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Weekly report on South Korea & Japan

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Summary of Report

South Korea

Political Front:

Seoul forms task force on national security

President Lee Myung-bak launched Sunday a 15-member team tasked with revamping the national security system. The measure is part of newly developed programs to overhaul the national security system following the sinking of a South Korean warship near the inter-Korean border in late March, which claimed the lives of 46 sailors. President Lee named Lee Sang-woo, a former professor who now chairs a defense reform committee, to lead the Commission for National Security Review, Cheong Wa Dae announced. The ad hoc panel consists of five civilians and 10 others with military backgrounds, Kim Sung-hwan, senior secretary for foreign affairs and national security, told reporters. The body is expected to conduct proceedings for about two or three months.

Clinton May Visit South Korea for Ship Sinking Probe Results, Chosun Says

U.S. Secretary of State Hillary Clinton may travel to South Korea for the results of an investigation into what caused the March 26 sinking of one of the South's warships, Chosun Ilbo newspaper reported. Clinton, who will be visiting Beijing starting May 24, may stop in Seoul before or after her China trip, the Korean-language newspaper reported today, citing diplomats in Washington. If Clinton can't make it to South Korea, the U.S. may send either Deputy Secretary of State James Steinberg or Assistant Secretary of State Kurt Campbell, Chosun said.

Top Democrat urges Obama on S. Korea trade deal

Senate Foreign Relations Committee Chairman John Kerry on Monday urged President Barack Obama to quickly press for a vote in Congress on a long-delayed free trade agreement with South Korea. Senator Richard Lugar, the top Republican on the Foreign Relations Committee, joined Kerry in urging Obama to send the agreement to Congress for a vote "as soon as possible." "The scope of the agreement and the size of both our economies -- the world's largest and 14th largest in terms of GDP, respectively -- are significant enough to create thousands of well-paying jobs and help generate billions in wealth for both countries," the senators said in letter.

U.S. links Cheonan probe to stance toward N. Korea

The outcome of a probe into the sinking of a South Korean ship in March will influence how the United States deals with North Korea, a top U.S. official said on Monday. South Korean officials have not officially accused the North but have made little secret of their belief Pyongyang

deliberately torpedoed the corvette Cheonan near their disputed border in retaliation for a naval firefight last year. According to a report by South Korea's Yonhap news agency on Friday, the team of South Korean and foreign investigators investigating the incident have concluded that a torpedo was the source of an explosion that destroyed the vessel. North Korea has denied involvement and accused South Korean President Lee Myung-bak's government of trying to use the incident for political gains ahead of local elections in June.

North Korea Claims Successful Nuclear Fusion Reaction

North Korea said it carried out a nuclear fusion reaction last month to help develop clean energy, a technology no nation has yet harnessed for commercial use. The experiment took place last month and was achieved using only North Korean technology, the Rodong Sinmun newspaper said today in a statement carried by the official Korean Central News Agency. North Korea has completed basic research into nuclear fusion reactions, the report said. Global scientists are working to create a nuclear fusion power plant, which would produce little radioactive waste, according to the International Atomic Energy Agency. Any advance by North Korea would likely be insignificant and have limited immediate use for power generation or making a weapon, Song said. "Based on the past sixty years of research on atomic structures and existing fusion reactions, I find it incredibly unlikely that scientists in North Korea have been able to carry out nuclear fusion," Daniel Aldrich, a political science assistant professor at Purdue University in Indiana, said in an e-mail.

Korea launches contingent for dispatch to Afghanistan

The Army launched a 320-strong unit to be dispatched to Afghanistan to protect 100 Korean civilian reconstruction workers, Tuesday. The unit, named "Ashena" meaning friend or colleague in the local language, will be sent to Parwan Province in July for a two-year mission. About 40 police officers will also be deployed to the terrorism-ridden Central Asian country. A motion for the unit's deployment was approved by the National Assembly last February.

Korea-Bangladesh summit due May 18

Bangladeshi Prime Minister Sheikh Hasina will visit Seoul from May 16 to 18 for a summit with President Lee Myung-bak, Cheong Wa Dae announced Tuesday. The summit, which will take place at Cheong Wa Dae, will focus on strengthening bilateral economic and energy ties. South Korea has come closer to blaming the North for torpedoing one of its warships in March in an attack that killed 46 of its sailors. South Korea has indicated it would not launch a revenge strike, fearing it could spark a widening conflict that cripples its quickly recovering economy.

Punishment options for South Korea on North

South Korea has come closer to blaming the North for torpedoing one of its warships in March in an attack that killed 46 of its sailors. South Korea has indicated it would not launch a revenge strike, fearing it could spark a widening conflict that cripples its quickly recovering economy. Military measures to be taken for avoiding any further mishaps include the increment in naval patrol and direct action if any suspicious entity is observed in violation of borders. Economically, suspend the Aid of North and make it difficult for exports of North to get through the channels of South. Diplomatically south may take its case in UN Security Council and to the other global actors' consideration to follow a hard-difficult stance against North Korea.

S. Korea's nuclear power reactor profiles

South Korea, which is heavily dependent on oil and gas imports, plans to add about 18 nuclear power reactors by 2030 to its existing 20 reactors to reduce its energy imports and carbon emissions. Asia's fourth-largest economy has been running 16 pressurised water reactors and 4 pressurised heavy water reactors since the country started nuclear power generation about 30 years ago. Nuclear power reactors accounted for 26 percent, or 17,716 MW, of South Korea's total power generation facilities of 68,268 MW in 2007. Nuclear accounted for 36 percent, or 142.9 billion KW/hour of total power generation of 403.1 billion KW/hour. South Korea aims to add about 18 reactors by 2030. It is building 6 nuclear power reactors with combined capacity of 6,800 MW, and preparing to construct two reactors with a combined 2,800 MW -- all to be ready by 2016. By 2022, it plans to add 4 more with a total capacity of 5,600 MW, and another 6 by 2030. It hopes to develop APR+ by 2012 based on its own technology, and small- and medium-sized SMART reactors for export by 2011. In December, a consortium led by Korea Electric Power Corp (KEPCO) (015760.KS) won its first commercial export deal, worth up to \$40 billion, to build and operate four APRs in the United Arab Emirates. Another South Korean consortium, led by Daewoo Engineering & Construction (047040.KS), and the Jordan government research agency signed a deal last March to build a research and development nuclear reactor in Jordan. South Korea came closer on Thursday to blaming North Korea for the sinking of a navy ship in March that killed 46 sailors with reports saying it plans economic measures to punish Pyongyang for a suspected torpedo attack. South Korea has not officially accused the North of sinking its navy ship but has made little secret of its belief Pyongyang deliberately torpedoed the 1,200 corvette Cheonan near their disputed border in retaliation for a naval clash last year. Officials have previously said the ship was likely hit by a torpedo but have not mentioned the North as being behind the attack. South Korea was expected to release its findings into the sinking of the Cheonan as early as next week, officials said. Lee has ended years of generous unconditional aid and announced a plan of massive investment across the border if the North gives up nuclear arms -- an offer Pyongyang has rejected.

Top North Korea general and Kim confidant out of job

North Korea has pushed one of its highest-ranking military officers into retirement, its media said on Friday, in a rare announcement that experts said may indicate frustration with yet another policy blunder. "Kim Il-chol was relieved of the posts as member of the National Defense Commission of the Democratic People's Republic of Korea and first vice-minister of the People's Armed Forces for his advanced age of 80," the North's official KCNA news agency said, without offering further details. Kim, 80, was a close confidant of leader Kim Jong-il who served since 1998 as a vice chairman of the National Defense Commission, the center of power in the secretive state. Kim Il-chol appeared to fall out of favor when he was ousted from another post as Defense minister in a cabinet reshuffle last year.

FMs of S. Korea, Japan, China to meet for talks

Foreign Minister Yu Myung-hwan will hold bilateral and three-way talks with his Japanese and Chinese counterparts Saturday and Sunday on ways of strengthening cooperation and on dealing with North Korea, foreign ministry officials said Friday. Japanese Foreign Minister Katsuya Okada and Chinese Foreign Minister Yang Jiechi will arrive here early Saturday for the two-day meeting scheduled to be held in Gyeongju, North Gyeongsang Province ahead of a summit of the leaders of the three countries. Agenda items of the ministerial meeting include collaboration between the three countries and discussions on the regional and international situation, the ministry said.

Economic Front;

Posco Offers \$2.9 Billion for Daewoo, Trumping Lotte, MoneyToday Reports

Posco offered 3.4 trillion won (\$2.9 billion) for Daewoo International Corp., trumping the Lotte Group's 3.2 trillion won bid, MoneyToday reported, citing people with knowledge of the deal. The higher offer may make Posco the preferred bidder, the Korean-language online newspaper said earlier today. Both companies seek the entire 68.15 percent stake in Daewoo International that's up for sale, according to the report. Posco and Lotte yesterday submitted final bids for Daewoo, which trades steel, crude oil, cement and auto parts. Posco Chief Executive Officer Chung Joon Yang, spearheading a \$30 billion overseas expansion, called the trading company a "top" acquisition priority for Asia's third-biggest steelmaker.

Daewoo International Shares Jump on Reports Posco May Be Preferred Bidder

Daewoo International Corp. rose the most in seven months in Seoul trading after South Korean media reported Posco may be the preferred bidder for the trading company with a 3.4 trillion won (\$3 billion) offer. Posco, Asia's third-biggest steelmaker, is the front runner for a controlling stake in Daewoo International because its bid is higher than Lotte Group's, the

Chosun daily newspaper reported today, without citing anyone. Posco offered 3.4 trillion won for Daewoo International, trumping Lotte's 3.2 trillion won bid, Internet news provider MoneyToday reported May 8, citing people with knowledge of the deal. Both companies are seeking the entire 68.15 percent stake in the company that's up for sale, MoneyToday said.

S. Korea Hanjin unit wins \$500 mln ship order

South Korea's Hanjin Heavy Industries Co. (097230.KS) said on Monday that its Philippines-based unit HHIC-Phil had won \$500 million order from a European shipper to build eight bulk carriers.

LG Elec eyes selling flat TV in Japan again - Nikkei

South Korea's LG Electronics (066570.KS) is eyeing re-entering Japan's flat TV market as early as this year, the Nikkei business daily said on Sunday, as the world's No.2 TV brand aims to surpass rival Samsung Electronics. LG competes with Japanese manufacturers such as Sharp Corp (6753.T), Sony Corp (6758.T) and Panasonic Corp (6752.T) in flat screen TVs. LG will likely release their flat panel TVs in Japan at the beginning of the Christmas shopping season and is expected to sell LCD TVs, as well as high-end LED-backlit TVs, with 30- and 40-inch screens, the Nikkei said.

South Korea Survived Recession With CEO Tactics

It's a common strategy of smart multinationals: invest heavily in new markets and products while competitors retrench in a recession. But South Korea may be the first country to pull it off, a coup probably made possible by the fact that it has a real CEO in charge. Lee Myung-bak once ran Hyundai, one of South Korea's largest companies, where he invested aggressively in opening new markets abroad, even through the recession in the early '80s. Now, as president, he has pushed a similarly aggressive long-term view, which helped South Korea weather the global downturn perhaps better than any other developed nation. One result is that South Korea's GDP growth hit 3.2 percent by the third quarter of 2009, making it the first wealthy country to emerge from the recession. South Korea's exporters of phone handsets, LCD-TVs, and cars picked up market share in the crisis, according to Morgan Stanley. But, no, Lee is not in line for a performance bonus.

Kepeco May Buy Australian Uranium Asset This Year to Supply Nuclear Plants

Korea Electric Power Corp., South Korea's biggest electricity provider, is in talks to buy Australian uranium assets this year to meet demand for the nuclear fuel, an executive said. South Korean uranium demand is expected to double to 8,000 metric tons a year by 2020 because of increased construction of nuclear power plants, Chung told a conference earlier in Perth. South Korea, which imports about 97 percent of its energy requirements, plans to add eight atomic

plants by 2016. Kepco wants to buy mines that are in the construction stage, and isn't interested in companies that only have exploration projects, Chung said. The Seoul-based utility is now progressing toward its goal.

Bumi Bonds Face Contagion Risk, Morgan Stanley Says

Bondholders of PT Bumi Resources, Korea National Housing Corp. and SK Energy Co. are most at risk should Europe's debt crisis spread into Asia, according to Morgan Stanley. The companies are "burning reserves" and have low "funding flexibility," Viktor Hjort, Morgan Stanley's Hong Kong-based credit strategist, wrote in a note to clients. "In a contagion environment credit-default risk narrows down to a single factor -- access to funding," he said. Bumi Resources, an Indonesian coal producer which has \$638 million of debt due by the end of 2012, had its share-price estimate cut to 2,300 rupiah from 2,400 rupiah by Goldman Sachs Group Inc. last month after profit declined in 2009.

South Korea's Won Surrenders Early Gains on North's Nuclear Arms Progress

South Korea's won declined, having surrendered early gains after North Korea was reported to have made headway in its quest to become a nuclear power. The currency earlier climbed as much as 0.5 percent after a government report showed the unemployment rate dropped to 3.7 percent in April, marking a third monthly decline from the 10-year high of 4.8 percent reached in January. The central bank left its benchmark interest rate at a record-low 2 percent at a policy meeting today, a decision forecast by all 12 economists in a Bloomberg survey. The won slid 0.1 percent to 1,137.40 as of 10:28 a.m. in Seoul, according to data compiled by Bloomberg. The Kospi share index was little changed, after earlier climbing as much as 0.6 percent.

Sasakura, Samsung \$1.89 bln bid lowest for Saudi plant

Japan's Sasakura Engineering Co, with South Korea's Samsung Engineering (028050.KS), have made the lowest bid of \$1.892 billion to build a new desalination plant in Saudi Arabia, industry sources said. The plant will produce 1.025 million cubic metres of desalinated water per day and will be integrated with a 2,400 megawatts (MW) power plant, in Ras Azzour, on the Gulf coast. The project is expected to be the world's largest when completed in the last quarter of 2013.

S. Korea c. bank sees uncertainties over econ growth

South Korea's economy remains on a solid recovery track but is still faced with uncertainties regarding the eurozone debt crisis and China's monetary policy, the country's central bank said on Wednesday. The Bank of Korea also said in a statement issued after holding interest rates steady at the record low, as widely expected, that domestic inflation would stay stable for the time being.

Hyundai Steel to Pursue Mining Investments With Korea Resources

Hyundai Steel Co., spending 6.23 trillion won (\$5.5 billion) on new plants, will pursue mining projects with state-run Korea Resources Corp., joining rivals in seeking to secure raw material supplies as costs surged. South Korea's second-biggest steelmaker signed an initial agreement with Korea Resources, a minerals developer, to cooperate in mining projects and share information, the Incheon-based company said today in an e-mailed statement. ArcelorMittal, the world's biggest steelmaker, Nippon Steel Corp. and Posco are all seeking to own iron ore and coal mines as prices surge as much as 90 percent. Hyundai Steel may need 13.6 million tons of iron ore and 6.5 million tons of coal annually as it expands capacity by 8 million tons a year by 2011, the statement said.

M&A deals possible risks to S.Korean banks-Moody's

Expected merger deals between South Korean banks may lead to financial burdens for acquirers and stoke competition, posing a risk to the stable credit rating outlook for the country's banking system, a Moody's analyst said. The rating agency was closely watching efforts by Korean banks to put together guidelines for liquidity management under a government initiative, Youngil Choi, vice-president and senior analyst for financial institutions group at Moody's Investors Service, told a small group of reporters on Wednesday. South Korea's banking industry is set to see a major consolidation in the year to come, with the upcoming sale of Korea Exchange Bank (KEB) (004940.KS), owned by U.S. equity fund Lone Star, and the planned privatisation of Woori Finance Holdings (053000.KS). Over the longer term, the government also plans to privatise KDB Financial Group.

US gave contracts to 7 firms involved in Iran energy

The U.S. government, while urging the world to cut business ties with Iran, has given government contracts worth nearly \$880 million to seven foreign companies involved in Iran's energy sector in recent years, a report said on Wednesday. The report by the Government Accountability Office spurred criticism by U.S. lawmakers from both parties. They said the government should not be contracting with companies that help Iran's economy as long as Tehran is pursuing nuclear work that the West suspects is aimed at making a bomb.

S. Korea's STX wins \$200 mln bulk carrier orders

South Korea's STX Group said its shipbuilding arm STX Offshore and Shipbuilding had won orders worth about \$200 million as the global shipping industry recovers and demand for vessels slowly revives. STX Offshore won orders for a total of six bulk carriers from two unidentified European shipping firms, STX Group said on Thursday in a statement.

S. Korea KOGAS April LNG sales up 49.8 pct y/y

South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) sold 2.6 million tonnes of liquefied natural gas (LNG) in April, a 49.8 percent jump from a year earlier, the company said late on Wednesday.

S. Korea banks caution against bank levy proposal

Heads of South Korean banks on Friday voiced concerns about a proposed global bank levy and the Volcker Rule aimed at curbing investment banks, saying the regulations, if adopted, could dent their business. The comment was made as the proposal to make banks pay for the cost of future bailouts is expected to top the G20 agenda this year. South Korea holds the presidency of the G20 this year, along with Canada. The statement was released after Bank of Korea Governor Kim Choong-soo met with the chief executives at 12 banks in South Korea, including Kookmin, Shinhan and Citibank Korea, to discuss the G20 agenda. The United States and Britain are leading the move on a bank levy, while Canada, Japan and Australia oppose it.

Samsung Life Rises in Seoul Trading After Record Korean Initial Share Sale

Lee Soo-Chang, president and chief executive officer of Samsung Life Insurance Co., center, and Kim Bong-Soo, chairman of Korea Exchange Inc., third from left, clap as they attend a ceremony for the company's initial public offering ceremony at the Korea Exchange in Seoul. Source: Yonhap News via Bloomberg. Samsung Life Insurance Co. rose on its first day of trading in Seoul after raising \$4.3 billion in South Korea's biggest initial public offering. Shares of the nation's largest life insurer were the most active by value on the Korea Exchange today and climbed 3.6 percent from their IPO price to 114,000 won at the close. The benchmark Kospi stock index fell 0.4 percent.

South Korea's Unemployment Rate Declined for Third Straight Month in April

South Korea's unemployment rate declined in April for a third straight month as the nation's economic recovery prompted companies to resume hiring. The jobless rate fell to 3.7 percent from 3.8 percent in March, after reaching a 10-year high of 4.8 percent in January, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures. President Lee Myung Bak has made job creation a priority this year. The government spent 108.6 trillion won (\$96 billion) in the first four months, including on infrastructure and social welfare projects, exceeding its earmarked expenditure, according to Finance Ministry figures. The unadjusted jobless rate was 3.8 percent in April, compared with 4.1 percent in March, today's report showed. The number of employed people rose by 147,000 to 23.8 million in April from March, on a seasonally adjusted basis.

South Korea's Won Rises as U.S., Europe Recovery Signs Spur Risk-Taking

South Korea's won strengthened for the first time in three days as signs the global economy is improving brightened the outlook for exports and spurred demand for emerging-market assets. Bonds declined after the central bank weakened a pledge to keep interest rates at a record low. The U.S., the world's largest economy, yesterday announced its biggest trade deficit in more than a year as imports climbed faster than exports. Europe's gross domestic product expanded at a faster pace than economists forecast in the first quarter, a separate report showed. South Korea yesterday reported a third monthly slide in its unemployment rate and Vice Finance Minister Yim Jong Ryong today said the job market should improve further. The won rose 1 percent to 1,132.20 per dollar as of 9:56 a.m. in Seoul, according to data compiled by Bloomberg. The currency has strengthened 2.8 percent this year as overseas investors plowed \$7.6 billion into the nation's stocks.

Bank of Korea May Seek Reduced Government Role at Interest-Rate Meetings

Bank of Korea Governor Kim Choong Soo hits a gavel as he starts his monetary policy committee meeting at the central bank's headquarters in Seoul. Source: Yonhap News via Bloomberg. The Bank of Korea plans to press the government to reduce its involvement in meetings on interest rates after the Finance Ministry abandoned a decade-long precedent by sending a vice minister to the sessions.

Korea Resources plans \$300 mln 5-year dlr bond sale-source

State-owned Korea Resources Corp plans to issue up to \$300 million of five-year dollar bonds, a source close to the deal said on Thursday. The company plans to price the issue at around 210 basis points over U.S. Treasuries, the source said.

POSCO nears \$3 bln Daewoo Int'l buy; but high premium

South Korea's POSCO (005490.KS) moved closer to buying Daewoo International (047050.KS) for \$3 billion in its biggest acquisition to date, as the world No.4 steelmaker looks to secure raw materials and boost overseas sales. But it is offering a higher-than-expected premium in a volatile market, and may struggle to find the synergies it hoped for. Kim also noted POSCO's reported 3.4 trillion won bid was more than 40 percent above Daewoo's current value, well above the 30 percent premium the market had expected. South Korea's Public Fund Oversight Committee said POSCO had been picked over retail-focused Lotte Group as preferred buyer for a 68 percent stake in Daewoo, the country's biggest trading firm. A source told Reuters earlier that POSCO bid just above 3.4 trillion won, while Lotte offered less than 3.3 trillion won.

Social Front

Immigration checks to be toughened

The Immigration Service will tighten checks on people entering the country ahead of the G-20 summit in Seoul this November. The Ministry of Justice said Monday it had launched a task force to oversee immigration control at international airports and ports around the country. The tighter control is aimed at stopping some foreigners from interfering with the meeting of the leaders of the world's top 20 economies. To that extent, a special team covering Seoul — the main venue for the meeting — will also be launched, the ministry said.

Samsung to spend \$21 bln on health, enviro businesses

South Korea's biggest business conglomerate Samsung Group said on Tuesday it would invest 23.3 trillion won (\$20.59 billion) by 2020 in new businesses including health care and environmental technology.

Oh returns home after 14-peak record

Climber Oh Eun-sun returned home Tuesday, after completing her mission to become the first woman to scale the world's 14 highest peaks. Oh, 44, wearing an orange jacket and a garland around her neck, raised her hands and flashed a big smile while standing before reporters and thanked people for all their support. Her ascent of 8,091-meter Annapurna was a tremendous accomplishment and had much media attention. Oh attempted to steer clear of the dispute surrounding her ascent of Kanchenjunga last year, raised by her Spanish rival Edurne Pasaban and some other climbers.

1st multicultural research institute established

The first research institute dedicated to multiculturalism in Korea was founded Tuesday. The KMC Multicultural Research Institute is an affiliate of the Korea Multicultural Congress (KMC), an organization to promote multiculturalism here. The institute consists of some 120 professors and 100 experts who work in the field. "This is the largest research center for multiculturalism in Korea," KMC president Kwon Young-kee said. "I hope the institute opens a new phase in multicultural research in Korea and promotes multicultural society." The KMC appointed Moon Hyoung-koo of Korea University Business School as the chief of the institute.

