

**Globalized Business and politics: A View from Muslim world**

**Weekly report on South Korea & Japan**

**Report # 125 & 126**

20<sup>th</sup> MAY 2010 to 3<sup>RD</sup> JULY 2010

Presentation Date: 8<sup>TH</sup> JUNE 2010

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# Summary of Report

## South Korea

### Politico-Strategic Front:

**Korea-New Zealand summit due July 5** New Zealand Prime Minister John Key will visit Korea from July 4 to 7 for a summit with President Lee Myung-bak and meetings with the country's economic and political leaders, Cheong Wa Dae announced Thursday.

**Signs of missile test detected in North Korea** North Korea has declared a nine-day ban on shipping off its west coast, raising concerns on the possibility of the communist regime's testing missiles, a defense ministry official said Friday.

**S. Korea, Japan agree efforts for future-oriented ties** South Korean and Japanese leaders agreed Saturday to work toward "future-oriented" bilateral relations and to continue close cooperation in dealing with North Korea. Lee and Kan are in Toronto to attend a two-day summit of the Group of 20 economies to end on Sunday.

**North Korea Limits Shipping, Prompting South to Warn Against Provocation** North Korea declared a sailing ban in an area off its western coast, prompting South Korea to be on watch for possible military moves by the communist nation, a South Korean military official said.

**U.S, South Korea Postpone Wartime Control Transfer to 2015 Amid Tensions** South Korea agreed with the U.S. to delay a planned handover of "wartime control" in the event of a military conflict to Dec. 1, 2015, from April 2012 amid heightened tensions with North Korea. South Korea's presidential office announced on its website today that the agreement was reached at a meeting between South Korean President Lee Myung Bak and U.S. President Barack Obama in Toronto, Canada, on the sidelines of the summit of Group of 20 nations.

**NK ruling party to elect new leaders in Sept.** North Korea said Saturday that delegates of its ruling Workers' Party will hold a rare meeting in September to elect new leaders, a move experts say that will set the stage for ailing leader Kim Jong-il to transfer power to his youngest son.

**China voices concern over Korea-US naval drill** China is concerned about a planned South Korea-U.S. naval exercise on the West Sea as it may pose a threat to Beijing's defense, a Chinese newspaper reported in Hong Kong Monday.

**Obama criticizes China for 'willful blindness' to NK provocation** U.S. President Barack Obama criticized China, Sunday (local time), for turning a blind eye to North Korea's belligerent behavior, saying Beijing should recognize Pyongyang's torpedo attack on the South Korean Navy ship Cheonan in March.

**South Korea to represent voices of emerging countries at Seoul summit** President Lee Myung-bak said Sunday (local time) that Korea will help countries reach an agreement on establishing a global financial safety net at the next Group of 20 Summit, slated for November in Seoul, to prevent the recurrence of a global financial crisis.

**North Korea's Kim Preparing for Son's Succession, CIA Chief Panetta Says** North Korea's leader Kim Jong Il is laying the groundwork to hand over power to his son Kim Jong Un, and the North's alleged attack in March on a South Korean warship may be part of that process, Central Intelligence Agency Director Leon Panetta said on today's ABC's "This Week."

**N. Korea urges UN council to back new Cheonan probe** North Korea has asked the U.N. Security Council to support its call for a new investigation into the sinking of a South Korean warship in March that Seoul has blamed on Pyongyang. It was dated June 29 and obtained by Reuters on Wednesday.

**48 civil servants face discipline for election campaign** The central government has ordered provincial governments to discipline 48 public servants for engaging in illegal campaign activities for the June 2 local elections, officials said Wednesday.

**Lee calls for safety steps for Koreans in C. America** President Lee Myung-bak held a series of bilateral talks with the leaders of five South American countries, Tuesday (local time), on the sidelines of a summit between Korea and the Central American Integration System (SICA), an eight-member economic bloc.

**Ministry offers 7% rise in 2011 defense budget** The Ministry of National Defense has called for a 6.9 percent increase in defense spending next year, citing the need for bolstering its defense posture against North Korean provocation, ministry officials said Wednesday. The ministry submitted the spending plan scaled at 31.6 trillion won (\$25.9 billion) to the Ministry of Strategy and Finance.

**Korean workers in Afghanistan under rocket attack, but no casualties** Korean civilian reconstruction workers in Afghanistan came under rocket attack Wednesday but no casualties were reported, the foreign ministry said Thursday. Two rockets were fired, and they were found outside the base of Korea's provincial reconstruction team (PRT) in Charikar, the capital of the northern Afghan province of Parwan, ministry spokesman Kim Young-sun told reporters.

**Prime minister will "take full responsibility" over Sejong City** Prime Minister Chung Un-chan said Wednesday he will assume full responsibility for the government's failure to have its revised bill on the Sejong City project pass the National Assembly, but did not specify whether he would resign.

**South Korea Rejects North's Request for Joint Probe of Warship's Sinking** South Korea rejected North Korea's request for a joint investigation into the sinking of a South Korean warship blamed on the communist regime as the United Nations Security Council considers punitive action.

**Launch of 1st weather satellite rescheduled** A second launch attempt of the nation's first weather satellite is expected to take place early today, following yesterday's delay due to mechanical glitches, the state weather and aerospace agencies said Thursday.

## **Economic Front:**

**South Korea to Further Tighten Currency Derivatives Caps for Foreign Banks** South Korea plans to further tighten a limit on foreign banks' usage of currency derivatives, having this month announced restrictions to curb volatility in capital flows and the won that will take effect from July.

**Korea Keeps Emerging Market Status as MSCI Skips Upgrade for Second Year** South Korea was kept as an emerging market at MSCI Inc. as the index provider skipped the nation for an upgrade for a second year. Taiwan, also under a similar review, also retained its status as a developing market.

**Posco Raises Steel Prices by Up to 5.9% as Costs Gain** Posco, South Korea's biggest steelmaker, raised domestic prices by as much as 5.9 percent for the third quarter as raw material costs gained. Posco raised the price of hot-rolled coil by 5.9 percent to 900,000 won (\$759) a metric ton for the three months ended Sept. 30 and for cold-rolled coil by 5.7 percent to 1.02 million won, the Pohang-based company said today in an e-mailed statement.

**Hyundai Heavy, South Korea Shipyards Rise as Yuan to Hit China Competitors** Hyundai Heavy Industries Co., the world's largest shipbuilder, led advances among shipyards in Seoul trading on expectations that a stronger yuan will help improve their price competitiveness against rivals in China.

**Korea Sells 333 Billion Won of Inflation-Linked Bonds** South Korea sold 333 billion won (\$281 million) worth of inflation-linked bonds maturing in 2020, the Ministry of Strategy and Finance said today, completing its first issue since 2008.

**Samsung Aims to Double its Smartphone Market Share** Samsung Electronics Co., the world's second-largest mobile-phone maker, aims to more than double its share of the smartphone market, helped by the introduction of its Galaxy S model. Samsung intends to raise its market share for smartphones to more than 10 percent in the fourth quarter from its current level of less than 5 percent, Lee Donjoo, senior vice president of company's Mobile Communications Division, said in an interview in Seoul yesterday.



**Corn Demand by South Korea to Climb 5% on Meat Consumption, Nonghyup Says** Feed-corn demand in South Korea, the world's third-biggest corn buyer, may advance 5 percent this year as the recovering economy boosts meat consumption, spurring demand for livestock feed, Nonghyup Feed Inc. said

**Saudi to award Yanbu refinery deals soon-sources** State oil giant Saudi Aramco plans to award deals to build a 400,000 barrels per day (bpd) oil refinery in Yanbu in the coming few days, industry sources said on Wednesday. Yanbu accounts for just under a quarter of Saudi plans to add around 1.7 million bpd of refining capacity to the current 2.1 million bpd.

**Kuwait Oil Tanker to Sign \$142 Million Contract With Daewoo Shipbuilding** Kuwait Oil Tanker Co. will sign a \$142 million contract with South Korea's Daewoo Shipbuilding & Marine Engineering Co. Ltd. for two vessels for oil products, KUNA reported, citing KOTC Chairman Nabil Bouresli. The tankers, to be handed over in 2012, will each have a capacity of 110,000 tons, Bouresli said, according to the state news agency. The construction of the tankers is part of a plan by the unit of state-owned Kuwait Petroleum Corp to modernize its fleet and operate 33 tankers, Bouresli said. Kuwait Oil Tanker signed a \$708 million contract with Daewoo in August 2008 for four very large crude carriers.

**'Jeju to become international business hub'** Jeju Island has a geographical advantage and other competitive merits over its rival cities in Northeast Asia in becoming a free international business hub, according to the head of the state-run firm in charge of developing Korea's southern resort island.

**Korea, Mexico agree to restart FTA talks** — President Lee Myung-bak and his Mexican counterpart Felipe Calderon agreed Thursday (local time) to work together for an early resumption of talks on signing a free trade agreement (FTA) between Korea and Mexico. The talks started in 2007 but have been suspended since June 2008 due to Mexico's concerns about a possible trade imbalance.

**Korea seeks FTAs with C. American nations** South Korea is seeking to boost its partnership with Panama, a small Central American country that has strong ties with the United States, politically and economically, and explore the possibility of signing free trade agreements with regional players with the nation's help.

**Doosan Heavy Wins \$3.9 Billion Order to Provide Nuclear Reactor for U.A.E** Doosan Heavy Industries & Construction Co., South Korea's biggest power-equipment maker, signed a record \$3.9 billion contract to provide nuclear reactors in the United Arab Emirates, the company said in a statement. Shares rose to their highest in two months.

**Obama's South Korea Trade Agreement Push Collides With Ford, Auto Union** When heads of state gather, leaders sometimes cut through their own bureaucracies and get something done.

U.S. President Barack Obama and South Korean President Lee Myung Bak did just that on June 26 when they announced at the Group of 20 summit in Toronto that they intended to revive a trade agreement signed in 2007 and never approved by either country's legislature.

**South Korea Exports Rise an Eighth Month, Adding Pressure for Higher Rates** South Korea's exports increased for an eighth month in June as the global economic rebound spurred demand for Hyundai Motor Co. cars and Samsung Electronics Co. semiconductors. Overseas shipments increased 32.4 percent from a year earlier, the Ministry of Knowledge Economy said in Gwacheon today. That compared with the median estimate for a 25 percent gain in a Bloomberg News survey of 13 economists. Imports climbed 36.9 percent, leaving a trade surplus of \$7.5 billion.

**Hyundai Leads Toyota, Honda U.S. Sales Gains Amid Cooling Vehicle Demand** Hyundai Motor Co. led Asia-based automakers' U.S. sales gains in June as waning consumer confidence cooled demand for new cars and trucks. Sales at Hyundai, South Korea's largest automaker, jumped 35 percent from a year earlier and set a record for the month, the company's U.S. unit said yesterday. Other increases included 6.8 percent for Toyota Motor Corp., the world's biggest automaker, 6.2 percent for Honda Motor Co. and 11 percent for Nissan Motor Co.

**Korea National Said to Approach Dana About Possible Offer to Buy Company** Korea National Oil Corp., a state explorer that aims to more than double output by 2012, contacted Dana Petroleum Plc. about a possible bid for the Scottish company, said a KNOC official with knowledge of the discussions.

**Steel Authority, ArcelorMittal, Posco in Talks to Build Two Indian Plants** Steel Authority of India Ltd. is in talks with Posco and ArcelorMittal to build two plants in eastern India after land acquisition delays stymied individual proposals from the global steelmakers.

## Social Front

**South Koreans Share Despair of North's 7-0 Defeat to Portugal at World Cup** Hundreds of South Koreans groaned and sighed as they watched North Korea's 7-0 defeat by Portugal that eliminated the communist country from its first World Cup appearance in 44 years.

**South Korea, Argentina Move to World Cup Round of 16 With Mexico, Uruguay** Argentina beat Greece 2-0 to advance to the round of 16 at the World Cup in South Africa. South Korea also progressed with a 2-2 tie against Nigeria. Argentina finished atop Group B with nine points and South Korea was second with four points. The top two in each of the eight groups qualify for the next round.

**South Korea May Pass Law in 2010 to Create Emissions Trading, Analyst Says** South Korea may pass a law this year to create an emissions-trading market, and set targets on energy use and

greenhouse gas release for industries, C.J. Park, a consultant to the International Emissions Trading Association, said at a conference in Singapore today.

**Outbound travelers to hit record in summer** A record number of travelers are expected to fly overseas during the upcoming summer vacation season as more individuals can afford to spend extra cash abroad on the improving economy and the strengthening of the Korean won against the dollar and other foreign currencies. Most travel industry watchers expect this year's figure to easily exceed the previous record set in 2007.

**Shortage of nurses aggravating** Song, a nurse of seven years, recently succeeded in moving to a ward that guarantees her work shift to remain fixed from 9 a.m. to 6 p.m. at the general hospital where she is employed. She confessed that she was on the verge of changing her job because of her irregular and excessive work schedule. Besides the enormous stress of having to take care of patients, — from minor injuries to life-or-death cases — she said the largest cause of stress is the chronic shortage of manpower.

**Specialized high schools face evaluation** Specialized high schools, such as foreign language and science high schools, will have their licenses revoked if they receive poor evaluations. The government will set up special committees to supervise and appraise specialized schools in each city and province every five years, as part of restructuring education.

**'40% of youngsters would flee from war'** About four out of every 10 youngsters here said they would seek refuge further south from the border if a second Korean war broke out, a survey showed Wednesday. Only 15.5 percent said they would join the army to fight. The Korea Institute for Defense Analyses asked a total of 1,000 males and females aged between 15 and 60 last month what their reaction toward a possible war on the Korean peninsula would be, and detected sharp distinctions between different age brackets. The younger generation, aged 15 to 29, mostly said they were willing to support the army but would not participate in the war.

**UN body hails Korea's 'green' growth initiative** An official at the United Nations Framework Convention on Climate Change (UNFCCC), a body behind the annual U.N. climate change conference, hailed the Korean government for increasing efforts to establish the Global Green Growth Institute (GGGI).

**90% of gastric cancer patients found curable** Nearly nine out of every 10 gastric cancer patients diagnosed last year were detected early and thus curable or treatable, Asan Medical Center said Monday.

**'New community movement to power green growth'** Korea must adopt a "Green Growth" policy as a second "Saemaeul Undong," or new community movement, to tackle various global challenges caused by the environment, Lee Maan-ee, minister of the environment, said Wednesday.

**Hana Financial, Samsung Give Koreans Second Reason to Cheer for World Cup** Buyers of Samsung Electronics Co.'s 3-D televisions and savers at Hana Financial Group Inc. have become winners in South Korea as the nation's soccer team advances to the second round of the World Cup in South Africa. Insurance companies may be the losers.

**S. Korea to Spend \$1.7 Billion to Develop Alternative Energy, Daily Says** South Korea plans to spend 2 trilli on won (\$1.7 billion) by 2015 to help develop parts and equipment for alternative energy industries such as solar and wind power generation and fuel cells, the Seoul Economic Daily reported, citing unidentified officials in the government and related industries.

**South Korean star Park Yong Ha found dead in his home** South Korean entertainer Park Yong Ha, one of the most sought after actors in South Korea and a popular singer in Japan, was found dead in his home in Seoul on Wednesday in an apparent suicide, local media reported. Park's body was found by his mother with an electrical cord around his neck but there was no suicide note, The Korea Herald quoted police as reporting.

**Seoul's top educator rejects competition-oriented policy** Kwak No-hyun, the first-ever liberal education superintendent elected in Seoul, took office Thursday, pledging to overhaul educational polices designed to boost "limitless" competition. During an inauguration ceremony, Kwak said he will expand measures to give free education from kindergarten to high school and provide students with free meals.

**South Korean Bus Plunges From Incheon Bridge Near Airport, Kills 12 People** A South Korean bus plunged off a bridge connecting with the Incheon international airport, killing 12 people on board, according to a police official who declined to be identified citing policy.

**Samsung builds 100th school in China** Samsung Electronics Co. said Sunday it has built its 100th elementary school in China under a project which began in 2005 to help those in underprivileged areas of the country. Last week, the South Korean electronics giant completed the rebuilding of a 36-year-old elementary school in Nanchong, a city in the southwestern province of Sichuan, Yonhap News reported quoting company officials as saying in Hong Kong.

## Japan

### Political Front:

**Nuclear cooperation talks with India eyed** Discussions are under way in the government on whether to start negotiations with India over an agreement to cooperate on civilian nuclear power, officials said Monday.

**Kan to leave Thursday for G8, G20 summits** Prime Minister Naoto Kan will leave Thursday for Canada to attend the Group of Eight and Group of 20 summits, the government said. Kan is

scheduled to return home Monday after talks with his counterparts from major advanced and emerging economies, Chief Cabinet Secretary Yoshito Sengoku said Tuesday.

**Kan apologizes for U.S. base burden** Prime Minister Naoto Kan said Wednesday the government will seek to ease the burden on Okinawa of hosting U.S. military bases, but suggested he will at the same time take care not to harm the Japan-U.S. relationship.

**U.S. thanks Okinawa** Lawmakers submitted a resolution Tuesday to the U.S. House of Representatives to express gratitude to the Japanese people, especially to the people of Okinawa, for hosting the U.S. military.

**Poll race on; Kan tax hike bid faces test** As campaigning officially kicked off Thursday, the ruling Democratic Party of Japan hopes new Prime Minister Naoto Kan's popularity can spell success in the July 11 Upper House election and his goal of fiscal reconstruction, which entails a future sales tax hike, will not invite a voter backlash.

**Upper House race tightens for ruling DPJ Small parties face uphill battle: poll** The ruling coalition is walking a fine line as to whether it can secure the 56 seats needed for it to retain a majority in July's House of Councilors election, a survey showed Saturday. But the situation may change in the course of the 17-day official campaigning that began Thursday. About half the respondents to a telephone poll of about 30,000 eligible voters from Thursday to Saturday across Japan said they were still undecided about who they will back in the July 11 vote. As well as the telephone poll, research was also carried out in constituencies.

**40-year-old reactor set to continue** Kansai Electric Power Co. has decided to extend operation of the 40-year-old No. 1 reactor at the Mihama nuclear power plant in Fukui Prefecture for another 10 years, which will make it the longest operating domestic nuclear reactor, informed sources said Saturday. The government will formally approve the plan as early as this week, they said.

