings slumped after political financing scandals and a fight over moving an American military base. At the central Tokyo site for the hearings, people lined up to watch the bureaucrats being pressed before panels of lawmakers and appointed experts.

"The bureaucrats looked scared," said one attendee, Kenji Nakao, a 67-year-old Tokyo retiree. "It was very satisfying to see."

Under particular scrutiny at the hearings have been the retired ministry officials who take comfortable positions at the government-linked organizations in a practice known as "amakudari," or "descent from heaven."

#### Related

Times Topic: JapanThe network of these agencies is complex, including 104 large organizations supervised directly by the government and 6,625 smaller public corporations. Critics say that many of the former bureaucrats use their connections in government to win public money for dubious construction and research projects, then delegate the work while their organizations pocket much of the budget as administrative fees.

Aki Wakabayashi, an author and former worker at a government-supported labor think tank, has been one of the most fervent critics of government spending on these organizations.

In 2001, she blew the whistle on her institute, describing lavish foreign "research" trips for the former bureaucrats leading the institute — complete with first-class air travel and stays in five-star hotels — and clerks who drew researcher salaries while spending their days chatting and reading magazines.

"The Japanese public is angry and demoralized," said Ms. Wakabayashi, who has been advising the Democrats on the cost-cutting panels. "And Japan's finances are in tatters. We either fix this, or Japan goes bankrupt."

Another round of hearings is scheduled for next month.

The hearings have drawn criticism from some circles. During the recent ones, members of Japan's scientific community warned that steep cuts in research financing would damage Japan's global competitiveness. Their fears were exacerbated when a Democratic lawmaker, known only as Renho, called for reduced spending for a government-financed project to build the world's fastest computer, asking, "What's wrong with No. 2?"

Meanwhile, the scale of the cuts — which will amount to a few trillion yen at best against Japan's budget of 207 trillion yen this year — is too small to make much of a difference, some experts say.

Even supporters like Ms. Wakabayashi doubt that the Democrats, with strong links to labor unions, will cut too deeply into the estimated tens of thousands of workers at the government-associated entities.

Some organizations, meanwhile, are making last-ditch efforts to drive home their relevancy. In a hastily called press conference this month, the government-financed Fisheries Research Agency announced that it had succeeded for the first time in fully cultivating Japanese eels, a fish whose breeding habits had long baffled scientists.

Kiyoshi Inoue, executive director at the agency, stressed the importance of the achievement. "These findings are at the cutting edge of global research," he told reporters.

#### **Washington post Japan factory output up but jobless rate worsens**

TOKYO -- Japan received an uneven assessment of its economic health Friday with indicators showing an increase in joblessness and ominously falling prices.

Unemployment worsened in March, and deflation intensified. At the same time, household spending rose and factory output expanded slightly on growing export demand.

Separately, the Bank of Japan kept its policy interest rate unchanged at 0.1 percent as widely expected and said it would redouble efforts to boost the economy. The bank will release its latest forecasts for inflation and economic growth later Friday.

Japan's seasonally adjusted jobless rate rose to 5 percent in the first increase in five months. The figure is up from 4.9 percent in February and missed Kyodo News agency's forecast for the rate to be unchanged.

The number of jobless totaled 3.5 million during the month, up 4.5 percent from a year earlier. Those with jobs fell 0.6 percent to 62.1 million.

The numbers underscore a patchy recovery facing the world's second biggest economy - but the slowest growing one in Asia. Robust growth in China and elsewhere in the region is fueling demand for Japanese cars and gadgets. Corporate profits are up, and business confidence is recovering.

Companies, however, remain cautious about spending. Workers have yet to see a major turnaround in jobs or wages, which managed a small rise in March.

Goldman Sachs economist Chiwoong Lee describes the labor market as having "no spark."

"Viewed over several months, the path is flat," he said in a note to clients. "Deterioration has eased but not given way to improvement."

That has dragged prices lower as stores scramble to attract increasingly finicky consumers.

Japan's core consumer price index, which excludes prices of fresh food, declined 1.2 percent in March from a year earlier. The result marked the 13th straight month of decline. Prices fell for a swathe of goods from fuel to furniture.

Lower prices may seem like a good thing, but deflation plagued Japan during its "Lost Decade" in the 1990s. It can hamper economic growth by depressing company profits, sparking wage cuts and causing consumers to postpone purchases. It also can increase debt burdens.

Core CPI for the Tokyo area, seen as a barometer of future price trends nationwide, retreated 1.9 percent in April.

Preliminary data show industrial production edged up 0.3 percent in March from the previous month on growing export demand. Contributing to the rise were makers of electrical machinery, transport equipment and steel products, the Ministry of Economy, Trade and Industry said.