Japan

Political front:

Futenma draft plan eyed for Monday

The government will on Monday come up with an official draft plan for relocating U.S. Marine Corps Air Station Futenma in Okinawa, to pave the way for talks Wednesday with the United States, government sources said Saturday. The draft would call for transferring the Futenma base in crowded Ginowan by building a pile-supported platform off the coast in Nago, also in Okinawa. This would be a modification of the existing bilateral plan, according to which land would be reclaimed off the coast, the sources said. Arrangements are under way for Prime Minister Yukio Hatoyama and his Cabinet ministers in charge of the matter, including Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa, to meet and confirm the draft relocation plan Monday, they said. Following the meeting, Japan and the United States are expected to accelerate their talks on Futenma at a working-level meeting slated for Wednesday in Washington, according to the sources.

5,000 in Kagoshima antibase rally

A crowd of about 5,000 gathered in Kagoshima to protest Prime Minister Yukio Hatoyama's proposal to relocate some functions of the U.S. Futenma base in Okinawa to Tokunoshima Island, Kagoshima Prefecture. Three mayors from the island participated in the gathering held at a park in central Kagoshima a day after the local leaders rejected the relocation proposal in a meeting with the prime minister in Tokyo. Hatoyama has set a self-imposed deadline of May 31 to settle the Futenma base issue.

Maehara: May a bit early to settle Futenma

Land minister Seiji Maehara said Sunday that some of the processes involved in resolving the dispute over where to relocate Futenma air base, such as obtaining consent from local people and the U.S. government, may not be settled by the end of May. "I think Prime Minister (Yukio Hatoyama)'s determination to set out a certain direction for the issue hasn't changed, but that doesn't mean everything will be over," Maehara said, indicating that some of the processes may be carried over after the deadline. Maehara, who is also minister in charge of issues related to Okinawa and the Northern Territories, made the remarks on a Fuji TV political talk show.

Hatoyama axes deadline on Futenma

Prime Minister Yukio Hatoyama has dropped his self-imposed May 31 deadline for deciding where to relocate U.S. Marine Corps Air Station Futenma in Okinawa amid fierce opposition from local residents to moving it within the prefecture, government sources said Monday.

Hatoyama held a meeting earlier in the day with Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa and other officials to try to find a final solution on where to move the base, which is now located in Ginowan. Japan and the U.S. are to hold the second round of working-level talks on the issue in Washington on Wednesday

Ichiro Ozawa Agrees to Be Questioned by Tokyo Prosecutors, Kyodo Reports

Ichiro Ozawa, the secretary-general of the governing Democratic Party of Japan, agreed to be questioned by Tokyo prosecutors, Kyodo News reported, citing people familiar with the situation.

Areva Among Companies Considered to Build Nuclear Plant, Jordan Times Says

Jordan short-listed Canadian, French and Japanese bidders to build the kingdom's first nuclear power plant, the Jordan Times reported, citing the Jordan Atomic Energy Commission.

Government May Reduce Tokyo Taxis by Up to 30% on Oversupply, Nikkei Says

More than a fifth of Tokyo's taxis may be taken off the roads as the government seeks to address an oversupply among company-operated fleets, the Nikkei newspaper said. Between 20 percent and 30 percent of 32,000 cabs in the Tokyo area should be taken out of service, the newspaper said, citing plans from the transport ministry.

Prosecutors to Ozawa: submit anew to grilling

Prosecutors asked Democratic Party of Japan Secretary General Ichiro Ozawa to submit to questioning after an independent judicial panel decided last month that he merits indictment over his fund management body's alleged false reporting of political funds in 2004 and 2005, sources said Wednesday. The request is another blow to the DPJ-led government, as Ozawa is considered the party's powerhouse. Ozawa, meanwhile, is considering explaining the case at the Deliberative Council on Political Ethics at the House of Representatives amid continuing calls for him to do so from the opposition camp, senior DPJ officials said. If Ozawa complies with the prosecutors' request, it would be the third time he has been questioned on a voluntary basis over the suspected violation of the Political Funds Control Law, following earlier sessions on Jan. 23 and 31.

Civil service bill advances

The House of Representatives passed a bill at a plenary session Thursday to reform the national civil service by creating a new office to manage the personnel affairs of senior bureaucrats. The passage by majority vote from the ruling coalition came just after the chamber voted down an opposition-sponsored draft resolution calling for the dismissal of Keishu Tanaka as chairman of the Lower House Cabinet Committee. Tanaka, a Democratic Party of Japan lawmaker, was attacked for ramming the bill through the panel Wednesday against the wishes of the opposition

parties, which said the voting was premature. The bill to amend the National Public Service Law will now be debated in the House of Councilors.

Okinawans angry as Japan PM flipflops on U.S. base

Kazufumi Ota admits he was skeptical when Japan's then-opposition Democratic Party leader promised last year to try to move a U.S. airbase off his home island of Okinawa, host to half the U.S. forces in the country. But that doesn't make Ota any less angry at Yukio Hatoyama for backtracking on the pledge now that he is prime minister. During the campaign that swept his party to power last year, Hatoyama had raised hopes that the U.S. Marines' Futenma airbase could be shifted off Okinawa, despite a 2006 deal with Washington to move the facility from a crowded city to a less populous site. But with an end of May deadline for resolving the feud looming, Hatoyama shifted gears, saying he had come to realize that some Marines must stay on the island to deter threats.

Tokyo Prosecutors to Question Democratic Party's Ozawa Next Week, NHK Says

Japanese lawmaker Ichiro Ozawa, whose former aides are under indictment for campaign funding violations, will be questioned by Tokyo prosecutors next week, NHK Television said, citing unidentified people close to him. Prime Minister Yukio Hatoyama has backed Ozawa, who has repeatedly denied any wrongdoing

Ruling Party Considers 44 Trillion Yen Bond Sales Cap as Election Pledge

The Democratic Party of Japan is considering a pledge to cap bond sales next fiscal year, an indication politicians are becoming more attuned to the nation's growing debt burden. The party may promise to keep new bond sales for fiscal 2011 below the record 44.3 trillion yen (\$477 billion) budgeted for this year in its platform for a July upper house election, DPJ Deputy Secretary-General Goshi Hosono told reporters in Tokyo today. The pledge may put pressure on the party to backtrack on election promises that helped it defeat the Liberal Democrats in a lower house vote last August. Finance Minister Naoto Kan said for the first time this week that the government should try to cap next year's bond sales, comments that Prime Minister Yukio Hatoyama stopped short of supporting.

Clinton to Visit Japan to Discuss Relocation of Military Base, Kyodo Says

U.S. Secretary of State Hillary Clinton will visit Japan on May 21 to discuss the relocation of a U.S. airbase in Okinawa with Japanese government officials, Kyodo News reported, citing unidentified sources.

U.S. sees new air base plan as more risky

Japan's proposal to build a pile-supported runway at the agreed relocation site for U.S. Marine Corps Air Station Futenma in Okinawa has been criticized by the United States as a terrorism risk that offers no environmental tradeoffs, sources close to bilateral relations said. Washington argues that the construction method, called a quick installation platform, could cause as much damage at Camp Schwab off Nago as filling in the shallows in the area, dismissing Tokyo's hopes of minimizing the environmental impact of the original Futenma plan signed in 2006, the sources said. The U.S. lack of enthusiasm for the pile plan will likely put Hatoyama into an even tighter corner. The U.S. also told Tokyo that the impact of creating 140 hectares of dark sea surface under the runway is difficult to predict, the sources said.

Japan PM support hits 19.1 pct ahead of key election

Voter support for the government of Japan's embattled Prime Minister Yukio Hatoyama has fallen to 19.1 percent, slipping below 20 percent for the first time ahead of a key mid-year election, a Jiji news poll showed on Friday. Public perceptions that Hatoyama has mishandled a row over a U.S. Marine base in southern Japan, which he has promised to settle by the end of May, and a funding scandal embroiling ruling party kingpin Ichiro Ozawa have steadily eroded support from around 70 percent when the premier took office in September. Hatoyama's Democratic Party needs a decisive win in the upper house vote expected in July to enact laws smoothly, while a loss for the ruling coalition would spell policy deadlock as Japan nurtures a fragile economic recovery while trying to rein in massive public debt.

Bumi Bonds Face Contagion Risk, Morgan Stanley Says

Bondholders of PT Bumi Resources, Korea National Housing Corp. and SK Energy Co. are most at risk should Europe's debt crisis spread into Asia, according to Morgan Stanley. The companies are "burning reserves" and have low "funding flexibility," Viktor Hjort, Morgan Stanley's Hong Kong-based credit strategist, wrote in a note to clients. "In a contagion environment credit-default risk narrows down to a single factor -- access to funding," he said. European policy makers unveiled a loan package worth almost \$1 trillion and a program of bond purchases yesterday in a bid to reassure investors after yields on Greek, Portuguese and Spanish debt soared. Bond sales in Asia outside Japan shrank to \$4.42 billion last week from \$7.43 billion in the previous five-day period, according to data compiled by Bloomberg, as volatility deterred borrowers.

Toyota Credibility Gap on Recalls Sunk In After President's Visit to U.S.

Yasuhiro Matsumoto, an analyst at Shinsei Securities Co., talks with Bloomberg's Mike Finn about the outlook for Toyota Motor Corp., which reports financial results today. Toyota's U.S. recall for faulty truck steering-relay rods in 2005, the automaker's largest recall at the time, is

being investigated over a possible breach of rules for alerting regulators about flaws. (Source: Bloomberg) Toyota Motor Corp.'s top executive didn't grasp how the carmaker's record recalls hurt its reputation in the U.S. until after he traveled there in February, Transportation Secretary Ray LaHood said. Toyota, which in 2008 passed Detroit-based General Motors Co. to become the world's largest automaker, was assailed this year by U.S. lawmakers, regulators and safety advocates for responding too slowly to complaints of sudden acceleration in its vehicles. LaHood said on Feb. 2 that Toyota was being "safety deaf" as complaints from customers mounted. Toyoda "has listened and he has paid attention," LaHood said.

Surging Retiree Population Threatens Japan's Debt Funding, Dai-Ichi Says

Japan may lose its ability to domestically finance its debt "in a few years" because of a surge of retirees in 2012, according to an analyst at Dai-Ichi Life Research Institute. Japan, the largest borrower among developed nations, has yet to face a Greece-like fiscal crisis because it has been able to finance most of its spending at home, Nagahama said. The first of Japan's baby boomers will turn 65 in 2012, making them eligible for pension payments. About 8 million, or 6 percent of the population, were born between 1947 and 1949, regarded as the baby boomer generation in Japan, government data show. Almost 23 percent of the nation's 126 million people will be older than 65 this year, the highest proportion in the world, according to Bloomberg data.

Toyota logs ¥148 billion 2009 profit despite recall woes

Despite massive recalls that dented its safety image, Toyota Motor Corp. said Tuesday it logged a ¥147.5 billion group operating profit for the business year that ended in March, reversing the ¥461 billion loss recorded a year earlier. It posted ¥209.5 billion in group net profit, compared with a loss of ¥436.9 billion in the 2008 business year, when the global financial crisis hit and car sales in the United States and Europe tanked. Group sales slipped 7.7 percent to ¥19 trillion from ¥20.5 trillion. The steep rebound in profit — the first in two years — comes mostly as a result of cost-cutting efforts.

Recalls fail to dent Prius sales

Toyota Motor Corp.'s Prius hybrid maintained its dominant position in Japan's market for new passenger cars for the 11th consecutive month in April, despite a recall due to possible safety problems, according to data released Tuesday by industry groups. A sizable order backlog also helped sales, as well as a government program to reward buyers of fuel-efficient cars, analysts said. The Prius came out on top with 26,482 units sold, based on figures from the Japan Automobile Dealers Association and the Japan Mini Vehicles Association. Suzuki Motor Corp.'s WagonR minicar ranked second with sales of 15,403 units, followed by Daihatsu Motor Co.'s Tanto minicar at 13,730. Minicars have engines less than 660cc.

Suzuki Motor Plans to Make Plug-In Hybrid Cars; to Test Vehicles This Year

Suzuki Motor Corp., Japan's second-largest minicar maker, plans to introduce a plug-in hybrid version of its Swift compact car using batteries supplied by Sanyo Electric Co., the automaker said. Suzuki dealerships in Japan will test 60 units of the car in the second half of this year, the company said in a statement in Tokyo today. The vehicle runs 15 kilometers (9.3 miles) on a fully charged battery and will have a 0.66 liter engine to generate electricity, Suzuki said, without saying when or where the car may go on sale. The carmaker follows Toyota Motor Corp. and General Motors Co. in announcing plans to sell hybrid vehicles that can be recharged at household electrical outlets. Hamamatsu, Japan-based Suzuki formed an alliance with Volkswagen AG in December that will include cooperation on hybrid and electric cars, and chairman Osamu Suzuki said in January his company planned to introduce electric vehicles in Japan.

Sony Profit Forecast Falls Short of Estimate

Daniel Ernst, an analyst at Hudson Square Research, talks with Bloomberg's Carol Massar about the outlook for Sony Corp. after it forecast profit that missed analysts' estimates. Net income will probably total \$535 million in the 12 months ending in March 2011, Tokyo-based Sony said today. That's less than half the average of 19 analyst estimates compiled by Bloomberg. (Source: Bloomberg) Sony Corp. forecast profit that missed analysts' estimates, fueling concern the debt crisis in Europe may delay a recovery in demand for televisions, cameras and personal computers. Net income will probably total 50 billion yen (\$535 million) in the 12 months ending March 2011, The Tokyo-based maker of Bravia televisions said today. That's less than half the average of 19 analyst estimates compiled by Bloomberg. The company predicted revenue will rise 5.4 percent.

Sony Considers Developing a Tablet Computer to Compete With Apple's iPad

Sony Corp. is considering developing a tablet-style computer that would compete with Apple Inc.'s iPad, though it wants more evidence consumers will buy them, a company executive said. Electronics manufacturers have renewed interest in tablet-style computers now that Apple, which sold 1 million iPads in less than a month after its debut, has shown it's possible to build portable devices with big touch screens and long battery life at a low cost. Sony wants more proof of consumer demand before pressing ahead with production plans, Abary said.

Panasonic's China Sales to Rise by 128% This Year, Oriental Says

Panasonic Corp.'s China sales will rise by 128 percent this year on a year earlier to 85 billion yuan (\$12 billion), the Oriental Morning Post reported, citing Toshiro Kisaka, chairman of the company's China unit. The Japanese electronics maker plans to start sales of home-use fuel cells in 2012 in China, the report said, citing Kisaka.

Tokyo Electric to Sell 25 Billion Yen in 30-Year Bonds

Tokyo Electric Power Co. will sell 25 billion yen (\$270 million) in 30-year bonds with a coupon of 2.366 percent, according to an e-mailed statement from Daiwa Securities Capital Markets, a manager of the sale.

Honda Will Boost Auto Capacity in China on Higher Sales

Honda Motor Co., Japan's second-largest carmaker, will expand capacity at a venture in China by as much as 200,000 vehicles a year, according to two people familiar with the matter. The partnership with Guangzhou Automobile Group Co. will increase annual capacity from 360,000 vehicles, according to the people, who declined to be identified as the plans are private. Honda Chief Executive Officer Takanobu Ito will hold a press conference in China on May 25, they said.

Japan's Kansai Electric to restart reactor Sunday

Japanese utility Kansai Electric Power Co (9503.T) said on Friday it would start operations of the No.1 reactor at its Ohi plant on May 16 after a shutdown in early February. The company said in a statement power supply from the 1,175-megawatt reactor would resume on May 17, about three months after it was down shut down to investigate a fuel leak and change its fuel supply.

Toyota to suspend Thai plant operat

Toyota Motor Corp (7203.T) said it would suspend one of its four vehicle plants in Thailand as the economic crisis hammered exports. Toyota said on Friday it would suspend operations at its Thai Auto Works (TAW) factory, which builds the Fortuner and Vigo multi-purpose vehicles, at the end of this month, transferring production to two other Thai plants that also build the two models. The Thai factory, in Samrong, on the outskirts of Bangkok, began operations in 1988 and has been producing about 60,000 vehicles a year, mainly for export to Europe and the Asia-Pacific region. Toyota does not disclose the factory's annual production capacity.

Japan banks forecast growth; Mizuho to raise \$8.6 bln

Better-than-expected profit forecasts by Mizuho Financial Group (8411.T) and Sumitomo Mitsui Financial Group (8316.T) underscore a brightening outlook for Japan's lenders as the economy stages a modest rebound and markets recover. Making most of the opportunity, Mizuho, the country's No.2 lender by assets, said it would raise up to 800 billion yen (\$8.6 billion) in a global offering of new shares to prepare for stricter capital requirements, confirming a Reuters report earlier this week. Earlier, however, mid-sized Shinsei Bank (8303.T), about one-third owned by U.S. buyout firm JC Flowers, revealed a massive quarterly loss and cancelled plans to merge

with rival Aozora Bank (8304.T). "We are starting to see some light ahead," Mizuho CEO Takashi Tsukamoto told a news conference.

Government Debt May Raise to 250% of GDP by 2015, Double Average, IMF Says

Japan's sovereign debt may rise to 250 percent of gross domestic product by 2015 from 227.1 percent this year, according to a forecast by the International Monetary Fund. The average of 29 developed nations may rise to 110.2 percent from 97.8 percent this year, Washington-based IMF said in a report released yesterday. It said doubling the consumption tax to 10 percent would increase Japan's government revenue by 2.6 percent.

Properst Files for Bankruptcy as Madonna Ads Fail to Lure Japan Homebuyers

Properst Co., the Japanese property developer that had Madonna promote high-rise apartment sales in central Tokyo, filed for bankruptcy protection as the credit crisis pushed condominium sales to almost two-decade lows. Properst's liabilities totaled 55.4 billion yen (\$597 million) as credit dried up after Lehman Brothers Holdings Inc. collapsed, leading condominium prices lower and denting demand, the Tokyo-based firm said in a statement today. The company will maintain its stock listing on the Jasadq market as it undergoes the bankruptcy process, in part through capital raisings via private placement and debt equity swaps, it said.

Toyota Judge Names Lead Attorneys to Handle Sudden-Acceleration Lawsuits

The federal judge overseeing sudden- acceleration lawsuits against Toyota Motor Corp. appointed 21 plaintiffs' lawyers to manage litigation involving U.S. claims. Toyota, the world's largest automaker, faces at least 228 federal and 99 state lawsuits including proposed class actions over economic loss and claims of personal injuries or deaths caused by sudden-acceleration incidents. The federal lawsuits were combined April 9 in a multidistrict litigation, or MDL, before U.S. District Judge James V. Selna in Santa Ana, California. More than 70 plaintiffs' lawyers sought appointments to leadership positions in the federal lawsuits, including about 60 who spoke at a May 13 hearing before Selna. Before the hearing, Selna proposed limiting the number of plaintiffs' attorneys on leadership committees to 12.

Social front:

Now the time to ban nukes: Nobel laureate

Nobel Peace Prize winner Jody Williams says a window of opportunity is now open to push U.N. officials to begin work on a new comprehensive treaty to ban nuclear weapons, but the opportunity shouldn't be squandered. The U.N. conference occurs only once every five years. World leaders weigh in on the performance of the treaty, the world's primary legal and political barrier against the proliferation of nuclear weapons, and debate strategies for improvement. "I

think we are at a moment of possibility, but I think if we don't seize that moment and push governments to do more now it will be lost," she said in an interview Friday on the sidelines of the nearly monthlong Nuclear Nonproliferation Treaty review conference that opened Monday. Among other things she had hoped a no-first-use policy would have been instituted.

Tuna auction reopens to tourists

The tuna auction at Tokyo's popular Tsukiji fish market reopened Monday to the public with new restrictions following a monthlong ban leveled after tourists obstructed business. Shortly after tourists started entering early in the morning, the new limit of 140 was reached. Several other people were turned away. The lucky ones who got in were orderly and there were no disruptions, Tsukiji official Yoshiaki Takagi said.

More private high schools now free

Thirty-seven prefectures have made private high school education effectively free, matching the national program to waive tuition for public school students, according to an education ministry study. The move reflects concerns among private high school officials that the tuition waiver program, under which students at private schools are provided financial aid according to household income, has left too large a gap compared with the deal students at public schools are getting.

Japan Buys 142,000 Tons of Milling Wheat, Least Volume in Eight Weeks

Japan, Asia's biggest wheat buyer, bought 142,000 metric tons of milling wheat for July shipment at a regular tender today, the Ministry of Agriculture, Forestry and Fisheries said. It was the smallest purchase since March 18, when the government bought 136,000 tons, according to the ministry. Japan has bought 613,000 tons of milling wheat this fiscal year. In the year ended March 31, the ministry bought 4.26 million tons of the grain through regular tenders.

Miyazaki Plans to Slaughter 80,000 Pigs, Cows on Foot-and-Mouth Outbreak

Japan plans to slaughter more than 80,000 livestock in the southern prefecture of Miyazaki as it seeks to contain an outbreak of foot-and-mouth disease. A total of 73,653 pigs and 6,604 cows have been marked for destruction at 86 farms, the Miyazaki local government said in a statement yesterday.

From cats to Shinto prayers, Tokyo matchmaking services grow more diverse

Matchmaking services in Tokyo now come in a variety of forms — even one aimed at bringing together cat lovers. The Nyafe Melange "cat cafe" in Ebisu, where cuddly felines are on hand to be petted, is hosting lessons for singles on photographing their favorite animal. "There are many people who are getting bored of the ordinary style of matchmaking events, in which men go

around the seats to talk to women," says Kazumi Nokajima, who organizes the event for cat lovers.

Crimes by Elderly Japanese Triple Amid Isolation, Anxiety About Finances

The number of elderly Japanese arrested for crimes tripled in the decade to 2008 as the aging population struggled to cope with isolation and a stagnating economy, a government report showed. The number of arrests among people aged 65 or older tripled to 48,786 in 2008 from 1999, the Cabinet Office said in a white paper released today. About one-third of those arrested were repeat offenders. The report highlights problems arising from demographic changes in Japan, where one in five people are over 65 and women are having fewer babies. Record social welfare costs and a swelling public debt, the world's largest, have prompted concern among aging citizens that Prime Minister Yukio Hatoyama may cut pension benefits, said economist Toshihiro Nagahama.

Report: '30 to see 18% of elderly men living alone

The proportion of Japan's elderly male population living alone is expected to surge within the next 20 years, according to a government white paper released Friday. The report also said the number of people aged 65 or older hit an all-time high of 29.01 million as of last Oct. 1, accounting for 22.7 percent of the total population, up 0.6 percentage point from a year before. Among men aged 65 or older, the percentage of those living alone is projected to jump to 17.8 percent in 2030 from 11.0 percent in 2010, according to the government's 2010 report on the aging society. As for elderly women, the percentage of those living alone is expected to edge up to 20.9 percent from 19.4 percent during the same period, the white paper said.

South Korea

Detailed News:

Politico-Strategic Front:

(The Korea Times) Seoul forms task force on national security

President Lee Myung-bak launched Sunday a 15-member team tasked with revamping the national security system.

The measure is part of newly developed programs to overhaul the national security system following the sinking of a South Korean warship near the inter-Korean border in late March, which claimed the lives of 46 sailors.