**Coalition revamp possible, Kan says** Prime Minister Naoto Kan suggested Saturday his Democratic Party of Japan may seek a new coalition framework if the ruling bloc fails to maintain its majority in the upcoming Upper House election.

**Japan hopes to halt slide in British JET numbers** Japanese diplomats say they are working hard to stop the decline in the number of British participants in the Japan Exchange and Teaching Program. They recognize the concerns of the U.K.-Japan 21st Century Group, which recently highlighted the drop in the number of British JET participants since 2001, both in absolute terms and as a percentage of the overall total.

**Kan refuses debate with eight rivals** Prime Minister Naoto Kan said Friday he is opposed to attending a debate show with leaders of eight other political parties ahead of the July 11 House of Councilors election, saying he could be "crucified" by his rivals.

**Japanese 'critical' in U.S. language scheme** Thirty students from the U.S. traveled to Kyoto last month under a new U.S. government initiative to boost the country's number of Japanese speakers, to make the country more competitive globally. The student trip was sponsored by the U.S. State Department as part of its Critical Language Scholarship Program, known as CLS, a government initiative aimed at improving the foreign language skills of U.S. citizens.

**Public screenings of 'The Cove' begin** Six movie theaters on Saturday started screening the Oscar-winning U.S. documentary "The Cove," about a controversial dolphin hunt in Taiji, Wakayama Prefecture, despite protests that caused earlier screenings to be canceled.

**Marines' move to Guam to cost more** U.S. Defense Secretary Robert Gates has asked Tokyo to shoulder additional costs to transfer about 8,000 U.S. Marines from Okinawa to Guam, diplomatic sources from the two countries said Saturday. The increased amount is estimated to be at least tens of billions of yen, with the U.S. side claiming that expenses to develop infrastructure, such as facilities for electricity as well as water and sewerage, will cost more than expected, according to the sources.

## **Economic Front:**

**Shirakawa, Kan huddle ahead of G20 meet** Prime Minister Naoto Kan and Bank of Japan Gov. Masaaki Shirakawa exchanged opinions Monday on global economic and financial conditions ahead of the Group of 20 summit this week in Canada.

**Kan faces key tests: Fitch** Election, debt fight pose major challenges in next two months Prime Minister Naoto Kan's debt-fighting credentials will be tested over the next two months as he issues a fiscal strategy and his party deals with the Upper House election, Fitch Ratings said.

**NTT communication giant, answerable to state, politics** Nippon Telegraph and Telephone Corp., the nation's biggest phone company, holds a unique place in corporate Japan. Although relatively unknown internationally, the carrier has topped all of Japan's more recognizable global companies in profit for the past two years despite having to compete in a cutthroat telecommunications market.

**Toyota apologizes to shareholders** Toyota Motor Corp. President Akio Toyoda bowed deeply and apologized to shareholders Thursday for the troubles caused by massive global recalls of the company's cars. Toyota was facing shareholders for the first time since the automaker's reputation for quality was damaged by the quality crisis that started last October.

**Budget screening well-liked: poll** The budget screening initiated by the Democratic Party of Japan is well thought of by those who voted for the ruling party in last year's general election, a survey showed Saturday. The nationwide survey, which covered 100 voters who supported the DPJ in last year's general election, also showed half of the respondents do not favor the introduction of child allowances and toll-free expressways.

**Usiminas Agrees to Sell Stake in Mining Unit to Sumitomo for \$1.93 Billion** Usinas Siderurgicas de Minas Gerais SA, Brazil's second-largest steelmaker, agreed to sell a stake in its mining and railroad businesses to Sumitomo Corp. for \$1.93 billion before a possible share offering in the unit.

**Japanese Stocks Fall to Seven-Month Low as U.S. Consumer Confidence Drops** Japanese stocks plunged, extending a global rout and sending benchmark indexes to their lowest levels in seven months, as a slump in U.S. consumer confidence fueled concern about the prospects for a global economic recovery.

**Moody Investors Says Japan's Fiscal Strategy Supports Aa2 Sovereign Rating** Japan's plan to restore fiscal health supports the stable outlook on the country's Aa2 credit rating, though the government will need to provide more details on how to achieve its goals, Moody's Investors Service said.

**Sharp May More Than Double Solar-Cell Production Capacity by March 2013** Sharp Corp. may more than double its production capacity of solar cells, by March 2013, Tetsuo Onishi, head of the company's solar system unit, said at a conference in Yokohama, near Tokyo today.

**Toyota to Recall Lexus Models in U.S., Japan for Engine Flaws** Toyota Motor Corp. plans to recall Lexus models in the U.S. as well as Japan after saying engines in as many as 270,000 vehicles worldwide may have defective valve components that can lead to stalling

**JAL Requests Extra \$1.03 Billion From Government, Banks, Nikkei Reports** Japan Airlines Corp. has asked a government-run turnaround group and creditor banks for another 90 billion yen (\$1.03 billion) in financial aid, Nikkei English News reported, without saying where it got the information.

**Toyota's Lexus Recall to Fix Engine Flaw May Cost \$228 Million, Asahi Says** Toyota Motor Corp.'s planned recall of as many as 270,000 Lexus cars may cost the automaker 20 billion yen (\$228 million), the Asahi newspaper said, citing the company. Toyota said yesterday that the vehicles may have a problem that causes engines to stall.

**Subsidies boost domestic sales at Toyota, Honda** Toyota Motor Corp. and Honda Motor Co., Japan's two biggest carmakers, led the 11th straight monthly increase in domestic auto sales as government incentives boosted demand. June's sales rose 19 percent at Honda to 44,377 units,

while Nissan Motor Co., the nation's third-largest automaker, sold 43,313 vehicles, up 12 percent. Electric, hybrid, natural-gas and some diesel vehicles also qualify for an exemption from weight and purchase taxes.

**Lexus recall may go as high as 270,000 vehicles** Toyota Motor Corp. will recall Lexus luxury cars in Japan after saying engines in as many as 270,000 vehicles worldwide may have defective valve components that can cause problems, including stalling.

**JAL wins ¥43 million HQ rent cut** Japan Airlines Corp. negotiated a reduction in rent for its headquarters in Tokyo as it works to slash costs and return to profit under state-backed bankruptcy procedures.

**Only Okinawa keeping the flame of unloved, unused ¥2,000 bills** Ten years after making its debut to commemorate the Group of Eight summit in Okinawa, the ¥2,000 bill is now an endangered species, virtually absent from daily transactions.

## Social Front

**43% viewed Japan-Holland game** Japan's World Cup campaign continued to draw high viewer interest as the average rating for Saturday's World Cup match against the Netherlands reached 43 percent.

**Number of Chinese tourists jumps 36%** Around 600,000 Chinese tourists visited Japan in the January-May period, up 36 percent from a year earlier, the Japan National Tourism Organization said in a preliminary report Friday.

**Most taxis in Osaka Prefecture will ban smoking starting July 1** Smoking will not be permitted in more than 90 percent of taxis in Osaka Prefecture starting July 1, the transport ministry's Kinki Transport Bureau and Osaka Taxi Association have announced. Taxis belonging to the association as well as individually owned taxis, together amounting to more than 20,000, will participate in the ban. According to the association, Osaka will be the 40th prefecture to introduce a smoking ban in cabs.

**Japan group wins U.S. gospel fest** A group of U.S.-based Japanese singers has won a prestigious gospel competition, the first Japanese to win the event, the group's representative said Tuesday. The Harlem Japanese Gospel Choir won the choir division of McDonald's Gospelfest at the Prudential Center in New Jersey on Saturday, Kimiko Matsuo said.

**Kan, officials jubilant over soccer success** Top officials were jubilant Friday about Japan's overnight triumph over Denmark at the soccer World Cup, with Prime Minister Naoto Kan offering congratulations to the Blue Samurai from his Toronto-bound government jet.



**Foot-and-mouth being contained** Chief Cabinet Secretary Yoshito Sengoku said Friday the outbreak of foot-and-mouth disease in Miyazaki Prefecture is gradually being contained.

**Yakuza ties revealed in sumo scandal** A former sumo wrestler held for allegedly extorting around ¥3.5 million in hush money from ozeki Kotomitsuki over illegal gambling told police he belonged to a crime syndicate in Kyushu after retiring from the sport, investigative sources said Saturday. Mitsutomo Furuichi, 38, was quoted as telling investigators that he was "a member of a mob group in Kyushu for four to five years after retiring from sumo."

**Victory over Denmark gives Japan inspiration** On a night when a positive result was more important than a positive performance, Japan emphatically delivered both. Thursday's 3-1 win over Denmark not only sent Takeshi Okada's side into the second round of the World Cup, it also gave the nation arguably the greatest night in its soccer history.

**Japan May Lift Domestic Livestock-Shipment Ban Over Foot-and-Mouth in July** Japan may lift a ban in July on domestic beef and pork shipments imposed two months ago after an outbreak of foot-and-mouth, as no cases have been found since the government completed culling infected animals last week.

**Sony offers software fix to save melting VAIO computers** Sony Corp. said Wednesday it has started providing free software updates to more than half a million users worldwide to fix a glitch that could cause overheating in its popular VAIO laptops.

**Miyazaki eases foot-and-mouth restrictions** Miyazaki Prefecture on Thursday partially rescinded restrictions on travel and public gatherings put in place to prevent the spread of foot-and-mouth disease. The decision came a day after the last of more than 276,000 cows and pigs were vaccinated and slaughtered to contain the outbreak and 72 days after the first case was officially confirmed.

**Tokyo Disneyland reopens Jackson 3-D attraction** Tokyo Disneyland on Thursday reopened a 3-D movie featuring the late entertainment icon Michael Jackson for the first time in about 14 years.

**For senior years, urban life is preferable: poll** Nearly three-quarters of the people would prefer to live in urban areas offering easy access to entertainment and medical facilities when they get old instead of rural areas with a more natural environment, a recent government survey found. The survey, conducted in January and February, targeted 1,199 men and women aged 20 and older. Of the total, 994 gave valid answers.

**China's Expected Tourism Boom May Prove Damp Squib in Japan, Asahi Says** Japan's plan to ease visa restrictions on tourists from China may not have the desired effect of pump-

priming the economy by boosting consumer spending, the Asahi Shimbun newspaper reported today.

**Japan men defend gymnastics title** Japan claimed its second consecutive title in the men's gymnastics team event at the 2010 Japan Cup on Saturday. Beijing Olympic champion China is not competing in the two-day meet.

## **South Korea**

### **Detailed News:**

### **Political Front:**

#### **Korea-New Zealand summit due July 5**

New Zealand Prime Minister John Key will visit Korea from July 4 to 7 for a summit with President Lee Myung-bak and meetings with the country's economic and political leaders, Cheong Wa Dae announced Thursday.

During the summit scheduled for July 5, President Lee and Prime Minister Key will discuss ways to reinforce their economic partnership and promote people-to-people exchanges between the two countries.

High on the agenda is expected to be bilateral talks on signing a free trade agreement (FTA).

Seoul and Wellington have held rounds of working-level negotiations since June of last year to iron out differences on tariffs on electronics and automobiles and discuss trade of agricultural products.

The two leaders will also exchange opinions on regional security risks, climate change and the global economic situation, the presidential office said.

"Prime Minister Key's visit to Seoul will be a good opportunity for the two countries to reaffirm their alliance as Korea marks the 60th anniversary of the outbreak of the 1950-53 Korean War," the office said in a press release. "Their cooperative relations will also develop further in various economic and cultural sectors."

During the trip, the prime minister will visit the War Memorial in Seoul and attend a business forum aimed at strengthening economic ties.

This will be a reciprocal visit for Key. In March last year, Lee visited New Zealand and agreed with Key to begin FTA negotiations.

## **Signs of missile test detected in North Korea**

North Korea has declared a nine-day ban on shipping off its west coast, raising concerns on the possibility of the communist regime's testing missiles, a defense ministry official said Friday.

He said the no-sail zone was designated between June 19 and 27 in waters near the western port city of Nampo, north of the disputed inter-Korean maritime border.

"We are closely monitoring North Korea's military activities," the official said requesting anonymity.

The move came as Pyongyang ratchets up tension on the Korean Peninsula by threatening to retaliate against Seoul's bid to condemn the North at the U.N. Security Council (UNSC) for the torpedoing of a South Korean warship in late March.

The Ministry of National Defense said it is unclear whether the no-entry zone was designated to carry out a regular artillery exercise, but the ministry is closely monitoring whether the North is preparing for the launch of short-range missiles.

The North declared a 10-day ban on sailing prior to firing five short-range missiles off its east coast on Oct. 12 last year.

Ballistic-missile technology is known as one of the main export items of the cash-strapped communist country. It reportedly sold \$60 million worth of Scud missiles and missile components to Iraq, Iran, Syria, and Yemen in 2002.

Following the sinking of the 1,200 ton-frigate Cheonan, which took the lives of 46 sailors, the South is mulling over fielding Patriot missile batteries on land to intercept ballistic missiles from its neighboring North.

Seoul has also banned North Korean commercial ships from entering South Korean waters and halted nearly all trade after a multinational investigation team concluded that Pyongyang orchestrated the naval incident last month.

The South is also seeking the international community to censure Pyongyang through the UNSC for its provocative act.

The two Koreas remain technically at war, as the 1950-53 Korean War ended in an armistice, not a peace treaty.

## **S. Korea, Japan agree efforts for future-oriented ties**

South Korean and Japanese leaders agreed Saturday to work toward "future-oriented" bilateral relations and to continue close cooperation in dealing with North Korea.

In their first-ever summit, President Lee Myung-bak and his new Japanese counterpart Naoto Kan "consulted on issues of mutual concern including the relations of the two nations, the North Korea issue, and international cooperation," Lee's office, Cheong Wa Dae, said in a press release.

Lee and Kan are in Toronto to attend a two-day summit of the Group of 20 economies to end on Sunday.

The Japanese prime minister reaffirmed Tokyo's strong support for the South Korean government in connection with the sinking of a South Korean naval ship in March. North Korea is accused of sinking the Cheonan in a torpedo attack, killing 46 crew members. South Korea formally requested last month that the U.N. Security Council discuss punitive measures against Pyongyang.

"The leaders of the two nations agreed to continue close cooperation in the process of handling the Cheonan issue at the U.N. Security Council," Cheong Wa Dae said.

On the often-prickly bilateral relations of the neighboring nations, Kan said this year is very important as it marks the centennial of Japan's colonization of Korea that lasted until 1945.

"Japan will not ignore the past and make efforts for a new future," Kan was quoted as saying.

Lee replied, "I expect South Korea and Japan to open their minds and cooperate sincerely toward a new 100 years on the basis of mutual trust."

### **North Korea Limits Shipping, Prompting South to Warn Against Provocation**

By Bomi Lim - Jun 25, 2010

North Korea declared a sailing ban in an area off its western coast, prompting South Korea to be on watch for possible military moves by the communist nation, a South Korean military official said.

South Korea hasn't detected any abnormal military activities in North Korea and is closely monitoring the area, said an official at the Joint Chiefs of Staff in Seoul, without giving further details. He declined to be named when reached by telephone today, citing regulations.

South Korea's Yonhap News reported earlier today the nine-day ban, lasting until June 27, may be an indication North Korea is preparing to test-fire short-range missiles. The ban may also have been imposed for artillery exercises, Yonhap said.

North Korea declaring a no-sail zone has sometimes preceded missile tests or other military drills in the past. Tensions are already high on the peninsula after North Korea warned of "all-out war" against any punitive action for its alleged role in sinking South Korea warship Cheonan in March, killing 46 sailors.

“North Korea should stop reckless military provocations,” South Korean President Lee Myung Bak said today in a televised speech at a ceremony in Seoul marking the 60th anniversary of the outbreak of the 1950-1953 Korean War. “North Korea should admit to its attack on Cheonan, apologize and display a responsible attitude in front of the international community.”

The two nations remain divided since the war ended in a cease-fire that was never replaced by a peace treaty.

North Korea conducted artillery drills in western waters in January after banning ships from the area. The communist country also set no-sail zones in May 2009 before firing short-range missiles and carrying out a nuclear test.

A South Korea-led multinational team said on May 20 North Korea torpedoed the 1,200-ton Cheonan off the peninsula’s west coast near the disputed border. South Korea, backed by the U.S., is pushing for United Nations Security Council condemnation of North Korea.

China, which holds veto power on the Security Council, has refrained from criticizing Kim Jong Il’s regime for the attack. North Korea has repeatedly denied it sank the warship.

### **U.S, South Korea Postpone Wartime Control Transfer to 2015 Amid Tensions**

By Eunkyung Seo and Bomi Lim - Jun 26, 2010

South Korea agreed with the U.S. to delay a planned handover of “wartime control” in the event of a military conflict to Dec. 1, 2015, from April 2012 amid heightened tensions with North Korea.

South Korea’s presidential office announced on its website today that the agreement was reached at a meeting between South Korean President Lee Myung Bak and U.S. President Barack Obama in Toronto, Canada, on the sidelines of the summit of Group of 20 nations.

South Korea was scheduled to take over the right to control its forces in the event of a war in April 2012 under a 2007 agreement with the U.S. The U.S. had full control of South Korea’s forces during the 1950-53 Korean War and until 1994, when the Asian nation was given operational control during peacetime.

“The move underlines South Korea’s dependence on the U.S., which will result in greater U.S. influence on South Korea’s foreign policy,” said Kim Yong Hyun, professor of North Korean studies at Dongguk University in Seoul. “It will also make others doubt about the capabilities of South Korea’s military.”

South Korea has remained technically at war with North Korea since the war ended in a cease-fire that was never replaced by a peace treaty. South Korea’s 680,000-strong military faces off

with as many as 1.2 million troops across the border in North Korea, which has built atomic bombs and long- range ballistic missiles.

#### Away From Border

The U.S. has about 28,500 troops in the South and is in the process of moving them away from the border.

The accord came after South Korea blamed North Korea for sinking the 1,200-ton Cheonan on March 26, killing 46 sailors. South Korea, backed by the U.S., is pushing for United Nations Security Council condemnation of North Korea.