#### **Washington post Honda rebounds from loss to post quarterly profit**

TOKYO -- Honda posted a 72 billion yen (\$774 million) profit for the January-March quarter in a reversal from red ink a year earlier as booming demand in China and India combined with a fledgling U.S. recovery to boost car sales.

Honda Motor Co., Japan's No. 2 automaker, reported Wednesday that quarterly sales surged 28 percent from a year earlier to 2.28 trillion yen (\$24.5 billion).

Honda, which makes the Insight hybrid and the Odyssey minivan, sold 874,000 vehicles for the fiscal fourth quarter, up 28.5 percent from 680,000 the year before.

Honda's better fortunes mirror similar recoveries at other Japanese automakers, whose results had been battered the previous year by the financial crisis.

Honda's sales in Japan recovered, helped by tax breaks for "green" models and brisk demand for smaller models like the Fit, Honda said.

For the fiscal year ended March 31, Honda reported a 96 percent rise in profit to 268.4 billion yen (\$2.9 billion). Sales of 8.58 trillion yen (\$92.3 billion) were down 14 percent from the previous year.

Honda is expecting better results for the fiscal year through March 31, 2011, forecasting 340 billion yen (\$3.7 billion) in profit, up 27 percent from the fiscal year just ended.

Sales are projected to climb 9 percent to 9.34 trillion yen (\$100.4 billion), it said.

The automaker is targeting sales of 3.6 million vehicles for the current fiscal year, up nearly 7 percent from 3.4 million last year.

Honda's U.S. sales have been recovering moderately, while the European market was also gradually beginning to recover in the latter half, helped by government incentives, according to Tokyo-based Honda.

Honda also has a strong motorcycle division, which contributed to earnings with a 30 percent sales increase to 2.6 million motorcycles for the quarter.

Mazda Motor Corp. and Mitsubishi Motors Corp. - Japan's No. 4 and No. 5 automakers - also posted net profits for the January-March quarter, reversing losses from a year earlier.

Toyota Motor Corp., the world's biggest automaker, whose sales have been hurt by a recall crisis, and Nissan Motor Co., allied with Renault SA of France, this nation's No. 3 automaker, reports earnings next month.

Honda shares lost 1.5 percent to 3,285 yen (\$35) in Tokyo.

The reading undershot Kyodo's forecast for a 0.8 percent rise. The survey predicts that factory output will jump 3.7 percent in April, then slip 0.3 percent in May.

Shipments in March rose 1.6 percent, while inventory declined 1.6 percent.

The government also said household spending during the month jumped a real 4.4 percent from a year earlier. Economists credit the solid figure to tax breaks and other government incentives to spur shopping. But they warn that consumption may wane once the programs end later this year.

#### **Washington post Japan's central bank holds interest rates steady**

TOKYO -- Japan's central bank kept its key interest rate near zero Friday and said it would redouble efforts to boost the world's No. 2 economy.

As widely expected, the Bank of Japan's eight-member policy board voted unanimously to leave its overnight call rate target at 0.1 percent. The bank has not tweaked the rate since December 2008.

The central bank said it would keep monetary policy "extremely accommodative" to help fight deflation. Government data released Friday showed that consumer prices fell for the 13th straight month in March.



Board members agreed the central bank needed to do more to "contribute to strengthening the foundations for economic growth."

As part of those efforts, Bank of Japan Gov. Masaaki Shirakawa has directed staff to find ways of financially supporting banks.

The central bank has said it does not tolerate deflation, but it expects prices to head south for the next couple of years. Deflation, which plagued Japan during its "lost decade" in the 1990s, threatens to undermine a delicate recovery in the world's second biggest economy.

Local media reports speculate that the Bank of Japan may upgrade its price forecasts later Friday when it releases its semiannual economic outlook report.

**Reuters JAPAN-ECONOMY/SHIRAKAWA (URGENT, REPEAT)**

**RPT-BOJ's Shirakawa: no need for further easing now**

TOKYO, April 30 (Reuters) - Bank of Japan Governor Masaaki Shirakawa said on Friday he did not see any need for more monetary easing at the moment as the effects of current low interest rates on the economy are strengthening.

"This will support an autonomous recovery in domestic demand ahead," Shirakawa said told a news conference after a BOJ board meeting.

The central bank on Friday raised its estimates for Japan's growth and prices in its twice-yearly outlook report, forecasting consumer prices would turn slightly positive in the year to March 2012. It kept monetary policy unchanged as widely expected, with interest rates already near zero.

**Washington post Mazda's full-year net loss shrinks on cost-cutting**

TOKYO -- Mazda Motor Corp. said Tuesday its annual loss shrank to 6.5 billion yen (\$69 million) from 71.5 billion yen the year before thanks to cost-cutting efforts.