President Lee named Lee Sang-woo, a former professor who now chairs a defense reform committee, to lead the Commission for National Security Review, Cheong Wa Dae announced.

The ad hoc panel consists of five civilians and 10 others with military backgrounds, Kim Sung-hwan, senior secretary for foreign affairs and national security, told reporters.

The body is expected to conduct proceedings for about two or three months.

President Lee also named Lee Hee-won, a former deputy chief of the ROK-U.S. Combined Forces Command (CFC), as his special secretary on national security.

Lee Hee-won is also a member of the newly formed commission. Other members include Hyun Hong-choo, former ambassador to the United States; Lee Sung-chool, former deputy commander of the CFC; and Park Jung-sung, who served as commander of the 2nd Navy Fleet when it won a bloody clash against North Korea's navy in 1999.

Born in Sangju, North Gyeongsang Province, Lee, 62, is a retired four-star Army general.

A graduate of the 27th class of the Korea Military (Army) Academy, he served as commander of the 51st Infantry Division.

Rear Adm. Kim Jin-hyung of the Navy was appointed as chief of the National Crisis Management Center.

Senior presidential secretary Kim said he will oversee the center.

The military has come under fire for poor initial handling of the ship sinking incident.

Defense Minister Kim Tae-young and Gen. Lee Sang-eui, chairman of the Joint Chiefs of Staff, were not informed of the Cheonan incident for about an hour after it had occurred. Search and rescue operations were also delayed as the Navy failed to pinpoint where the ship sank for two days.

(Bloomberg) Clinton May Visit South Korea for Ship Sinking Probe Results, Chosun Says

U.S. Secretary of State Hillary Clinton may travel to South Korea for the results of an investigation into what caused the March 26 sinking of one of the South's warships, Chosun Ilbo newspaper reported.

Clinton, who will be visiting Beijing starting May 24, may stop in Seoul before or after her China trip, the Korean-language newspaper reported today, citing diplomats in Washington.

If Clinton can't make it to South Korea, the U.S. may send either Deputy Secretary of State James Steinberg or Assistant Secretary of State Kurt Campbell, Chosun said.

A South Korean naval vessel sank off the country's west coast near the disputed border with North Korea, killing 46 sailors. South Korea has said a torpedo most likely split the ship apart, its strongest indication of possible North Korean involvement. North Korea has denied playing any part in the incident.

(Reuters) Top Democrat urges Obama on S. Korea trade deal

WASHINGTON (Reuters) - Senate Foreign Relations Committee Chairman John Kerry on Monday urged President Barack Obama to quickly press for a vote in Congress on a long-delayed free trade agreement with South Korea.

"The United States should work with South Korea to resolve legitimate concerns and quickly approve the U.S.-Korea Free Trade Agreement," the senior Democrat said in a statement touting the job-creating benefits of the pact.

Senator Richard Lugar, the top Republican on the Foreign Relations Committee, joined Kerry in urging Obama to send the agreement to Congress for a vote "as soon as possible."

"The scope of the agreement and the size of both our economies -- the world's largest and 14th largest in terms of GDP, respectively -- are significant enough to create thousands of well-paying jobs and help generate billions in wealth for both countries," the senators said in letter.

"Submission of the agreement to Congress also would be considered a significant show of solidarity with a close and reliable ally," they said.

Despite Kerry's support for the South Korea agreement, many Democrats in the House of Representatives remain opposed to the pact and two other delayed deals with Colombia and Panama.

The senators' plea for Obama to move quickly to resolve auto, beef and other trade concerns that have blocked the South Korean agreement came one week before South Korean Trade Minister Kim Jong-hoon is due in Washington.

"A renewed commitment to move on the KORUS (Korea-U.S.) FTA will create an atmosphere more conducive to resolution of these issues," the senators said.

Monday also was the third anniversary of a deal the Republican administration of former President George W. Bush struck with Democrats to strengthen labor, environmental and other provisions of the South Korea, Colombia and Panama pacts.

House Republicans marked the occasion by releasing a report showing how the delay in approving the Colombia agreement, the oldest of the three pending deals, has hurt U.S. farm exports to that country.

"It has been three years since Congress reached a bipartisan compromise on a new framework designed to move forward on America's trade policy, but the trade agenda has collapsed through inaction by the administration and key Democrats in Congress," said Representative Dave Camp, the top Republican on the House Ways and Means Committee.

U.S. links Cheonan probe to stance toward N. Korea

WASHINGTON, May 10 (Reuters) - The outcome of a probe into the sinking of a South Korean ship in March will influence how the United States deals with North Korea, a top U.S. official said on Monday.

South Korean officials have not officially accused the North but have made little secret of their belief Pyongyang deliberately torpedoed the corvette Cheonan near their disputed border in retaliation for a naval firefight last year.

"We are determined to pursue this thoroughly and to follow the facts where they point," U.S. Deputy Secretary of State James Steinberg said of an investigation into the warship's sinking, which killed 46 South Korean sailors.

"This will, in turn, have an impact on how we proceed in dealing with the challenge of North Korea and its actions, not only in the nuclear front but in other provocative measures that it takes," he added in a speech at the Brookings Institution think tank in Washington.

According to a report by South Korea's Yonhap news agency on Friday, the team of South Korean and foreign investigators investigating the incident have concluded that a torpedo was the source of an explosion that destroyed the vessel.

North Korea has denied involvement and accused South Korean President Lee Myung-bak's government of trying to use the incident for political gains ahead of local elections in June.

North Korean leader Kim Jong-il, who visited China last week, was quoted by China's Xinhua news agency as repeating a commitment to end its nuclear arms program and his willingness to discuss returning to international disarmament talks.

Pyongyang has boycotted the six-party talks, which also involve China, South Korea, the United States, Japan and Russia, since 2008.

Steinberg said that how the United States will deal with North Korea would also depend on Pyongyang's living up to its promises to abandon its nuclear programs and on its "ending its belligerent and threatening behavior towards its neighbors."

North Korea committed in 2005 to abandon all its nuclear programs but it has since conducted two nuclear tests.

The sinking of the Cheonan, if conclusively tied to North Korea, would be an escalation that could increase the chances of a widening conflict in Asia that could cripple the export-dependent economies in the region, including Japan.

"We obviously face a very challenging situation with the sinking of the Cheonan," Steinberg said. "It really underscores the precariousness of the situation on the Korean Peninsula."

North Korea Claims Successful Nuclear Fusion Reaction

North Korea said it carried out a nuclear fusion reaction last month to help develop clean energy, a technology no nation has yet harnessed for commercial use.

The experiment took place last month and was achieved using only North Korean technology, the Rodong Sinmun newspaper said today in a statement carried by the official Korean Central News Agency. North Korea has completed basic research into nuclear fusion reactions, the report said.

"The technology North Korea claims to have developed seems to be in very, very early stages," said Song Ki Chang, a researcher at the Daejeon, South Korea-based Korea Atomic Energy Research Institute. "It seems the claim is more aimed at boasting about its nuclear technology prowess to the world."

Global scientists are working to create a nuclear fusion power plant, which would produce little radioactive waste, according to the International Atomic Energy Agency. Any advance by North Korea would likely be insignificant and have limited immediate use for power generation or making a weapon, Song said.

A fusion reaction, which differs from the nuclear fission occurring in existing power plants, also takes place in a thermonuclear weapon, or hydrogen bomb. Several countries have achieved nuclear fusion in experiments, including South Korea, though none have put the technology to commercial use, Song said.

'Incredibly Unlikely'

"Based on the past sixty years of research on atomic structures and existing fusion reactions, I find it incredibly unlikely that scientists in North Korea have been able to carry out nuclear fusion," Daniel Aldrich, a political science assistant professor at Purdue University in Indiana, said in an e-mail. "Western nations and Japan have spent literally billions of dollars and put in thousands of hours of research into creating a fusion reactor, and we have yet to generate any significant results."

North Korea "made a definitive breakthrough toward the development of new energy," the KCNA report said, without specifying how the fusion technology will be used. Kim Jong Il's

regime has tested two nuclear devices, the second in May 2009, which prompted the United Nations Security Council to toughen economic sanctions.

North Korea vowed in April 2009 never to return to multilateral talks on its nuclear weapons program, and has refused to return until the sanctions are removed. The negotiations, also involving China, Japan, Russia, South Korea and the U.S., last convened in December 2008.

‘Worrisome Development’

“It’s North Korea’s way of saying, ‘Meet our demands and resume the talks, or our nuclear technology will only get more sophisticated,’” said Yang Moo Jin, a professor at the University of North Korean Studies in Seoul. “While it remains to be seen if their claim is true, development of any kind of nuclear-related technology by North Korea is worrisome.”

Since it quit the disarmament talks, North Korea restored its Yongbyon nuclear reactor, which had been disabled under a February 2007 accord. The country told the UN Security Council in September it was “weaponizing” plutonium and has almost succeeded in highly enriching uranium, the second means of creating an atomic device.

(The Korea Times) Korea launches contingent for dispatch to Afghanistan

The Army launched a 320-strong unit to be dispatched to Afghanistan to protect 100 Korean civilian reconstruction workers, Tuesday.

The unit, named “Ashena” meaning friend or colleague in the local language, will be sent to Parwan Province in July for a two-year mission.

About 40 police officers will also be deployed to the terrorism-ridden Central Asian country.

A motion for the unit's deployment was approved by the National Assembly last February.

“The security of Parwan is relatively safer than those of other regions in Afghanistan, but you should have high-level alertness and operational readiness against the enemy's various threats,” Army Chief of Staff Gen. Han Min-koo said during a ceremony marking the inauguration of the contingent at an Army base south of Seoul.

The unit will undergo maneuvers and devise action plans on emergency situations before its departure, according to the Army.

The contingent will be equipped with four helicopters, armored vehicles, a mini-unmanned aerial vehicle, K11 airburst rifles, high-resolution CCTV and thermal imagers, Army officials said.

Deploying portable explosive detectors and robot systems is also under consideration, they said.

Korea withdrew engineering and medical units from Afghanistan in December 2007 after years of reconstruction operations there and has since been contributing to the security of Afghanistan by joining the NATO-led provincial reconstruction team (PRT).

The PRT is a unit administering international aid to Afghanistan and Iraq, consisting of civilians and military specialists who perform small construction projects or provide security for others involved in aid and reconstruction work.

(The Korea times online) Korea-Bangladesh summit due May 18

Bangladeshi Prime Minister Sheikh Hasina will visit Seoul from May 16 to 18 for a summit with President Lee Myung-bak, Cheong Wa Dae announced Tuesday.

The summit, which will take place at Cheong Wa Dae, will focus on strengthening bilateral economic and energy ties.

The leaders will also discuss ways to boost their partnership on climate change, the financial crisis and other global issues, the office said.

On May 17, Prime Minister Hasina will participate in the opening ceremony of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) conference in Incheon and deliver a keynote address on the relations between developing and developed nations.

She will also attend a reception in Seoul hosted by Korean economic associations.

(Reuters) Punishment options for South Korea on North

SEOUL (Reuters) - South Korea has come closer to blaming the North for torpedoing one of its warships in March in an attack that killed 46 of its sailors.

South Korea has indicated it would not launch a revenge strike, fearing it could spark a widening conflict that cripples its quickly recovering economy.

The following are some options Seoul has been considering to punish Pyongyang, according to officials and media reports:

MILITARY MEASURES

* Mine a contested Yellow Sea border near where its ship was attacked to bottle up North Korea's submarines.

* Increase patrols near naval borders. Hunt the North's submarines. Forgo warning shots and open fire at the North's vessels if they breach the sea border.

* Enhance naval capabilities over the next few years to better hunt and destroy the North's ships and submarines, further increasing its technological superiority.

* Launch large-scale military training exercises on its side of the land and sea border to intimidate its neighbor.

Military measures to taken for avoiding any further mishaps include the increment in naval patrol and direct action if any suspicious entity is observed in violation of borders.

ECONOMIC MEASURES

* Extend the suspension of aid once worth more than 5 percent of North's estimated \$17 billion a year economy.

* End imports from the North of sand used to make concrete that local media said earned it about \$70 million through 2008.

* Ban the imports of fisheries products that were worth about 173 billion won last year.

* Make it more difficult for the North's commercial shipping to travel in waters near the South.

* A joint factory park the two run in the North Korean border city of Kaesong would likely be spared for now because the South feels its closure would hurt the more than 100 small to medium sized South Korean companies operating there.

Economically suspend the Aid of North and make it difficult for exports of North through the channels of South.

DIPLOMATIC MEASURES

* Take the case to the U.N. Security Council to seek new sanctions or a tightening of existing ones.

* Seek help from its U.S. ally to clamp down even harder on the North's meager international finances.

* Delay international nuclear disarmament talks where the North can win much needed aid for reducing security threats.

Diplomatically south may take its case in UN Security Council and to the other global actors' consideration to follow a hard-difficult stance against North Korea.

(Reuters) S. Korea's nuclear power reactor profiles

SEOUL, May 13 (Reuters) - South Korea, which is heavily dependent on oil and gas imports, plans to add about 18 nuclear power reactors by 2030 to its existing 20 reactors to reduce its energy imports and carbon emissions.

For related ANALYSIS on South Korea's nuclear export ambitions:

South Korea's nuclear power profiles are as follows:

LOCAL NUCLEAR REACTORS IN OPERATION

Asia's fourth-largest economy has been running 16 pressurised water reactors and 4 pressurised heavy water reactors since the country started nuclear power generation about 30 years ago.

Nuclear power reactors accounted for 26 percent, or 17,716 MW, of South Korea's total power generation facilities of 68,268 MW in 2007. Nuclear accounted for 36 percent, or 142.9 billion KW/hour of total power generation of 403.1 billion KW/hour.

The world's No.6 nuclear power generator -- after the United States, France, Japan, Russia and Germany -- has no record of nuclear accidents, and its 2008 reactor utilisation rate of 93.3 percent was the highest in the world. Globally, the average utilisation rate was 79.4 percent.

MORE LOCAL REACTORS ON THE WAY

South Korea aims to add about 18 reactors by 2030. It is building 6 nuclear power reactors with combined capacity of 6,800 MW, and preparing to construct two reactors with a combined 2,800 MW -- all to be ready by 2016.

By 2022, it plans to add 4 more with a total capacity of 5,600 MW, and another 6 by 2030.

By 2030, South Korea predicts total power generation facilities of 105,195 MW, with nuclear accounting for 41 percent, or 42,716 mega watts. Nuclear power generation will account for 59 percent, or 333.6 billion KW/hour of total power generation of 565.2 billion KW/hr by 2030.

REACTOR TECHNOLOGY

South Korea hopes to develop nuclear reactors with 100 percent proprietary technology by 2012. Since it began nuclear power generation in 1978, wholly-based on U.S. technology, it has developed the technology to build about 95 percent of a standard nuclear power plant.

The world's No.2 developer of the third generation of light water reactors has developed two 1,000 MW pressurised water reactors (the Optimised Power Reactor (OPR) 1000) and 1,400 MW Advanced Power Reactor (APR) 1400.

It hopes to develop APR+ by 2012 based on its own technology, and small- and medium-sized SMART reactors for export by 2011.

MAJOR EXPORTS

In December, a consortium led by Korea Electric Power Corp (KEPCO) (015760.KS) won its first commercial export deal, worth up to \$40 billion, to build and operate four APRs in the United Arab Emirates.

Another South Korean consortium, led by Daewoo Engineering & Construction (047040.KS), and the Jordan government research agency signed a deal last March to build a research and development nuclear reactor in Jordan. (Sources: Korea KEPCO, Korea Hydro & Nuclear Power Co Ltd, industry and government sources).

(Reuters) South Korea closer to blaming North for sinking ship

SEOUL (Reuters) - South Korea came closer on Thursday to blaming North Korea for the sinking of a navy ship in March that killed 46 sailors with reports saying it plans economic measures to punish Pyongyang for a suspected torpedo attack.

South Korea has not officially accused the North of sinking its navy ship but has made little secret of its belief Pyongyang deliberately torpedoed the 1,200 corvette Cheonan near their disputed border in retaliation for a naval clash last year.

"The sinking of the Cheonan showed the cold hard realities of division (on the peninsula) for the world to see," South Korea's pointman on the North, Unification Minister Hyun In-taek said in some of the most pointed public comments Seoul has made in implicating Pyongyang.

Officials have previously said the ship was likely hit by a torpedo but have not mentioned the North as being behind the attack.

South Korea was expected to release its findings into the sinking of the Cheonan as early as next week, officials said.

Seoul has indicated it has no plans to launch a revenge strike, easing concerns among investors over a widening conflict that could cripple the South's rapidly recovering economy and deal a blow to other export-driven economies in the region.

South Korea, and ally the United States, have said they would put international nuclear disarmament talks with the North on hold until they find a just response to the sinking.

Local news reports said the South plans to ban private trade between the two Koreas on goods including seafood and sand that goes into making cement, which would bring deeper trouble for the North's failed economy.

North Korea has denied any involvement in the ship's sinking and accused South Korean President Lee Myung-bak's government of trying to use the incident for political gains ahead of local elections in June.

Relations between the two Koreas, still technically at war, have turned increasingly hostile since Lee took office more than two years ago, 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.

Lee has ended years of generous unconditional aid and announced a plan of massive investment across the border if the North gives up nuclear arms -- an offer Pyongyang has rejected.

(Reuters) Top North Korea general and Kim confidant out of job

SEOUL (Reuters) - North Korea has pushed one of its highest-ranking military officers into retirement, its media said on Friday, in a rare announcement that experts said may indicate frustration with yet another policy blunder.

"Kim Il-chol was relieved of the posts as member of the National Defense Commission of the Democratic People's Republic of Korea and first vice-minister of the People's Armed Forces for his advanced age of 80," the North's official KCNA news agency said, without offering further details.

Kim, 80, was a close confidant of leader Kim Jong-il who served since 1998 as a vice chairman of the National Defense Commission, the center of power in the secretive state.

Kim Il-chol appeared to fall out of favor when he was ousted from another post as Defense minister in a cabinet reshuffle last year.

Experts said the retirement could be because of old age and ill health as the KCNA dispatch said. What is unusual is the report itself announcing an official's retirement, when normally only deaths are reported in the North's media.

"One possibility is that Kim Il-chol was sacked to take responsibility for the announcement on nuclear fusion," said Yang Moo-jin of the University of North Korean Studies in Seoul.

Pyongyang said this week it had succeeded in creating a nuclear fusion reaction to produce energy, a claim experts said was absurd for a country so poor it cannot generate enough power to light itself at night.

The North was roundly ridiculed by nuclear experts for the claim.

Yang said the North may also have been looking for a scapegoat for the nuclear claim, which also irritated Beijing's leaders who are also trying to calm tensions raised by a deadly attack on a South Korean ship in March.

South Korea has not officially accused the North of sinking the corvette near their disputed border but has made little secret of its belief Pyongyang deliberately torpedoed it in retaliation for a naval clash last year.

A senior South Korean official said on Friday that a team of international investigators probing the cause of the sinking would release its findings on May 20 and President Lee Myung-bak would later in the month announce what response Seoul would take.

Yang said leader Kim can be cold-hearted when it comes to his close confidants, tossing aside the likes of his brother-in-law and senior cadres to deflect blame for his state's mistakes.

North Korea executed a ruling party official blamed for a currency revaluation last year that drove prices up and nearly crippled market functions, inciting public unrest, a news report said in March.

(The Korea Times online) FMs of S. Korea, Japan, China to meet for talks

Foreign Minister Yu Myung-hwan will hold bilateral and three-way talks with his Japanese and Chinese counterparts Saturday and Sunday on ways of strengthening cooperation and on dealing with North Korea, foreign ministry officials said Friday.

Japanese Foreign Minister Katsuya Okada and Chinese Foreign Minister Yang Jiechi will arrive here early Saturday for the two-day meeting scheduled to be held in Gyeongju, North Gyeongsang Province ahead of a summit of the leaders of the three countries.

Agenda items of the ministerial meeting include collaboration between the three countries and discussions on the regional and international situation, the ministry said.

The ministers are also expected to deliberate North Korea in reference to the sinking of a South Korean warship near the western sea border between South and North Korea in late March.

A multinational investigation team has been pointing to a North Korean torpedo attack as the likely cause of the disaster which claimed the lives of 46 sailors.

Economic Front;

(Bloomberg) Posco Offers \$2.9 Billion for Daewoo, Trumping Lotte, MoneyToday Reports

Posco offered 3.4 trillion won (\$2.9 billion) for Daewoo International Corp., trumping the Lotte Group's 3.2 trillion won bid, MoneyToday reported, citing people with knowledge of the deal.

The higher offer may make Posco the preferred bidder, the Korean-language online newspaper said earlier today. Both companies seek the entire 68.15 percent stake in Daewoo International that's up for sale, according to the report.

Posco and Lotte yesterday submitted final bids for Daewoo, which trades steel, crude oil, cement and auto parts. Posco Chief Executive Officer Chung Joon Yang, spearheading a \$30 billion overseas expansion, called the trading company a "top" acquisition priority for Asia's third-biggest steelmaker.

State-controlled Korea Asset Management Corp., leading the sale as the biggest shareholder of Daewoo International, said yesterday it plans to select a preferred bidder this month.

Wu Jong Chul, a Kamco spokesman, wasn't immediately available for comment. Calls to Posco and Lotte, which operates South Korea's biggest department store chain, weren't answered.

An acquisition by Posco would be more favorable for Daewoo International because of potential "synergies" with the steelmaker, Park Jong Ryeul, an analyst at HMC Investment Securities Co., wrote in a report yesterday.

Daewoo International, a former unit of Daewoo Group, posted 124.6 billion won in net income last year, up from 88 billion won a year earlier, according to Bloomberg data.

Daewoo International Shares Jump on Reports Posco May Be Preferred Bidder

Daewoo International Corp. rose the most in seven months in Seoul trading after South Korean media reported Posco may be the preferred bidder for the trading company with a 3.4 trillion won (\$3 billion) offer.

Posco, Asia's third-biggest steelmaker, is the front runner for a controlling stake in Daewoo International because its bid is higher than Lotte Group's, the Chosun daily newspaper reported today, without citing anyone.

Posco offered 3.4 trillion won for Daewoo International, trumping Lotte's 3.2 trillion won bid, Internet news provider MoneyToday reported May 8, citing people with knowledge of the deal. Both companies are seeking the entire 68.15 percent stake in the company that's up for sale, MoneyToday said.

“Investors view that a takeover by Posco would be more positive for Daewoo International’s shares in the near term,” said Chung Yon Woo, an analyst with Daishin Securities Co. in Seoul. “Daewoo’s business is directly linked to Posco as it trades the company’s steel products while it has little relationship with Lotte.”

An acquisition by Posco would be more favorable for Daewoo International because of potential “synergies” with the steelmaker, Park Jong Ryeul, an analyst at HMC Investment Securities Co., wrote in a report on May 7.

Daewoo International shares climbed as much as 6 percent to 37,550 won on the Korea Exchange, the biggest gain since Oct. 7. The shares were up 2 percent as of 11:05 a.m. The benchmark Kospi stock index added 1.3 percent.