China, which holds veto power on the Security Council, has refrained from criticizing Kim Jong Il's regime for the attack. China, which fought on North Korea's side during the war, is also the country's largest trading partner and political ally.

#### **NK ruling party to elect new leaders in Sept.**

North Korea said Saturday that delegates of its ruling Workers' Party will hold a rare meeting in September to elect new leaders, a move experts say that will set the stage for ailing leader Kim Jong-il to transfer power to his youngest son.

The party said through the state-run Korean Central News Agency (KCNA) that the session, the first such meeting of delegates since 1966, will be "to elect its highest leading body" called the Political Bureau.

It would be the party's most significant gathering since the 1980 convention that named Kim — in his first public appearance — to the Political Bureau, a move which sealed his status as successor to his father and president, Kim Il-sung.

The KCNA fell short of revealing which posts will be up for grabs, but it is speculated the session will fill seats left vacant by the deaths of elderly members.

More significantly, experts here say it will pave the way for a hereditary power transfer.

Kim's health is reportedly flagging after he suffered a stroke in 2008, and South Korean intelligence officials believe that his youngest son, Jong-un, is being groomed to succeed him.

Earlier this month, North Korea held a rare parliamentary session and tapped Kim Jong-il's brother-in-law, Jang Song-thaek, as a vice head of the National Defense Commission.

Jang was named to the influential post to shepherd Jong-un into power, analysts say.

Andrei Lankov, a Seoul-based North Korea expert, told The Korea Times that the September gathering will likely smooth the path for the succession in an official manner.

"It seems that one can say with a very high level of certainty: the party conference is meeting to formally announce the promotion of Kim Jong-un as the successor to his father," Lankov said.

The Kookmin University professor noted that such an appointment is set to take place much faster for Jong-un than for the elder Kim, for whom it took eight years.

"The most likely explanation is that Kim Jong-il's health is deteriorating very fast, so the top leaders believe that they cannot afford to lose time," he said.

Some forecast that Kim Jong-un will earn key party titles at the meeting or his confidants will be installed in important posts, as measures to firm up his power base.

The KCNA report emphasized that 2010 will be a year of "great changes to be specially recorded in the history of the country."

Little is known about Jong-un, who is thought to be around 28 years old and was educated in Switzerland.

Seoul's intelligence chief, Won Sei-hoon, told lawmakers Thursday, Pyongyang had recently publicized songs and poems extolling the younger Kim.

### **China voices concern over Korea-US naval drill**

China is concerned about a planned South Korea-U.S. naval exercise on the West Sea as it may pose a threat to Beijing's defense, a Chinese newspaper reported in Hong Kong Monday.

Seoul and Washington have announced they will stage the joint anti-submarine exercise in early July in waters off South Korea's west coast amid a tense showdown with North Korea over the sinking of a warship from the South.

Korea and the U.S. accused North Korea of sinking the 1,200-ton corvette Cheonan with a torpedo near the inter-Korean maritime border on the West Sea on March 26, killing 46 sailors on board. They are pushing for U.N. sanctions against the communist country, which denies responsibility for the sinking,

"(The joint drill) would risk challenging China's strategic bottom line and its coastal defense," the English-language Global Times said, quoting Chinese military strategists.

The West Sea is situated between the Korean Peninsula and China. Some of China's naval and air bases are located on the Shandong Peninsula. Joint naval drills between South Korea and the United States usually take place off South Korea's east coast.

"The joint exercise is mainly aimed at deterring North Korea, but the U.S. should consider the interests of concerned countries as the drill is conducted in sensitive waters," the newspaper quoted Li Daguang of China's National Defense University as saying.

The Global Times also introduced a suggestion by Chen Hu, chief editor for World Military Affairs magazine, who argued that China should make a military response and hold exercises in the same waters if the joint naval exercises take place.

Meanwhile, Xue Litai, a Stanford University researcher, said the drill will pose no threat to China's security, saying China does not need to overreact.

"After all, resorting to a large-scale war is not the current intention of the U.S. as the Western countries simply cannot afford it," said Xue in a column written for the Hong Kong Economic Journal.

"If it were not for the emergency situation such as the Cheonan sinking, the U.S. and its ally would not think of carrying out drills at such a sensitive area," Xue said.

### **Obama criticizes China for 'willful blindness' to NK provocation**

TORONTO — U.S. President Barack Obama criticized China, Sunday (local time), for turning a blind eye to North Korea's belligerent behavior, saying Beijing should recognize Pyongyang's torpedo attack on the South Korean Navy ship Cheonan in March.

In blunt comments at the end of the Group of 20 Summit here, Obama said that Chinese President Hu Jintao should recognize that North Korea crossed a line in that incident, in which 46 sailors died.

"I think there's a difference between restraint and willful blindness" by China to the North's military provocation, Obama said, answering questions from reporters.

"Now, I'm sympathetic to the fact that North Korea is on China's border. They have a security interest in not seeing complete chaos on the Korean Peninsula, or a collapse that could end up having a significant impact on them.

"If they adopted a posture of restraint, I understand their thinking. But my hope is that President Hu will recognize that this is an example of Pyongyang going over the line in ways that just have to be spoken about, seriously," he said.

The U.S. President indicated that he would link the Cheonan case to the resumption of the six-party talks on North Korea's nuclear program, saying, "We are not going to be able to have serious negotiations with the North Koreans" if China fails to deal resolutely with the incident.



He said the U.S. and other members of the six-party talks share a common interest in that they prefer the case to be resolved diplomatically.

"We'd like to see a denuclearized Korean Peninsula. We'd like to see a North Korea that is a responsible member of the world community, which would be good for the people of North Korea," Obama said.

He went on to say that he wants the U.N. Security Council to produce a "crystal-clear acknowledgment" of the North's attack. The cooperation of China, a veto-wielding member of the Security Council and North Korea's major international supporter, is crucial to that goal.

"It is absolutely critical that the international community rallies behind President Lee Myung-bak and sends a clear message to North Korea that that kind of behavior is unacceptable," Obama said.

Separately, new Japanese Prime Minister Naoto Kan told reporters that an earlier strong condemnation of the North over the weekend by the Group of Eight economies would "have a major bearing" on discussions at the United Nations. Kan said he encouraged Hu during their bilateral summit last week to join world leaders on the matter.

Meanwhile, President Lee held summit talks with President Hu in Toronto Sunday.

At the talks, Lee called for close cooperation between Seoul and Beijing in dealing with North Korea's military provocation, saying the international community should work together to prevent the reclusive country from threatening peace and stability on the Korean Peninsula, Cheong Wa Dae said.

Hu reaffirmed Beijing's stance that it disapproves of any act that disrupts peace on the peninsula, but stopped short of directly blaming North Korea for the Cheonan incident.

### **South Korea to represent voices of emerging countries at Seoul summit**

TORONTO — President Lee Myung-bak said Sunday (local time) that Korea will help countries reach an agreement on establishing a global financial safety net at the next Group of 20 Summit, slated for November in Seoul, to prevent the recurrence of a global financial crisis.

Korea will also host a meeting of 100 CEOs from globally renowned companies ahead of the G-20 Summit to discuss ways to boost private investment and the issues of global trade, investment and corporate responsibility.

Lee made the pledges in his closing remarks at the final session of the two-day Toronto summit.

The initiatives are in line with Korea's efforts to represent the voices of emerging and poorer nations on the global stage so that countries, rich or poor, can work together under a shared goal of achieving sustainable, balanced long-term growth, according to Seoul officials.

In the address, titled "Looking Ahead to Seoul," Lee said Korea will add the creation of the financial safety net and addressing growth imbalances between advanced and developing economies to the agenda for the Seoul summit, while trying to move forward agreements made at previous summits on financial reform.

"The Seoul summit has two goals: One is to advance the talks on reforming financial regulations and international financial organizations and help leaders narrow differences on those issues," Lee said.

"The other is to reinforce the status of the G-20 meeting as the premier global forum on economic cooperation. To increase its legitimacy, effectiveness and credibility, we will add the issues of the development gap and creating a financial safety net to the summit agenda."

Lee stressed that many developing countries are suffering from volatility in international fund flows.

"Setting up a global safety net is of grave importance to many developing economies due to the financial volatility," he said.

The Business Summit of corporate CEOs will be held just before the G-20 meeting in Seoul.

The business forum will be a crucial opportunity to reflect opinions from the private sector in charting a policy roadmap on various trade and investment-related issues as well as climate change, Lee said.

"Countries could ride out the global economic crisis thanks to aggressive fiscal spending. From now on, however, the private sector should be allowed to play a bigger role to prop up the economic recovery."

### **North Korea's Kim Preparing for Son's Succession, CIA Chief Panetta Says**

By Bob Willis and Eunkyung Seo - Jun 27, 2010

North Korea's leader Kim Jong Il is laying the groundwork to hand over power to his son Kim Jong Un, and the North's alleged attack in March on a South Korean warship may be part of that process, Central Intelligence Agency Director Leon Panetta said on today's ABC's "This Week."

"Our intelligence shows that at the present time there is a process of succession going on," Panetta said. "Part of the provocations that are going on, part of the skirmishes that are going on,

are in part related to trying to establish credibility for the son, and that makes it a dangerous period.”

South Korea’s Yonhap news agency, without citing anyone, reported June 25 that North Korea may grant Jong Un official status as the heir-apparent to lead the country when its ruling party holds a meeting of party representatives in September. The elder Kim, 69, suffers from poor health and his youngest son, Jong Un, is being widely tipped as his successor, according to South Korean officials.

The Political Bureau of the Workers’ Party, led by Kim Jong Il, will convene in early September to elect its highest leading body, the North’s official Korean Central News Agency said.

Jong Un, known to be in his 20s, was appointed as head of the country’s secret police last year, according to Dong-A Ilbo newspaper in Seoul.

#### Handover Delayed

South Korea agreed with the U.S. yesterday to delay a planned handover of “wartime control” in the event of a military conflict to Dec. 1, 2015, from April 2012, amid heightened tensions with North Korea.

South Korea’s presidential office announced on its website that the agreement was reached at a meeting between South Korean President Lee Myung Bak and U.S. President Barack Obama in Toronto, Canada, on the sidelines of the summit of the Group of 20 nations.

South Korea was scheduled to take over the right to control its forces in the event of a war in April 2012 under a 2007 agreement with the U.S. The U.S. had full control of South Korea’s forces during the 1950-53 Korean War and until 1994, when the Asian nation was given operational control during peacetime.

South Korea has remained technically at war with North Korea since the conflict ended in a cease-fire that was never replaced by a peace treaty. South Korea’s 680,000-strong military faces off with as many as 1.2 million troops across the border in North Korea, which has built atomic bombs and long- range ballistic missiles.

The U.S. has about 28,500 troops in the South and is in the process of moving them away from the border.

The accord came after South Korea blamed North Korea for sinking the 1,200-ton Cheonan on March 26, killing 46 sailors. South Korea, backed by the U.S., is pushing for United Nations Security Council condemnation of North Korea.

#### **N. Korea urges UN council to back new Cheonan probe**

UNITED NATIONS, June 30 (Reuters) - North Korea has asked the U.N. Security Council to support its call for a new investigation into the sinking of a South Korean warship in March that Seoul has blamed on Pyongyang.

"We are of the view that the most reasonable way of settling this incident is that the north and south of Korea sit together to probe for the truth," North Korean U.N. Ambassador Sin Son-ho said in a letter to Mexican U.N. Ambassador Claude Heller, current president of the council.

It was dated June 29 and obtained by Reuters on Wednesday.

Council members have privately dismissed the idea of conducting another investigation, saying a South Korean-led inquiry with international participation yielded a persuasive case against Pyongyang.

That inquiry concluded a North Korean torpedo sank the Cheonan corvette on March 26, killing 46 South Korean sailors. Pyongyang has denied responsibility and said the results of the South Korean investigation were incorrect.

Sin said the 15-nation Security Council should "take measures that can lead the U.S. and South Korea to receive the inspection group of the National Defense Commission as already proposed by the DPRK (North Korea), the victim, to help verify the 'investigation result' and find out the truth."

He also asked the council to support North Korea's request for high-level military talks with South Korea.

Pyongyang said on Sunday it was ready for direct military talks with South Korea to discuss the Cheonan sinking but only if the armistice commission overseeing the Korean War truce does not get involved. [ID:nTOE65Q00G]

One senior Western diplomat described Sin's letter as "more moderate and more measured" than communications the council usually receives from the North Korean mission. North Korea had previously threatened to turn Seoul into a "sea of fire".

The Security Council has been discussing a possible rebuke of North Korea, but China, Pyongyang's only major ally, has been reluctant to allow any direct criticism that might provoke retaliation by its impoverished communist neighbor.

China, like Russia, the United States, Britain and France, is a permanent veto-wielding Security Council member and can block any action by the panel.

Western council diplomats have said that a statement on the issue agreed on Saturday by the Group of Eight rich nations club, which includes Russia, was very close to language they have been considering in New York.

The G8 "deplored" the attack on the Cheonan and blamed North Korea for an incident it said "is a challenge to peace and security in the region and beyond." [ID:nSUN000023]

The diplomats said they hoped the council could agreed on something on the Cheonan incident in coming weeks.

#### **48 civil servants face discipline for election campaign**

The central government has ordered provincial governments to discipline 48 public servants for engaging in illegal campaign activities for the June 2 local elections, officials said Wednesday.

The Ministry of Public Administration and Security said it has asked the local governments to reprimand the public servants according to the severity of their violations. They were asked to dismiss five, take punitive measures to reprimand eight and issue warnings to the rest.

The Civil Servant Law forbids them from engaging in any political activities. But the accused government workers participated in the campaigning of certain candidates for the June 2 local elections.

#### **Lee calls for safety steps for Koreans in C. America**

PANAMA CITY — President Lee Myung-bak held a series of bilateral talks with the leaders of five South American countries, Tuesday (local time), on the sidelines of a summit between Korea and the Central American Integration System (SICA), an eight-member economic bloc.

The talks largely focused on expanding the economic ties between the two countries and strengthening safety measures for Korean residents there.

Lee also called for more business opportunities for Korean firms operating in the region, while pledging to address the economic needs of each country, Cheong Wa Dae said.

In a summit with Guatemalan President Alvaro Colom, Lee asked for consistent efforts to resolve the growing problem of crimes against South Koreans living there.

More than 10,000 Koreans live in Guatemala, the largest number among the Central American nations.

Colom promised to step up efforts to protect Korean nationals and firms, expressing his gratitude for their contribution to Guatemala's economic development, according to the presidential office.

While meeting with Honduran President Porfirio Lobo, Lee raised the issue of a 27-year-old Korean woman, Han Ji-soo, who is accused of being involved in a murder case.

Han, a diving instructor, has been indicted as an accomplice in connection with the 2008 killing of a Dutch backpacker in Honduras.

She was arrested by Interpol in August 2009 in Egypt on her way back to Korea. She is awaiting trial after being released on bail in December, while claiming her innocence.

"Lamenting that a young Korean woman is on a trial in Honduras, Lee called for special attention from the government to the issue of a speedy and fair trial," a Cheong Wa Dae spokesman said.

Lee and El Salvador's President Mauricio Funes agreed to expand the partnership in trade, investment, infrastructure and energy fields.

In talks with Costa Rica's President Laura Chinchilla, Lee noted the country's active campaign for "green" growth. The leaders agreed on closer cooperation with regard to environmental issues on the global stage.

Earlier in the day, Lee met with Dominican Republic Vice President Rafael Alburquerque and asked for interest and support for Korean companies there.

On Wednesday, Lee arrived in Mexico, the final leg of his weeklong trip, for a summit with Mexican President Felipe Calderon on bolstering economic ties. He is scheduled to return to Seoul Saturday.

### **Ministry offers 7% rise in 2011 defense budget**

The Ministry of National Defense has called for a 6.9 percent increase in defense spending next year, citing the need for bolstering its defense posture against North Korean provocation, ministry officials said Wednesday.

The ministry submitted the spending plan scaled at 31.6 trillion won (\$25.9 billion) to the Ministry of Strategy and Finance.

In detail, the ministry asked for 21.65 trillion won, a 5.8 percent increase, for operational costs, including salaries for soldiers, and 9.95 trillion won, a 9.4 percent rise, for arms improvement plans

The request for increasing defense expenditures follows the deadly sinking of a South Korean warship in the West Sea in March caused by, according to a Seoul-led multinational investigation team, a North Korean torpedo attack. The sinking of the Cheonan claimed the lives of 46 sailors.

Since then, calls have been growing to spend more money to build and acquire weapons systems to deter North Korea's asymmetrical and irregular warfare tactics.

The ministry also wants to improve the welfare of soldiers.

"There is a need to improve our military capabilities against emerging threats in the region. In particular, we feel a sense of urgency in beefing up our systems to thwart a North Korean provocation or infiltration in the wake of the Cheonan sinking," a ministry official said on condition of anonymity.

Gen. Han Min-koo, a nominee for chairman of the Joint Chiefs of Staff (JCS), echoed the calls for increasing defense spending.

"Should I take over as the JCS chief, I'll ask the President and the defense minister to increase the defense budget by 7 percent or more," Han said at a National Assembly confirmation hearing.

Budget constraints have haunted the country's ambitious military modernization program, dubbed the "Defense Reform 2020."

When the reform plan was originally formulated in 2005, the budget for this year was projected to increase to about 33 trillion won (\$28 billion). But the money decreased to 29.6 trillion won.

For the 15-year period from 2006 to 2020, the original plan had a combined budget of 621 trillion won, including 75 trillion won to acquire advanced weapons to offset a planned manpower reduction by 2020.

According to the 2009 review of the plan, the aggregate 15-year budget decreased to 599 trillion won.

Based upon the low budget increase in 2010, and before adjustments for the Cheonan incident, the 15-year total would be more like 540 trillion won, an 80-trillion-won shortfall from the original plan, according to defense experts.

### **Korean workers in Afghanistan under rocket attack, but no casualties**

Korean civilian reconstruction workers in Afghanistan came under rocket attack Wednesday but no casualties were reported, the foreign ministry said Thursday.

Two rockets were fired, and they were found outside the base of Korea's provincial reconstruction team (PRT) in Charikar, the capital of the northern Afghan province of Parwan, ministry spokesman Kim Young-sun told reporters.