Japan's No. 4 carmaker made a profit in the last quarter of the fiscal year through March 2010 and said it expects a net profit of 5 billion yen for the current fiscal year through March 2011.

Hit by the yen's appreciation and weaker demand in all major markets save China, Mazda's annual sales fell 15 percent to 2.164 trillion yen.

"The recovery of automotive industry demand still lacks momentum, except in China and other emerging markets." Sales in China jumped 46 percent to 196,000 units for the year, helped by sales of the Mazda6.

Globally, Mazda sold 1.193 million vehicles during the year, down 5 percent from the previous year. Annual sales in North America slid 12 percent to 307,000 units, those in Europe dropped 26 percent to 239,000, while in Japan sales edged up 1 percent to 221,000 units.

Faced with a "challenging" business environment, Mazda said it worked hard to optimize inventory levels and accelerated cuts to fixed costs by over 100 billion yen, even though its domestic plants were operating at 80 percent utilization.

Those efforts helped Mazda turn in a net profit of 9.9 billion yen for the fiscal fourth quarter from January through March.

### **Reuters Argentina debt swap offer to start May 7 in Japan**

TOKYO, April 30 (Reuters) - Argentina filed the terms of a debt swap of \$20 billion in defaulted debt with regulators in Japan on Friday, paving the way for it to return to international finance markets for the first time in eight years.

The updated prospectus posted on Japan's Financial Services Agency website said Argentina would start its swap offer for Japanese investors on May 7 and close the offer on June 7.

The prospectus showed the payment date of yen, euro and U.S. dollar bonds offered to Japanese investors would be Aug. 2, although it noted that any of the dates could be changed.

Argentina is trying to clean up \$20 billion in past defaulted bonds and is offering the debt swap to bondholders who rejected a 2005 restructuring of a \$100 billion debt default three years earlier.

Only a small percentage of the \$20 billion in outstanding defaulted bonds is held by Japanese investors.

Government officials in Argentina have said the offer will launch on Monday in markets around the globe.

However, Japan's financial markets will be shut from May 3 to May 5 for the national Golden Week holidays.

### **Reuters.com BOJ sees end of price falls in 2011/12 -outlook report**

TOKYO, April 30 (Reuters) - The Bank of Japan raised its estimates for Japan's prices in its twice-yearly outlook report on Friday, forecasting core consumer prices would rise slightly in the fiscal year to March 2012.

That forecast is unlikely to alleviate government pressure on the BOJ for action to help Japan escape deflation, leaving the Japanese central bank virtually alone among the world's major central banks in continuing to loosen monetary policy.

The BOJ issues long-term economic and price forecasts every April and October that form a basis for its monetary policy decisions. It reviews these forecasts three months later.

The central bank left its core consumer price index outlook for this fiscal year unchanged at minus 0.5 percent.

The BOJ said the government's decision to scrap public high school tuition fees from this month will push down year-on-year changes in core consumer prices by about half a percentage point, adding that its price forecast excludes the effect of such steps.

**Washington post The Navigator: Might airlines try to increase revenues by linking prices to passengers' weight?**

Now that Spirit Airlines has done the unthinkable, announcing plans to begin charging for carry-on bags this summer -- that's right, carry-on bags -- the question everyone seems to be asking is: What's next?

Airlines have always had a strained relationship with passengers of size, at least the ones in economy class. Fitting into a 17-inch wide seat is a squeeze for the average American, and it's becoming even more of one as the population expands. A Gallup poll found that the average American weighed 13 more pounds in 2007 than in 1990.

Solutions have ranged from Southwest's policy of asking XL passengers to buy a second seat, to the Canadian government's "one person, one fare" rule, which gives disabled and obese passengers a free extra seat on domestic flights. But in the current climate of relatively high fuel prices and an anything-goes attitude toward fees, would anyone be surprised if airlines began charging overweight passengers in the same way that the post office makes you pay more for a heavier parcel?

Making heavy passengers pay more, presumably for a second seat, could help air travelers such as Cricket Moore, who recently had the misfortune of sitting next to an oversize passenger on a flight from Phoenix to Tampa.

"I was pushed against the armrest with my back twisted to avoid contact with my huge seatmate," remembered Moore, a retired civil servant who lives in Falls Church. "I then spent over an hour standing in the galley with the stewards, even when the seatbelt light was on. The worst part was being made to feel as if it was my fault."

Then again, her flight was on Southwest Airlines, which should have charged the jumbo passenger for an extra seat, in accordance with its longstanding policy. When Moore brought the uncomfortable seating arrangements to the airline's attention, it sent her an apology and a voucher for a future flight.