Acquisition Priority

Posco and Lotte last week submitted final bids for Daewoo, which trades steel, crude oil, cement and auto parts and is leading a natural gas project in Myanmar.

Posco Chief Executive Officer Chung Joon Yang, spearheading a \$30 billion overseas expansion, called the trading company a “top” acquisition priority.

Choi Doo Jin, a spokesman for Posco, said today he’s unable to confirm the reports. A Lotte Group spokesman said he cannot confirm them. Officials at Korea Asset declined to comment.

“We expect some synergies from the deal as Daewoo handles about a fourth of Posco’s steel exports and has raw-material development know-how as Posco seeks to boost mining assets,” said Shin Yoon Shik, an analyst at Meritz Securities Co. in Seoul. The reported bid price looks “not that expensive, so won’t have a negative impact on the stock.”

Posco shares climbed 1.1 percent to 477,500 won.

The Korean mill last month said it plans to invest about \$5 billion on overseas mines, joining rivals scouring the globe for iron ore and coal supplies as raw-material costs jumped.

State-controlled Korea Asset Management Corp., leading the sale as the biggest shareholder of Daewoo International, said last week it plans to select a preferred bidder this month.

S. Korea Hanjin unit wins \$500 mln ship order

SEOUL, May 10 (Reuters) - South Korea's Hanjin Heavy Industries Co. (097230.KS) said on Monday that its Philippines-based unit HHIC-Phil had won \$500 million order from a European shipper to build eight bulk carriers.

LG Elec eyes selling flat TV in Japan again - Nikkei

TOKYO, May 9 (Reuters) - South Korea's LG Electronics (066570.KS) is eyeing re-entering Japan's flat TV market as early as this year, the Nikkei business daily said on Sunday, as the world's No.2 TV brand aims to surpass rival Samsung Electronics. (005930.KS)

Cyclical Consumer Goods

The talks being held between LG and major Japanese electronic retailers, which do not sell South Korean maker Samsung's flat screen TVs, will lead to a price battle between LG and its Japanese rivals, the Nikkei said without citing sources.

LG competes with Japanese manufacturers such as Sharp Corp (6753.T), Sony Corp (6758.T) and Panasonic Corp (6752.T) in flat screen TVs.

LG will likely release their flat panel TVs in Japan at the beginning of the Christmas shopping season and is expected to sell LCD TVs, as well as high-end LED-backlit TVs, with 30- and 40-inch screens, the Nikkei said.

The South Korean firm stopped selling its LCD TVs in Japan in 2008 but continued sales of other products such as mobile phones and LCD computer monitors, the Nikkei reported.

LG, which wants to increase its global market share in LCD TVs to 15 percent this year from 11 percent last year, said it sold around 5.2 million LCD sets in the first quarter versus a 2010 target of 25 million sets. [ID:nTOE62N0A6]

While it expects TV sales to remain strong this quarter ahead of the World Cup and a boost in shipments of high-end models, rising component costs and a stronger won currency could crimp earnings as Japanese rivals fight back to win lost market share.

(Newsweek) South Korea Survived Recession With CEO Tactics

It's a common strategy of smart multinationals: invest heavily in new markets and products while competitors retrench in a recession. But South Korea may be the first country to pull it off, a coup probably made possible by the fact that it has a real CEO in charge. Lee Myung-bak once ran Hyundai, one of South Korea's largest companies, where he invested aggressively in opening new markets abroad, even through the recession in the early '80s. Now, as president, he has pushed a similarly aggressive long-term view, which helped South Korea weather the global downturn perhaps better than any other developed nation.

In January 2009, Lee encouraged South Korean companies to continue investing, reminding them in the depths of the recession that rough economies always improve and it was never too early to think about post-crisis strategy. "I am confident," he told business leaders, "that this crisis can advance our dream of becoming an advanced first-class nation." As part of this plan,

he later promised to increase government R&D spending from 3.4 percent of GDP in 2007--already one of the highest in the world--to 5 percent. The government has also announced a plan to expand tax deductions for business investments in R&D.

Advertisement

One result is that South Korea's GDP growth hit 3.2 percent by the third quarter of 2009, making it the first wealthy country to emerge from the recession. South Korea's exporters of phone handsets, LCD-TVs, and cars picked up market share in the crisis, according to Morgan Stanley. But, no, Lee is not in line for a performance bonus.

(Bloomberg) Kepco May Buy Australian Uranium Asset This Year to Supply Nuclear Plants

Chung Jae Wan, general manager of the energy resources team at Korea Electric Power, speaks at the Australian Uranium Summit in Perth. Photographer: Ron D'Raine/Bloomberg

Korea Electric Power Corp., South Korea's biggest electricity provider, is in talks to buy Australian uranium assets this year to meet demand for the nuclear fuel, an executive said.

"We're talking with some Australian companies, so I think we can get a result this year," Chung Jae Wan, general manager of the energy resources team at the utility known as Kepco, said in an interview today. Kepco is open to buying a stake in a project or a company, he said.

South Korean uranium demand is expected to double to 8,000 metric tons a year by 2020 because of increased construction of nuclear power plants, Chung told a conference earlier in Perth. South Korea, which imports about 97 percent of its energy requirements, plans to add eight atomic plants by 2016.

Kepco wants to buy mines that are in the construction stage, and isn't interested in companies that only have exploration projects, Chung said. The Seoul-based utility is now progressing toward its goal.

"Given the uranium price, operating costs need to be reasonable," he said. "If they're too high, it cannot be developed into a mine. We need to be very cautious. We need some projects with reasonable operating costs which can be developed into mines under the current uranium price."

Spot-market uranium prices fell 6.7 percent between the start of this year and early May on reduced purchases from China and concerns about U.S. Department of Energy plans to cut uranium inventories.

Resources Tax

In remarks to the conference, Chung said Kepco is "taking steps" to increase its holdings in uranium resources. "We will need one or two investments in uranium mines every year," he said.

Kepeco is keen to buy stakes in uranium mines in Africa, Mongolia, Australia and Europe, the company said in March.

South Korea currently operates 20 nuclear power plants and had imported its uranium mainly from Canada, Australia and Kazakhstan until Kepeco invested in overseas mines last year.

Australia's proposed tax on resource company earnings won't have a bearing on the South Korean company's potential investment because Kepeco is focused on uranium security more than the profitability of any purchased asset, Chung said.

"Kepeco is a very big company," Chung said. "We don't have any limits in our investments. It depends on how attractive the investment is to Kepeco."

(Bloomberg) Bumi Bonds Face Contagion Risk, Morgan Stanley Says (Correct)

Bondholders of PT Bumi Resources, Korea National Housing Corp. and SK Energy Co. are most at risk should Europe's debt crisis spread into Asia, according to Morgan Stanley.

The companies are "burning reserves" and have low "funding flexibility," Viktor Hjort, Morgan Stanley's Hong Kong-based credit strategist, wrote in a note to clients. "In a contagion environment credit-default risk narrows down to a single factor -- access to funding," he said.

European policy makers unveiled a loan package worth almost \$1 trillion and a program of bond purchases yesterday in a bid to reassure investors after yields on Greek, Portuguese and Spanish debt soared. Bond sales in Asia outside Japan shrank to \$4.42 billion last week from \$7.43 billion in the previous five-day period, according to data compiled by Bloomberg, as volatility deterred borrowers.

Bumi Resources, an Indonesian coal producer which has \$638 million of debt due by the end of 2012, had its share-price estimate cut to 2,300 rupiah from 2,400 rupiah by Goldman Sachs Group Inc. last month after profit declined in 2009.

The extra yield investors demand to own the Jakarta-based company's \$300 million of 12 percent notes callable in 2013 has risen 65 basis points this month to 749 basis points, according to ING Groep NV prices on Bloomberg. A basis point is 0.01 percentage point.

Korean Market

Calls to Bumi Resources' head office weren't answered. No one at Korea National Housing's media department was available for immediate comment.

SK Energy meets most of its funding in the domestic market, which remains relatively unscathed, an SK Energy spokesman who asked not to be identified said in an e-mailed response to questions. SK Energy is borrowing at lower costs than last year, the e-mail said.

Most investment-grade companies in Asia have borrowed all they need for the next two years and many of the region's speculative-grade firms are in "unusually good" shape after selling bonds in the first quarter of this year, Hjort said in the report e-mailed yesterday.

Speculative-grade bonds, also known as high-yield or junk, are rated lower than Baa3 by Moody's and below BBB- by Standard & Poor's.

India's Essar Steel Holdings Ltd. and Chinese shopping mall developer Renhe Commercial Holdings Co. were among companies that delayed bond sales this month citing poor market conditions. Swire Properties Ltd., landlord to Time Warner Inc. in Hong Kong, shelved plans to raise as much as HK\$20.8 billion (\$2.7 billion) in an initial public offering.

(Bloomberg) South Korea's Won Surrenders Early Gains on North's Nuclear Arms Progress

South Korea's won declined, having surrendered early gains after North Korea was reported to have made headway in its quest to become a nuclear power.

The currency earlier climbed as much as 0.5 percent after a government report showed the unemployment rate dropped to 3.7 percent in April, marking a third monthly decline from the 10-year high of 4.8 percent reached in January. The central bank left its benchmark interest rate at a record-low 2 percent at a policy meeting today, a decision forecast by all 12 economists in a Bloomberg survey.

"Job-market conditions are improving on the economic recovery," Lee Sang Jae, an economist at Hyundai Securities Co. in Seoul, said before the release of the unemployment data. "But there remains some weakness, supporting policy makers' views that the economy isn't strong enough to endure higher borrowing costs."

The won slid 0.1 percent to 1,137.40 as of 10:28 a.m. in Seoul, according to data compiled by Bloomberg. The Kospi share index was little changed, after earlier climbing as much as 0.6 percent.

North Korea succeeded in carrying out a nuclear fusion reaction, Rodong Sinmun newspaper reported in a statement carried by the official Korean Central News Agency.

Government bonds fell for the first time in four days. The yield on the 4.25 percent note due in December 2012 rose two basis points to 3.67 percent. A basis point is 0.01 percentage point.

Sasakura, Samsung \$1.89 bln bid lowest for Saudi plant

KHOBAR, Saudi Arabia, May 11 (Reuters) - Japan's Sasakura Engineering Co, with South Korea's Samsung Engineering (028050.KS), have made the lowest bid of \$1.892 billion to build a new desalination plant in Saudi Arabia, industry sources said.

The plant will produce 1.025 million cubic metres of desalinated water per day and will be integrated with a 2,400 megawatts (MW) power plant, in Ras Azzour, on the Gulf coast.

The project is expected to be the world's largest when completed in the last quarter of 2013.

Saudi-based Arabian Bemco Contracting Co and Italy's Fisia Italimpianti, owned by Italian builder Impregilo (IPGI.MI), were second lowest for the water package with a proposal of \$1.93 billion, sources said.

South Korea's Doosan Heavy Industries (034020.KS) came third with two bids of \$1.937 billion and \$2.348 billion using different technologies, one source familiar with the matter said.

France's Sidem came fourth with a price of \$2.45 billion, the source added.

The date for bids for the desalination package closed on May 8, the sources said. The bidding closing date for the power plant has been extended for the second time to May 19.

State-owned Saline Water Conversion Corp (SWCC) will take 1 billion litres of the plant's water production capacity. Saudi Arabian Mining Co (Maaden) (1211.SE) would take 1,350 megawatts and 1,050 MWs would be allocated to Saudi Electricity Co (SEC) 5110.SE.

S. Korea c. bank sees uncertainties over econ growth

SEOUL, May 12 (Reuters) - South Korea's economy remains on a solid recovery track but is still faced with uncertainties regarding the eurozone debt crisis and China's monetary policy, the country's central bank said on Wednesday.

The Bank of Korea also said in a statement issued after holding interest rates steady at the record low, as widely expected, that domestic inflation would stay stable for the time being.

Hyundai Steel to Pursue Mining Investments With Korea Resources

May 12 (Bloomberg) -- Hyundai Steel Co., spending 6.23 trillion won (\$5.5 billion) on new plants, will pursue mining projects with state-run Korea Resources Corp., joining rivals in seeking to secure raw material supplies as costs surged.

South Korea's second-biggest steelmaker signed an initial agreement with Korea Resources, a minerals developer, to cooperate in mining projects and share information, the Incheon-based company said today in an e-mailed statement.

ArcelorMittal, the world's biggest steelmaker, Nippon Steel Corp. and Posco are all seeking to own iron ore and coal mines as prices surge as much as 90 percent. Hyundai Steel may need 13.6 million tons of iron ore and 6.5 million tons of coal annually as it expands capacity by 8 million tons a year by 2011, the statement said.

“Iron ore prices may rise further down the road since the world’s three major suppliers are demanding quarterly contracts based on spot prices,” Hyundai Steel said today. “Diversifying sources for raw material supplies is a must to improve competitiveness.”

Vale SA, the largest iron ore supplier, broke a 40-year custom of selling products at fixed annual contracts and won a 90 percent price increase from Japanese steelmakers for quarterly contracts started April 1.

M&A deals possible risks to S. Korean banks-Moody's

SEOUL, May 12 (Reuters) - Expected merger deals between South Korean banks may lead to financial burdens for acquirers and stoke competition, posing a risk to the stable credit rating outlook for the country's banking system, a Moody's analyst said.

The rating agency was closely watching efforts by Korean banks to put together guidelines for liquidity management under a government initiative, Youngil Choi, vice-president and senior analyst for financial institutions group at Moody's Investors Service, told a small group of reporters on Wednesday.

South Korea's banking industry is set to see a major consolidation in the year to come, with the upcoming sale of Korea Exchange Bank (KEB) (004940.KS), owned by U.S. equity fund Lone Star, and the planned privatisation of Woori Finance Holdings (053000.KS). Over the longer term, the government also plans to privatise KDB Financial Group.

"Acquisitions can become a burden for the acquirer if it resorts to heavy debt financing," said Choi. "Post M&A, banks that have been left out may adopt aggressive strategies to increase assets and protect their market positions."

Choi voiced concern over merger prospects for state-run Korea Development Bank (KDB), citing its small deposit base, relatively weak margin structure and exposure to problematic corporate loans.

Banks that achieved greater scale through mergers would also need to boost their risk management capabilities, Choi added.

On the foreign currency liquidity side, Choi said South Korean banks had sufficient funds to last 2-3 months although several financial deals have been put on hold because of market turmoil following the eurozone debt problems.

"Funds are still accessible but it is matter of pricing," said Choi, adding Korean banks tended to be sensitive about pricing issues.

Risks from bad debt lingered despite the overall economic recovery, with problem loans in property project financing and some troubled industries such as construction and shipbuilding, he said.

US gave contracts to 7 firms involved in Iran energy

WASHINGTON, May 12 (Reuters) - The U.S. government, while urging the world to cut business ties with Iran, has given government contracts worth nearly \$880 million to seven foreign companies involved in Iran's energy sector in recent years, a report said on Wednesday.

The report by the Government Accountability Office spurred criticism by U.S. lawmakers from both parties. They said the government should not be contracting with companies that help Iran's economy as long as Tehran is pursuing nuclear work that the West suspects is aimed at making a bomb.

"It is simply unacceptable for the U.S. government to enrich foreign firms that are enriching the extremist, expansionist, terrorist government of Iran," said Senator Joe Lieberman, an independent and chairman of the Senate Homeland Security and Governmental Affairs Committee.

Foreign companies with big investments in Iran's energy sector can be sanctioned under U.S. law. But Lieberman and others charge this has not been enforced for years, by either Republican or Democratic administrations.

Both the House of Representatives and Senate have passed legislation to tighten and extend U.S. sanctions on Iran and negotiators are working on merging the bills into one.

The Obama administration is also pressing other global powers to agree to a fourth round of U.N. sanctions against Iran over its refusal to halt its nuclear work. Tehran says that work is for energy needs.

The GAO report was a follow-on to a report it did in March in which it identified 41 foreign companies that have commercial activity in Iran's energy sector. The new report identified which of those companies had U.S. government contracts from fiscal years 2005 to 2009.

MOST CONTRACTS WITH PENTAGON

Most of the contracts were with the Pentagon and were for fuel purchases overseas, Joseph Christoff, the GAO's director of international affairs and trade, told Lieberman's committee. The GAO had not probed whether the company activities were sanctionable under existing U.S. law.

The seven companies were Repsol (REP.MC) of Spain; Total (TOTF.PA) of France; Daelim Industrial Company of South Korea; ENI (ENI.MI) of Italy; PTT Exploration and Production of

Thailand; Hyundai Heavy Industries of South Korea; and GS Engineering and Construction of South Korea.

Two of the companies, Repsol and Total, accounted for nearly three-fourths of the \$880 million, Christoff said.

Another, Italy's oil and gas major Eni, is among a number of companies that have recently said they are halting business with Iran as pressure for more sanctions on Tehran grows.

The Iran Sanctions Act, dating to the mid-1990s, allows for U.S. sanctions on foreign companies that invest more than \$20 million in Iran's energy sector over a 12-month period. Such companies can, for example, be banned from U.S. government procurement. But no sanctions have been imposed under the law.

The State Department is responsible for determining whether companies should be sanctioned, as well as for U.S. diplomacy, and "they tend to weigh one against the other," said Danielle Pletka of the American Enterprise Institute think tank.

Last month the New York Times published its own analysis which found the U.S. government gave \$107 billion in contract payments, grants and other benefits over the last 10 years to companies doing business in Iran, including companies in aerospace and carmaking as well as the energy sector.

S. Korea's STX wins \$200 mln bulk carrier orders

SEOUL, May 13 (Reuters) - South Korea's STX Group said its shipbuilding arm STX Offshore and Shipbuilding (067250.KS) had won orders worth about \$200 million as the global shipping industry recovers and demand for vessels slowly revives.

Industrials

STX Offshore won orders for a total of six bulk carriers from two unidentified European shipping firms, STX Group said on Thursday in a statement.

STX Offshore's European operation, STX Europe, secured a separate order for platform supply vessel, it added.

S. Korea KOGAS April LNG sales up 49.8 pct y/y

SEOUL, May 13 (Reuters) - South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) sold 2.6 million tonnes of liquefied natural gas (LNG) in April, a 49.8 percent jump from a year earlier, the company said late on Wednesday.

Of the total, 1.5 million tonnes were for household and business consumption, while the remainder went to power generation, KOGAS, the world's biggest corporate buyer of LNG and South Korea's sole wholesaler, said in a filing to the stock exchange.

S. Korea banks caution against bank levy proposal

SEOUL, May 14 (Reuters) - Heads of South Korean banks on Friday voiced concerns about a proposed global bank levy and the Volcker Rule aimed at curbing investment banks, saying the regulations, if adopted, could dent their business.

Financials

The comment was made as the proposal to make banks pay for the cost of future bailouts is expected to top the G20 agenda this year. South Korea holds the presidency of the G20 this year, along with Canada.

"Some banks' CEOs gave the opinion that a bank levy, if introduced, would likely translate into a bigger burden on small- and medium-sized companies and the working class, which are more dependent on bank borrowing than big companies and those of high net worth," the Bank of Korea said in a statement.

The statement was released after Bank of Korea Governor Kim Choong-soo met with the chief executives at 12 banks in South Korea, including Kookmin, Shinhan and Citibank Korea, to discuss the G20 agenda.

The United States and Britain are leading the move on a bank levy, while Canada, Japan and Australia oppose it.

The U.S. Senate is also debating landmark Wall Street reform legislation to tighten the regulatory screws on banks, which include the Volcker Rule to bar risky bank trading.

A senior official at South Korea's Financial Services Commission said on Friday member countries were too divided over a bank levy to reach an agreement during a G20 summit next month.

"They have such different opinions...it's not a matter that can be resolved soon," the official told a teleconference with foreign media journalists.

Samsung Life Rises in Seoul Trading After Record Korean Initial Share Sale

Lee Soo-Chang, president and chief executive officer of Samsung Life Insurance Co., center, and Kim Bong-Soo, chairman of Korea Exchange Inc., third from left, clap as they attend a ceremony for the company's initial public offering ceremony at the Korea Exchange in Seoul.
Source: Yonhap News via Bloomberg

Samsung Life Insurance Co. rose on its first day of trading in Seoul after raising \$4.3 billion in South Korea's biggest initial public offering.

Shares of the nation's largest life insurer were the most active by value on the Korea Exchange today and climbed 3.6 percent from their IPO price to 114,000 won at the close. The benchmark Kospi stock index fell 0.4 percent.

Record-low interest rates and a flagging property market are attracting investors to Korean stock sales, even as a rout in global equities prompted at least 11 companies worldwide to withdraw or delay IPOs last week. Korean companies have raised almost 8.1 trillion won in first-time sales in 2010, more than any full year since Bloomberg began compiling the data in 1999.

"For investors in Korean stocks, it's another blue-chip company with a steady earnings outlook that's the strongest competitor in its field," said Kim Young Joon, a fund manager at NH-CA Asset Management in Seoul, which manages the equivalent to \$9.7 billion in assets, including Samsung Life shares. "Today's gain isn't big because the offer price wasn't cheap and there's still uncertainty over debt problems in Europe, prompting some investors to cash-in their stock."

The company, controlled by Samsung Group, sold 44.4 million shares at 110,000 won apiece. The price was set near the top of a marketed range in an offer that attracted orders for 40.6 times the shares allocated to individual investors.

'Very Compelling'

Samsung Electronics Co. Chairman Lee Kun Hee owns 20.8 percent of the insurer, followed by Samsung Everland Co. with 19.3 percent as of Dec. 31. The insurer was set up in 1957.

South Korea's stock market is a "very compelling" alternative to the U.S. and Europe amid the sovereign debt crisis that drove global stocks lower, Henry Seggerman, president of New York-based International Investment said in an interview last week.

Companies ranging from Atlanta-based Americold Realty Trust to Swire Properties Ltd. of Hong Kong postponed or scrapped IPOs last week as Europe's widening debt crisis and a breakdown in American trading systems roiled markets.

Samsung Life's market value of 22.8 trillion won makes it fourth-largest company by that measure in the Kospi index. Samsung Electronics Co. is the biggest, valued at 116.2 trillion won.

Buy Rating

Park Eun Joon, an analyst at Shinyoung Securities Co., initiated coverage of Samsung Life yesterday with a "buy" rating and a price estimate of 125,000 won. He said the company may benefit from demand for insurance as the population ages. The stock was also newly rated "buy" at Hyundai Securities Co. today, which set its share-price estimate at 134,000 won.

The expected inclusion of Samsung Life in FTSE Group and MSCI Barra equity gauges will probably encourage some investors to buy the stock.

Index-tracking funds may buy 272 billion won to 417 billion won of Samsung Life shares, according to Kim Chul Min, a Seoul-based analyst at Hyundai Securities Co.

Local funds dedicated to investing in Samsung Group affiliates may also purchase another 360 billion won to 540 billion won of shares, according to Kim.