In response to the rocket attack, Afghan security guards, who were stationed inside the site to protect Korean workers, returned fire.

At the time, 58 Korean reconstruction workers and 60 Afghan security guards were at the site.

So far, no groups or individuals have claimed responsibility for the incident.

The attack came hours before a Korean provincial reconstruction team was scheduled to officially initiate their mission there, fueling speculation about the motive.

Kim said the ministry was investigating who masterminded the attack and why they did it.

"We are investigating who is behind the attack and would not rule out the possibility of the Taliban or other insurgents having been involved," he said.

The incident has prompted the foreign ministry, along with other ministries, to look for ways of better protecting the civilian workers and military personnel.

Meanwhile, activists and opposition parties that are at odds with the government over sending troops to Afghanistan are likely to raise their voice over the danger the Koreans there are in.

Sixty-nine groups, in collaboration with progressive parties including the Democratic Labor Party, launched an anti-troop deployment campaign earlier this week.

They claimed that security in the war-torn nation is still in peril and therefore sending civilians and troops to help reconstruct Afghanistan could come at the price of their lives.

Earlier, those who opposed the plan to send troops and civilians to Afghanistan for reconstruction activities argued that Korea joining the U.S.-led Afghan war could make Koreans all over the world a target of international terrorist groups such as Al Qaeda.

Thursday's attack raised concerns over the safety of Koreans stationed in Afghanistan.

Shortly after the incident, the joint military and civilian team, in collaboration with the U.S. military, conducted searches.

The PRT team was dispatched to help reconstruct the war-torn country through medical, health and vocational training and rural development assistance, the ministry said.

### **Prime minister will "take full responsibility" over Sejong City**

Prime Minister Chung Un-chan said Wednesday he will assume full responsibility for the government's failure to have its revised bill on the Sejong City project pass the National Assembly, but did not specify whether he would resign.

The parliament, where the ruling party holds a majority, on Tuesday voted down the bill that would have built a science and technology hub in the southern city instead of the initially planned administrative town.



Chung has since been under mounting pressure from opposition parties to step down as a leading preacher of the revised plan.

"I will take full responsibility as the person in charge of designing the revision for failing to achieve its passage," Chung said in a nationwide televised news conference. "Public opinion should not be divided any longer over the issue, and I hope all controversy and feud will end."

Chung, however, did not say whether he would resign or stay on.

Officials at his office said the prime minister does not plan to step down immediately.

"I'm regretful but respect the decision of the Assembly and will do my best to make Sejong City a good city as envisioned," he added.

Initiated by former President Roh Moo-hyun as an election campaign pledge in 2002, the Sejong City project calls for the construction of an administrative town in South Chungcheong Province, about 150 kilometers south of Seoul, to house nine ministries and four government agencies.

Since last September, however, the Lee Myung-bak government and his supporters at the ruling GNP have pushed to scrap the plan and instead build a science and technology town there, insisting that the relocation would only cause administrative inefficiency by creating a second capital.

### **South Korea Rejects North's Request for Joint Probe of Warship's Sinking**

South Korea rejected North Korea's request for a joint investigation into the sinking of a South Korean warship blamed on the communist regime as the United Nations Security Council considers punitive action.

"It is our position that we will focus on Security Council negotiations," South Korea's foreign ministry spokesman Kim Young Sun said today in Seoul. He was responding to a question on whether the government will consider the North's request to the UN. The attack is a "clear violation of the armistice" that ended the 1950-53 Korean War, Kim said.

North Korea denies it had a role in the March 26 incident, which claimed the lives of 46 South Korean sailors.

An international team concluded on May 20 that a North Korean torpedo sank the warship. Almost one in four South Koreans said they don't trust the probe's findings, according to a poll commissioned by the Hankook Ilbo newspaper on May 24.

While rejecting the result of the investigation and reinforcing "its position that it has nothing to do with the incident," North Korea offered to send its own inspection group to the site of the sinking in a letter dated June 29 sent to the Security Council.

“We are of the view that the most reasonable way of settling this incident is that the north and south of Korea sit together to probe for the truth,” the letter said.

Russia has yet to make an announcement on its own investigation into the sinking, while China has refrained from blaming Kim’s regime. China and Russia both have veto power on the UN Security Council.

#### China Role

In sending the letter, North Korea is primarily playing to China, said Bruce Klingner, a former Central Intelligence Agency official with expertise on the Koreas.

“Beijing has long acted as North Korea’s lawyer in the Security Council” and fears instability on its border with the reclusive country, said Klingner, now a research fellow at the Heritage Foundation, a Washington-based policy institute. “China will see the letter as an affirmation of its policy of trying to downplay confrontation and affirm its intention to resist any resolution that names North Korea.”

South Korea remains technically at war with North Korea since the armistice, signed between the UN Command and the North, backed by China.

The U.S. has stood behind South Korea’s version of the warship incident, with President Barack Obama telling Group of 20 leaders on June 27 that North Korea must be held to account for its “belligerent” behavior.

#### **Launch of 1st weather satellite rescheduled**

A second launch attempt of the nation's first weather satellite is expected to take place early today, following yesterday's delay due to mechanical glitches, the state weather and aerospace agencies said Thursday.

"Pressure-related problems" were detected in the 780-ton rocket that will carry the satellite, "Chollian," into orbit the Korea Aerospace Research Institute (KARI) said, and the countdown was stopped 47 minutes before liftoff from the Guiana Space Center in Kourou.

The satellite, which also has communication functions, is set to be launched at 6:41 a.m. (KST), today.

KARI said a faulty sensor array detected abnormal pressure in the second stage rocket, but the problem has been fixed after replacing the sensor.

The second stage makes up the upper part of the Ariane 5-ECA rocket built by France's Arianespace SA and is designed to place its satellite payload into Earth orbit.

Abnormal pressure was also detected in the lower part of the rocket, but Arianespace officials said the complication was minor and would not affect the general safety of the rocket.

The 2.5 ton satellite is designed to stay in a geostationary orbit and collect data on weather and oceanographic information over the Korean Peninsula around the clock, said the Korea Meteorological Administration (KMA). It can also act as a regular communications satellite.

So far, the KMA has received international weather information via American and Japanese satellites every 30 minutes, but the domestically produced observer will halve that time.

The multi-functional satellite has been jointly developed since 2003 with a budget of 354 billion won by the KMA, the Ministry of Education, Science and Technology, the Ministry of Land, Transportation and Maritime Affairs, and the Korea Communications Commission.

A successful launch will make South Korea the seventh country in the world to operate its own weather satellite. The KMA opened a command center in Jincheon, North Chungcheong Province, in June 2008.

## **Economic Front:**

### **Detailed News:**

#### **South Korea to Further Tighten Currency Derivatives Caps for Foreign Banks**

By Eunkyung Seo and Frances Yoon - Jun 21, 2010

South Korea plans to further tighten a limit on foreign banks' usage of currency derivatives, having this month announced restrictions to curb volatility in capital flows and the won that will take effect from July.

Rules announced June 13 will limit their positions in foreign-exchange forwards, options and swaps to 250 percent of equity capital, a goal that must be met within two years. That ceiling will be "gradually" lowered, said Young Kim, a spokesman for the Ministry of Strategy and Finance. Yonhap Infomax earlier reported the plan, citing a senior finance ministry official as saying the government plans to lower the cap every three months.

"We have not set a timetable yet," Kim said today in Seoul. "The plan is to get banks to reduce their positions gradually over a longer period of time."

The limit for overseas banks will eventually be similar to the 50 percent cap announced this month for domestic lenders, Yonhap reported, citing Kim Ik Joo, the ministry's head of its international finance bureau.

Financial regulators have found foreign banks to be increasing their currency-derivatives positions before the new restrictions take effect, Kim told Yonhap. The rules will from July prohibit banks from increasing positions for three months and allow two years for them to meet the announced ceilings.

The government has also detected traces of “double booking,” where foreign banks record domestic forwards transactions as deals with their headquarters. Yonhap cited Kim Ik Joo as saying such banks will be penalized.

## **Korea Keeps Emerging Market Status as MSCI Skips Upgrade for Second Year**

By Saeromi Shin - Jun 22, 2010

The benchmark Kospi Index lost 0.8 percent to 1,726.37 as of 9:03 a.m. in Seoul, the biggest drop in two weeks. Photographer: Nasha Lee/Bloomberg

South Korea was kept as an emerging market at MSCI Inc. as the index provider skipped the nation for an upgrade for a second year. Taiwan, also under a similar review, also retained its status as a developing market.

MSCI left South Korea’s status unchanged in June 2009 and said it will evaluate the nation for an upgrade as a developed market this year. The latest review again cited the “rigidity” of its investor identification system and the lack of an active offshore market for the country’s currency, as well as anti- competitive practices relating to stock market data.

The decision means the nation will lose out on purchases of equities in Asia’s sixth-biggest market by investors who are restricted to developed-nation equities because of their perceived lower risk. The Korean market was assigned “developed” status by FTSE Group, a rival index compiler, in September 2009.

“There may be disappointment in the short term,” said Chu Moon Sung, a Seoul-based fund manager at Shinhan BNP Paribas Asset Management Co., which manages \$26 billion. “But I think sentiment will stabilize soon because there are growing calls for an upgrade, given the size of the South Korean markets and the economy especially after the FTSE moved forward.”

The benchmark Kospi Index lost 0.5 percent to 1,731.48 at the close in Seoul, the biggest drop in two weeks.

### **Kospi’s Climb**

The Kospi has climbed 24 percent since FTSE announced the upgrade on Sept. 18, 2008. The gauge has risen 2.9 percent this year as profit growth at companies was offset by concerns that Europe’s sovereign-debt crisis will stall a global economic recovery, and that increased tension between North and South Korea will curb investment.

“On the stock data issue raised by MSCI, we believe that’s an irrelevant issue for upgrading the nation to developed status,” Kong Do Hyun, a spokesman for Korea Exchange Inc., said by phone today. “Korea Exchange will continue its consultation with MSCI in a direction that will help further develop South Korean market.”

South Korea is better off staying as an emerging market as its weighting among developed markets will be “very small,” Credit Suisse Group said.

‘Big Fish’

“It’s better to be a big fish in a small pond,” Sakthi Siva, an analyst at Credit Suisse who’s the top-ranked Asia strategist in Institutional Investor’s 2010 poll, said in a briefing in Seoul today.

MSCI, which said it will review South Korea for a possible upgrade next year, said no change is currently being considered to the market classification status of Greece as the sovereign- debt crisis “has had no impact on the equity market accessibility and investability.”

Greece has cut spending, raised taxes and trimmed wages to tackle the deficit, which swelled to 13.6 percent of gross domestic product last year, more than four times the European Union’s limit. The nation’s benchmark ASE Index has fallen 27 percent this year, the world’s worst performer.

In South Korea, overseas funds have bought a net 6.24 trillion won (\$5.3 billion) of stocks this year, adding to last year’s purchase of 32.4 trillion won, according to Koscom Corp., which provides financial data from the Korea Exchange. The funds sold a net 33.6 trillion won of the equities in 2008.

MSCI indexes are tracked by investors with an estimated \$5.2 trillion in assets, compared with about \$4 trillion for FTSE gauges, according to a May 26 report by Shinhan Investment Corp. Funds that mimic the performance of the MSCI Korea Index buy shares of Samsung Electronics Co., the world’s biggest computer-memory maker, and Posco, Asia’s most profitable steelmaker.

Greece, Israel

Countries that were elevated to developed market status by MSCI in recent years include Greece and Israel. South Korea had a market capitalization of \$838 billion as of June 20, sixth- biggest in the Asia Pacific region. The \$929 billion economy, more than twice of Greece or Israel, expanded a faster-than- expected 2.1 percent in the first quarter.

“We remain convinced that it is only a matter of time until the promotion takes place,” CLSA Asia-Pacific Markets analysts led by Chris Lobello wrote in a June 11 report. “If it doesn’t happen this year it will very likely be the next year.”

The MSCI Emerging Markets Index has dropped 1.9 percent this year, while the MSCI World Index has lost 4.4 percent.

South Korea represents 13.2 percent of the MSCI Emerging Market Index, the third largest after China and Brazil, according to a May 19 report by Morgan Stanley.

Taiwan will also stay under review for a potential upgrade to developed status in 2011, MSCI said. The United Arab Emirates and Qatar, which retained their frontier markets status, will remain under review for a potential reclassification to emerging markets, the index provider said.

So-called frontier markets typically have less-developed economies and financial markets than emerging markets, and have more restrictions on foreign stock ownership.

### **Posco Raises Steel Prices by Up to 5.9% as Costs Gain (Update1)**

By Sungwoo Park - June 21, 2010 21:13 EDT

June 22 (Bloomberg) -- Posco, South Korea's biggest steelmaker, raised domestic prices by as much as 5.9 percent for the third quarter as raw material costs gained.

Posco raised the price of hot-rolled coil by 5.9 percent to 900,000 won (\$759) a metric ton for the three months ended Sept. 30 and for cold-rolled coil by 5.7 percent to 1.02 million won, the Pohang-based company said today in an e-mailed statement.

The increase follows a 25 percent price jump in May to cover higher costs for iron ore and coal, the main steelmaking materials. Brazil's Vale SA, the biggest supplier of iron ore, and BHP Billiton Ltd. this year broke with a 40 year-tradition of setting annual prices for iron ore and coal, winning as much as 90 percent gain for April quarter contracts.

The rise is "inevitable" as raw-material prices rose more than 20 percent on average for July quarter contracts from the previous quarter, the statement said.

Posco shares declined 1.1 percent to 487,000 won at 9:25 a.m. in Seoul trading, compared with a 0.8 percent drop on the benchmark Kospi index.

### **Hyundai Heavy, South Korea Shipyards Rise as Yuan to Hit China Competitors**

By Kyunghye Park - Jun 21, 2010

Hyundai Heavy Industries Co., the world's largest shipbuilder, led advances among shipyards in Seoul trading on expectations that a stronger yuan will help improve their price competitiveness against rivals in China.

Hyundai Heavy climbed 4.9 percent to close at 236,000 won, the highest price since May 12. Samsung Heavy Industries Co., the world's biggest maker of drill ships, gained 5 percent to

24,200 won. China is the world's second-largest shipbuilding nation, lagging behind South Korea, based on orders won this year.

"The stronger yuan will narrow the price gap between shipyards in China and South Korea, meaning that it won't be cheaper to build ships in China anymore," Kim Hyun, an analyst at LIG Investment & Securities Co. in Seoul, said in a phone interview today.

The People's Bank of China pledged on June 19 to make the yuan more flexible, ruling out a one-time revaluation of the currency that's been held at about 6.83 yuan per dollar since mid-2008. China and South Korea have won orders for 27.5 million deadweight tons in the first five months of this year, 82 percent of the global total, according to Clarkson Plc, the world's largest shipbroker.

The global economy is "gradually recovering and the upturn in the Chinese economy has become more solid," China's central bank said in a statement announcing the action.

STX Offshore & Shipbuilding Co., which owns a shipyard in Dalian, China, gained 7.8 percent to close at 11,750 won in Seoul. Daewoo Shipbuilding & Marine Engineering Co., the world's second-largest shipbuilder, advanced 1.9 percent to 19,250 won.

### **Korea Sells 333 Billion Won of Inflation-Linked Bonds (Update1)**

By Frances Yoon - June 24, 2010 02:05 EDT

June 24 (Bloomberg) -- South Korea sold 333 billion won (\$281 million) worth of inflation-linked bonds maturing in 2020, the Ministry of Strategy and Finance said today, completing its first issue since 2008.

The government on June 21 priced the notes to yield 2.77 percent, 2.23 percentage points less than the rate paid on 1.7 trillion won of conventional 10-year debt sold the same day, and invited investors bid for their preferred amounts. Previous attempts to sell the securities failed as investors were required to bid for specific amounts without knowing the yield, a finance ministry report said last month.

"This time they have the option to choose how much they want to buy," said Lee Kyung Yong, deputy director of the government bond division at the finance ministry. "The market gets to buy as much as they need. We already see this issue will be more effective than previous ones."

The government nearly reached its maximum sales target for the bonds, after announcing earlier it would sell as much as 340 billion won.

The consumer price index rose 2.7 percent from a year earlier in May, the most in four months, and the Bank of Korea aims to keep the pace of increases between 2 percent and 4 percent through 2012. The government today raised its economic growth forecast for this year to 5.8

percent, from a December projection of 5 percent, and said inflation may accelerate to 2.9 percent.

Central bank Governor Kim Choong Soo signaled this month the benchmark interest rate may be raised from a record low, saying “if the present accommodative policy continues for long, it may spark inflation or asset-price bubbles.”

#### Interest-Rate Outlook

The Bank of Korea will lift its benchmark rate by 50 basis points to 2.5 percent by the end of this year, according to the median forecast of economists surveyed by Bloomberg.

Inflation-linked bonds typically have lower yields than conventional debt because the principal increases annually at the rate of the consumer price index. The securities pay semi-annual interest on the adjusted principal. The face value on South Korea’s is protected against deflation, because the principal can’t fall below par.

South Korea plans to sell inflation-linked debt every month apart from December with a view to raising as much as 1.8 trillion won a year, according to the finance ministry. The sales are expected to lower borrowing costs for the government and attract funds from long-term investors, it said.

#### **Samsung Aims to Double its Smartphone Market Share**

By Shinhye Kang - Jun 21, 2010

Samsung intends to raise its market share for smartphones to more than 10 percent in the fourth quarter from its current level of less than 5 percent. Photographer: Jacob Kepler/Bloomberg

Samsung Electronics Co., the world’s second-largest mobile-phone maker, aims to more than double its share of the smartphone market, helped by the introduction of its Galaxy S model.

Samsung intends to raise its market share for smartphones to more than 10 percent in the fourth quarter from its current level of less than 5 percent, Lee Donjoo, senior vice president of company’s Mobile Communications Division, said in an interview in Seoul yesterday.