I'm hardly the first person to suggest that airlines might someday charge us by the pound. Two years ago, when fuel prices peaked and air carriers instituted new luggage fees, even the airlines admitted that nothing was beyond their imagination when it came to getting more money out of

passengers and saving fuel. One of the earliest mentions of an airline weighing passengers dates back to 1985, when the German carrier Lufthansa asked its customers to step on the scales before boarding. But it did so only to get up-to-date numbers on the average weight of the flying public, and the carrier didn't charge more based on passengers' weight.

Last year, Japan's All Nippon Airways asked passengers on certain flights to use the restroom before boarding, because that could lighten the plane's load and save fuel, which would be good for the environment. And the airline's bottom line.

Exactly how an airline might charge passengers by the pound is something of a mystery. Would every passenger get weighed, with anyone over, say, 200 pounds being assessed a surcharge, like the one on overweight luggage?

Would your fare be based on your self-reported weight? Would lighter passengers receive a discount?

There's another solution to the problem of heavy planes, which is to make the planes themselves lighter. The newest aircraft, such as Boeing's 787, use composite materials that make the plane up to 20 percent more fuel-efficient than today's aluminum planes. The lighter plastics used inside the aircraft can also be molded to offer more width for wide-body fliers.

Knowing the airline industry as I do, I bet they'll go for the upgraded planes and the pay-by-the-pound scheme.

As someone who came of age before airline deregulation, I'm troubled that we're even having this discussion. I wonder what legendary airline industry figures like Juan Trippe, the founder of Pan American World Airways, and Eddie Rickenbacker of Eastern Air Lines would think of this if they were still around. They'd probably be horrified.

We know that when it comes to carry-on fees, it'll be a bumpy ride.

Last week, five U.S. senators weighed in on the issue by introducing the Block Airlines' Gratuitous Fees (BAG Fees) Act of 2010, which tries to remove some of the incentive to charge the fees by eliminating an airline tax exemption on luggage surcharges. If an airline such as Spirit decides to put its passengers on the scales, it should expect a similar reaction.

Airline passengers often joke that they're treated like cargo, but this is one of those times when the rhetoric could someday match reality.

If it does, the joke will be on us.

### **Reuters BOJ holds rates steady, eyes steps to support economy**

TOKYO, April 30 (Reuters) - The Bank of Japan said on Friday its governor had instructed staff to examine ways to support financial institutions via fund supplies to shore up the foundations for economic growth and report back at an unspecified time.

The central bank left its interest rate and monetary policy settings unchanged on Friday as expected.

The decision to keep the policy rate on hold at 0.1 percent was made by a unanimous vote of the BOJ policy board.

"Members shared the view that it was necessary for the bank to make new efforts to contribute to strengthening the foundations for economic growth" the BOJ said in a statement.

The BOJ will release its half-yearly economic and price outlook report for April at 3 p.m. (0600 GMT). Governor Masaaki Shirakawa will hold an embargoed news conference, with his comments expected to come out sometime after 4:15 p.m. (0715 GMT).

The central bank has held its key interest rate at 0.1 percent since late 2008 although it set up a facility offering cheap funds to banks at an emergency meeting in December, which it then expanded in March.

Markets had widely expected the BOJ to stand pat following the two recent easing steps and are focusing on whether the BOJ will raise its forecast for the core consumer price index for 2011/12 from a fall of 0.2 percent forecast three months earlier.

The BOJ releases its long-term economic and price forecasts in April and October that form a basis for its monetary policy decisions. It reviews the forecasts every January and July.

**Reuters Foreign investors sold Japan stocks last week**

TOKYO, April 30 (Reuters) - Foreign investors sold a net 34.9 billion yen (\$371 million) of Japanese stocks last week, capital flows data from Japan's Ministry of Finance showed on Friday. Details of net investments were as follows (in billion yen).

FOREIGN INVESTMENT IN JAPAN: (net)				stocks	bonds	bills
Apr 18-Apr 24	-34.9	+274.7	+1,064.5			
Apr 11-Apr 17	+141.1r	+201.2	-76.9			
JAPANESE INVESTMENT ABROAD: (a minus sign indicates net selling and inflows of funds into Japan)				stocks	bonds	bills
Apr 18-Apr 24	+64.4	-100.6	+86.2			
Apr 11-Apr 17	-82.0	+438.8r	+41.1			

Note: - "r" notes revised figure - As of January 2005, the ministry changed its calculation methods for weekly capital flows to match its Balance of Payments figures and previous data are not directly comparable. - Bonds include beneficiary certificates. - Figures are based on contracts and are rounded.