The IPO is the third by a South Korean life insurer after Tong Yang Life Insurance Co. and Korea Life Insurance Co. The South Korean government allowed life insurers to list in 2007, resolving a dispute over how to allocate proceeds from the sales between company owners and policyholders. Tong Yang Life rose 0.4 percent to 12,950 won today, while Korea Life retreated 6.2 percent to 8,400 won.

Premium Income

Insurance premium income in South Korea increased annually at an average 8.8 percent from the fiscal year of 1990 to 2008, compared with average economic growth of 5.6 percent.

Samsung Life posted 652.2 billion won of net income in the nine months through December 2009, compared with 342.4 billion won a year earlier, the company said in a filing on Feb. 16.

The nation's life insurance market has 14 domestic and eight foreign companies. The top three life insurers -- Samsung Life, Korea Life and Kyobo Life Insurance Co. -- controlled 51.7 percent of the market as of the end of last year, according to a Samsung Life regulatory filing on April 16.

Goldman Sachs Group Inc. and Korea Investment & Securities Co. were lead arrangers of the share sale. Merrill Lynch & Co., a unit of Bank of America Corp., Morgan Stanley and Shinhan Investment Corp. also helped arrange the sale.

South Korea's Unemployment Rate Declined for Third Straight Month in April

South Korea's unemployment rate declined in April for a third straight month as the nation's economic recovery prompted companies to resume hiring.

The jobless rate fell to 3.7 percent from 3.8 percent in March, after reaching a 10-year high of 4.8 percent in January, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures.

"Jobs market conditions are improving on the economic recovery," Lee Sang Jae, an economist at Hyundai Securities Co. in Seoul, said before the release. "But there remains some weakness,

supporting policy makers' views that the economy isn't strong enough to endure higher borrowing costs."

Asia's fourth-largest economy expanded a faster-than-expected 1.8 percent during the first quarter and the central bank forecasts more than 5 percent growth this year. Even so, Bank of Korea Governor Kim Choong Soo will leave the benchmark interest rate at a record-low 2 percent when his board meets today, according to all 12 economists surveyed by Bloomberg News.

The benchmark Kospi stock index fell 0.4 percent to 1,670.24 points at yesterday's close. The won retreated 0.3 percent to 1,135.78 per dollar and the yield on the 4.25 percent bond due in December 2012 dropped five basis points.

Job Creation

President Lee Myung Bak has made job creation a priority this year. The government spent 108.6 trillion won (\$96 billion) in the first four months, including on infrastructure and social welfare projects, exceeding its earmarked expenditure, according to Finance Ministry figures.

The unadjusted jobless rate was 3.8 percent in April, compared with 4.1 percent in March, today's report showed. The number of employed people rose by 147,000 to 23.8 million in April from March, on a seasonally adjusted basis.

The number of people self-employed or working in the public-service sector rose 4.7 percent and hiring in the manufacturing sector climbed 3.8 percent, today's report showed. People employed in the construction industry expanded 1.1 percent from a year earlier, while jobs in the agricultural, fishery and forestry sectors slid 7.3 percent.

South Korea's Won Rises as U.S., Europe Recovery Signs Spur Risk-Taking

South Korea's won strengthened for the first time in three days as signs the global economy is improving brightened the outlook for exports and spurred demand for emerging-market assets. Bonds declined after the central bank weakened a pledge to keep interest rates at a record low.

The U.S., the world's largest economy, yesterday announced its biggest trade deficit in more than a year as imports climbed faster than exports. Europe's gross domestic product expanded at a faster pace than economists forecast in the first quarter, a separate report showed. South Korea yesterday reported a third monthly slide in its unemployment rate and Vice Finance Minister Yim Jong Ryong today said the job market should improve further.

"Risk appetite is coming back slightly," said Minori Uchida, senior analyst in Tokyo at Bank of Tokyo-Mitsubishi UFJ Ltd., a unit of Japan's largest bank. "The U.S. data is very good news, not just for South Korea but for the Asian countries. But risk aversion is still alive."

The won rose 1 percent to 1,132.20 per dollar as of 9:56 a.m. in Seoul, according to data compiled by Bloomberg. The currency has strengthened 2.8 percent this year as overseas investors plowed \$7.6 billion into the nation's stocks.

U.S. imports rose 3.1 percent in March to \$188.3 billion and the country's trade gap grew 2.5 percent to \$40.4 billion, Commerce Department figures showed. GDP in the 16-nation euro zone rose 0.2 percent from in the first quarter from the previous three months, when it was unchanged, the European Union said. Economists had forecast growth of 0.1 percent, based on the median of 31 estimates in a Bloomberg survey.

Bonds Fall

South Korea's government bonds declined for a second day, pushing the yield on the benchmark three-year note to a three-week high. The Bank of Korea yesterday kept its benchmark interest rate unchanged at a record-low 2 percent and reiterated that it will "maintain the accommodative policy," while dropping a reference to keeping that stance "for the time being."

The yield on the 4.25 percent bond due December 2012 rose two basis points to 3.78 percent, according to Korea Stock Exchange.

South Korea needs to maintain the current accommodative monetary policy until the economic recovery takes hold, Vice Finance Minister Yim said in a local radio interview today.

Bank of Korea May Seek Reduced Government Role at Interest-Rate Meetings

Bank of Korea Governor Kim Choong Soo hits a gavel as he starts his monetary policy committee meeting at the central bank's headquarters in Seoul. Source: Yonhap News via Bloomberg

The Bank of Korea plans to press the government to reduce its involvement in meetings on interest rates after the Finance Ministry abandoned a decade-long precedent by sending a vice minister to the sessions.

"There should be a more effective and efficient way to the government's exercising its right to send its representative" to the Monetary Policy Committee meetings, central bank Governor Kim Choong Soo said at a press briefing yesterday in Seoul. Some board members have opposed the vice finance minister remaining in the room through the vote on interest rates, according to three central bank officials who spoke on condition of anonymity.

Kim, speaking after the board kept the benchmark rate at a record low of 2 percent, said he expected "the interested parties to seek a better scheme" soon. Government influence risks postponing higher borrowing costs and stoking inflation, according to David Cohen of Action Economics in Singapore.

“The government official watching the board members voting is pressing on the central bank’s independent rate decision,” said Yang Jin Mo, an analyst at SK Securities Co. in Seoul. “The central bank never discloses individual board members’ votes.”

Yang said he brought forward his forecast for a rate increase to August from a previous estimate of the fourth quarter after the BOK signaled it’s getting closer to lifting borrowing costs.

Bonds Fall

The yield on the 4.25 percent note due in December 2012 climbed five basis points to 3.81 percent, the highest level since April 16, according to Korea Stock Exchange, as traders bet the central bank will bring forward a rate increase. The benchmark Kospi stock index rose 1.9 percent to 1,694.58 at the close in Seoul and the won traded 1.4 percent higher at 1,128.10 per dollar, according to data compiled by Bloomberg.

The bank, in its statement in Seoul yesterday, reiterated that it will “maintain the accommodative policy,” while dropping a reference to keeping that stance “for the time being.” Governor Kim said yesterday that growth may exceed the economy’s potential, speaking after government figures showed the unemployment rate fell to 3.7 percent.

Bank of Korea board member Choi Do Soung said today that policy makers will decide on rates after reviewing the effects of prolonged low borrowing costs on the economy.

“In principle, a rate hike can add a burden to borrowers and affect the pace of the economic recovery, but can prevent inflation and restrain reckless borrowing,” Choi said at a press briefing after a forum in Seoul. “It’s policy makers’ job to judge which effect is bigger.”

Kim’s Predecessor

President Lee Myung Bak’s administration started dispatching its representative to the gatherings in January, a month after Kim’s predecessor said the bank shouldn’t be too slow to raise rates.

The director general of the Monetary Policy Secretariat, Yoo Byung Gap, said that “no board members have raised the issue at the official meetings as far as I know,” referring to the government representative’s attendance.

Yonhap news agency reported last week that policy makers complained about the official attending the sessions. It cited a member of the MPC as saying that it isn’t appropriate for someone with no voting rights to stay and watch the voting on the benchmark rate.

The government wants to keep interest rates unchanged until the U.S. and other major economies begin withdrawing stimulus measures, Chosun Ilbo newspaper reported, citing an interview with presidential aide Kang Man Soo, a former finance minister.

Provincial Elections

President Lee, who predicts economic growth of more than 5 percent this year, has made the economy and jobs his top priority before provincial elections next month.

Governor Kim is facing pressure to join his counterparts from India to China in withdrawing monetary stimulus as Asia's fourth-largest economy grows faster than expected on surging exports and stronger consumer spending.

The economy expanded 1.8 percent in the first quarter from the previous three months, when it grew 0.2 percent. In April, exports climbed 31.5 percent from a year earlier, the sixth straight gain, as the global economic recovery spurred demand for Korean-made products like Samsung Electronics Co.'s semiconductors and Hyundai Motor Co.'s cars.

Prices Rise

Consumer prices rose 2.6 percent in April from a year earlier, quickening from 2.3 percent in March, while remaining within the central bank's target range of between 2 percent and 4 percent, on average, for the three years to 2012.

Asia is leading a recovery from the deepest global recession since World War II after the region's governments pumped more than \$950 billion into their economies. Some central banks are already increasing borrowing costs or taking measures to stem inflation and avert asset bubbles.

India and Malaysia have raised interest rates, and China, South Korea's biggest export market, on May 2 asked lenders to set aside more money as reserves for the third time this year.

South Korean officials agreed on May 9 to closely monitor the European crisis and take steps if needed to prevent it from hampering the nation's recovery. Greece's fiscal crisis will likely have a "limited" impact on the economy, according to a joint statement released by the Finance Ministry, the Bank of Korea, and the Financial Services Commission after their policy meeting. Still, there is "big uncertainty" over whether the crisis will affect other countries, they said at the time.

Korea Resources plans \$300 mln 5-year dlr bond sale-source

HONG KONG, May 13 (Reuters) - State-owned Korea Resources Corp plans to issue up to \$300 million of five-year dollar bonds, a source close to the deal said on Thursday.

The company plans to price the issue at around 210 basis points over U.S. Treasuries, the source said.

HSBC (HSBA.L), Morgan Stanley (MS.N) and Standard Chartered Bank (STAN.L) and Korea Development Bank were hired to help manage the deal, the source said.

POSCO nears \$3 bln Daewoo Int'l buy; but high premium

SEOUL, May 14 (Reuters) - South Korea's POSCO (005490.KS) moved closer to buying Daewoo International (047050.KS) for \$3 billion in its biggest acquisition to date, as the world No.4 steelmaker looks to secure raw materials and boost overseas sales.

But it is offering a higher-than-expected premium in a volatile market, and may struggle to find the synergies it hoped for.

"I don't see a compelling synergy between the two," said Kim Kang-oh, an analyst at Prudential Investment & Securities. "I'd hoped POSCO would focus more on steelmaking and pursued a firm directly related to it, maybe an iron ore or coal company."

Kim also noted POSCO's reported 3.4 trillion won bid was more than 40 percent above Daewoo's current value, well above the 30 percent premium the market had expected.

South Korea's Public Fund Oversight Committee said POSCO had been picked over retail-focused Lotte Group as preferred buyer for a 68 percent stake in Daewoo, the country's biggest trading firm. A source told Reuters earlier that POSCO bid just above 3.4 trillion won, while Lotte offered less than 3.3 trillion won.

Buying Daewoo would give POSCO -- which is almost entirely dependent on imported iron ore and coking coal -- big resource assets such as an 8 trillion won gas development in Myanmar, a nickel project in Madagascar and coal projects in Australia.

CEO Chung Joon-yang has trumpeted a record 9 trillion won investment and acquisition spree this year as cashed-up POSCO looks to expand through the supply chain.

Rival Chinese steel mills have been quicker to snap up stakes in Australian iron ore prospectors to trim their dependence on big suppliers Rio Tinto (RIO.AX) (RIO.L) and BHP Billiton (BHP.AX) (BLT.L).

Analysts, however, cite a potential culture clash between POSCO, originally a state-owned firm, and Daewoo International, part of the now-defunct Daewoo Group that had a reputation for aggressive expansion and risk taking.

POSCO would bring in its former finance chief Lee Dong-hee to head Daewoo in a bid to maximise synergies, a senior POSCO official was quoted by local media as saying.

Nor does POSCO have much of a track record in successful mergers and acquisitions -- it failed in 2008 to land Daewoo Shipbuilding & Marine Engineering (042660.KS), one of its major customers -- and its lofty ambitions have rattled some investors.

POSCO shares were up 1.5 percent on Friday in a marginally firmer Seoul market, but the stock has tumbled 26 percent since January, hit partly by a shift to more volatile quarterly coal and iron ore pricing but also by concerns over a Daewoo deal. Daewoo International shares fell 2.2 percent.

LONG-TERM BET

POSCO spokesman Choi Doo-jin said the steelmaker would fund the deal entirely from its cash and cash equivalents, and may sell Daewoo's stake in Kyobo Life Insurance [KYOBO.UL].

"We will make Daewoo International one of the top companies in global networks, focusing on its trading business, resources development and new business building," Choi said, adding POSCO was targeting 20 trillion won in annual sales at Daewoo International by 2018.

POSCO, hoping to seal a deal by September, declined to say how much it had bid.

Other analysts said that given POSCO's drive for new business growth, the Daewoo deal would be beneficial over the longer term.

"The acquisition will further help POSCO secure raw materials. This is important particularly as POSCO seeks to develop businesses other than steelmaking," said Kim Hyun-tae, an analyst at Hyundai Securities.

POSCO is still seen as a leading contender to buy Daewoo Shipbuilding, the world's second-biggest ship maker to be put up for sale again this year, despite concerns raised by billionaire investor Warren Buffett, whose Berkshire Hathaway (BRKa.N) (BRKb.N) owns about 4.5 percent of POSCO.

POSCO has said Daewoo International was its top M&A priority and the deal would help boost its exports, especially to emerging markets. Daewoo ships POSCO's steel products and trades iron ore and base metals.

Daewoo has been considered one of the most attractive acquisition targets this year as it focuses on the development of buoyant oil, gas and resources. Its trading business, the biggest in South Korea, should benefit from a global economic recovery.

The up to 68 percent stake in Daewoo International has been offered for sale by nine local financial institutions, led by state-run debt clearer Korea Asset Management Corp (KAMCO).

Social Front

Detailed News:

Immigration checks to be toughened

The Immigration Service will tighten checks on people entering the country ahead of the G-20 summit in Seoul this November.

The Ministry of Justice said Monday it had launched a task force to oversee immigration control at international airports and ports around the country.

The tighter control is aimed at stopping some foreigners from interfering with the meeting of the leaders of the world's top 20 economies.

To that extent, a special team covering Seoul — the main venue for the meeting — will also be launched, the ministry said.

“The role of the team is to prevent foreigners who intend to interfere with the international event from entering the country,” the ministry said in a statement.

An immigration official familiar with the issue said the government will pay “particular attention to people from countries notorious for supporting terrorism such as Iran, Syria, Cuba, Sudan and Pakistan.”

The move came after two Pakistani men suspected of having links to the Taliban were arrested in South Korea in February.

“Korea is no longer a terrorism-free state,” the ministry said. “We have seen an increase in the number of foreigners caught attempting to pass through immigration with forged passports. We will make all-out efforts to guard against every possible threat to the G-20 meeting.”

Nearly 2,700 attempts to enter the country with false passports were reported last year — China (675) and Thailand (651) accounted for nearly half of the cases.

A joint crackdown on illegal foreign workers nationwide by immigration officers and police will continue for about one month starting early in June, the ministry said.

“The government will make special efforts to crack down on illegal immigration and crimes by foreign residents, especially in neighborhoods with a high foreign population,” an immigration officer said.

All foreign travelers entering Korea, excluding diplomats and those travelling on official duty, will have their fingerprints scanned and faces photographed during the immigration process beginning as early as August.

Apart from these measures, the government has launched an incentive program aimed at encouraging foreign workers who have overstayed their visas to leave the country ``voluntarily."

Under the program that will continue to September 31, those who exit will be exempt from fines and will not be regulated on a possible revisit to the country. The ministry is aiming to reduce the number of illegal sojourners here — estimated at 180,000 — before the summit. The ministry did not elaborate on a target number for the campaign.

Samsung to spend \$21 bln on health, enviro businesses

SEOUL, May 11 (Reuters) - South Korea's biggest business conglomerate Samsung Group said on Tuesday it would invest 23.3 trillion won (\$20.59 billion) by 2020 in new businesses including health care and environmental technology.

Samsung forecast the new growth businesses would create 50 trillion won in annual revenues for group companies including its flagship firm Samsung Electronics (005390.KS) by 2020.

Oh returns home after 14-peak record

INCHEON — Climber Oh Eun-sun returned home Tuesday, after completing her mission to become the first woman to scale the world's 14 highest peaks.

Oh, 44, wearing an orange jacket and a garland around her neck, raised her hands and flashed a big smile while standing before reporters and thanked people for all their support.

"I really appreciate the tremendous encouragement I received. I will look for ways to return all the thoughtful generosity," Oh said at a media briefing in the press center on the second floor of the passenger terminal at Incheon International Airport.

Asked to describe the moment of standing on top of Annapurna on April 27, Oh smiled and said, "It was like I gained the entire world."

Her ascent of 8,091-meter Annapurna was a tremendous accomplishment and had much media attention.

"At one point, I wanted to give up as it was so hard," she said. "About five meters before the summit, I tied the Korean national flag to a metallic pole. Then I found myself burning with fresh energy. The feeling I had at the top was so thrilling," she said.

Oh attempted to steer clear of the dispute surrounding her ascent of Kanchenjunga last year, raised by her Spanish rival Edurne Pasaban and some other climbers.

"I have the proof, video footage, and that was resolved," she said.

Oh said she explained her ascent of the peak to Italian mountaineer Reinhold Messner, the first man to achieve the 14-peak record in 1986, when she met him at a base camp of Annapurna.

"I explained to him about my climb to a point named Nail Rock 8,450 meters up Kanchenjunga, drawing a picture. And he told me, 'I don't have to listen any more. I trust you 120 percent,'" Oh said. "It was a meaningful meeting."

She expressed her gratitude to her rivals Pasaban and Austria's Gerlinde Kaltenbrunner, saying "They motivated me. I'm really thankful for the presence of rivals."

Asked whether she intends to meet the two if a tripartite meeting is necessary to dissipate disputes, she said she was "willing to do so."

She claimed the feat almost 13 years after successfully climbing her first mountain, the 8,035-meter Gasherbrum II in July 1997.

On allegations that her team "ignored" an emergency rescue call from a troubled Spanish team on her way down after reaching the top of Annapurna, she said her team members were so exhausted that they couldn't make it. A Spanish climber died in the accident.

"We tried to help them with all the resources we had, but it was useless," she said. "All of my team members including myself were exhausted at that time. The troubled climber was at a point that may have taken six or seven hours to get to. Sherpas are not iron men."

On criticism from Hans Kammerlander, a professional mountain climber and author who cast doubt on her achievement and called her "a flash in the pan" in an interview with Der Spiegel, a German weekly magazine, she said misunderstanding is the main cause.

In the interview with the magazine, Kammerlander belittled Oh, saying, "She was taken to the top (of Annapurna) by her team. In my eyes, it's no longer mountain climbing if you use an oxygen mask. It's as if someone used a motorcycle in the Tour de France."

"The report was largely based on his misunderstanding about me," Oh said.

1st multicultural research institute established

The first research institute dedicated to multiculturalism in Korea was founded Tuesday. The KMC Multicultural Research Institute is an affiliate of the Korea Multicultural Congress (KMC), an organization to promote multiculturalism here.

The institute consists of some 120 professors and 100 experts who work in the field. "This is the largest research center for multiculturalism in Korea," KMC president Kwon Young-kee said. "I hope the institute opens a new phase in multicultural research in Korea and promotes multicultural society."

The KMC appointed Moon Hyoung-koo of Korea University Business School as the chief of the institute.

"The institute will study multiculturalism systematically and in-depth to provide direction to policymakers," Moon said.

At a symposium commemorating the opening of the institute, anthropology professor Chun Kyung-soo of Seoul National University said Korea has to break the "myth" of the single-race.

"Koreans have to admit and respect the difference and identity of other cultures," Chun said. "Networking between government and non-government organizations is important and the KMC plays a role there."

Jeffrey Jones, president of the Partners for the Future, said Koreans have a strong power of unity and thus need consideration and cooperation to achieve social integration in multiculturalism.

Japan

Political front:

Detailed News;

Futenma draft plan eyed for Monday

The government will on Monday come up with an official draft plan for relocating U.S. Marine Corps Air Station Futenma in Okinawa, to pave the way for talks Wednesday with the United States, government sources said Saturday.

The draft would call for transferring the Futenma base in crowded Ginowan by building a pile-supported platform off the coast in Nago, also in Okinawa. This would be a modification of the existing bilateral plan, according to which land would be reclaimed off the coast, the sources said.

Arrangements are under way for Prime Minister Yukio Hatoyama and his Cabinet ministers in charge of the matter, including Foreign Minister Katsuya Okada and Defense Minister Toshimi Kitazawa, to meet and confirm the draft relocation plan Monday, they said.

Following the meeting, Japan and the United States are expected to accelerate their talks on Futenma at a working-level meeting slated for Wednesday in Washington, according to the sources.

However, it seems unlikely that Hatoyama will resolve the contentious issue by his self-imposed May 31 deadline amid fierce opposition from locals to relocating the air base within Okinawa Prefecture. In addition, Washington is demanding that Tokyo win local consent before the two countries reach any accord on the matter.

Hatoyama has no plans to unveil the draft plan in the runup to Wednesday's bilateral talks, the sources said.

After the talks in Washington, he hopes to revisit Okinawa later this month to again seek understanding from Gov. Hirokazu Nakaima and other local leaders, after a failed attempt to do so last Tuesday, they said.

While the current bilateral plan struck in 2006 calls for building two 1,800-meter runways in a V-shape formation off the Nago coast by 2014, the draft would propose building a facility with a single 1,800-meter runway in shallow waters about 500 meters southwest of the coastline, the sources said.

The government envisages employing a construction method that combines piling and less land reclamation than currently planned for the facility, as it is expected to have a smaller impact on the marine environment, they said.

5,000 in Kagoshima antibase rally

KAGOSHIMA (Kyodo) A crowd of about 5,000 gathered in Kagoshima to protest Prime Minister Yukio Hatoyama's proposal to relocate some functions of the U.S. Futenma base in Okinawa to Tokunoshima Island, Kagoshima Prefecture.

Three mayors from the island participated in the gathering held at a park in central Kagoshima a day after the local leaders rejected the relocation proposal in a meeting with the prime minister in Tokyo.

"I conveyed (Tokunoshima) residents' firm sentiment against (the proposal)," Isen Mayor Akira Okubo said at the rally, which was organized by members of the Kagoshima Prefectural Assembly, excluding groups of the Democratic Party of Japan.

On Friday, Hatoyama asked the mayors to accommodate some functions of U.S. Marine Corps Air Station Futenma, but the local leaders responded that they would never accept any U.S. military facility or drills.

Hatoyama has set a self-imposed deadline of May 31 to settle the Futenma base issue.