A 10 percent market share may lift Samsung’s ranking among smartphone makers to fourth from fifth, surpassing Taoyuan, Taiwan-based HTC Corp., which had a 7 percent share in the fourth quarter of 2009 according to an April 20 CLSA Ltd. report. Nokia Oyj, the largest smartphone maker has a 40 percent share. Global sales of smartphones will rise 36 percent to 247 million handsets in 2010, research firm ISuppli Corp. said in April.



“Samsung may easily meet the target as the handset market is sharply transferring to smartphones and the hardware features of the Galaxy S are pretty competitive in the market,” said Lee Sun Tae, a senior analyst at Meritz Securities Co. Ltd. in Seoul.

Samsung is now “more optimistic” about its 2010 smartphone sales, which may exceed initial targets, Lee said. “The market response to the Galaxy S from Europe is good,” he said, without elaborating.

#### Shipment Target

The Galaxy S, which runs on Google Inc.’s Android operating system, went on sale last week in some European countries. The phone has a 4-inch display screen, bigger than the iPhone’s 3.5-inch screen, as well as an e-book reader, a 5-megapixel camera, and a high-definition video recorder and player, according to the company’s website. About 110 mobile operators around the world will offer the phone, Lee said.

Samsung, which shipped 227 million mobile phones in 2009, said Feb. 4 it aims to triple shipments of smartphones this year from 6 million, without providing specific figures.

Suwon, South Korea-based Samsung dropped 1.8 percent to 815,000 won as of 10:12 a.m. Seoul time. The benchmark Kospi index fell 0.7 percent.

Samsung plans to offer a tablet computer, to be called the Galaxy Tab, in the third quarter, Lee said, without giving details of the operating system or features.

#### Samsung Plans Galaxy Smartphone Launch to Compete With iPhone, BlackBerry

By Cliff Edwards - Jun 28, 2010

Samsung Electronics Co., the second- largest maker of mobile phones, plans to launch its Galaxy S smartphone at four major U.S. wireless carriers in a bid to gain ground in that market on Apple Inc. and Research In Motion Ltd.

The Suwon, South Korea-based company will start selling the phone, which runs on Google Inc.’s Android software, at AT&T Inc., Sprint Nextel Corp., Verizon Wireless and T-Mobile USA this summer. The near-simultaneous launch at all four major carriers is unusual in North America, where carriers have moved away from such deals as they seek exclusive access to phones such as the iPhone sold by AT&T, said wireless analyst Ramon Llamas of the market research firm IDC.

“It’s pretty much unheard of,” Llamas said. “It’s going to put Samsung manufacturing in a good position to push more devices out the door.”

Samsung holds 22 percent of the worldwide market for mobile phones, second only to Nokia Oyj, according to IDC. Its share of the more lucrative and faster-growing smartphone market is just 4 percent, according to the company's own estimates.

With the Galaxy and other devices, Samsung intends to more than double its market share for smartphones to more than 10 percent by the fourth quarter, Lee Donjoo, senior vice president of the company's Mobile Communications Division, said in an interview. The company plans to reveal additional details about carrier-branded versions of the phone at an event on June 29.

Android smartphones have become more competitive with Research In Motion's BlackBerry and Apple's iPhone. Android's share of the global smartphone market hit 9.6 percent in the first quarter from 1.6 percent a year ago, according to market researcher Gartner Inc.

#### Custom Phones

Samsung is winning worldwide carrier support for the Galaxy S, with 110 mobile operators offering it around the world, by customizing features and software for different carriers.

The Galaxy S phone Samsung unveiled in March offered a 4-inch high-definition display, 1GHz processor, 5-megapixel camera with high-definition video recording, gyroscope and accelerometer. A version for Sprint, the third-largest mobile-phone carrier, adds a full slide-out keyboard and includes the ability to connect to the next-generation so-called 4G data network, according to a statement today.

Sprint's version of the Galaxy S, called the Epic 4G, will be the second device to run on the so-called fourth-generation network that Sprint owns with Clearwire Corp. It joins the HTC Corp. EVO, which can download content about 10 times faster than third-generation technology, allowing users to make video calls and watch World Cup soccer matches live, Sprint said.

#### Boost Revenue

T-Mobile's version of the phone, Samsung Vibrant, will come pre-loaded with content, including the movie 'Avatar,' the carrier said in a statement today. AT&T said in a statement June 17 that its Samsung Captivate will automatically connect at no charge to its national Wi-Fi wireless network and include software to sync contacts wirelessly with a computer.

Samsung plans to use the Galaxy S and other phones in development to boost its revenue, company executives said. The average selling price for Samsung handsets in the first quarter was \$118, while Apple sells its new iPhone 4 to AT&T Inc. for about \$610, estimates Piper Jaffray Cos. analyst Gene Munster.

Smartphones represent the largest growth opportunity within mobile devices. They will grow to 50 percent of all sales by 2014 from 21 percent this year, according to Yankee Group.

Samsung could benefit if carriers continue to shift away from exclusive deals for what the industry calls “hero devices” to emphasize fast data download times or movie and television services that are only available on their networks, Yankee Group analyst Carl Howe said.

“There’s a growing recognition that everybody has a hero device,” Howe said. Carriers “may have just recognized maybe it’s better to focus on our value to the consumer, getting the brand and service in front of them instead of focusing on the hardware maker.”

### **Corn Demand by South Korea to Climb 5% on Meat Consumption, Nonghyup Says**

Feed-corn demand in South Korea, the world’s third-biggest corn buyer, may advance 5 percent this year as the recovering economy boosts meat consumption, spurring demand for livestock feed, Nonghyup Feed Inc. said.

Corn consumption for use in domestic feed is forecast to climb by 300,000 to 400,000 metric tons to about 6.3 million tons this year, Lee Young Il, general manager for the foreign trade team, said in an interview in Seoul yesterday.

Futures have dropped 12 percent this year on speculation that warm, wet weather would boost production in the U.S., the world’s biggest exporter. “Demand has increased because the economic environment is good,” Lee said. “Cattle and cow breeding rose a lot and farmers are raising more poultry too.”

South Korea, Asia’s fourth-biggest economy, yesterday raised its growth forecast for this year to 5.8 percent, from the 5 percent projected in December, saying the faster-than-expected global recovery has spurred exports and domestic demand.

Production of compound feed for livestock, which uses grains including corn as ingredients, may increase about 5 percent to more than 16 million tons this year, Lee said.

Beef cattle breeding increased 9 percent from a year earlier to 2.7 million heads in the first quarter, while pig and chicken breeding rose 4 percent, data on the website of the Korea Meat Trade Association show.

### **Corn Needs**

The Asian nation, which imports 99 percent of its corn needs, last year bought from overseas a total of 7.3 million tons of corn including both feed and food use, according to data from the Korea International Trade Association.

Import prices for shipments contracted up to October averaged about \$220 a ton on a cost-and-freight basis, lower than his forecast of \$225 a ton, Lee said. Prices may decline further on expectations for a bumper crop in the U.S. and falling freight prices, he said.

The U.S. crop is forecast to expand to a record 339.6 million tons in the 2010-11 marketing year, from 333 million tons a year earlier, according to the U.S. Department of Agriculture. That will push global stockpiles to 147.3 million tons at the end of the season from 143.4 million a year ago, it said June 10.

### China's Buying

Still, China's buying remains a potential trigger for prices to gain, Lee said.

China, the world's most populous nation, has bought at least 885,000 tons of corn for delivery by Aug. 31, according to USDA data. China may buy more than 1 million tons in the next 18 months, on top of what has already been purchased, Thomas Dorr, president of the U.S. Grains Council said June 16.

"We are very closely watching China," he said. "If China increases imports, that may swing the market."

Lee didn't give his projection for South Korea's feed-corn demand next year as uncertainties over the economic recovery remain because of China's tightening and Europe's debt crisis.

"Demand for livestock products is very sensitive to household incomes," he said. "Still, some experts are doubtful about the growth picture."

Corn futures in Chicago gained 0.3 percent to \$3.655 a bushel at 1:50 p.m. Seoul time.

### **Saudi to award Yanbu refinery deals soon-sources**

Wed Jun 30, 2010 5:14am EDT

KHOBAR, Saudi Arabia, June 30 (Reuters) - State oil giant Saudi Aramco plans to award deals to build a 400,000 barrels per day (bpd) oil refinery in Yanbu in the coming few days, industry sources said on Wednesday.

Yanbu accounts for just under a quarter of Saudi plans to add around 1.7 million bpd of refining capacity to the current 2.1 million bpd.

Aramco has said it will push on with the project on the Red Sea coast even after U.S. firm ConocoPhillips (COP.N) withdrew in April.

The partners had already tendered for the construction packages when Conoco pulled out, and planning had reached an advanced stage. Bidders for the deals had expected contracts would be awarded in May.

"We expect early next week," one source said when asked about the date of the contracts' award. "They (Aramco) do not want to lose all these rates, they got good offers."

Long before parting company on the project, Conoco and Aramco had forced contractors to go back to the drawing board to submit revised bids in January to take into account lower costs of raw materials after the global economic slowdown.

Saudi Oil Minister Ali al-Naimi said the profit margins for the project had risen with the new bids. The two firms had pencilled in South Korea's SK Engineering [SKEC.UL] to build a crude unit, Daelim Industrial (000210.KS) for a gasoline unit, and GS Engineering (006360.KS) to build a hydrocracker.

Daelim was one of the most aggressive bidders for several packages, and may also win the hydrocracker contract, replacing GS, a source told Reuters on Wednesday.

Spain's Tecnicas Reunidas (TRE.MC) would build a coking unit. India's Punj Lloyd (PUJL.BO) would build some offsite infrastructure and pipelines while Egypt's ENPPI would build a tank farm

After Conoco's withdrawal, Aramco asked engineering firms to extend the validity by 60 days of bids they submitted in January. The cost of the refinery doubled to around \$12 billion in 2008 from \$6 billion when Aramco and Conoco first announced the project in 2006.

The price tag has since fallen and industry sources said economics were better than for the sister Jubail refinery, in which Aramco teamed up with France's Total (TOTF.PA). Bidding for a solids handling unit has still not closed. It has been extended to July 6. Both Yanbu and Jubail would process heavy crude from Saudi Arabia's 900,000 bpd Moneefa oilfield.

Many companies had expressed interest in replacing Conoco as the partner in the plant, and among them were Asian bidders, Naimi said earlier this month. But Aramco has yet to select a new partner for the plant, sources said. "So far they haven't selected a partner...they will go ahead with the project," said a source.

## UAE GAS PROJECT

Conoco also pulled out from a \$10 billion gas project in neighbouring oil producer, the United Arab Emirates, as the U.S. firm looked to focus investment on oil and gas exploration and production and away from refining.

State-run Abu Dhabi National Oil Company (ADNOC) which is developing the project awarded engineering, procurement and construction (EPC) contracts days after the U.S. firm's withdrawal as it secured competitive and attractive bids. Like Aramco, ADNOC has said it would move ahead with the project. Industry sources said last week ADNOC wants Royal Dutch Shell (RDSa.L) to step in as its partner.

Aramco may follow suit and select a partner after the construction deals are signed, one source said.

"It is another possibility," said the source

### **Kuwait Oil Tanker to Sign \$142 Million Contract With Daewoo Shipbuilding**

By Fiona MacDonald - Jun 28, 2010

Kuwait Oil Tanker Co. will sign a \$142 million contract with South Korea's Daewoo Shipbuilding & Marine Engineering Co. Ltd. for two vessels for oil products, KUNA reported, citing KOTC Chairman Nabil Bouresli.

The tankers, to be handed over in 2012, will each have a capacity of 110,000 tons, Bouresli said, according to the state news agency. The construction of the tankers is part of a plan by the unit of state-owned Kuwait Petroleum Corp to modernize its fleet and operate 33 tankers, Bouresli said.

Kuwait Oil Tanker signed a \$708 million contract with Daewoo in August 2008 for four very large crude carriers.

Kuwait, the third-largest producer in the Organization of Petroleum Exporting Countries, plans to raise its output capacity to 4 million barrels a day by 2020. The country pumped 2.35 million barrels of oil a day in May, according to Bloomberg data.

### **'Jeju to become international business hub'**

Jeju Island has a geographical advantage and other competitive merits over its rival cities in Northeast Asia in becoming a free international business hub, according to the head of the state-run firm in charge of developing Korea's southern resort island.

In an interview with The Korea Times, the chief director of Jeju Free International City Development Center (JDC) Byon Jong-il said the nation's most popular tourist destination has everything it needs to become a human-friendly business center that offers high standards of living.

"I have been working hard over the past year to promote Jeju here at home and abroad for its potential to emerge as a global business town. It has a superb natural environment, with many of its tourist attractions having been designated as UNESCO world heritage sites. Additionally, we can fly from the island to Seoul, Beijing, Tokyo and Shanghai within two hours," Byon said. The island has recently become a popular tourism destination not only for Koreans, but also for Chinese, Japanese and other Asian tourists.

He said, thanks to its geographical proximity to major metropolises in the region, Jeju is in the perfect location to become premium tourism, medical and educational hub in Northeast Asia.

“Through our strenuous efforts to promote Jeju on the global stage, we have begun producing achievements as many international investors and companies have shown interest in investing here.”

JDC was established in May 2002 to transform Jeju into a free international city at a national level under the Jeju Free International City basic plan and the special act on Jeju self-governing province and free international city.

In order to compete with Hong Kong, Singapore and other internationalized cities in Asia, Byon said Jeju should take advantage of its clean natural environment in becoming a truly human-friendly international city.

“We will emerge as an ethnically and culturally diverse global town. To achieve this goal, we are making an all-out effort to implement a range of development projects as planned. Additionally, Jeju residents need to become more global-minded and friendly toward foreigners,” the chief director said.

The center is currently working on six major strategic projects; an English education town, a healthcare town, a science-technology complex, a resort complex, an eco-friendly park and a shopping district.

“Among six development projects, we are currently placing top priority on creating an English education town. Since June 2009, we have signed a memorandum of understanding (MOU) with a number of international schools, including St. Albans School of the United States, to set up a branch school in the designated area. We plan to open three international schools here by September 2011,” the chief director said.

JDC will also recruit students for the planned schools toward the year's end and hire highly qualified teachers from home and abroad, who can conduct classes in English.

Byon then said the center will create a healthcare district to attract foreign patients in cooperation with the Korea Institute of Oriental Medicine and the Korea Tourism Organization. “We will build a comprehensive healthcare theme park where patients and their family members can enjoy both leisure and medical services in one place. To attract foreign investors, we are exempting them from paying corporate and income taxes for the first five years. They also do not pay property taxes for 15 years. Those who invest more than \$500,000 and reside here for five years will be given permanent residency,” he said.

Touching on the envisioned science-technology complex, it has attracted online portal operator Daum, the Korea Advanced Institute of Science and Technology and 32 other companies and research institutes since its launch in March.

“They will receive a 100-percent exemption from corporate tax for the next three years. For the following five years, they only need to pay 50 percent. Additionally, their property acquisition and holding taxes will be exempted as long as they stay here. Moreover, we will offer a range of support programs to help them do business,” Byon said.

The JDC plans to create a large resort complex, an eco-friendly park, and an aerospace museum to make Jeju a more attractive tourist destination. “We have secured a \$1.8 billion investment from Malaysia's Berjaya Group to complete the resort complex by 2015. For an eco-friendly park, we signed a memorandum of agreement (MOA) with MSC Korea, the local operator of an envisioned MGM theme park, in March for an \$880 million investment,” Byon said.

He said JDC signed a business agreement with the Smithsonian Institute of the United States last year to construct a space museum in 2011, adding it will build a world-class luxurious shopping center to cater to shopping needs of both local and foreign visitors.

### **Korea, Mexico agree to restart FTA talks**

MEXICO CITY — President Lee Myung-bak and his Mexican counterpart Felipe Calderon agreed Thursday (local time) to work together for an early resumption of talks on signing a free trade agreement (FTA) between Korea and Mexico.

The talks started in 2007 but have been suspended since June 2008 due to Mexico's concerns about a possible trade imbalance.

The two sides also signed an agreement to open a direct air route to reflect growing economic ties and people-to-people changes, Cheong Wa Dae said following their summit in the Mexican capital. Mexico is the final leg of Lee's weeklong trip that has also taken him to Canada and Panama. He will return to Seoul today.

Calderon promised to allow Korean firms to participate in state-initiated infrastructure projects and open the door for Korean banks so that they can offer services for Korean firms operating in the Central American country.

Mexico offers such benefits only to firms from countries with which it has signed FTAs, according to the Korean presidential office.

“That means Mexico is treating Korea very specially,” presidential spokeswoman Kim Eun-hye told reporters. “In 2009, the Mexican government opened international biddings worth \$2 billion for the construction of five refinery facilities. Firms from countries with no FTA ties were banned from participating in four of the projects.”



However, there is a rough road ahead for Korea and Mexico to restart the stalled FTA talks as Mexico's business associations have opposed the deal, citing a possible negative impact on domestic industries.

Seoul has called for an early resumption of the talks, saying the FTA will be crucial to deepening the strategic partnership between the two countries. Lee and Calderon agreed in principle that the FTA will bring the two countries closer, economically and culturally.

"We had very successful talks," Lee said at a joint press conference following the summit. "We agreed to move our relations forward by boosting economic, energy, infrastructure, science and technology, and cultural cooperation. We shared a common understanding that the FTA talks should resume."

Calderon said, "I expect the deal, if signed, to increase bilateral trade and spur economic growth for both countries."

The two sides expressed satisfaction with the progress of their economic partnership. Mexico is Korea's largest trade partner in Latin America. Over the past five years, two-way trade has doubled to some \$10 billion as Samsung and LG have become the most popular electronics brands here.

More than 1,470 Korean firms are now operating in Mexico, mostly engaged in the manufacturing of electronic goods, steel and automobile parts. The firms have created more than 40,000 jobs.

The summit also focused on building a partnership on the international stage. Calderon said he would fully cooperate for Korea's successful hosting of the Group of 20 Summit, slated for Seoul in November.

As Mexico was named to host the G-20 meeting in 2012 at the latest summit in Toronto, Canada, the forum gives a crucial opportunity for both countries to represent the voices of emerging economies, Lee said.

Lee also promised to cooperate with Mexico as it steps up preparation for U.N. climate talks slated for December.