**Washington post Japan warns debt, fund flows may hurt global growth**

WASHINGTON (Reuters) - Countries must not be complacent about the state of the global economy, despite brighter signs of recovery, Japanese Finance Minister Naoto Kan on Saturday warned his counterparts at the International Monetary Fund.

Huge public debt in developed countries and surging capital inflows to emerging economies could disrupt growth, Kan said.

The remarks came after finance leaders from the Group of 20 rich and emerging countries said on Friday that while they had secured a better-than-expected global economic recovery, they were wary of overconfidence as Greece's debt crisis put the focus on worsening public finances.

"Although the global economy is showing some signs of recovery, there still seems to be risks that could disrupt the world economy and financial markets," according to the text of Kan's speech to the IMF's International Monetary and Financial Committee. "Thus, we should remain cautious about future prospects."

Kan said Japan's economy now seems to have a better chance of overcoming difficulties, but he added that the situation remains tough as shown in its persistently high jobless rate.

"Under these circumstances, for the time being, we need to maintain the economic stimulus measures to ensure recovery," he said.

Japan faces a tough balancing act of keeping its fragile economy afloat while reining in a huge public debt that has reached 200 percent of gross domestic product -- the highest in the G7.

Deflation is adding to the pain by discouraging investment and spending, although the IMF said price drops were likely to slow as Japan's economy gradually recovers.

On IMF reform, Kan said the Fund should consider new types of facilities that would enable it to provide large loans more flexibly and promptly.

He did not elaborate but said currency swap arrangements that were put in place by central banks during the crisis played a key role in easing funding strains.

The Fund also needs to boost its capital and amend its Article to add as its key mandate the need to ensure global financial stability, taking into account lessons learned from the crisis, Kan said.

"The word 'crisis' originates from the Greek word 'krisis,' which means the turning point of a disease. What we are facing now is precisely this -- a turning point," he said, stressing the need to sustain reform efforts.

**Washington post JAL seen posting loss of \$1.7 billion: report**

TOKYO (Reuters) - Debt-ridden Japan Airlines (JAL) is forecast to have posted a group operating loss of about 160 billion yen (\$1.7 billion) for the financial year that ended in March, Japan's Sankei newspaper reported on Sunday.

JAL and two subsidiaries filed in January for bankruptcy protection with a combined \$25 billion in debt -- on of the largest corporate failures in Japanese history.

JAL's results will be the worst since it had tied up with Japan Airlines System in 2002 as revenue dropped sharply due to a rapid slowdown in the Japanese economy, the newspaper reported without citing any sources.

The airline's subsidiary, Japan Airlines International, appears to have secured a small profit in March, Sankei reported.

But JAL continues to face difficulties in its business in April as volcanic eruptions in Iceland forced flight cancellations, the newspaper added.

JAL and the state-backed Enterprise Turnaround Initiative Corp of Japan (ETIC) compiled a restructuring plan earlier in the month to reduce its workforce by a third, or more than 16,000 jobs, by the end of current financial year in March 2011, Sankei said.

**Japan times Toyota recalls 50,000 Sequoia SUVs in U.S. for acceleration flaw**

WASHINGTON (AP) Toyota Motor Corp. is recalling about 50,000 Sequoia sport utility vehicles in the U.S. from the 2003 model year to fix an unexpected slowing of the vehicle.

Toyota said Wednesday the recall would address the vehicle's electronic stability control system, which helps maintain traction during turning. In some cases, the stability control could activate at low speed and prevent the SUV from accelerating as quickly as a driver expects, the company said.

The National Highway Traffic Safety Administration had been investigating the issue and Toyota said it decided to recall the vehicles to address the government's concerns. The automaker said it has had no reports of accidents or injuries connected to the issue and about half of the vehicles had already been repaired under warranty.

"Toyota is committed to investigating customer complaints more aggressively and to responding quickly to issues we identify in our vehicles," said Steve St. Angelo, chief quality officer for North America.

Toyota has recalled more than 8 million vehicles worldwide since October because of acceleration problems in multiple models and braking issues in the Prius hybrid. The company recently agreed to pay a record \$16.4 million fine to the government for a slow response to problems with sticky gas pedals.

In the Sequoia case, Toyota said it issued a production change during the 2003 model year to address the stability control problem and published a technical service bulletin to dealers in fall 2003. Owners who have complained about the problem since then have had the skid control engine control unit replaced by dealers.

## *Social Front;*

### *Detailed News:*

#### **Washington post Japan issues warrant for anti-whaling boss**

TOKYO -- The Japanese Coast Guard has obtained an arrest warrant for the leader of the Sea Shepherd environmental group for its disruption of Japan's annual whale hunts, media reports said Friday.