At the rally on Saturday, Kagoshima Gov. Yuichiro Ito expressed support for the mayors from Tokunoshima.

"It may be a long way, but I will oppose the plan in cooperation with the three mayors," he said.

Norihisa Hamada, 23, a Kagoshima city resident who grew up on Tokunoshima until graduating from high school, said, "I am worried about the future of the island, which is rich in nature, and I want residents in the prefecture to stand by (the island)."

Maehara: May a bit early to settle Futenma

Land minister Seiji Maehara said Sunday that some of the processes involved in resolving the dispute over where to relocate Futenma air base, such as obtaining consent from local people and the U.S. government, may not be settled by the end of May.

"I think Prime Minister (Yukio Hatoyama)'s determination to set out a certain direction for the issue hasn't changed, but that doesn't mean everything will be over," Maehara said, indicating that some of the processes may be carried over after the deadline.

Maehara, who is also minister in charge of issues related to Okinawa and the Northern Territories, made the remarks on a Fuji TV political talk show.

"We will have to keep making efforts to obtain agreement for the direction we make, and respond to the feelings of the people of Okinawa who are forced to shoulder the burden (of hosting the U.S. base)," Maehara said. "We will also explain everything thoroughly to the United States."

After appearing on the program, Maehara told reporters that resolving the issue by the end of May, a promise the prime minister has made repeatedly, means "to set out a firm direction on the issue by the end of May and to achieve conclusions as much as possible."

Maehara said it is necessary for the government to make a considerate and thorough response to what the people of Okinawa or Tokunoshima, in neighboring Kagoshima Prefecture, have to say.

Asked whether the government will have to continue negotiations with those people after the end of May, Maehara said, "Naturally, we will have to do so."

Hatoyama axes deadline on Futenma

Prime Minister Yukio Hatoyama has dropped his self-imposed May 31 deadline for deciding where to relocate U.S. Marine Corps Air Station Futenma in Okinawa amid fierce opposition from local residents to moving it within the prefecture, government sources said Monday.

Hatoyama held a meeting earlier in the day with Foreign Minister Katsuya Okada, Defense Minister Toshimi Kitazawa and other officials to try to find a final solution on where to move the base, which is now located in Ginowan.

Hatoyama has given up on his promise to gain approval from both local residents and Washington by the end of this month and will instead focus on negotiations with the United States to seek a breakthrough on the stalled issue that has soured bilateral relations since the current government was formed last September, the sources said.

The Democratic Party of Japan-led government is seeking to relocate most of the Futenma operations to a facility to be built off the coast of Camp Schwab in Nago, another Okinawa city, in a slight modification of a deal hammered out in 2006 between a Liberal Democratic Party government and the U.S. The new site would be elevated above the sea by pilings rather than built on new landfill, which the 2006 deal calls for.

To ease Okinawa's burden, the government is also aiming to transfer some drills conducted at Futenma to Tokunoshima Island in Kagoshima Prefecture, about 200 km to the northeast, although local officials there made it clear last week they won't accept that plan.

Okinawa is also decisively against having any of the Futenma operations remain in the prefecture, urging the prime minister to fulfill his promise made before last year's general election to move the facility outside Okinawa altogether.

Despite the strong local resistance, Hatoyama is still hoping to win over residents in both Okinawa and Tokunoshima through dialogue.

"It is important to pursue the process of seeking understanding in a direct way," he said, adding he accepts the criticism he is lacking in behind-the-scenes coordination.

Hatoyama denied earlier in the day that he would extend his deadline, even though some Cabinet members advised him to do so in an apparent attempt to save him from feeling pressured to resign if he fails to forge a plan by the end of the month that can satisfy the public.

Chief Cabinet Secretary Hirofumi Hirano told reporters before Hatoyama's meeting with top officials that the government needs to see some sort of a "political solution" by the end of May.

But he did not elaborate on what would constitute a "solution" that would secure an escape route for the government, which has seen a plunge in support ratings because of the dispute.

Under the 2006 deal, Tokyo and the Washington agreed to fill in an offshore area off the coast of Camp Schwab in a less crowded area with the aim of reducing the base-hosting burden in Okinawa and reducing risks posed to the public.

Japan and the U.S. are to hold the second round of working-level talks on the issue in Washington on Wednesday.

Hatoyama apparently intends to make utmost efforts to win local agreement after formulating a final agreement with the U.S., according to the sources.

Ichiro Ozawa Agrees to Be Questioned by Tokyo Prosecutors, Kyodo Reports

Ichiro Ozawa, the secretary-general of the governing Democratic Party of Japan, agreed to be questioned by Tokyo prosecutors, Kyodo News reported, citing people familiar with the situation.

Areva Among Companies Considered to Build Nuclear Plant, Jordan Times Says

Jordan short-listed Canadian, French and Japanese bidders to build the kingdom's first nuclear power plant, the Jordan Times reported, citing the Jordan Atomic Energy Commission.

The commission selected Atomic Energy of Canada Ltd.'s Candu 6 reactor, the AES-92 VVER-1,000 model of Russian state-run ZAO Atomstroyexport and a French-Japanese design from Areva SA and Mitsubishi Heavy Industries Ltd., the newspaper said.

The commission and Worley Parsons, Australia's biggest engineering company, will start a year of talks with the three suppliers to select a winner, according to the Jordan Times.

Jordan, much of which is covered by desert, relies almost entirely on energy imports to meet demand. The nation has already signed a number of nuclear-cooperation agreements to diversify its power supply and plans to build its first atomic plant by 2019.

Government May Reduce Tokyo Taxis by Up to 30% on Oversupply, Nikkei Says

More than a fifth of Tokyo's taxis may be taken off the roads as the government seeks to address an oversupply among company-operated fleets, the Nikkei newspaper said.

Between 20 percent and 30 percent of 32,000 cabs in the Tokyo area should be taken out of service, the newspaper said, citing plans from the transport ministry.

Nationwide about 40,000 taxis are expected to be decommissioned, the Nikkei said.

About 214,000 of Japan's 260,000 taxis are operated by companies, the report said.

Prosecutors to Ozawa: submit anew to grilling

Prosecutors asked Democratic Party of Japan Secretary General Ichiro Ozawa to submit to questioning after an independent judicial panel decided last month that he merits indictment over his fund management body's alleged false reporting of political funds in 2004 and 2005, sources said Wednesday.

The request is another blow to the DPJ-led government, as Ozawa is considered the party's powerhouse.

Ozawa, meanwhile, is considering explaining the case at the Deliberative Council on Political Ethics at the House of Representatives amid continuing calls for him to do so from the opposition camp, senior DPJ officials said.

If Ozawa complies with the prosecutors' request, it would be the third time he has been questioned on a voluntary basis over the suspected violation of the Political Funds Control Law, following earlier sessions on Jan. 23 and 31.

Ozawa came under renewed pressure after the panel, the Tokyo No. 5 Committee for the Inquest of Prosecution, made the decision on April 27, opening the way for the Tokyo District Public Prosecutor's Office to reinvestigate the case.

In February, the prosecutor's office decided not to charge Ozawa, citing lack of evidence after questioning him on Jan. 23 and 31. The planned questioning will probably again be conducted on a voluntary basis, according to the sources.

The inquest panel will revisit the case, which involves the purchase of land in Tokyo, if the prosecutors again opt to not charge Ozawa or fail to come to a decision within three months. If the panel decides again in favor of indictment, a team of court-appointed lawyers will act as prosecutors and file criminal charges.

Civil service bill advances

The House of Representatives passed a bill at a plenary session Thursday to reform the national civil service by creating a new office to manage the personnel affairs of senior bureaucrats.

The passage by majority vote from the ruling coalition came just after the chamber voted down an opposition-sponsored draft resolution calling for the dismissal of Keishu Tanaka as chairman of the Lower House Cabinet Committee.

Tanaka, a Democratic Party of Japan lawmaker, was attacked for ramming the bill through the panel Wednesday against the wishes of the opposition parties, which said the voting was premature.

The bill to amend the National Public Service Law will now be debated in the House of Councilors.

The bill would enable the government to appoint senior ministry officials from a list of candidates across all ministries, rather than those within each ministry.

Earlier Thursday, the secretaries general of five opposition parties, including the Liberal Democratic Party, the Japanese Communist Party and New Komeito, agreed in a meeting to call for Diet sessions to debate the relocation of U.S. Marine Corps Air Station Futenma in Okinawa and issues related to political funds.

Okinawans angry as Japan PM flipflops on U.S. base

OKINAWA, Japan (Reuters) - Kazufumi Ota admits he was skeptical when Japan's then-opposition Democratic Party leader promised last year to try to move a U.S. airbase off his home island of Okinawa, host to half the U.S. forces in the country.

But that doesn't make Ota any less angry at Yukio Hatoyama for backtracking on the pledge now that he is prime minister.

"No matter how much the people of Okinawa ask, in the end, nothing changes," said Ota, 31, during a break at a shopping center in the island's capital of Naha. "I voted for the Democrats but in the end, they were only paying lip service."

During the campaign that swept his party to power last year, Hatoyama had raised hopes that the U.S. Marines' Futenma airbase could be shifted off Okinawa, despite a 2006 deal with Washington to move the facility from a crowded city to a less populous site.

But with an end of May deadline for resolving the feud looming, Hatoyama shifted gears, saying he had come to realize that some Marines must stay on the island to deter threats.

Hatoyama has set himself the Herculean task of finding a solution that satisfies Washington's strategic demands while also gaining the understanding of Okinawans and local residents in any potential sites where some Futenma functions might be relocated.

On Friday he said he was sticking to the deadline, though a day earlier he vowed to keep trying after the deadline passed.

Hatoyama's perceived mishandling of the feud has eroded voter support ahead of a mid-year upper house poll that the Democrats need to win to avoid policy stalemate as Japan struggles to keep a recovery on track while reining in a massive public debt.

Attitudes toward U.S. military bases are far from simple among residents of Okinawa, a subtropical island 1,600 km (1,000 miles) south of Tokyo that was the site of a bloody World War Two battle and occupied by the United States from 1945 to 1972.

Some want the U.S. military to depart altogether from the island, an independent kingdom in the 15th and 16th centuries and now a popular resort whose culture was forged by migration from China, Southeast Asia, Polynesia and Japan.

"During the war, Okinawa became a bulwark for the defense of Japan and many people were sacrificed," said Masahide Ota, who fought as a student in the Battle of Okinawa, in which some 140,000 islanders died during almost three months of fighting.

"We don't want Okinawa to become a battlefield again," said Ota, now a spry 84, who was governor in 1996 when Tokyo and Washington agreed to close Futenma -- but only if a replacement site could be found elsewhere on the island.

"If you speak of deterrence, who is defending whom and from what?" added Ota. "They say it is for the sake of Japan's national interests, but if so the burden should be shared among all the people. Instead only Okinawa is being sacrificed."

LEADERSHIP DEFICIT?

Hatoyama's campaign pledge has breathed new life into the anti-base movement. Last month, tens of thousands of Okinawans rallied to demand the premier keep his promise and activists plan to form a human chain around Futenma airbase on Sunday.

"I live near Futenma and my parents live near Kadena (U.S. Air Force base) ... There is nothing good about the bases," said Saneaki Tsuha, 24, who works for an insurance firm in Naha.

The rekindled anger has both anti-base activists and supporters of a U.S. presence worried what will happen if an accident or crime occurs, such as the rape of a schoolgirl by three U.S. servicemen that inflamed Okinawan outrage in 1995.

Still, some Okinawans back the U.S. bases, either because of the jobs they provide or from concern about strategic threats from a rising China and unpredictable North Korea.

"It all depends on how you view China," said one Okinawan businessman who declined to be identified.

"If you think China is a threat, you need the bases."

Forty-three percent of Okinawans would like to see U.S. forces withdraw from the island altogether, but 42 percent merely want to see the U.S. military presence reduced, according to a survey by the daily Asahi newspaper published on Friday.

Relocating Futenma is a prerequisite for implementing a plan to shift up to 8,000 Marines to the U.S. territory of Guam.

But Hatoyama's proposal to build a runway on piles in the pristine waters off Nago City in northern Okinawa rather than on a landfill as proposed in the 2006 deal, while shifting some functions elsewhere in Japan, has scant support locally.

Seventy-six percent of Okinawans oppose the new plan, the Asahi survey showed. Even Nago residents who backed the 2006 plan in hopes of profits from the construction work dislike the new scheme, said to be technologically too tough for local firms.

Whatever their position on the bases, many Okinawans are fed up with Hatoyama's handling of the touchy topic, with the Asahi poll showing almost two out of three respondents disapproved.

"If the bases are necessary, he should explain clearly why they have to be on Okinawa," said Naomi Taira, a 43-year-old healthcare worker waiting for a bus in Naha.

"He is not showing leadership."

Tokyo Prosecutors to Question Democratic Party's Ozawa Next Week, NHK Says

Japanese lawmaker Ichiro Ozawa, whose former aides are under indictment for campaign funding violations, will be questioned by Tokyo prosecutors next week, NHK Television said, citing unidentified people close to him.

Ozawa, secretary general of the ruling Democratic Party of Japan, should face charges as well, a judicial panel recommended last month. The recommendation to prosecutors, who declined to indict him along with his aides in February, would be legally binding if the panel votes the same way a second time.

Prime Minister Yukio Hatoyama has backed Ozawa, who has repeatedly denied any wrongdoing.

Ruling Party Considers 44 Trillion Yen Bond Sales Cap as Election Pledge

The Democratic Party of Japan is considering a pledge to cap bond sales next fiscal year, an indication politicians are becoming more attuned to the nation's growing debt burden.

The party may promise to keep new bond sales for fiscal 2011 below the record 44.3 trillion yen (\$477 billion) budgeted for this year in its platform for a July upper house election, DPJ Deputy Secretary-General Goshi Hosono told reporters in Tokyo today.

The pledge may put pressure on the party to backtrack on election promises that helped it defeat the Liberal Democrats in a lower house vote last August. Finance Minister Naoto Kan said for the first time this week that the government should try to cap next year's bond sales, comments that Prime Minister Yukio Hatoyama stopped short of supporting.

The DPJ probably thinks that "to demonstrate its capacity to govern, it must show that it has a good understanding of public finances," said Takuji Aida, senior Japan economist at UBS AG in Tokyo. "We won't know until the very end whether the DPJ decides to focus on fiscal rebuilding, or on the more short-term issues of beating deflation and delivering on its campaign promises."

Japanese officials have been emphasizing fiscal discipline in light of fiscal woes in Europe that prompted policy makers in the region to unveil an unprecedented rescue package for its most indebted nations this week.

Learn From Greece

Kan and National Strategy Minister Yoshito Sengoku have said they need to learn from Greece's debt crisis given Japan has the largest borrowings in the industrialized world.

The Finance Ministry in January forecast that new bond sales may climb 16 percent to 51.3 trillion yen in the year starting April 2011, underscoring the difficulty the government may have in keeping debt below this year's levels.

The government needs to secure 2.8 trillion yen to fulfill a promise to double child-care allowances next fiscal year, according to DPJ calculations. It has also pledged to provide financial support to farmers.

Hatoyama, faced with declining approval ratings, said this week that while Kan's comments were "understandable," the bond sale goal isn't something the government has decided on.

Vice Finance Minister Yoshihiko Noda, a DPJ lawmaker, last month indicated he would rather scale back election promises than exacerbate the public debt. He said it would be "hypocrisy" to issue more bonds to double the childcare handouts because debt should only be issued after cutting unnecessary spending.

Clinton to Visit Japan to Discuss Relocation of Military Base, Kyodo Says

U.S. Secretary of State Hillary Clinton will visit Japan on May 21 to discuss the relocation of a U.S. airbase in Okinawa with Japanese government officials, Kyodo News reported, citing unidentified sources.

U.S. sees new air base plan as more risky

WASHINGTON (Kyodo) Japan's proposal to build a pile-supported runway at the agreed relocation site for U.S. Marine Corps Air Station Futenma in Okinawa has been criticized by the United States as a terrorism risk that offers no environmental tradeoffs, sources close to bilateral relations said.

Washington argues that the construction method, called a quick installation platform, could cause as much damage at Camp Schwab off Nago as filling in the shallows in the area, dismissing Tokyo's hopes of minimizing the environmental impact of the original Futenma plan signed in 2006, the sources said.

Prime Minister Yukio Hatoyama has told local Okinawa leaders that the government is looking for a way to settle the base relocation issue in a manner that "will not contaminate the sea," an apparent reference to the dangers posed by filling in the sea for a new runway.

The U.S. lack of enthusiasm for the pile plan will likely put Hatoyama into an even tighter corner.

According to the sources, the U.S. side told Japan through unofficial contacts that a pile-supported runway would have as much negative environmental impact on the ocean as the 2006 reclamation plan because it would prevent sunlight from reaching the seabed and result in the destruction of seaweed beds.

The U.S. also told Tokyo that the impact of creating 140 hectares of dark sea surface under the runway is difficult to predict, the sources said.

As for terrorism, the U.S. has already said it is reluctant to endorse the plan because terrorist attacks could be launched from beneath the runway.

On Wednesday, Japan and the United States held working-level talks at the Pentagon to discuss the proposal, but a compromise is looking difficult.

Washington wants the Futenma relocation plan to follow the bilateral accord inked in 2006 and insists that any alternative plan be backed by local leaders and residents and have consensus backing from the ruling coalition.

The draft proposal also drew sharp criticism in Okinawa because Hatoyama had said the government wanted to move Futenma out of the prefecture to alleviate the prefecture's base-hosting burdens.

The Pentagon talks, which took place at the deputy director general level, were the first full-fledged negotiations to be held between the countries since Japan drew up the draft proposal.

Japan was represented by Koji Tomita, deputy director general of the Foreign Ministry's North American Affairs Bureau, and Tetsuro Kuroe, deputy director general of the Defense Ministry's Defense Policy Bureau.

The U.S. side was headed by Joseph Donovan, principal deputy assistant secretary of state, and Michael Schiffer, deputy assistant secretary of defense for Asia and Pacific security affairs.

The Democratic Party of Japan-led government estimates that building a pile-supported runway will take seven years and cost about a 1.5 times more than the existing plan.

Although the draft plan states that building a pile-supported runway is just one option, many ruling bloc lawmakers are hoping to get the construction method changed from reclamation, given the relocation site is the same as the original, the sources said.

On Wednesday, State Department spokesman Philip Crowley told reporters, "We continue to seek an arrangement that is operationally viable and politically sustainable."

He declined comment on Japan's draft proposal, saying, "The discussions are ongoing."

On Japan's suggestion of transferring some of the base functions at Futenma to Tokunoshima Island in Kagoshima Prefecture, the United States remains reluctant, saying that marine ground forces and helicopters must operate together, they said.

Japan has given up on meeting the May 31 deadline imposed by Hatoyama to settle the issue, which has strained bilateral relations, amid strong local opposition to hosting U.S. forces in Okinawa.

The 2006 accord would involve building two runways straddling the Henoko peninsula at Camb Schwab in Nago, which is less populated than Ginowan, where the base is now. Once the new base opens, 8,000 marines and their dependents would be relocated to Guam in line with the bilateral pact, which was reached when the Liberal Democratic Party was in power.

Japan PM support hits 19.1 pct ahead of key election

TOKYO, May 14 (Reuters) - Voter support for the government of Japan's embattled Prime Minister Yukio Hatoyama has fallen to 19.1 percent, slipping below 20 percent for the first time ahead of a key mid-year election, a Jiji news poll showed on Friday. Public perceptions that Hatoyama has mishandled a row over a U.S. Marine base in southern Japan, which he has promised to settle by the end of May, and a funding scandal embroiling ruling party kingpin Ichiro Ozawa have steadily eroded support from around 70 percent when the premier took office in September. Hatoyama's Democratic Party needs a decisive win in the upper house vote expected in July to enact laws smoothly, while a loss for the ruling coalition would spell policy deadlock as Japan nurtures a fragile economic recovery while trying to rein in massive public debt.

It has been falling substantially for a while. I was expecting it to go down, but I am a bit shocked," Foreign Minister Katsuya Okada told reporters. Support for Hatoyama was down 4.6 percentage points on a previous survey last month, Jiji news agency poll said. Both the funding scandal and the row over the U.S. base on the southern island of Okinawa will come under renewed focus this weekend, with islanders set to hold a demonstration, while prosecutors may quiz Ichiro Ozawa next week in an effort to revive a criminal case against him. Many voters say they feel Hatoyama lacks leadership qualities, and his government appeared to flipflop this week

in a row over relocating the Futenma U.S. Marine base on the southern island of Okinawa. On Friday Hatoyama reiterated a pledge to resolve the row by the end of the month, though a day earlier he had admitted that would be difficult and vowed to keep trying after the deadline has passed. About half the respondents to the Jiji survey said they thought Hatoyama should resign if he missed the deadline. Analysts say he may stay in his job because resignation would not necessarily help his party at the election, but his unpopularity may force the Democrats into a change of tack."The Democrats may need to change their campaign strategy, to give up on winning a majority on their own," said Noritada Matsuda, associate professor at the University of Kitakyushu. This would mean cooperating more with their tiny coalition partners, and perhaps steering clear of sensitive policies such as raising consumption tax, he said. When asked which party they would vote for in the upcoming election, 18.3 percent opted for the main opposition Liberal Democratic Party, compared with 17 percent for the the Democrats. Jiji's surveys, which are conducted by face-to-face interview, tend to show lower government support rates than the telephone surveys conducted by other media.

Economic Front;

Detailed News:

(Bloomberg) Bumi Bonds Face Contagion Risk, Morgan Stanley Says (Correct)

Bondholders of PT Bumi Resources, Korea National Housing Corp. and SK Energy Co. are most at risk should Europe's debt crisis spread into Asia, according to Morgan Stanley.

The companies are "burning reserves" and have low "funding flexibility," Viktor Hjort, Morgan Stanley's Hong Kong-based credit strategist, wrote in a note to clients. "In a contagion environment credit-default risk narrows down to a single factor -- access to funding," he said.

European policy makers unveiled a loan package worth almost \$1 trillion and a program of bond purchases yesterday in a bid to reassure investors after yields on Greek, Portuguese and Spanish debt soared. Bond sales in Asia outside Japan shrank to \$4.42 billion last week from \$7.43 billion in the previous five- day period, according to data compiled by Bloomberg, as volatility deterred borrowers.

Bumi Resources, an Indonesian coal producer which has \$638 million of debt due by the end of 2012, had its share-price estimate cut to 2,300 rupiah from 2,400 rupiah by Goldman Sachs Group Inc. last month after profit declined in 2009.

The extra yield investors demand to own the Jakarta-based company's \$300 million of 12 percent notes callable in 2013 has risen 65 basis points this month to 749 basis points, according to ING Groep NV prices on Bloomberg. A basis point is 0.01 percentage point.

Korean Market

Calls to Bumi Resources' head office weren't answered. No- one at Korea National Housing's media department was available for immediate comment.

SK Energy meets most of its funding in the domestic market, which remains relatively unscathed, an SK Energy spokesman who asked not to be identified said in an e-mailed response to questions. SK Energy is borrowing at lower costs than last year, the e-mail said.