After the summit, Lee met with Mexican business and political leaders to call for their support for the Korea-Mexico FTA and explain Korea's plan to foster closer ties with Central American countries.

### **Korea seeks FTAs with C. American nations**

PANAMA CITY — South Korea is seeking to boost its partnership with Panama, a small Central American country that has strong ties with the United States, politically and

economically, and explore the possibility of signing free trade agreements with regional players with the nation's help.

At a summit here Monday (local time), President Lee Myung-bak and his Panamanian counterpart, Ricardo Martinelli, agreed to cooperate closely to extend Korea's economic and investment relations with Central American countries.

Under the agreement, the two countries will discuss the possibility of Korea's FTAs with some members of the Central American Integration System (SICA), an organization promoting cooperation among Panama, Costa Rica, El Salvador, Nicaragua, the Dominican Republic, Guatemala, Honduras and Belize.

Lee held a group summit with the leaders of the SICA nations Tuesday in Panama City to discuss the plan and other ways to enhance economic and cultural ties. Afterwards, he intends to hold a series of bilateral talks with them.

SICA provides virtually untapped markets for Korean firms as annual trade reached \$6.68 billion in 2009. Korea's exports to the region stood at \$5.3 billion last year, only 1.45 percent of its total exports.

President Lee arrived in Panama earlier on Monday after a two-day visit to Toronto, Canada, where he co-chaired the Group of 20 Summit with Prime Minister Stephen Harper as host of the next meeting of the world's 20 wealthiest countries.

Lee became the first South Korean leader to visit Panama since the two countries established diplomatic relations in 1962. It was also Lee's first trip to Central America since his inauguration in early 2008.

During Monday's summit, Lee and Martinelli also agreed to work for an early signing of a bilateral treaty to avoid double taxation. The treaty will be crucial to increase trade and investment between the two countries, Cheong Wa Dae said.

The Panamanian leader criticized North Korea for its sinking of the South Korean Navy vessel Cheonan in March, expressing full support for Seoul's efforts to seek international action against Pyongyang.

Korea and Panama also shared a common understanding on encouraging exchange in the areas of natural resources, construction, information technology and cultural interaction, according to the presidential office.

Following the summit, Lee visited the tourist center of the Panama Canal, the 77 kilometer-long waterway that joins the Atlantic Ocean and the Pacific Ocean and is a key conduit for international maritime trade.

Martinelli, 58, a U.S.-educated free-market advocate, served as chairman of the Panama Canal's board of directors and minister of canal affairs in the early 2000s.

Through Lee's visit, South Korea is seeking to strengthen relations with Central American nations by initiating programs aimed at sharing its economic growth experience and offering financial assistance for their economic development.

In an interview with La Prensa, a Panamanian newspaper, published Monday, Lee praised Panama on its vision of becoming a world-class commercial and financial center, saying Central America has huge growth potential and will provide new markets for emerging economies.

### **Doosan Heavy Wins \$3.9 Billion Order to Provide Nuclear Reactor for U.A.E.**

By Seonjin Cha - Jun 30, 2010

Doosan Heavy Industries & Construction Co., South Korea's biggest power-equipment maker, signed a record \$3.9 billion contract to provide nuclear reactors in the United Arab Emirates, the company said in a statement. Shares rose to their highest in two months.

The Changwon, South Korea-based company will supply nuclear reactors, turbines and other equipment to Korea Electric Power Corp., which is leading a group that won a \$18.6 billion order to build nuclear power plants for the U.A.E.

Korea Electric agreed in December to build four nuclear plants by 2020 for the Persian Gulf nation, which is turning to atomic power to meet growing energy demand as industrialization depletes natural-gas supplies. The contract was South Korea's first overseas nuclear order.

Doosan Heavy rose as much as 4.4 percent to 78,900 won, the highest since April 30, in Seoul trading. The stock traded at 76,400 won at 9:52 a.m. local time. The benchmark Kospi index fell 0.6 percent.

### **Obama's South Korea Trade Agreement Push Collides With Ford, Auto Union**

By Mark Drajem - Jul 1, 2010

When heads of state gather, leaders sometimes cut through their own bureaucracies and get something done. U.S. President Barack Obama and South Korean President Lee Myung Bak did just that on June 26 when they announced at the Group of 20 summit in Toronto that they intended to revive a trade agreement signed in 2007 and never approved by either country's legislature.

Both sides aim to rework the deal by November, when the G- 20 next meets in Seoul. With almost \$68 billion in two-way trade, it would be the U.S.'s largest free-trade pact since the North

American Free Trade Agreement in 1994 and could help Obama make good on a March pledge to double American exports in five years.

Obama hasn't sent the existing deal to Congress because of labor opposition. U.S. unemployment doesn't help, with 15 million people jobless as of May. A more intractable obstacle involves trucks, Bloomberg Businessweek reports in its July 5 issue.

Ford Motor Co. and the United Auto Workers union want Washington to keep a 25 percent U.S. tariff on pickup truck imports. Ford's F-series truck is America's best-selling vehicle. The deal with the South Koreans would require the U.S. to phase out that tariff over the next decade.

Hyundai Motor Co. and Kia Motors Corp., the two largest Korean automakers, don't make trucks now that could compete with the American brands. "It would be relatively easy for Korean manufacturers to ramp up production for export to the U.S.," the UAW said in a September filing to the U.S. Trade Representative. Barbara Somson, the UAW's top official in Washington, said, "A lot of damage could be done to our jobs in pickup plants."

#### Prying Open Market

Ford makes a different case: By agreeing to cut tariffs, the U.S. is trading away its best bargaining chip to pry open the Korean market to American-branded vehicles, something the U.S. has tried and failed to do since the 1990s. This deal "represents the last, best chance to open the Korean market," Ford said in a statement.

"There certainly is a problem in Korea," said Daniel J. Ikenson, associate director at the Cato Institute's Center for Trade Policy Studies in Washington. He said the Detroit automakers ultimately are "more concerned with market competition in the U.S. than in gaining Korean market share."

South Korea's passenger-car makers have already made inroads in the U.S., which imported \$8.4 billion worth of autos and auto parts from Korea in 2009. That could increase by as much as \$1.7 billion a year as a result of the free-trade deal, the U.S. International Trade Commission estimates. The U.S. sent only 6,140 autos to Korea last year, a total Ford blames on a variety of taxes, customs, and regulatory standards that discriminate against foreign competition.

#### Korea's Stance

The agreement would eliminate an 8 percent South Korean tariff on U.S. passenger cars and a 10 percent truck tariff, and includes provisions to deal with non-tariff barriers in Korea, Han Duck Soo, that country's U.S. ambassador, said in a speech on May 12.

“Korea’s auto market is open and competitive, and the way to increase exports to Korea is to implement the” trade pact, Han said in Washington. “Korean consumers are happy to buy foreign cars that fit their needs.”

Stephen J. Collins, president of the American Automotive Policy Council, which represents Ford, General Motors Co., and Chrysler Group LLC, called Korea “the classic example of bad trade policy: keeping everyone else out while going on a worldwide export binge.”

‘This One Flunked’

“We are open to looking at a good trade agreement, but this one flunked,” Collins said. GM, which has a South Korean unit, GM Daewoo Auto & Technology Co., is sitting out the debate, he said. GM makes and sells cars in the Korean market and uses the Daewoo unit to sell to China as well.

One skeptic Obama will have to bring around is House Ways and Means Committee Chairman Sander Levin, a Michigan Democrat whose suburban Detroit district is home to thousands of autoworkers. Levin offered a proposal in 2007 to match the number of Korean and U.S. car imports. The 25 percent truck tariff? It would stay in place.

### **South Korea Exports Rise an Eighth Month, Adding Pressure for Higher Rates**

By Eunkyung Seo - Jul 1, 2010

South Korea’s exports increased for an eighth month in June as the global economic rebound spurred demand for Hyundai Motor Co. cars and Samsung Electronics Co. semiconductors.

Overseas shipments increased 32.4 percent from a year earlier, the Ministry of Knowledge Economy said in Gwacheon today. That compared with the median estimate for a 25 percent gain in a Bloomberg News survey of 13 economists. Imports climbed 36.9 percent, leaving a trade surplus of \$7.5 billion.

The government last week raised its 2010 economic growth forecast to 5.8 percent, from a December projection of 5 percent, saying a faster-than-expected global recovery is spurring exports and local demand. South Korea may join India, Malaysia and Taiwan in increasing borrowing costs as the economy shows it is weathering Europe’s sovereign-debt crisis.

“The export growth is impressive, showing the economy’s resilience to the European fiscal woes,” said Park Sang Hyun, an economist at HI Investment & Securities Co. in Seoul. “The faster-than-expected economic recovery will likely persuade the central bank to begin raising rates soon, if not next week.”

The won weakened 1 percent to 1,233.45 per dollar as of 11:58 a.m. in Seoul, according to data compiled by Bloomberg. The currency tumbled 7.4 percent in the three months through June, the

first quarterly loss since March 2009, on concerns Europe's debt crisis will hurt the global recovery.

### Exports to Europe

South Korea's exports to Europe rose 38.4 percent in the first 20 days of June from a year earlier, a report from the economy ministry showed today. Exports to China, the biggest buyer of South Korean goods, advanced 25.3 percent and shipments to the U.S. increased 24.2 percent.

Overseas shipments of semiconductors climbed 62.1 percent last month, and display-panel sales increased 19.1 percent, the ministry said. Exports of cars rose 61.9 percent and ships gained 84.1 percent, the ministry said.

The Finance Ministry last week projected 25 percent growth in exports this year, higher than the economy ministry's earlier forecast of a 13 percent gain.

South Korea's economy expanded 2.1 percent in the first quarter of 2010 from the previous three months, driven by exports. The economic rebound pulled May unemployment down to a 19-month low.

The Bank of Korea kept its benchmark rate unchanged at 2 percent for a 16th month in June as Governor Kim Choong Soo balanced the risks of growing inflationary pressures against Europe's fiscal woes. The next meeting is scheduled for July 9.

### Stable Inflation

South Korea's consumer prices rose 2.6 percent in June from a year earlier, easing from a 2.7 percent gain in May, the statistics office said today. The median estimate in a Bloomberg News survey of 13 economists was for a 2.9 percent gain. Prices declined 0.2 percent from May on cheaper agricultural products as output increased.

Inflation will probably exceed 3 percent later this year because of an increase in public fees for gas and electricity and a weaker won, said Kwon Young Sun, a Hong Kong-based economist at Nomura Holdings Inc.

Central bank Governor Kim said June 10 policy makers will focus more on "price stability" after keeping the benchmark rate at a record low.

"They need to act to tackle inflationary pressures," Lee Sung Kwon, an economist at Shinhan Investment Corp. in Seoul, said before today's report. A rate increase is likely to come in August after policy makers check second-quarter growth data due to be released at the end of this month, he said.

## **Hyundai Leads Toyota, Honda U.S. Sales Gains Amid Cooling Vehicle Demand**

By Alan Ohnsman - Jul 1, 2010

Hyundai Motor Co. led Asia-based automakers' U.S. sales gains in June as waning consumer confidence cooled demand for new cars and trucks.

Sales at Hyundai, South Korea's largest automaker, jumped 35 percent from a year earlier and set a record for the month, the company's U.S. unit said yesterday. Other increases included 6.8 percent for Toyota Motor Corp., the world's biggest automaker, 6.2 percent for Honda Motor Co. and 11 percent for Nissan Motor Co.

"June was somewhat of a disappointment," Al Castignetti, Nissan's U.S. vice president and general manager of its namesake brand, said in an interview. "I have to point the finger at consumer confidence. Toward the end of the month we weren't seeing the consumer traffic we'd been expecting."

The monthly results followed data on manufacturing, jobless claims and home sales that fueled concern the economic recovery is faltering. The Conference Board this week said its confidence index slumped to 52.9 in June from a revised 62.7 in May.

Auto sales rose 14 percent last month from a year earlier, after gains of 19 percent in May and 20 percent in April. Sales at the two largest U.S. carmakers, General Motors Co. and Ford Motor Co., increased 11 percent and 13 percent, respectively.

The Japanese and South Korean companies again lost ground to U.S.-based competitors, with a combined 44.8 percent market share in June, a percentage point drop from a year earlier, according to Autodata Corp. GM, Ford and Chrysler Group LLC held 46.5 percent.

The June results "further reinforce that carmakers are still struggling on the retail side, badly," said Jessica Caldwell, senior analyst at Edmunds.com, an auto research website in Santa Monica, California.

### **Toyota**

Toyota reported sales of 140,604 Toyota, Lexus and Scion autos last month, up from 131,654 a year earlier. The Toyota City, Japan-based company had gains for Camry sedans and Tundra pickups, while Prius hybrid deliveries dropped 15 percent.

"We remain confident that over the mid- and long term the industry outlook is very positive," Bob Carter, group vice president of Toyota's U.S. sales unit, said in a conference call yesterday.

Toyota's market share for the month fell to 14.3 percent, from 15.3 percent a year earlier, according to Woodcliff Lake, New Jersey-based Autodata.

Carter also said Toyota has completed repairs on more than 4 million, or 78 percent, of U.S. vehicles recalled this year for issues linked to unintended acceleration.

#### Honda, Nissan

Honda sold 106,627 Honda and Acura vehicles, an increase from 100,420, said Christina Ra, a spokeswoman for the U.S. unit of Japan's second-largest automaker. The gains were led by Civic small cars, Accord sedans and CR-V sport-utility vehicles.

Market share for Tokyo-based Honda slipped to 10.8 percent, from 11.7 percent, according to Autodata.

Nissan, the third-largest Japanese automaker, sold 64,570 Nissan and luxury Infiniti models, rising from 58,298, Brian Brockman, a company spokesman, said in an e-mail message.

Sales of Versa and Sentra small cars, as well as Rogue and Murano crossover SUVs, contributed to the Yokohama, Japan-based company's gains, Castignetti said.

#### Hyundai

Hyundai sold 51,205 cars and light trucks, compared with 37,943 in June 2009, the Seoul-based company said in a statement. The revamped Sonata sedan, released early this year, again led the gains, climbing 49 percent.

"June was a very tumultuous month for the industry with declining consumer confidence, housing market instability and unexpected financial market volatility," Dave Zuchowski, Hyundai's vice president of U.S. sales, said in a statement.

Given that economic situation, "we were encouraged that Hyundai continued to outperform the market and seize additional market-share gains," he said.

"Hyundai is a good example of one of the few companies that's growing mainly because of new products -- the Sonata, Tucson SUV, the Genesis" luxury sedan, said Caldwell, the Edmunds.com analyst.

#### **Korea National Said to Approach Dana About Possible Offer to Buy Company**

By Eduard Gismatullin and Shinye Kang - Jul 2, 2010

Korea National Oil Corp., a state explorer that aims to more than double output by 2012, contacted Dana Petroleum Plc. about a possible bid for the Scottish company, said a KNOC official with knowledge of the discussions.

The South Korean company had a single contact with the company and has made no progress since, said the official, who declined to be named, citing internal rules. The approach was



preliminary and didn't include any price negotiation, he said, declining to say when the contact was made.

The Financial Times newspaper cited people familiar with the situation saying KNOC may make a \$2.3 billion offer for Dana. Kim Seong Hoon, a vice president at KNOC, declined to comment when reached by phone in Seoul today.

Dana said in a statement yesterday it had received a "very preliminary approach which may or may not lead to an offer" for the company. A spokesman declined to identify the bidder.

KNOC plans to increase output to about 300,000 barrels of oil equivalent a day in 2012 through exploration and purchases, Kim said earlier this month. The company expects to spend as much as \$6 billion on acquisitions and projects this year. Dana, which is focused on Europe and Africa, said last year it expects full-year production of about 39,000 barrels a day.

#### Shares Rise

"This would be a good opportunity for Korea National Oil to boost output, but it still looks like Dana Petroleum is a small or medium target," Kang Hee Chan, a chief researcher at the Samsung Economic Research Institute in Seoul, said by phone today. "South Korea, which is already far behind China and India in securing overseas energy assets, needs to step up its efforts to hunt for bigger assets."

Dana rose 42 pence, or 3.7 percent, to close at 1,177 pence in London yesterday, valuing the company at 1.1 billion pounds (\$1.7 billion). The stock was the biggest gainer in Europe's Stoxx 600 oil and gas industry subgroup.

Dana "isn't for sale," Chief Executive Officer Tom Cross said last year. He said he planned to boost the company's market value by finding more oil and gas. The shares are down about 15 percent in the past year.

In June, Dana agreed to buy Suncor Energy Inc.'s Dutch North Sea assets for 328 million euros (\$400 million) in cash in its biggest purchase to date.

The acquisition will boost Dana's previous production estimate for this year by as much as 12 percent, the company said. Output will increase by as much as 9,000 barrels of oil equivalent a day in 2011 and 14,000 barrels in 2012. It will also add 31 million barrels of proved and probable reserves.

Dana, which holds more than 100 interests in exploration and production licenses in nine countries, reported a "significant" gas discovery in the U.K. southern North Sea in April.

Last year, KNOC bought Canada's Harvest Energy Trust for C\$4.1 billion (\$3.9 billion) in South Korea's biggest overseas energy acquisition. Chinese companies have spent at least \$12.6 billion

on oil assets overseas since December 2008, including purchases in Singapore, Syria and Kazakhstan.

### **Steel Authority, ArcelorMittal, Posco in Talks to Build Two Indian Plants**

By Abhishek Shanker - Jul 2, 2010

Steel Authority of India Ltd. is in talks with Posco and ArcelorMittal to build two plants in eastern India after land acquisition delays stymied individual proposals from the global steelmakers.

Posco and Steel Authority of India will complete a plan to build a 2 million metric ton mill at Bokaro in Jharkhand state in the next three to four months, Soiles Bhattacharya, the state-owned Indian company's finance director, said today in an interview. Negotiations are on with ArcelorMittal and Tata Steel Ltd. for a 6 million ton mill at Sindri in the same state, he said.

ArcelorMittal and Posco, whose proposed steel projects in India have been delayed for five years due to local farmer opposition, are looking for partners to tap demand in the world's third-fastest growing major economy. Steel demand in India last year rose 7.6 percent and is forecast to grow 9 percent this fiscal year, helped by sales of cars and spending on roads and ports.