The move would be the latest in an increasingly aggressive campaign against the radical conservationists by Tokyo, which accuses them of endangering lives during the Antarctic hunt. U.S.-based Sea Shepherd has long insisted that the Japanese fleet is conducting banned commercial whaling under the guise of scientific research.

The warrant is for Paul Watson, the Canadian founder of the Sea Shepherd Conservation Society, on suspicion of assault and obstruction of business, Kyodo News agency reported, citing investigative sources. It did not say which court issued the warrant.

Watson, who was believed to be in New York, said in a statement that he was being targeted by Tokyo because of the damage his anti-whaling campaigns have caused.

"The Japanese government is desperate to stop the Sea Shepherd ships from returning to the Southern Ocean Whale Sanctuary for the 2010 and 2011 season. There is no doubt that the motives of the Japanese Coast Guard and the Japanese government are political," he said in a statement.

A Coast Guard spokesman would not comment directly on whether a warrant has been issued for Watson, saying only that he was part of a continuing investigation into Sea Shepherd's activities against the Japanese whaling fleet.

Spokesman Masahiro Ichijo said that if a warrant was issued for someone in a foreign country, Tokyo would generally negotiate directly with that country on how to proceed. National broadcaster NHK said the Coast Guard wanted Watson placed on the wanted list of Interpol, the international police agency.

Watson was to scheduled sail on the Sea Shepherd flagship Saturday from New York for the Mediterranean, on a campaign to protect bluefin tuna.

The longtime environmental activist was an early member of Greenpeace, but after a disagreement with that group founded Sea Shepherd to "pursue direct action conservation activities on the high seas," according to its website.

Watson captains one of the Sea Shepherd ships that each year seeks to disrupt Japan's whaling activities in the Antarctic seas by trying to disable or cut off the Japanese ships. Confrontations have sometimes turned violent, including collisions in icy waters.



Japan has recently struck back. Last month, a protester who had climbed aboard a whaling vessel was formally arrested, and Tokyo issued a request to Australian authorities that led to a police search of Sea Shepherd anti-whaling boats.

Japan each year hunts hundreds of mostly minke whales - which are not an endangered species - under a research program, an allowed exception under international law. Excess meat is sold for consumption, leading critics to call the program a cover for commercial hunts.

Japan, Norway and Iceland continue to hunt whales under various exceptions, despite a 1986 international moratorium on whaling. A proposal put forward by the International Whaling Commission last week would effectively allow these countries to begin commercial whaling again, though under strict quotas overseen by the commission.

#### **Washington post Tokyo population tops 13 million for first time**

TOKYO -- The population of Japan's capital - one of the biggest cities in the world - has surpassed 13 million for the first time.

Tokyo counted 13.01 million residents as of April 1, up 0.5 percent from the same month a year earlier, the Tokyo Metropolitan Government said Wednesday.

The growth contrasts with the overall demographic trend in Japan, where people have long lifespans and stubbornly low birth rates. The result is a shrinking population and tax base that threaten to undermine the world's second-biggest economy.

Japan's total population peaked at 127.84 million in 2004, according to the Ministry of Internal Affairs and Communications.

Meanwhile, Tokyo is thriving, adding 1 million people over the last decade. A recent boom in condominium construction and an expanding foreign community contributed to the population growth, particularly in central Tokyo, said Yuko Sakurai, a spokeswoman for the Tokyo government's statistics division.

The number of foreigners living in Tokyo is up 46 percent since 2000 and stood at 418,116 as of Jan. 1, according to a separate Tokyo government population report.

The search for better jobs is also drawing people to Tokyo.

Though recovering, Japan's labor market remains weak. The country's unemployment rate hit a record high of 5.6 percent in July last year as the global downturn forced companies to cut costs. Workers outside Japan's urban hubs have been particularly hard hit.

Tokyo's population is expected to keep increasing until peaking around 2015, Sakurai said.

Still, authorities are preparing for the inevitable demographic shift later this decade and beyond. Tokyo Governor Shintaro Ishihara, who has vowed to build new homes for seniors to accommodate the growing elderly population, has also introduced measures to ease the burdens of child-rearing in an effort to boost the birthrate.

In a speech in February, he said Tokyo would commit 47.5 billion yen (\$510 million) over three years to bolster day care, health care and other support services for families with children.

The Tokyo Metropolitan Government administers a sprawling region that covers 845 square miles (2000 square kilometers) and comprises 23 central wards, 26 cities, five towns and eight villages. About two-thirds of Tokyo's residents live in the wards.

Its population data is based on the 2005 national census and subsequent monthly counts of resident registries.