Most investment-grade companies in Asia have borrowed all they need for the next two years and many of the region's speculative-grade firms are in "unusually good" shape after selling bonds in the first quarter of this year, Hjort said in the report e-mailed yesterday.

Speculative-grade bonds, also known as high-yield or junk, are rated lower than Baa3 by Moody's and below BBB- by Standard & Poor's.

India's Essar Steel Holdings Ltd. and Chinese shopping mall developer Renhe Commercial Holdings Co. were among companies that delayed bond sales this month citing poor market conditions. Swire Properties Ltd., landlord to Time Warner Inc. in Hong Kong, shelved plans to raise as much as HK\$20.8 billion (\$2.7 billion) in an initial public offering.

(Bloomberg) Toyota Credibility Gap on Recalls Sunk In After President's Visit to U.S.

May 11 (Bloomberg) -- Toyota Motor Corp.'s top executive didn't grasp how the carmaker's record recalls hurt its reputation in the U.S. until after he traveled there in February, Transportation Secretary Ray LaHood said.

President Akio Toyoda "understood maybe for the first time that Toyota was facing some very, very serious credibility problems in the United States," following his visit in February, LaHood said on a conference call yesterday after visiting the company's headquarters in Toyota City, Japan.

Toyota, which in 2008 passed Detroit-based General Motors Co. to become the world's largest automaker, was assailed this year by U.S. lawmakers, regulators and safety advocates for responding too slowly to complaints of sudden acceleration in its vehicles. LaHood said on Feb. 2 that Toyota was being "safety deaf" as complaints from customers mounted.

Toyoda "has listened and he has paid attention," LaHood said.

The carmaker agreed on April 19 to pay a record \$16.4 million fine levied by the U.S. National Highway Traffic Safety Administration for failing to promptly report flaws in accelerator pedals that led to recalls of more than 8 million vehicles worldwide.

U.S. regulators are now reviewing about 500,000 Toyota documents as they investigate defects that may have caused the unintended acceleration, and will need a “couple months” before determining the next course of action, LaHood said.

More Fines

“Toyota will fully cooperate with NHTSA in working toward a common goal of creating a safe automobile society,” Toyoda, the 54-year-old grandson of carmaker’s founder, said at a press conference in Toyota City yesterday.

Toyoda said he invited LaHood to tour the automaker’s U.S. manufacturing and quality control facilities.

The U.S. hasn’t ruled out imposing further fines.

“Until we pore through these documents, we’re not going to know what additional steps we’re going to need to take,” LaHood said on the call. “We’re probably not going to know that for a couple months.”

Earlier, speaking to reporters while at the automaker’s headquarters, he declined to dismiss the idea of further fines.

“We will continue our review of documents presented to us,” LaHood said. “If a fine is required, I think everyone recognizes now that safety is our number-one priority. When we have recommendations to make, we will make them.”

2005 Recall

Lawyers for the family of a man who died when his Toyota pickup truck rolled over sent a letter to LaHood yesterday asking him to investigate the timing of a 2005 U.S. recall for steering relay rod defects in vehicles including 4Runners relative to a 2004 recall in Japan for the same flaw.

“The company’s internal records show that it was aware of many relay rod failures occurring in the U.S. before it recalled the same component in only Japan,” attorney John Kristensen, of O’Reilly Collins in San Mateo, California, said in the letter. “U.S. consumers had to wait another year before Toyota took action. The agency should investigate the wide chronological gaps and apparent falsehoods Toyota has provided about the relay rod defect.”

O’Reilly Collins represents the family of Michael Levi Stewart, 18, whose 1991 Toyota pickup rolled over into a ditch in Idaho in 2007. The lawsuit claims a defect in the steering relay rod caused the accident.

Cindy Knight, a Washington-based spokeswoman for Toyota, said the company doesn’t comment on legal matters and wasn’t immediately able to discuss the timeliness of the U.S.

recall of light trucks mentioned by O'Reilly Collins. Olivia Alair, a Transportation Department spokeswoman, had no immediate comment.

Hiding Defects

LaHood, while in Japan, also plans also to visit Honda Motor Co. and Nissan Motor Co., he said.

Toyota was fined because LaHood said documents showed the company “knowingly hid” defects tied to unintended acceleration for four months, violating rules that require notification in five days. The fine amounts to less than 2 percent of Toyota’s projected net income for the year ended March 31.

LaHood has said paying the fine showed Toyota accepted responsibility for the violation. The company denied the accusations made by NHTSA, saying it paid the fine to avoid “a protracted dispute.”

At least 180 consumer and shareholder lawsuits are seeking class-action status and at least 57 individual suits are claiming injuries or deaths caused by sudden acceleration incidents in Toyota vehicles.

Toyota’s American depositary receipts, each equal to two ordinary shares, rose 2.5 percent to \$76.75 yesterday in New York Stock Exchange composite trading. Toyota advanced 0.7 percent to 3,540 yen as of 9:25 a.m. in Tokyo.

(Bloomberg) Surging Retiree Population Threatens Japan's Debt Funding, Dai-Ichi Says

Japan may lose its ability to domestically finance its debt “in a few years” because of a surge of retirees in 2012, according to an analyst at Dai-Ichi Life Research Institute.

“The key year for public finances will be 2012, as the baby boomers retire and begin collecting their pensions en masse,” Toshihiro Nagahama, chief economist at Dai-Ichi Life Research Institute, said yesterday in an interview in Tokyo. “That may be when Japan’s sovereign risk becomes evident.”

Japan, the largest borrower among developed nations, has yet to face a Greece-like fiscal crisis because it has been able to finance most of its spending at home, Nagahama said. The first of Japan’s baby boomers will turn 65 in 2012, making them eligible for pension payments.

About 8 million, or 6 percent of the population, were born between 1947 and 1949, regarded as the baby boomer generation in Japan, government data show. Almost 23 percent of the nation’s 126 million people will be older than 65 this year, the highest proportion in the world, according to Bloomberg data.

More retirees will lead to a “rapid” surge in the natural growth of the government’s social security burden, which tracks the yearly increase of costs as a result of the aging population, Nagahama said. Costs will rise 2.5 trillion yen annually by 2013, he forecasts, more than double the 1.09 trillion yen growth the government is projecting for this fiscal year.

Draw on Savings

Retirees will also begin to draw on their savings, according to Nagahama. “If the value of household assets drops, or if it doesn’t fall but doesn’t rise either even as public debt continues to grow, the Japanese won’t be able to finance” government spending on their own, he said.

More than 90 percent of Japan’s government bonds are held by domestic investors. Prime Minister Yukio Hatoyama’s Cabinet is scheduled to unveil in June a plan to reduce a debt burden that the Organization for Economic Cooperation and Development estimates is at twice the size of the economy.

Public debt totaled a record 882.9 trillion yen (\$9.5 trillion) as of March 31, up 4.3 percent from a year earlier, the Ministry of Finance said this week. Households’ financial assets stood at 1,456 trillion yen as of Dec. 31, Bank of Japan figures show.

Japan may need to depend more on foreign buyers of its bonds in the long term, a Finance Ministry official said today.

“Given Japan’s demographics, the current account surplus may decrease and some even say it will go into deficit, although it’s hard to predict when that would happen,” Masaaki Kaizuka, director of debt management at the ministry, said at a conference in Tokyo. “We may see the need to increase reliance from abroad whether we want to or not.”

Toyota logs ¥148 billion 2009 profit despite recall woes

Despite massive recalls that dented its safety image, Toyota Motor Corp. said Tuesday it logged a ¥147.5 billion group operating profit for the business year that ended in March, reversing the ¥461 billion loss recorded a year earlier.

It posted ¥209.5 billion in group net profit, compared with a loss of ¥436.9 billion in the 2008 business year, when the global financial crisis hit and car sales in the United States and Europe tanked. Group sales slipped 7.7 percent to ¥19 trillion from ¥20.5 trillion.

The steep rebound in profit — the first in two years — comes mostly as a result of cost-cutting efforts.

The safety woes mainly affected sales in the United States and Europe, but incentives in some regions helped shore up sales, limiting the fall in revenue.

"It was a year of being constantly on alert due to the series of recall matters, which caused concerns," President Akio Toyoda said. "The severe conditions will likely continue, but I believe there is light far away amid the storm."

Toyota now expects profits to grow in the current business year to next March. It forecasts a ¥280 billion group operating profit and ¥310 billion net profit on ¥19 trillion in sales.

The company said it will focus on next-generation environmentally friendly cars by improving technology for hybrids and expanding its lineup. Also, it will gear up sales in fast-growing economies, particularly China and India.

Profit for the last business year mainly came from production cost cuts amounting to ¥520 billion, as well as ¥470 billion worth of reductions in fixed daily costs, including for labor, research and development, the company said.

Toyota said costs linked to its spate of worldwide recalls — ¥170 billion to ¥180 billion for the business year — were within expectations.

But concerns about potential massive recalls over accelerator defects continue.

The earnings results came a day after U.S. Transportation Secretary Ray LaHood hinted at a news conference at Toyota's headquarters in Aichi Prefecture that more fines could be imposed if needed.

Last month, Toyota agreed to pay a record \$ 16.4 million U.S. government fine for delaying a January recall over defective accelerator pedals.

Meanwhile, the U.S. Department of Transportation's National Highway Traffic Safety Administration said in a statement issued Monday in Washington that it has opened an investigation into whether Toyota in 2005 notified the agency of a steering relay rod safety defect within five business days of learning of the defect's existence, as required by law.

"We will fully cooperate with the investigation," Toyoda said at the news conference.

Recalls fail to dent Prius sales

Toyota Motor Corp.'s Prius hybrid maintained its dominant position in Japan's market for new passenger cars for the 11th consecutive month in April, despite a recall due to possible safety problems, according to data released Tuesday by industry groups.

A sizable order backlog also helped sales, as well as a government program to reward buyers of fuel-efficient cars, analysts said.

The Prius came out on top with 26,482 units sold, based on figures from the Japan Automobile Dealers Association and the Japan Mini Vehicles Association.

Suzuki Motor Corp.'s WagonR minicar ranked second with sales of 15,403 units, followed by Daihatsu Motor Co.'s Tanto minicar at 13,730.

Minicars have engines less than 660cc.

Toyota and Daihatsu had three models each in the top 10, while Honda Motor Co. and Suzuki Motor each had two.

All were eligible for the government subsidy.

Suzuki Motor Plans to Make Plug-In Hybrid Cars; to Test Vehicles This Year

Suzuki Motor Corp., Japan's second-largest minicar maker, plans to introduce a plug-in hybrid version of its Swift compact car using batteries supplied by Sanyo Electric Co., the automaker said.

Suzuki dealerships in Japan will test 60 units of the car in the second half of this year, the company said in a statement in Tokyo today. The vehicle runs 15 kilometers (9.3 miles) on a fully charged battery and will have a 0.66 liter engine to generate electricity, Suzuki said, without saying when or where the car may go on sale.

The carmaker follows Toyota Motor Corp. and General Motors Co. in announcing plans to sell hybrid vehicles that can be recharged at household electrical outlets. Hamamatsu, Japan-based Suzuki formed an alliance with Volkswagen AG in December that will include cooperation on hybrid and electric cars, and chairman Osamu Suzuki said in January his company planned to introduce electric vehicles in Japan.

Suzuki displayed the Swift plug-in hybrid at the Tokyo Motor Show in October. The automaker rose 1.9 percent to 1,930 yen at the 11 a.m. trading break on the Tokyo Stock Exchange, while Osaka-based Sanyo gained 2.2 percent to 142 yen.

Volkswagen, Europe's largest carmaker, agreed in December to buy a 19.9 percent stake in Suzuki for 222.5 billion yen (\$2.4 billion). The two companies plan to develop hybrids and electric vehicles together under both car brands, Suzuki said in December.

Toyota, the world's biggest seller of gasoline-electric hybrid cars, plans to begin retail sales of a plug-in version of its Prius hybrid within about two years, the company said in December. The battery supplier for the car is Panasonic EV Energy Co., a venture between the automaker and Panasonic Corp.

GM, based in Detroit, plans to build as many as 60,000 Chevrolet Volt plug-in electric cars annually starting in November. The car's batteries use cells from a unit of South Korea's LG Chem Ltd.

(Bloomberg) Sony Profit Forecast Falls Short of Estimate

May 13 (Bloomberg) -- Daniel Ernst, an analyst at Hudson Square Research, talks with Bloomberg's Carol Massar about the outlook for Sony Corp. after it forecast profit that missed analysts' estimates. Net income will probably total \$535 million in the 12 months ending in March 2011, Tokyo-based Sony said today. That's less than half the average of 19 analyst estimates compiled by Bloomberg. (Source: Bloomberg)

Sony Corp. forecast profit that missed analysts' estimates, fueling concern the debt crisis in Europe may delay a recovery in demand for televisions, cameras and personal computers.

Net income will probably total 50 billion yen (\$535 million) in the 12 months ending March 2011, The Tokyo-based maker of Bravia televisions said today. That's less than half the average of 19 analyst estimates compiled by Bloomberg. The company predicted revenue will rise 5.4 percent.

Sony, forecasting its first annual profit in three years, said it may suffer a "significant impact" if the Greek crisis spreads. Weaker spending in Europe, which accounts for about 25 percent of Sony's sales, may undercut Chief Executive Officer Howard Stringer's efforts to revive profitability by cutting 20,000 jobs and shutting 11 factories.

"It could be that Sony's being conservative or the market recovery isn't as strong as people had thought," said Seiichiro Iwamoto, who helps oversee about \$37 billion at Mizuho Asset Management Co. in Tokyo. "The numbers are a bit disappointing, but expectations were high."

Sales will probably rise to 7.6 trillion yen in the 12 months started April 1, the first increase in three years, the company said. Operating income, or sales minus the cost of goods sold and administrative expenses, may expand more than five-fold to 160 billion yen. Analysts estimated 209 billion yen operating profit.

Monitoring Greek Situation

Sony is carefully monitoring the situation in Greece, Chief Financial Officer Nobuyuki Oneda told reporters in Tokyo. If it starts to hurt the wider European economy, the company would "likely see a significant impact because about a quarter of our business comes from Europe," he said.

The company maintained its target to sell 25 million TVs this fiscal year. Sony, which aims to make its TV business profitable in the period for the first time in seven years, targets a 20 percent share of global liquid-crystal-display TV set sales in the year ending March 2013.

Sony plans to offer 3-D TVs in Japan from June 10 and at around the same time in the U.S. and Europe.

Worldwide shipments of TVs will probably increase 12 percent to 236 million units this year, helping industry revenue resume growth, according to Daiwa Securities Group Inc.

Rivals' TV Targets

Suwon, South Korea-based Samsung Electronics Co., the world's largest TV maker, said Jan. 7 it expects to sell 35 million LCD sets this year, while LG Electronics Inc., the second-ranked, plans to ship 25 million in 2010. The top two TV makers and Panasonic Corp. are all selling 3-D TVs this year.

Sony rose 4.1 percent to close at 3,165 yen in Tokyo trading before the announcement, while Japan's benchmark Nikkei 225 Stock Average added 2.2 percent. The stock, which gained 39 percent in 2009, has risen 19 percent this year.

"The shares have been rising because investors have already factored in the potential improvement," said Yoku Ihara, an adviser on equity research at Retela Crea Securities Co. in Tokyo.

Japanese companies including Toyota Motor Corp. and Panasonic Corp. forecast profit will surge this year as exports and cost cuts power a recovery from the worst recession on record. Net income will probably climb a combined 64 percent for the 107 Nikkei 225 Stock Average companies that have projected earnings so far for the year ending March 31, 2011.

Sony's Consumer Products and Devices Group, which includes LCD TVs and camcorders, will probably turn profitable because of higher unit sales of TVs and the effect of continued reorganization to cut costs, the company said.

TV Earnings Recovery

Sony's earnings from TVs will probably improve by 100 billion yen this business year from a loss of 73 billion yen in the 12 months ended March 31, Oneda said.

The loss at the Networked Products and Services Group may narrow, helped by demand for electronic readers, Vaio computers and PlayStation3 games consoles, Sony said.

The company stopped losing money from PS3 consoles in March and will likely post an annual profit of at least 1 billion yen this year from PS3, compared with a loss of about 50 billion yen in the year ended March 31, Oneda said.

Personal computer sales will probably rise to 8.8 million from 6.8 million, Sony said. The company projects sales of 15 million PS3s compared with 13 million sold a year earlier.

Equity Investments

Income at the financial-services business may drop if the Greek crisis hurts the value of the Sony Life insurance unit's equity holdings, Oneda said.

Profit at the movie division will probably decline because of the absence of a gain on asset sales booked in the year just ended, while sales are expected to fall in line with lower theater and home entertainment revenue worldwide, the company said.

Sony said it's assuming a yen exchange rate of 90 yen to the dollar and 125 yen to the euro for the fiscal year.

The yen gained about 13 percent against the euro this year. A stronger yen erodes the value of overseas earnings at a Japanese company when repatriated. Sony loses about 7 billion yen of annual operating profit for every 1 yen weakening in the value of the euro, the company said.

Sony plans capital spending of 220 billion yen and to invest 450 billion yen on research and development, up 14 percent and 4 percent respectively from a year earlier, the company said.

(Bloomberg) Sony Considers Developing a Tablet Computer to Compete With Apple's iPad

Sony Corp. is considering developing a tablet-style computer that would compete with Apple Inc.'s iPad, though it wants more evidence consumers will buy them, a company executive said.

"We have been taking a deep look at developing a tablet for a number of years, not just because of Apple but because it creates some interesting opportunities," Mike Abary, senior vice president of Sony's Information Technology Products unit, said in an interview this week in San Francisco.

Electronics manufacturers have renewed interest in tablet-style computers now that Apple, which sold 1 million iPads in less than a month after its debut, has shown it's possible to build portable devices with big touch screens and long battery life at a low cost. Sony wants more proof of consumer demand before pressing ahead with production plans, Abary said.

"The iPad has created a new opportunity," Abary said. "Now we can get a good judgment as to whether the market is truly accepting of it." Sony is "not convinced there is a large enough market to justify bringing out a tablet," he said.

The remarks dispel speculation that Sony would quickly follow Apple, Hewlett-Packard Co., Dell Inc. and other PC makers into the market for tablets. On March 5, the Wall Street Journal reported that Sony was developing a lineup of handheld products, including a portable device that shares characteristics of netbooks, electronic-book readers and handheld-gaming machines, citing people familiar with the matter it didn't identify.

Focus On Reader

For now, Sony plans to keep investing in its Reader line of devices that display digital books, Abary said. The company is trying to narrow a gap with Amazon.com Inc., maker of the Kindle, which leads the market for devices that are tailored mainly for reading books and magazines electronically.

Sony doesn't disclose Reader sales, but Abary said e-readers were the company's fastest growing type of product in its most recent fiscal year.

U.S. sales of digital reading devices will rise to 5 million this year from 2.2 million in 2009, according to the Consumer Electronics Association, a trade group. Sales of digital books in the U.S. more than doubled to \$313 million last year, according to the Association of American Publishers.

Sony's Reader division aims to improve wireless connectivity and battery life, Abary said. The company also is working with suppliers to develop e-readers that can display colors instead of rendering pages in monochrome.

Its current supplier, E Ink Corp., owned by Taiwanese display maker Prime View International Co., has said it will offer color technology by early 2011. Chipmaker Qualcomm Inc. has been shopping a similar e-ink technology called Mirasol.

Multitasking Wanted

A Boston Consulting Group survey of 13,000 Internet users in 14 countries found two-thirds of respondents favored devices capable of doing more than one task. The survey, conducted in March, found that the biggest barrier to adoption for both e-readers and tablets is prices perceived as too high.

That creates a dilemma for Sony. Though it has long been shut out of the list of top five PC vendors in the world, the company's Vaio division has maintained profitability by concentrating on more expensive configurations for well-heeled customers. The company has avoided jumping into crowded markets that are under heavy pressure to cut prices.

(Bloomberg) Panasonic's China Sales to Rise by 128% This Year, Oriental Says

May 14 (Bloomberg) -- Panasonic Corp.'s China sales will rise by 128 percent this year on a year earlier to 85 billion yuan (\$12 billion), the Oriental Morning Post reported, citing Toshiro Kisaka, chairman of the company's China unit.

The Japanese electronics maker plans to start sales of home-use fuel cells in 2012 in China, the report said, citing Kisaka.

(Bloomberg) Tokyo Electric to Sell 25 Billion Yen in 30-Year Bonds (Correct)

May 14 (Bloomberg) -- Tokyo Electric Power Co. will sell 25 billion yen (\$270 million) in 30-year bonds with a coupon of 2.366 percent, according to an e-mailed statement from Daiwa Securities Capital Markets, a manager of the sale.

(Bloomberg) Honda Will Boost Auto Capacity in China on Higher Sales

Honda Motor Co., Japan's second-largest carmaker, will expand capacity at a venture in China by as much as 200,000 vehicles a year, according to two people familiar with the matter.

The partnership with Guangzhou Automobile Group Co. will increase annual capacity from 360,000 vehicles, according to the people, who declined to be identified as the plans are private. Honda Chief Executive Officer Takanobu Ito will hold a press conference in China on May 25, they said.

Toyota Motor Corp. and Nissan Motor Co. have also begun work on boosting China capacity as economic growth spurs demand in the world's largest auto market. Nationwide sales may grow more than 10 percent this year, Honda's Ito said last month.

Honda has three car factories in China and is preparing to open another with Dongfeng Motor Group Co. in Wuhan in the second half of 2012. Guangqi Honda Automobile Co., the venture with Guangzhou Auto, builds Accord sedans, Odyssey minivans, Fit compacts and City compacts.

The Japanese carmaker may increase China sales 9 percent this year to 630,000 vehicles, Ito said last month. It plans to introduce the Accord Crosstour wagon in China this year and models under the new Li Nian brand by early next year.

Honda gained 1.5 percent to 3,075 yen in Tokyo trading today. The automaker has lost 1.1 percent this year.

Nissan plans to boost capacity in China to 900,000 vehicles a year by 2012 and to expand further after that, CEO Carlos Ghosn said last month. Toyota, the world's biggest carmaker, will start building Corolla cars at a factory in Changchun in the first half of 2012, it said on April 28.

Japan's Kansai Electric to restart reactor Sunday

TOKYO, May 14 (Reuters) - Japanese utility Kansai Electric Power Co (9503.T) said on Friday it would start operations of the No.1 reactor at its Ohi plant on May 16 after a shutdown in early February.

Utilities

The company said in a statement power supply from the 1,175-megawatt reactor would resume on May 17, about three months after it was down shut down to investigate a fuel leak and change its fuel supply.

Toyota to suspend Thai plant operat

TOKYO, May 14 (Reuters) - Toyota Motor Corp (7203.T) said it would suspend one of its four vehicle plants in Thailand as the economic crisis hammered exports.

Toyota said on Friday it would suspend operations at its Thai Auto Works (TAW) factory, which builds the Fortuner and Vigo multi-purpose vehicles, at the end of this month, transferring production to two other Thai plants that also build the two models.