Posco, South Korea's largest steelmaker, will be offered a maximum 51 percent stake in the Bokaro project, Bhattacharya said, without giving cost details. A report is being prepared for the mill that will use Posco's Finex technology, he said. The Sindri project, to be built on a 6,000 acre plot belonging to the fertilizer ministry, will take five years to be planned and commissioned, he said.

Posco rose 1.3 percent to 466,500 won at the close of trading in Seoul. Steel Authority shares gained as much as 1.2 percent to 191.45 rupees in Mumbai and traded at 190.35 rupees, up 0.6 percent, as of 11:54 a.m. local time.

#### **Ore Output**

Steel Authority, India's second-largest producer, will increase its annual iron ore output to 40 million tons from 25 million tons by March 2013, Bhattacharya said. The company will lift production at its mines in Jharkhand and Orissa and is awaiting government approval to mine in some of the Chiria reserves in Jharkhand, he said.

Steelmakers, aiming to set up 160 million tons of capacity in the eastern states of Chhattisgarh, Jharkhand and Orissa that together hold more than half of India's iron-ore reserves, have failed to win mining licenses from the state governments and acquire land from protesting farmers. Prime Minister Manmohan Singh's government aims to resolve land disputes and delays in allocating mining licenses to achieve as much as 8.5 percent economic growth this fiscal year.

Posco in June 2005 said it planned to set up a \$12 billion steel plant in Orissa to tap demand in India. ArcelorMittal, the world's largest mill, announced a plan to set up a \$10 billion mill in the neighboring state of Jharkhand the same year and said in 2006 it would build a similar-sized unit in Orissa.

Tata Steel, India's biggest producer, announced a 6 million-ton plant in Orissa in 2004 and a similar-sized plant in Chhattisgarh the next year. In 2005, Tata also announced a 12 million-ton plant in Jharkhand state.

India's \$1.2 trillion economy is likely to expand 8.5 percent in the fiscal year to March, compared with 7.4 percent the previous year, according to Finance Minister Pranab Mukherjee. The economy grew 8.6 percent in the three months to March, the fastest pace among the major growth economies after China and Brazil.

## **Social Front:**

### **Detailed News:**

#### **South Koreans Share Despair of North's 7-0 Defeat to Portugal at World Cup**

By Bomi Lim and Ben Richardson - Jun 21, 2010

South Koreans hold banners as they cheer for the North Korean national soccer team as they watch a live broadcast of the North Korea and Portugal 2010 World Cup match at a temple in Seoul. Photographer: Kim Jae-Hwan/AFP/Getty Images

Hundreds of South Koreans groaned and sighed as they watched North Korea's 7-0 defeat by Portugal that eliminated the communist country from its first World Cup appearance in 44 years.

"It's such a shame North Korea couldn't make it," said Kim Yong Woo, 33, one of about 600 people who gathered last night to watch the televised match on a screen in the grounds of Seoul's Bongeunsa Buddhist temple. "It's not so much about winning or losing. It's the fact that we got together as one that matters."

The crowd, standing and sitting on the dirt or perched on terraces surrounding the screen, cheered each time North Korea, the lowest-ranked team in the soccer tournament, fended off an attack by third-seeded Portugal. The sentiment resonated across the armed border in North Korea, where the game from Cape Town, South Africa was broadcast live for the first time.

North Korea reached the quarterfinals in the 1966 World Cup, when they surrendered a 3-0 lead against Portugal by conceding five goals. This year's team lost its June 15 opening match 2-1 to Brazil, and faces Ivory Coast on June 25 in its last game.

South Korea, which is also playing in this year's tournament, beat Greece 2-0 in its opening game before losing to Argentina 4-1 on June 17. The team can advance to the quarterfinals if it beats Nigeria later today.

### Heightened Tensions

North Korea's appearance in the competition comes during heightened tensions on the peninsula. South Korea blamed Kim Jong Il's regime for torpedoing one of its warships in March, killing 46 sailors. South Korean President Lee Myung Bak has said the North must pay for its aggression, and has taken the case to the United Nations Security Council.

The U.S. backs Lee, while China, which holds veto power on the council, has so far refused to criticize Kim. That split reinforces alliances that date back to the 1950-1953 Korean War, which ended in an armed stalemate between the China-backed North and their Cold War foes, the U.S. and the South.

The sinking of the 1,200-ton Cheonan helps highlight the growing gulf between South Koreans and their attitude to North Korea, best described as "an extended family member in need of help at a holiday gathering," said Scott Snyder, director of the Center for U.S.-Korea Policy at The Asia Foundation in Washington. "You help out of obligation in recognition of family ties." North Korea's behavior saw the focus shift from "sameness" to "difference," he said.

### TV Ad Shelved

SK Telecom Co., South Korea's biggest mobile phone company, shelved a television commercial featuring players from both teams after the Cheonan incident, said spokeswoman Lauren Kim. The ad starred Manchester United and South Korea star Park Ji Sung and Japanese-born North Korean Jong Tae Se, and aimed to capitalize on the first World Cup appearance by both countries that have been divided by ideology and war for six decades.

While North Korea has threatened to turn Seoul into a "sea of flame" in response to any punitive action for the sinking of the warship, South Koreans saw images of Jong crying during the national anthem at his first game for North Korea.

"We all understood the meaning of Jong's tears: the cruel and sad reality of a divided Korea," said South Korean fan Kim, a member of Speak The Truth, an Internet group that organized yesterday's event.

South Korea's viewer rate for the North Korea-Portugal match was 24 percent, the second-highest for yesterday's TV programs, according to TNS Media Korea.

### Despair

A commentator on North Korea's Korean Central Broadcasting expressed despair after Raul Meireles scored Portugal's first goal after 29 minutes and grew quiet as the score increased, according to Yonhap News, which can monitor the reclusive nation's state television from Seoul.

"All we know about North Korea is very negative and unpersonal," said Rudiger Frank, professor of East Asian Economy and Society at the University of Vienna. "Now we can see that they are actually humans. Seeing them wearing short trousers instead of uniforms also makes a big difference -- a sharp contrast to goose-stepping, faceless soldiers."

Former South Korean soccer player Cha Bum Kun, who commentates for SBS television, which owns the World Cup broadcast rights for South Korea, expressed his emotions toward North Korea last week.

"I am told I shouldn't show affection for North Korean players when I commentate on their match," Cha said on me2day.net, a South Korean social-networking site. "Frankly speaking, I feel very affectionate toward North Korean players. We share the same blood."

### **South Korea, Argentina Move to World Cup Round of 16 With Mexico, Uruguay**

By Bob Bensch - Jun 22, 2010

Argentina beat Greece 2-0 to advance to the round of 16 at the World Cup in South Africa. South Korea also progressed with a 2-2 tie against Nigeria.

Argentina finished atop Group B with nine points and South Korea was second with four points. The top two in each of the eight groups qualify for the next round.

Earlier today, Uruguay defeated Mexico 1-0, allowing both teams to progress from Group A. Host South Africa beat 10-man France 2-1 as both were eliminated.

Martin Demichelis and Martin Palermo scored in the final 13 minutes in Polokwane to give Argentina its third straight victory. Argentina will play Mexico in its next game on June 27.

Lee Jung Soo and Park Chu Young scored in Durban for South Korea, which meets Uruguay on June 26.

Nigeria took the lead in the 12th minute on a goal by Kalu Uche and Lee tied the game seven minutes before halftime. Park scored with a free kick early in the second half to give South Korea a 2-1 lead.

Nigeria's Ayegbeni Yakubu missed a wide-open goal from three yards out in the 67th minute. He scored two minutes later with a penalty kick after Chinedu Ogbuke Obasi fouled Kim Nam Il.

Teams are ranked in each group by points from group matches, followed by goal difference and goals scored in all group matches. Ultimately, world governing body FIFA can decide which team moves on by drawing lots.

### **South Korea May Pass Law in 2010 to Create Emissions Trading, Analyst Says**

By Dinakar Sethuraman - Jun 21, 2010

South Korea may pass a law this year to create an emissions-trading market, and set targets on energy use and greenhouse gas release for industries, C.J. Park, a consultant to the International Emissions Trading Association, said at a conference in Singapore today.

### **Outbound travelers to hit record in summer**

A record number of travelers are expected to fly overseas during the upcoming summer vacation season as more individuals can afford to spend extra cash abroad on the improving economy and the strengthening of the Korean won against the dollar and other foreign currencies.

Most travel industry watchers expect this year's figure to easily exceed the previous record set in 2007.

Hana Tour, the nation's largest travel agency, said Tuesday that as of Monday, a total of 99,836 individuals have made reservations this month for overseas tours scheduled in July and August, surpassing the 99,776 who bought tour packages in June 2007.

In July and August 2007, 117,049 and 123,099 individuals traveled abroad, respectively, breaking the agency's previous records. But Hana expects this year's figure during the July to August period to set new records if its reservations continue to rise at the current pace.

"We expect more than 250,000 Koreans to travel overseas via our agency during the summer holiday season, exceeding the 2007 figure. The majority of them are heading to China, Japan and Southeast Asian countries," Hana Tour spokesman Cho Il-sang said. "Additionally, more tourists are expected to visit Europe, partly due to the weaker euro against the Korean won."

Cho said the number of overseas travelers declined in 2008 and 2009 as a result of the worldwide flu epidemics, the global economic crisis and other unfavorable travel conditions.

"We experienced a temporary setback in the last two years. But more and more Koreans will travel to foreign countries this year and beyond."

Mode Tour, the nation's second largest tour marketer, and other travel agencies are also benefiting from the current overseas tour boom as the number of reservations for outbound travel surged over the previous year.

Korean Air and other air carriers are also posting much higher airplane reservation rates bound for China and Southeast Asian countries.

"We were flooded with air travelers in the summer of 2007. We are not sure whether we can beat the previous record. But we expect outgoing travelers in July and August to grow by more than 10 percent, compared to the same two-month period last year," a Korean Air spokesman said.

### **Shortage of nurses aggravating**

Song, a nurse of seven years, recently succeeded in moving to a ward that guarantees her work shift to remain fixed from 9 a.m. to 6 p.m. at the general hospital where she is employed. She confessed that she was on the verge of changing her job because of her irregular and excessive work schedule.

"We have day, evening and nighttime shifts and are obliged to work in rotation. We suffer from constant fatigue and a chronic lack of sleep," Song says. "We are virtually isolated from the other part of the world because after work, all we can think about is getting enough sleep."

Besides the enormous stress of having to take care of patients, — from minor injuries to life-or-death cases — she said the largest cause of stress is the chronic shortage of manpower.

"It takes a certain period of time to train a nurse candidate to be a fulltime staff member. Therefore, the only way to make operations work with the limited number of workers is to make them put in more hours and sacrifice their private lives. No holidays, but late night shifts and other drawbacks," she said.

Song is not the only nurse who is struggling with the sad reality the medical staff faces in Korea.

According to the Korea Health and Medical Workers' Union's recent survey of 20,156 of its members, nearly 70 percent complained about the lack of staff allocated to their wards or departments.

About 75 percent said the work is imposing too much mental and physical stress on them and that 56 percent are considering getting another job other than at medical facilities.

Most of the sufferers were nurses. Song Eun-jeong, head of the union's policy department, said, "Marriage, pregnancy, childrearing and many other aspects compete for time in the hectic schedule. Though the management and the union agree to cap the number of night shifts to six days a month, the reality is that we work more than nine night shifts."

In fact, in 2000, a Busan Court ordered a university hospital in the region to compensate one of its nurses who suffered bleeding which led to a miscarriage. Another source of the industry said, "Female medical staff have to take turns to get pregnant so that their absence won't affect the whole operation of the ward."

Online news outlet Medical Today quoted a hospital manager in Gyeonggi Province as saying, “A nurse is responsible for over 20 patients. We know it is ridiculous but to run a hospital, it is unavoidable,” he said.

In fact, the shortage of medical staff is reported in other parts of the world since the work requires extra attention dealing with life and death but at the same time require long working hours.

The U.S. has long welcomed foreign nurses and Japan has also started to search for medical staff from other countries and is expected to hire some starting next year.

The union claimed that the shortage of medical staff lowers the overall quality of medical service.

“While it is the nurses’ duty to take care of the patients, here in Korea, the period of time allotted to an individual patient is so small. Therefore, many family members or private guardians must take over the duty. We need an open discussion and the government as well as the public’s willingness to tackle the problem,” said Song, the medical union representative.

### **Specialized high schools face evaluation**

Specialized high schools, such as foreign language and science high schools, will have their licenses revoked if they receive poor evaluations.

The government will set up special committees to supervise and appraise specialized schools in each city and province every five years, as part of restructuring education.

The government held a Cabinet meeting, presided over by President Lee Myung-bak, to pass a revised ordinance on elementary and secondary schools. Not only those that perform poorly, but also schools that operate against their founding purposes will have their licenses cancelled, the Ministry of Education, Science and Technology said.

So far, education superintendents of cities or provinces have had the right to issue or withdraw licenses to special schools. Under the new rules the committees will decide whether to extend the licenses or not.

At the same time, these specialized schools will be banned from conducting written tests when recruiting students, starting from this year, a move to help reduce private education costs burdening parents.

They will screen applicants using school records, recommendation letters, interviews and on-the-spot performance tests for arts and physical education institutes.



The new rules will enable companies in state-designated “innovative” cities or free economy zones to secure a certain admission quota at autonomous schools for children of their employees, if they provide them with financial support.

### **'40% of youngsters would flee from war'**

About four out of every 10 youngsters here said they would seek refuge further south from the border if a second Korean war broke out, a survey showed Wednesday. Only 15.5 percent said they would join the army to fight.

The Korea Institute for Defense Analyses asked a total of 1,000 males and females aged between 15 and 60 last month what their reaction toward a possible war on the Korean peninsula would be, and detected sharp distinctions between different age brackets.

The younger generation, aged 15 to 29, mostly said they were willing to support the army but would not participate in the war.

They said they would move to other parts of the country or even overseas to escape the war. Only 15.5 percent of teenagers and 27 percent of 20-somethings said they would enlist in the military to fight.

They were also lukewarm toward unification through war. Nearly 60 percent of teens and 72.3 percent of those in their 20s said the South should absorb the North even if it involves a long war.

The portion rose to 76.3 percent among 30-somethings, 82.5 percent for those in their 40s and 85.8 percent among 50-somethings.

Many young people said tales or episodes about the Korean War do not move them, but older respondents said the stories inspired them.

Kim Kwang-shik, who led the research, said, "Young people are less passionate about national security and their contribution to the nation. The difference of perceptions could become a possible conflict over the country's security agenda."

### **UN body hails Korea's 'green' growth initiative**

BONN, Germany — An official at the United Nations Framework Convention on Climate Change (UNFCCC), a body behind the annual U.N. climate change conference, hailed the Korean government for increasing efforts to establish the Global Green Growth Institute (GGGI).

Halldor Thorgeirsson, director of the executive direction and management at the UNFCCC secretariat, said, “The Korean government has been visionary,” in a speech at the World

Conference Center in Bonn, where the Global Media Forum on climate change is currently taking place.

Deutsche Welle, Germany's international broadcasting company hosts the conference that has attracted journalists and experts from around the world.

The GGGI, set to open by 2012, will be an independent venue, the first in Asia, for research and discussion among scientists, scholars and business representatives on reducing global warming and dealing with environmental challenges so they might be business opportunities.

Yvo de Boer, the outgoing executive secretary of the UNFCCC who participated in the launching ceremony in Seoul on June 16, said, "The GGGI is a very good opportunity to bring together theory and practice in this important area."

He added, "to my mind, it is beyond a shadow of a doubt that the world's economy needs to be transitioned onto a low-emissions, green growth path. And a climate change regime under the UNFCCC has a major role to play in this, supplemented by initiatives like GGGI."

Thorgeirsson said that Korea's initiative set an example, as a topic at the U.N. climate change conference in Cancun, Mexico, later this year will likely be about opening up regional offices toward the same goal.

Another reason the Mexico negotiation is highly anticipated is because of the hope that it will pick up from where the Copenhagen conference left off last December.

The Copenhagen conference came to a close without reaching an agreement on greenhouse gas emission targets for the post-Kyoto Protocol era. For this reason, the Copenhagen meeting was considered a failure.

Thorgeirsson said he had hoped to learn the host country of the 2012 U.N. climate change conference. In Copenhagen last year, President Lee Myung-bak officially announced Korea's interest in hosting the conference in 2012, the second bidder after Qatar.

The decision will be made through consultations among the Asian member states.

Due to preparations for the G-20 Seoul Summit in November, talk of the U.N. climate change conference in Korea is not a priority. Yet, upon Lee's return from Copenhagen, a special committee dedicated to winning the bid to host of the conference was established.

### **90% of gastric cancer patients found curable**

Nearly nine out of every 10 gastric cancer patients diagnosed last year were detected early and thus curable or treatable, Asan Medical Center said Monday.

Dr. Cho Jae-won, chief of the hospital's healthcare center studied the health checkup results of 380,000 people who had visited the center for tests and found 404 people were diagnosed with various malignant tumors last year. The figure is more than double the 181 confirmed in 2000.

Among the 404 diagnosed last year, gastric cancer accounted for the largest portion with 46 cases and nearly 90 percent of those patients, or 41, were in the early stage of the disease.

In an early stage of gastric cancer, the treatment is simple — the patient could opt for either abdominal or esophageal endoscopic surgery to remove the tumor, which are simple procedures and involves less bleeding, leading to less complications and a faster recovery.

Only 10.9 percent, or five, were diagnosed as progressive cancers, requiring chemotherapy and open surgery since they are likely to spread to other parts of the body.

Experts have been stressing the necessity of regular medical checkups. The National Health Insurance Corporation is providing free intensive health checkups for 40 to 66 year-olds.

The agency also finances half of a salary-worker's yearly regular checkups if they are subscribers.

### **'New community movement to power green growth'**

Korea must adopt a "Green Growth" policy as a second "Saemaoul Undong," or new community movement, to tackle various global challenges caused by the environment, Lee Maan-ee, minister of the environment, said Wednesday.