### **Japan times Golden Week travelers start overseas trips**

NARITA, Chiba Pref. (Kyodo) The holiday exodus reached its peak at Narita International Airport, with 46,200 people expected to fly out Thursday to spend Golden Week overseas. Resort areas, including Guam and Hawaii, as well as European countries attract many travelers from Japan during the holiday season through early May, according to airport and travel agency officials.

Takahide Oshikawa, 32, from Tokyo, said before leaving for Europe with his family, "I was concerned about cancellation (of the trip) following the volcanic eruption (in Iceland). I hope we can enjoy shopping and the food."

At Kansai International Airport near Osaka, meanwhile, some 17,000 people were expected to leave on their vacations Thursday.

The number of travelers to and from the airport between April 24 and May 5 is expected to rise 3 percent from the previous year to around 320,000.

Takayuki Fujii, 25, from Osaka is planning to make a four-day trip to South Korea with his friends.

"We want to visit South Korea, because it is near Japan and it has good meals," he said.

The rush of returning travelers will come next Wednesday at the two airports.

### **Japan times Big May Day rally**

Around 33,000 workers gathered at a Tokyo park Thursday to urge the government and employers to create jobs, improve job security and raise their wages.

At the May Day event sponsored by the Japanese Trade Union Confederation, or Rengo, Chairman Nobuaki Koga said he hopes the government under Prime Minister Yukio Hatoyama "will sincerely listen to public voices so it can eliminate people's anxiety for the future."

Hatoyama, who attended the meeting with Chief Cabinet Secretary Hirofumi Hirano and labor minister Akira Nagatsuma, said he will further enhance labor measures, focusing particularly on issues involving unemployed workers and small companies.

#### **Japan times 38.7% of households in red: survey**

A record 38.7 percent of private-sector workers in their 20s to 50s said their household finances fell into the red during the past year, a research institute said Thursday.

"While the economy is recovering slightly, many workers still have a negative view of their employment and wage conditions," the Research Institute for Advancement of Living Standards said, based on a survey earlier this month, to which 573 workers in the Tokyo and Osaka areas responded.

Among respondents with an annual income of less than ¥4 million, 60.4 percent said their household finances went into the red, with the figure climbing to 62.9 percent among male irregular employees, according to the think tank of the Japanese Trade Union Confederation, known as Rengo.

Of particular note were the 31.4 percent of male nonregular employees who said they could not pay taxes and social insurance premiums and the 20 percent who cut back on food.

The survey also found that 17.1 percent of such workers couldn't afford to see doctors because of their financial difficulties.

#### **Japan times Akasaka Prince, favored venue for power players, to close in '11**

It was a dream hotel for young ladies during the late-1980s bubble economy and the center of politics in the 2000s, but its aging facilities are failing the test of time and foreign competition. The Grand Prince Hotel Akasaka has announced it will close its doors at the end of next March after 55 years in business.

The hotel, better known among Tokyoites as "Aka Puri," served as the main celebration venue for many a politician or celebrity.

It was also a place where reporters on the political beat would roam all day covering the main faction of the Liberal Democratic Party, which had its main office and meeting room in the Banquet Building.

Four consecutive prime ministers in the 2000s — Yoshiro Mori, Junichiro Koizumi, Shinzo Abe and Yasuo Fukuda — rose to power from the faction, formally called Seiwa Seisaku Kenkyukai, making the hotel one of the grand stages in national politics.

Indeed, many key government officials, including chief Cabinet secretaries and prime ministers' secretaries, held informal meetings with reporters there to send signals to other political players.

Hotel spokesman Koji Takeuchi said the Grand Prince Akasaka has been turning a profit and that declining income was not the main reason behind the decision to close.

"The per-room revenue has fallen compared with that during the bubble economy, but that can be said of any hotel" in Tokyo, Takeuchi said.

Instead, operator Seibu Holdings has decided to redevelop the compound to make better use of the place in light of the Grand Prince Akasaka's aging facilities and rising competition from other luxury hotels, he said.

The Seibu group will reportedly redevelop the site for commercial facilities and offices, while two of the complex's three main structures — the New Building and the Banquet Building — will be demolished.

The 40-story New Building, opened in 1983, was designed by the late Kenzo Tange, one of Japan's best-known architects.

But Takeuchi said "nothing concrete" has been decided so far and that the only definite decisions are to terminate hotel operations and preserve the Old Building for its historic value.

#### **Japan times Foot-and-mouth suspected in Miyazaki pigs**

MIYAZAKI (Kyodo) Suspected cases of foot-and-mouth disease in livestock have been found at three more locations in Miyazaki Prefecture, including Japan's first suspected cases involving pigs, local officials and the agriculture ministry said Wednesday.