The Thai factory, in Samrong, on the outskirts of Bangkok, began operations in 1988 and has been producing about 60,000 vehicles a year, mainly for export to Europe and the Asia-Pacific region. Toyota does not disclose the factory's annual production capacity.

Toyota's total production in Thailand fell by nearly a quarter to 435,000 units in 2009.

The decision to suspend production at the factory had been reached last November as part of Toyota's ongoing efforts to find ways to more efficiently make use of its global manufacturing facilities, a spokeswoman said.

TAW's 960 workers would be transferred to Toyota's other Thai factories, the spokeswoman said.

Many automakers have been burdened by excess capacity as the global economic crisis hit demand for cars in the past year and a half. Toyota is especially vulnerable after it raced to build new factories around the world over the past decade to meet runaway demand for its popular cars.

Toyota has said it would also aim to bring its annual production capacity in Japan down to about 3.2 million units over the next five to six years from 3.9 million now, by reorganising its assembly lines, and without any plant closures.

WRAPUP 3-Japan banks forecast growth; Mizuho to raise \$8.6 bln

TOKYO, May 14 (Reuters) - Better-than-expected profit forecasts by Mizuho Financial Group (8411.T) and Sumitomo Mitsui Financial Group (8316.T) underscore a brightening outlook for Japan's lenders as the economy stages a modest rebound and markets recover.

Making most of the opportunity, Mizuho, the country's No.2 lender by assets, said it would raise up to 800 billion yen (\$8.6 billion) in a global offering of new shares to prepare for stricter capital requirements, confirming a Reuters report earlier this week. [ID:nTOE6490A6]

Earlier, however, mid-sized Shinsei Bank (8303.T), about one-third owned by U.S. buyout firm JC Flowers, revealed a massive quarterly loss and cancelled plans to merge with rival Aozora Bank (8304.T).

"We are starting to see some light ahead," Mizuho CEO Takashi Tsukamoto told a news conference.

In addition to the pickup in the economy, Japanese banks have benefited from a recent recovery in the stock market, which has lifted the value of their huge share portfolios, held to cement ties with business partners and lending clients.

The shareholdings leave Japanese banks vulnerable to downswings in the stock market. Mizuho said it would cut its portfolio of 2.6 trillion yen by about 1 trillion yen as part of a new 3-year business plan.

It also said the chairman of the holding company, Terunobu Maeda, and the chairmen of two core units would resign in a move that should help simplify decision-making and consolidate power under Tsukamoto.

The reshuffle is widely seen as a step to show investors the bank is serious about reform. The offering will boost the number of outstanding shares by about 30 percent.

"To justify the 800 billion yen fund raising, Mizuho needs to clarify how it would improve its profitability, which is not as good as its two rivals," said Chikako Horiuchi, a bank analyst at Fitch Ratings in Tokyo.

MODERATE RECOVERY

For the quarter ended March 31, Mizuho's net profit came to 113.1 billion yen, a sharp turnaround from a loss of 538.3 billion yen a year earlier. SMFG posted a quarterly profit of 23.7 billion yen, from a loss of 457 billion yen.

For the current financial year to March 2011, Mizuho forecast a net profit of 430 billion yen, nearly double last year's profit and well above the consensus estimate of 251.6 billion yen in a poll of 12 analysts by Thomson Reuters I/B/E/S.

Mizuho's upbeat forecast partly reflects the lack of large derivatives losses booked in the past year.

"On quarterly basis, (net profit of) 80-100 billion yen is within our sights, and we will make efforts to go one step further, and bring it to 110 billion yen level," Mizuho's Tsukamoto said.

But demand for loans from Japanese companies remains sluggish and spreads are very thin with interest rates in Japan pegged near zero. Against that backdrop, analysts say banks will struggle to deliver strong top-line growth anytime soon.

Mizuho's net interest income, a gauge of earnings from lending, fell 4.1 percent year-on-year in the latest quarter, while at SMFG it dropped 3.1 percent.

SMFG forecast net profit to rise 25 percent to 340 billion yen this year, 8 percent above the consensus but far short of the profit earned in the year ended in March 2008 before banks were slammed by the financial crisis.

"We cannot expect large growth," said SMFG President Teisuke Kitayama at a news conference, predicting a modest economic recovery marked by weak domestic demand and threatened by the end to government stimulus measures.

MIZUHO'S CHALLENGES

Mizuho said it aims to raise net profit to 500 billion yen in the year to March 2013, helped by a cut in redundant functions at its headquarters, with some 1,000 workers slated to be transferred to sales and other customer-facing positions.

Mizuho has been under pressure to raise new capital after top lender Mitsubishi UFJ Financial Group (8306.T) raised about \$15 billion and SMFG about \$20 billion in their two rounds of fundraising between December 2008 and February this year.

Mizuho raised only \$5.7 billion in the same period.

Japanese banks have been moving to raise capital ahead of expected changes to capital guidelines that will likely render the preferred securities and preferred shares they have relied on so heavily in the past as non-contributors to core capital.

Mizuho said the offering, which will be underwritten by Mizuho Securities, Nomura Securities, JPMorgan Securities and Merrill Lynch Japan, would boost its core tier 1 capital by 1.4 percentage point to 6.14 percent.

The bank defines core tier 1 as tier 1 capital excluding preferred shares and preferred securities, though estimates by industry analysts, who use a more stringent definition, are a lot lower for Mizuho.

Tsukamoto said he did not see the need for further share sales beyond this offering to meet tougher regulations, as it would aim to bolster its capital by accumulating retained earnings and reducing risk assets.

Mizuho did not disclose the timing of the share sale, but sources said it would likely take place next month.

Separately, Shinsei, which is 24 percent owned by the government, said it may raise as much as 100 billion yen in new capital and that it was replacing its president, after posting a combined \$3 billion in losses over the past two years.

Prior to the announcement, shares of Mizuho closed unchanged at 165 yen, while SMFG eased 0.1 percent to 2,875 yen.

Mizuho is virtually flat this year, while SMFG is up nearly 9 percent. Tokyo's banking sector index .IBNKS.T has gained 3 percent.

(Bloomberg) Government Debt May Rise to 250% of GDP by 2015, Double Average, IMF Says

Japan's sovereign debt may rise to 250 percent of gross domestic product by 2015 from 227.1 percent this year, according to a forecast by the International Monetary Fund.

The average of 29 developed nations may rise to 110.2 percent from 97.8 percent this year, Washington-based IMF said in a report released yesterday. It said doubling the consumption tax to 10 percent would increase Japan's government revenue by 2.6 percent.

(Bloomberg) Properst Files for Bankruptcy as Madonna Ads Fail to Lure Japan Homebuyers

Properst Co., the Japanese property developer that had Madonna promote high-rise apartment sales in central Tokyo, filed for bankruptcy protection as the credit crisis pushed condominium sales to almost two-decade lows.

Properst's liabilities totaled 55.4 billion yen (\$597 million) as credit dried up after Lehman Brothers Holdings Inc. collapsed, leading condominium prices lower and denting demand, the Tokyo-based firm said in a statement today. The company will maintain its stock listing on the Jasdac market as it undergoes the bankruptcy process, in part through capital raisings via private placement and debt equity swaps, it said.

New condominium sales in greater Tokyo last year fell to the lowest level in 17 years, commercial land prices declined to the lowest in at least 36 years, and real estate firms accounted for eight of the 10 biggest bankruptcies among listed Japanese firms in 2009. The filing marks the second by a listed real estate company this year amid a continued deterioration in Japan's property market.

"Mid-to-small sized real estate firms are still struggling to sell condominiums," said Takashi Ishizawa, an analyst at Mizuho Securities Co. in Tokyo. "I expect further consolidation, especially among smaller property firms going forward."

Properst shares slid by their daily limit of 300 yen to 980 yen at the close of trading in Tokyo. The stock was 23 percent lower than yesterday's closing price.

Madonna

Established in 1987, Properst has focused its business on property developments in the metropolitan area ranging from small-sized apartments to condominiums in high-rise buildings.

Madonna was in advertisements for the Brillia Mare Ariake luxury condominiums in Tokyo Bay that went on sale in 2007.

Commercial RE Co., a real estate management company whose largest stakeholder is Goldman Sachs Group Inc., filed for bankruptcy protection on May 6 with 15 billion yen in liabilities.

New condominium sales in the Tokyo area totaled 36,376 units in 2009, the lowest in 17 years, and compared with the peak of 95,635 units sold in 2000, according to the Real Estate Economic Research Institute.

Japanese commercial land prices declined 6.1 percent in 2009, more than the 4.7 percent drop a year earlier, the Ministry of Land, Infrastructure, Transport and Tourism said in a report released in March. Values are at their lowest since the ministry began collecting comparable data in 1974.

(Bloomberg) Toyota Judge Names Lead Attorneys to Handle Sudden-Acceleration Lawsuits

The federal judge overseeing sudden- acceleration lawsuits against Toyota Motor Corp. appointed 21 plaintiffs' lawyers to manage litigation involving U.S. claims.

Toyota, the world's largest automaker, faces at least 228 federal and 99 state lawsuits including proposed class actions over economic loss and claims of personal injuries or deaths caused by sudden-acceleration incidents. The federal lawsuits were combined April 9 in a multidistrict litigation, or MDL, before U.S. District Judge James V. Selna in Santa Ana, California.

More than 70 plaintiffs' lawyers sought appointments to leadership positions in the federal lawsuits, including about 60 who spoke at a May 13 hearing before Selna. Before the hearing, Selna proposed limiting the number of plaintiffs' attorneys on leadership committees to 12.

"The court became convinced at the initial hearing that a larger group of counsel is needed to meet the needs of the case," the judge said in yesterday's order. Selna set the next hearing in the lawsuits for May 28.

The company, based in Toyota City, Japan, has recalled more than 8 million vehicles for fixes related to sudden, unintended acceleration. The automaker announced in September that it was recalling 3.8 million Toyota and Lexus vehicles because of a defect that may cause floor mats to jam accelerator pedals. The company later recalled vehicles over defects involving the pedals themselves.

Class Actions

All the class actions and most of the individual lawsuits were filed after September, when Toyota began the first of several recalls.

Selna appointed as co-lead counsels for the economic loss plaintiffs Steve Berman at Hagens Berman Sobol Shapiro LLP in Seattle, Marc M. Seltzer at Susman Godfrey LLP in Los Angeles and Frank Pitre at Cotchett Pitre & McCarthy in Burlingame, California.

He appointed Elizabeth Cabraser at Lieff Cabraser Heimann & Bernstein LLP in San Francisco and Mark P. Robinson Jr. at Robinson Calcagnie & Robinson in Newport Beach, California, as co-leads for personal injury and death cases. Cabraser's firm has filed at least 20 lawsuits against Toyota claiming deaths or injuries caused by unintended acceleration incidents, and Robinson has won multiple million-dollar verdicts against automakers.

'Meeting Every Day'

The lawyers appointed "will be meeting every day," starting next week, to consider legal theories in the lawsuits, Berman said yesterday in an interview. "Cases are still being filed," he said.

The economic loss and personal injury committees will each have nine members, including the lead counsel. Selna also appointed three lawyers as plaintiffs' liaison counsel for state and related federal cases while naming Monica R. Kelly, of Ribbeck Law in Chicago as a consultant to the committees on foreign law issues.

Kelly asked Selna on May 13 to create a separate class of plaintiffs for people from nations including Mexico and Germany as well as countries in the Middle East. Such a class would cover as many as 4 million people, she argued in court.

Selna last month named Berman, Seltzer and Cabraser as interim lead attorneys for the first stage of the litigation. On April 30, those lawyers submitted a slate of 18 attorneys for leadership positions.

“He made some changes, particularly on the consumer side,” Berman said.

Selna added four attorneys who weren't on the slate to the economic loss committee. They include Michael Louis Kelly of Kirtland & Packard in El Segundo, California, who has filed multiple class actions, and Jerome Ringler, of Ringler Kearney Alvare in Los Angeles, who represents car rental agencies in the litigation.

The cases are combined as *In re Toyota Motor Corp. Unintended Acceleration Marketing, Sales Practices and Products Liability Litigation*, 8:10-ml-02151, U.S. District Court, Central District of California (Santa Ana).

Social front:

Detailed News;

Now the time to ban nukes: Nobel laureate

NEW YORK — Nobel Peace Prize winner Jody Williams says a window of opportunity is now open to push U.N. officials to begin work on a new comprehensive treaty to ban nuclear weapons, but the opportunity shouldn't be squandered.

"I think we are at a moment of possibility, but I think if we don't seize that moment and push governments to do more now it will be lost," she said in an interview Friday on the sidelines of the nearly monthlong Nuclear Nonproliferation Treaty review conference that opened Monday.

The U.N. conference occurs only once every five years. World leaders weigh in on the performance of the treaty, the world's primary legal and political barrier against the proliferation of nuclear weapons, and debate strategies for improvement.

"I believe with my whole heart and soul that if we do not seize that moment now, it will be lost and there probably will not be another possibility because there will be proliferation," she said.

Williams won the 1997 Nobel Peace Prize for her work on the Mine Ban Treaty, signed in December that year, and her spearheading of a global campaign to outlaw and eliminate nuclear weapons in the 1990s.

She is now part of a global grassroots movement calling for total nuclear disarmament through a legally binding and verifiable nuclear weapons convention. It would ban the production, testing, use and possession of nuclear weapons, as well as establish a time frame for elimination.

In a speech at the United Nations earlier Friday, she recalled her first visit to Hiroshima several years ago. She said that standing at ground zero, she was "overwhelmed" by the sheer number of people who died almost instantly on Aug. 6, 1945, when the bomb went off.

She also recalled being struck by a drawing of a woman running away from ground zero with her arms outstretched. Williams said she could easily imagine herself when she saw the woman's skin coming off her arms in what looked like a "human kimono." She has since held onto that experience.

"It is immoral. It is unethical. It is unconscionable to me as a U.S. citizen that my country contemplates the possibility of use (of nuclear weapons)," she told the packed room, which also included Japanese nongovernmental organizations and atomic-bomb survivors.

"If we really want to seize this moment of possibility and get rid of nuclear weapons it means starting the framework of negotiating a convention now, not in 40 years, when my president is dead," she added.

Although many have praised recent moves by President Barack Obama toward nuclear disarmament, Williams believes his administration could do more.

She was greatly disappointed with the Nuclear Posture Review that Obama released in April, which said the United States wouldn't deploy or threaten to use nuclear weapons against a country that doesn't have them and complies with the nonproliferation treaty.

Among other things she had hoped a no-first-use policy would have been instituted. As Japan is the only nation to have suffered from a nuclear attack, the Japanese people in particular have every right to oppose the destructive devices, she said.

"I think (Japanese people) should massively mobilize and march in the streets all the time," she said. "I think they should be nonviolently pressing their elected representatives to get the U.S. military out of their islands and stop relying on the bomb."

Williams also backed the important presence of hibakusha as active participants at the conference.

"They are an important component of a coordinated effort of civil society pressure on governments to bring about change," she said. "But they, by themselves, will not change the world."

Drawing from past experiences on the land mine issue, she believes the same principles could be applied to rid the world of nuclear weapons. By enlisting ordinary citizens to work together, people can press politicians to build up momentum even on a worldwide scale.

She regrets that the review conference isn't being held at Hiroshima's ground zero, where diplomats would be surrounded by atomic-bomb survivors.

Tuna auction reopens to tourists

The tuna auction at Tokyo's popular Tsukiji fish market reopened Monday to the public with new restrictions following a monthlong ban leveled after tourists obstructed business.

They're baaaack: Tourists line up to watch a tuna auction at the Tsukiji fish market in Tokyo on Monday morning after it reopened to the public following a monthlong ban. KYODO PHOTO

Shortly after tourists started entering early in the morning, the new limit of 140 was reached. Several other people were turned away. The lucky ones who got in were orderly and there were no disruptions, Tsukiji official Yoshiaki Takagi said.

"Tsukiji does not consider this a place for sightseeing," Takagi said. "Visitors should never obstruct the businesses." He said visitor numbers started growing several years ago, and their camera flashes have been blamed for disrupting the auction.

In 2008 the market, a popular attraction following writeups in guidebooks, demarcated an observation area for up to 80 people. But early last month, more than 500 visitors swarmed to the auction area in one day, interfering with operations and endangering their own safety, Takagi said.

Tsukiji officials felt compelled to temporarily close the auction to the public while they worked out the new system of limiting the daily crowd to 140, with visitors divided into two groups that are allowed to enter at different times.

On Monday the doors were opened to visitors at 4:30 a.m. and people soon lined up in front of the Fish Information Center, a reception and registration desk. No more were allowed in after 5:13 a.m., although people continued to arrive.

Ray Shaw, a 63-year-old engineer from Malaysia who wanted to see the auction with his wife and a business colleague, was one of those who missed out. "We are disappointed," he said. "We will come back." Diana Decicco, a 26-year-old restaurant worker from New York, said she was satisfied that she was finally able to visit Tsukiji.

"I've been reading about this market for years," Decicco said. "I really really wanted to see it. There is nothing in the world like it."

More private high schools now free

Thirty-seven prefectures have made private high school education effectively free, matching the national program to waive tuition for public school students, according to an education ministry study.

The move reflects concerns among private high school officials that the tuition waiver program, under which students at private schools are provided financial aid according to household income, has left too large a gap compared with the deal students at public schools are getting.

Education ministry officials say local governments running their own programs have apparently transferred surplus funds from the tuition waiver program to supporting students attending private high schools.

(Bloomberg) Japan Buys 142,000 Tons of Milling Wheat, Least Volume in Eight Weeks

Japan, Asia’s biggest wheat buyer, bought 142,000 metric tons of milling wheat for July shipment at a regular tender today, the Ministry of Agriculture, Forestry and Fisheries said.

It was the smallest purchase since March 18, when the government bought 136,000 tons, according to the ministry.

Japan has bought 613,000 tons of milling wheat this fiscal year. In the year ended March 31, the ministry bought 4.26 million tons of the grain through regular tenders.

Details of this week’s tender are listed below:

=====	Wheat Exporter Grade Metric
Tons =====	U.S. Western White
28,000	
Hard Red Winter 16,000	
Dark Northern Spring 36,000	Canada Western Red Spring 41,000
21,000 =====	Australia Standard White

(Bloomberg) Miyazaki Plans to Slaughter 80,000 Pigs, Cows on Foot-and-Mouth Outbreak

Japan plans to slaughter more than 80,000 livestock in the southern prefecture of Miyazaki as it seeks to contain an outbreak of foot-and-mouth disease.

A total of 73,653 pigs and 6,604 cows have been marked for destruction at 86 farms, the Miyazaki local government said in a statement yesterday.

Japan's Farm Minister Hirotaka Akamatsu said the government plans to compensate farmers, the Nikkei newspaper reported

From cats to Shinto prayers, Tokyo matchmaking services grow more diverse

Matchmaking services in Tokyo now come in a variety of forms — even one aimed at bringing together cat lovers. The Nyafe Melange "cat cafe" in Ebisu, where cuddly felines are on hand to be petted, is hosting lessons for singles on photographing their favorite animal.

"There are many people who are getting bored of the ordinary style of matchmaking events, in which men go around the seats to talk to women," says Kazumi Nokajima, who organizes the event for cat lovers.

"Here, I get to play with cats and also meet people," a woman in her 30s said, adding she and her future partner will have a cat. Meanwhile, Imado Shrine in the Asakusa district, famous as a place to pray for finding a spouse, has been offering a matchmaking and prayer ritual package since fall 2008. The shrine gathers 20 to 30 singles in their 20s to 40s per event and conducts a Shinto prayer service to wish them success in meeting partners before the introductory session.

More than 3,000 singles have registered for the event. The shrine says it has so far succeeded in matching around 10 couples. Traditional matchmaking agencies are also diversifying their services. In January, IBJ Inc. partnered with Senior Communication Co., a consultant specializing in the seniors' market, to launch a service to bring together parents in search of partners for their children — without their children's participation.

(Bloomberg) Crimes by Elderly Japanese Triple Amid Isolation, Anxiety About Finances

The number of elderly Japanese arrested for crimes tripled in the decade to 2008 as the aging population struggled to cope with isolation and a stagnating economy, a government report showed. The number of arrests among people aged 65 or older tripled to 48,786 in 2008 from 1999, the Cabinet Office said in a white paper released today. About one-third of those arrested were repeat offenders.

The report highlights problems arising from demographic changes in Japan, where one in five people are over 65 and women are having fewer babies. Record social welfare costs and a swelling public debt, the world's largest, have prompted concern among aging citizens that Prime Minister Yukio Hatoyama may cut pension benefits, said economist Toshihiro Nagahama.

"There is no doubt that being alone heightens concern for elderly people, and along with the weak economy, that leads to more crime," said Nagahama, chief economist at Dai-ichi Life Research Institute in Tokyo. "They can't work as much as they want, and they must worry about the public pension system as the government faces a huge debt burden." More than half of Japan's elderly households rely on pensions, the report said, citing Labor Ministry figures. Theft

accounted for 68 percent of crimes committed by older people in 2008, according to the National Police Agency. Violent offences made up 7 percent and fraud amounted to 1.8 percent.

Sharpest Contraction The world's second-largest economy has stagnated since an asset-price bubble burst 20 years ago. Gross domestic product shrank 5.2 percent last year, the sharpest contraction in the postwar era. Loneliness contributed to the increase in offences as it heightened people's anxiety about their health and finances, said Takehiko Kojima, a Cabinet Office analyst who compiled the report.

"Economic factors were a major contributor for the rise in crime but we also found that isolation could cause rich seniors to commit crimes," he said. "It's not that simple."

About 60 percent of the repeat criminals were people who lived alone, the paper said. In Japan, about 20 percent of elderly women and 10 percent of men in the same age group now live by themselves, it said. The number of elderly people rose to a record 29 million in 2008, accounting for 23 percent of the population.

Report: '30 to see 18% of elderly men living alone

The proportion of Japan's elderly male population living alone is expected to surge within the next 20 years, according to a government white paper released Friday.

The report also said the number of people aged 65 or older hit an all-time high of 29.01 million as of last Oct. 1, accounting for 22.7 percent of the total population, up 0.6 percentage point from a year before. Among men aged 65 or older, the percentage of those living alone is projected to jump to 17.8 percent in 2030 from 11.0 percent in 2010, according to the government's 2010 report on the aging society.

As for elderly women, the percentage of those living alone is expected to edge up to 20.9 percent from 19.4 percent during the same period, the white paper said. Among factors listed as behind the trend are a rise in single-person households and childless households, declining marriage rates and rising divorces. Single-household elderly tend to become isolated from society and as a result some may go unnoticed even after death while others may end up committing crimes, the paper said. The report also warned that isolation from society makes these people vulnerable to commercial fraud targeting the elderly, resulting in a sharp increase in such crimes.

Given these potential problems, each community should provide support for the elderly to increase their interaction with others, the report said. Another survey showed a marked 24.4 percent of men aged 60 or older polled having nobody to whom they could turn when they are in trouble. The rate was much higher than among women in the same age category, of which only 9.3 percent had nobody to rely on.