The latest findings bring the tally of suspected infections to 10 and will result in the slaughter of about 2,900 cows and pigs in an effort to prevent the disease from spreading, the Miyazaki Prefectural Government said.

Five cows at a farm and five pigs at a livestock experiment station in the town of Kawaminami, where other cows were already confirmed infected last week, tested positive for the disease. Meanwhile, four to eight cows are suspected to have the disease at a farm in Ebino, more than 50 km from Kawaminami.

The prefectural government restricted the movement of livestock within 10 km of the Ebino farm and banned removing livestock from within 20 km.

#### **Japan times Travelers get rare 'reminder' about China's death penalty**

The Foreign Ministry on Wednesday issued a rare "reminder" to Japanese travelers bound for China not to get involved in drug smuggling, which could lead to the death penalty.

A ministry source said it is extremely rare that overseas travel information is issued with the aim of raising caution over a specific country's criminal punishment. Such "spot information" is usually released when the security situation deteriorates or a terrorist act is committed.

The reminder comes after China earlier this month executed four Japanese men convicted of smuggling drugs. It was the first time Japanese nationals were executed there since the two countries normalized diplomatic ties in 1972.

The information posted on the ministry's Web site says Chinese authorities deal with crimes involving stimulants, narcotics and other illegal drugs harshly and that "an extremely heavy punishment" is imposed for violations.

"The maximum sentence is the death penalty," it says, urging travelers not to carry or keep luggage without knowing what is inside.

According to the Japanese Embassy in Beijing, 30 Japanese nationals were being detained as of January, including the four who were executed, in mainland China over crimes related to stimulants and narcotics.

#### **Japan times Ex-North spy's visit to Japan said difficult**

SEOUL (Kyodo) Hiroshi Nakai, the minister in charge of the abduction issue, said Tuesday it is difficult for former North Korean agent Kim Hyon Hui to visit Japan in May.

Nakai spoke to reporters about Kim after attending a meeting in Seoul of South Korean and Japanese families of the abductees.

He said the South Korean government is cautious about allowing Kim to visit Japan largely due to the March 26 sinking of a South Korean warship and also the arrest of two North Korean agents on suspicion of trying to kill Hwang Jang Yop, a former high-ranking North Korean defector.

Nakai arrived in Seoul on Sunday for a three-day visit to attend a forum on human rights in North Korea.

At a meeting with South Korean Foreign Minister Yu Myung Hwan on Monday, Nakai requested the South Korean government to allow Kim to visit Japan. Yu only replied that he is aware of Japan's wish.

In March last year, when Kim met with the brother and son of abductee Yaeko Taguchi in South Korea, she said at a news conference that Megumi Yokota, another abductee, taught Japanese to a fellow agent.

Last May, Kim told Japanese officials in South Korea that she had met with Yokota in North Korea.

## **Japan times City in Kagawa hopes 400-year-old coins will pull in hordes of tourists**

To attract visitors and boost the local economy, restaurants, hotels and souvenir shops in Kanonji, Kagawa Prefecture, started accepting coins this month that first circulated almost 400 years ago.

The coins, called "kanei tsuho," can be used at about 60 businesses in the Seto Inland Sea port, known for a sand sculpture carved to look like the Edo Period currency.

Keizo Fujita, a local restaurant operator and a promoter of the plan, said he hopes the campaign will bring new revenue to the city of 64,000, which relies mainly on farming and retail services.

"Dealers estimate there are as many as 10 billion of the coins," Fujita said. "We hope tourists can imagine they are in another era by paying with the old currency."

Kanei tsuho, first issued by the ruling Tokugawa Shogunate, was cast in denominations of one and four "mon." Four mon bought a skewer of rice dumplings in 1768, according to the Bank of Japan's Web site.

The coins were phased out after Japan introduced the yen in 1871.

Participating merchants in Kanonji will value the coins at ¥30 each. Fujita, who also sells souvenirs at a weekend flea market, said he is accepting up to 20 coins per transaction.

"Some people have come a long way just to use their coins," he said. "One customer wanted to pay with 250 coins."

While obsolete bank notes, including ¥1 bills, are still recognized as legal tender by the BOJ, kanei tsuho isn't. That's because the currency predates the yen system, said Takashi Ezaki, a spokesman for the Finance Ministry.

A coin dealer in central Osaka's Tenjinbashi district earlier this month agreed, after some gentle negotiating, to sell four of the coins for ¥500. The coins, which have holes in the center, have also been sold as ornaments attached to products like cell phone straps.

Yoshitake Hara, a contractor who is also promoting Kanonji's plan, said it is up to the participating businesses to decide how many coins they will accept. Some hotels, for example, will take up to 100 coins, amounting to a ¥3,000 discount for a night's stay.