In a written interview with The Korea Times, the minister said a low-carbon green growth policy will be the key for Korea to turn various environmental challenges - massive carbon emissions leading to climate change, and a shortage of fossil fuels among others - into new opportunities.

Saemaoul Undong was a campaign designed to develop rural areas in the 1970s, and this played a significant role in the country's economic development.

By adopting the spirit of Saemaoul Undong, Lee said, the current and next generations will create a better environment as it will encourage every member of society to participate in burden-sharing for mutual prosperity.

"The enlightenment movement pulled Korea from poverty and frustration into prosperity and hope. It has been listed in the Encyclopedia Britannica and many developing countries have localized it for their own national campaigns," the minister said. "Like Saemaoul Undong, a green growth strategy can lay the firm foundation to overcome challenges and social obstacles through combined efforts by all people and ultimately turn them into an opportunity for a new takeoff."

Taking the "me first to take responsibility" attitude, the government has unveiled numerous policies already.

Lee said Korea faces growing global challenges triggered by environmental changes and needs a fresh impetus from the community for sustainable and environment-friendly growth. "We must adopt green growth as a 'second' new community movement," he said.

Lee said the ministry's initiation of the "Green Start Campaign" will provide leverage for green growth to take root as a new movement as it is designed to induce support from both citizens and businesses.

"Like Saemaeul Undong, the government should take the lead and, at the same time, work together with all citizens as well as the business community," the minister noted.

The declaration of green growth by the Lee Myung-bak administration in 2008 was aimed at transforming the existing industrial structure to a low-carbon one, and establishing a virtuous circle between economic development and environmental preservation.

Korea has become the first nation to enact a law on green growth - The Basic Act on Low Carbon Emissions. This encourages a low-carbon society, promotes a green lifestyle and builds on public-private partnerships for green growth.

It has also established a Greenhouse Gas Inventory and Research Center for monitoring gas emissions and the development of green growth related facilities. Green building, green consumption as well as green transportation for the purpose of encouraging a green lifestyle among citizens are also being promoted.

Lee said the plan is already getting positive reviews. "The Declaration on Green Growth was adopted at the OECD Ministerial Council Meeting (MCM) in June 2009. And the U.N. Environment Program (UNEP) published the Overview of the Republic of Korea's Green Growth Strategy in April, 2010, which highly assesses Korea as a country to lead green growth worldwide," he said.

### **Hana Financial, Samsung Give Koreans Second Reason to Cheer for World Cup**

By Bomi Lim - Jun 24, 2010

Buyers of Samsung Electronics Co.'s 3-D televisions and savers at Hana Financial Group Inc. have become winners in South Korea as the nation's soccer team advances to the second round of the World Cup in South Africa. Insurance companies may be the losers.

Cho Young Chul, a 37-year-old research fellow at Yonsei University in Seoul, stayed up through the night this week to cheer South Korea when it tied 2-2 with Nigeria at Durban Stadium to progress to the round of 16.

It wasn't until he got a mobile-phone text message a day later that Cho remembered opening a savings account with Hana Bank, the nation's fourth-largest lender, promising an extra 0.2 percent more interest on his savings if the team advanced.

"I couldn't have cared less about the extra rates when I opened the account because I didn't think our team would make it," he said. "They had a tough journey to make it this far and now I'm earning extra cash -- it's all the more reason to celebrate."

South Korean insurance companies face 630 million won (\$530 million) in claims to companies that insured their giveaways, the Financial Supervisory Service said in a statement on June 23.

They face an additional 2.32 billion won in claims if the Taeguk Warriors, as the team is known, reaches the quarter- finals, and another 520 million won if they make it to the semi- finals, according to the regulator.

South Korea reached the semi-finals in 2002, when it co- hosted the soccer tournament with Japan.

'Very Proud'

"We are very proud of you," President Lee Myung Bak wrote in a congratulatory message to the team, led by Park Ji Sung of Manchester United. "Seeing the Taeguk Warriors doing their best until the very end without losing focus has given big courage and hope to our people."

Taeguk refers to the circular design of red and blue on South Korea's national flag.

Samsung Electronics, the world's largest maker of TVs, said it will pay 1 million won each to 333 people who purchased its 3-D TVs between May 7 and June 30. Lotte Shopping Co., South Korea's biggest department store operator, and its Lotte Mart discount store chain, are offering gift certificates worth as much as 1 billion won to 801 customers, with the highest prize valued at 200 million won.

'O! Victory Korea'

Hana Financial's banking unit said on June 23 it would pay an extra 0.2 percent of interest to 170,000 customers who opened "O! Victory Korea" savings accounts to celebrate the team's advance. The windfalls for some comes as the nation mourns the deaths of 46 sailors on the warship Cheonan, which sank on March 26 after allegedly being torpedoed by North Korea.

"The team's good performance is especially valuable after the Cheonan incident put South Koreans into such a somber mood," said Park Tae Il, director of the consulting division at the Seoul-based Hyundai Research Institute. Park estimated the economic benefits from the team's World Cup advance at 1.3 trillion won in increased consumption and elevated overseas recognition of South Korea as a country.

North Korea

North Korea, making its first World Cup appearance in 44 years, drew more than 600 spectators in Seoul on June 21 to a giant screen erected at Bongeunsa Buddhist temple to televise matches. North Korea, which has been eliminated from the tournament, lost 7-0 to Portugal.

South Korea, ranked 47th on governing body FIFA's list, faces Uruguay tomorrow at the Nelson Mandela Bay stadium in Port Elizabeth.

South Korea advanced after a 2-0 victory against Greece, a 4-1 defeat by Argentina and a 2-2 tie with Nigeria. Uruguay, ranked 16th on FIFA's list, has had two wins and a draw in the tournament.

### **S. Korea to Spend \$1.7 Billion to Develop Alternative Energy, Daily Says**

By Sungwoo Park - Jun 28, 2010

South Korea plans to spend 2 trilli on won (\$1.7 billion) by 2015 to help develop parts and equipment for alternative energy industries such as solar and wind power generation and fuel cells, the Seoul Economic Daily reported, citing unidentified officials in the government and related industries.

### **South Korean star Park Yong Ha found dead in his home**

SEOUL - South Korean entertainer Park Yong Ha, one of the most sought after actors in South Korea and a popular singer in Japan, was found dead in his home in Seoul on Wednesday in an apparent suicide, local media reported.

Park's body was found by his mother with an electrical cord around his neck but there was no suicide note, The Korea Herald quoted police as reporting.

Park, 32, had recently devoted himself to nursing his ailing father who was in the final stages of stomach cancer. He was reported to have been struggling with sleep problems as well.

Park made his acting debut in 1992 but rose to fame in 2002 in the television drama "Winter Sonata," winning a following in Japan and other nations in southeast Asia.

He also forged a career for himself as a singer in Japan where he put out 10 hit albums in the past five years and won four consecutive Japan Gold Disc Awards -- a first for a Korean pop singer.

He was due to start filming in July for a Korean television drama called "Comrades, Almost a Love Story," which is a remake of a popular 1996 Hong Kong film. Park's death comes after a string of suicides by South Korean celebrities in recent years.

## **Seoul's top educator rejects competition-oriented policy**

Kwak No-hyun, the first-ever liberal education superintendent elected in Seoul, took office Thursday, pledging to overhaul educational policies designed to boost "limitless" competition. During an inauguration ceremony, Kwak said he will expand measures to give free education from kindergarten to high school and provide students with free meals.

"Students, teachers and parents are suffering due to education policies designed to boost 'limitless' competition. Parents have been taken hostage by high private tutoring costs," he said.

He said he will renovate education policies to set new standards for public schools, eliminating the outdated framework based on extreme competition.

"An eco-friendly free meal service will be the starting point of education welfare, which is guaranteed in the Constitution. I will introduce more after school child-care programs," Kwak said.

Currently, the governing Grand National Party is opposing the free meal plan and Seoul Mayor Oh Se-hoon, the chief of local government, which will have to pay for the plan, has been negative about the idea. Kwak said all children have the right to learn equally regardless of whether they are from rich families or poor ones, hinting that he stands against the government's education policies favoring elite students.

As a decision maker with the authority to punish teachers, Kwak also disagrees with the government about the dismissal of unionized teachers, who are accused of having joined in or paid dues to political parties.

Earlier, he criticized the government saying that the dismissal of the "political" teachers was a "violent and oppressive" move by the education authorities.

Kwak is also skeptical about opening more autonomous high schools, a project which has been carried out by the Lee Myung-bak administration. Those schools, normally operated by big corporations or private foundations, are allowed to run their own curricula and charge higher tuition.

The government had planned to set up a total of 100 autonomous private high schools by 2012 and opened 25 last year. Kwak has made it clear that he does not support the plan as he believes that those schools are only for children from rich families and are not helpful for the public interest. He also plans to curb special schools including foreign language high schools that charge tuition fees three times more than those of ordinary high schools.

Instead, he pledged to introduce "innovative schools" in order to cater to the needs of underprivileged students.

Kwak, who has worked for a human rights association, is also likely to give more freedom to students, with regulations on secondary school students' hairstyles and uniform expected to be relaxed.

### **South Korean Bus Plunges From Incheon Bridge Near Airport, Kills 12 People**

By Seonjin Cha - Jul 3, 2010

A South Korean bus plunged off a bridge connecting with the Incheon international airport, killing 12 people on board, according to a police official who declined to be identified citing policy.

Twenty-four people were on the bus, including the driver. The death toll may rise as some of the injuries were serious, television station YTN said. The cause of the crash wasn't known.

The bus fell into a mudflat under Incheon Bridge at around 1:20 p.m. local time, YTN said. The bridge connects islands to the nearby airport. Calls to Incheon Bridge Corp., a company that operates the bridge, connected to an automatic response system.

### **Samsung builds 100th school in China**

Samsung Electronics Co. said Sunday it has built its 100th elementary school in China under a project which began in 2005 to help those in underprivileged areas of the country.

Last week, the South Korean electronics giant completed the rebuilding of a 36-year-old elementary school in Nanchong, a city in the southwestern province of Sichuan, Yonhap News reported quoting company officials as saying in Hong Kong.

"Samsung will continue various public activities that can contribute to China's education, welfare, environment and rural communities," said Park Keun-hee, head of Samsung's China subsidiary, in a statement. "We will make more efforts to become a corporation that can be loved by the people in China."

Samsung has also donated computers, books and other school goods for the newly built Linjiang Elementary School, where some 550 students will study.

Since 2005, Samsung has been supporting the Chinese government in constructing new school buildings for children in underprivileged areas, a project it began as a show of its social corporate responsibility.

Under the program called "Project Hope", 45 new elementary schools were built during the first stage from 2005 to 2007, according to Samsung. Samsung pledged in April 2008 to build 55 more schools from 2008 to 2010.



# Japan

## Detailed News:

### Political Front:

#### **Nuclear cooperation talks with India eyed**

Kyodo News

Discussions are under way in the government on whether to start negotiations with India over an agreement to cooperate on civilian nuclear power, officials said Monday.

Major U.S. and French atomic power companies are keen for Japan to conclude an agreement so they can use Japanese technology as they pursue an Indian reactor project.

Transferring Japanese technology to India for civilian use would require a nuclear pact, but Japan hasn't pursued such an accord because the South Asian country hasn't signed the Nuclear Nonproliferation Treaty.

While the Ministry of Economy, Trade and Industry is pushing for the nuclear treaty, the Foreign Ministry is studying how India can effectively contribute to nuclear arms reduction as a prerequisite for concluding the accord, the officials said.

For the Indian project, major U.S. and French nuclear companies including Areva SA of France want to use reactor vessels made by Japan Steel Works Ltd., which commands some 80 percent of the global market.

The companies plan to work out a system for supplying related equipment for the Indian project after Japan determines its stance on the issue.

#### **Kan to leave Thursday for G8, G20 summits**

Kyodo News

Prime Minister Naoto Kan will leave Thursday for Canada to attend the Group of Eight and Group of 20 summits, the government said.

Kan is scheduled to return home Monday after talks with his counterparts from major advanced and emerging economies, Chief Cabinet Secretary Yoshito Sengoku said Tuesday.

The trip will mark the international debut of the 63-year-old prime minister, who took office June 8 following the sudden resignation of Yukio Hatoyama amid falling popularity.

Sengoku said Kan is also planning to hold separate talks with the leaders of Canada, China, South Korea, Russia and the United States on the sidelines of the two summits.

The G8 summit, which brings together leaders from Britain, Canada, France, Germany, Italy, Japan, the U.S. and Russia, will take place Friday and Saturday in the resort town of Huntsville, about 200 km north of Toronto in the Muskoka region.

The two-day G20 summit — the G8 plus emerging heavyweights such as China and Brazil — will be held in Toronto starting Saturday night.

Common cause

Tokyo will seek during this weekend's international summits strong cooperation with Washington and Seoul in dealing with North Korea's alleged sinking of a South Korean warship, Prime Minister Naoto Kan said Tuesday.

"It is crucial to enhance collaboration within the international community, especially between Japan, the United States and South Korea," while there are calls for the United Nations to determine punishment for North Korea over the deadly sinking in March, Kan said at a meeting of his Cabinet ministers involved in the issue.

"We reconfirmed our awareness of crisis management," Chief Cabinet Secretary Yoshito Sengoku said after the meeting.

Pyongyang has denied its involvement in the torpedoing of the corvette, which claimed the lives of 46 South Korean sailors. An international investigation team concluded last month that a North Korean submarine sank the warship.

### **Kan apologizes for U.S. base burden**

Prime minister also stresses importance of bilateral ties

NAHA, Okinawa Pref. (Kyodo) Prime Minister Naoto Kan said Wednesday the government will seek to ease the burden on Okinawa of hosting U.S. military bases, but suggested he will at the same time take care not to harm the Japan-U.S. relationship.

"I would like to make every effort to ease the burden while conforming with the Japan-U.S. agreement," Kan said in a meeting with Okinawa Gov. Hirokazu Nakaima, referring to the bilateral accord reached last month to relocate U.S. Marine Corps Air Station Futenma within Okinawa despite calls from locals to move it out of the prefecture.

Nakaima told Kan that the "situation in Okinawa is tough," apparently pointing to growing frustration among people in the prefecture with the central government's policy over the relocation of the Futenma base.

Kan, on his first visit to Okinawa since assuming office earlier this month, attended a ceremony to mark the 65th anniversary of the end of the Battle of Okinawa, during which over 200,000 soldiers and civilians died in the closing days of World War II.

Kan's predecessor, Yukio Hatoyama, stepped down to take responsibility for the political turmoil caused by the Futenma relocation issue.

Hatoyama had pledged to move the base outside Okinawa or Japan but later admitted it was a difficult goal to achieve, in a move that led to the departure of the Social Democratic Party from the ruling coalition led by his Democratic Party of Japan.

When Hatoyama led the Democratic Party of Japan to its Lower House election victory last summer, he pledged to move the base out of Okinawa, and even out of Japan if possible. The total removal of Futenma had been a key goal of the SDP.

Speaking to around 5,500 people attending the ceremony at Peace Memorial Park in the city of Itoman, Kan said he was sorry the people of Okinawa have had to bear the burden of hosting the bulk of the U.S. military presence in Japan.

"I offer an apology as a representative of all Japanese people," Kan said.

The government "will make a further serious commitment to easing the burden of hosting the bases and removing dangers" linked to their presence, Kan said.

He also expressed his "appreciation," saying Okinawa's contribution has helped secure peace and stability in the Asia-Pacific region.

Okinawa, which accounts for only a tiny percentage of Japan's territory, hosts around three-quarters of the land used exclusively by the U.S. military in the country.

Okinawa has called for reducing the heavy U.S. military presence, saying local people have been suffering from noise at military bases and crimes involving U.S. service members.

At the ceremony, Nakaima said the obligation of hosting the U.S. bases in Japan must be equally shared among the Japanese people. "I would like the burden (on Okinawa) to be visibly reduced," he said.

Kan said he will respect the Japan-U.S. accord announced May 28 to move U.S. Marine Corps Air Station Futenma from a crowded residential area to a less populated coastal area in Okinawa, despite calls from local residents to move the base outside the prefecture.

Japan and the United States announced a new agreement on May 28 for the relocation of the Futenma base from crowded Ginowan to the Henoko coast of Camp Schwab in Nago.

The two countries are scheduled to decide by late August on the details of the relocation plan, including a specific location and construction methods for the replacement facility.

Kan denied that the government would implement the plan after bilateral studies without seeking acceptance from the people in Okinawa.

"I would like to sincerely talk" with them, he told reporters after attending the ceremony.

Wednesday also marked the 50th anniversary of the bilateral security treaty entering into force.

This year, 80 more names were engraved on the park's cenotaph, bringing the list of people who perished during the battle to 240,931.

Some 94,000 civilians died during the three-month battle between Japanese and U.S. troops in 1945. Okinawa remained under U.S. control until 1972.

### **U.S. thanks Okinawa**

WASHINGTON (Kyodo) Lawmakers submitted a resolution Tuesday to the U.S. House of Representatives to express gratitude to the Japanese people, especially to the people of Okinawa, for hosting the U.S. military.

The House could take a vote on the resolution Wednesday, the 50th anniversary of the bilateral security treaty entering into force, legislative sources said.

The resolution said the "robust forward presence" of the U.S. forces in Japan "provides the deterrence and capabilities necessary for the defense of Japan and for the maintenance of Asia-Pacific peace, prosperity and regional stability."

The resolution "recognizes that the broad support and understanding of the Japanese people are indispensable for the stationing" of the U.S. military in Japan and "expresses its appreciation to the people of Japan, and especially on Okinawa, for their continued hosting" of the U.S. forces.

The text also touched on a joint statement released by the Japanese and U.S. governments in May that reconfirmed their commitment to a 2006 bilateral accord on the realignment of U.S. forces in Japan, which includes a plan to relocate U.S. Marines Corps Air Station Futenma within Okinawa.

### **Poll race on; Kan tax hike bid faces test**

438 file their candidacies for July 11 election

Kyodo News

As campaigning officially kicked off Thursday, the ruling Democratic Party of Japan hopes new Prime Minister Naoto Kan's popularity can spell success in the July 11 Upper House election and his goal of fiscal reconstruction, which entails a future sales tax hike, will not invite a voter backlash.

The poll will be the first full-fledged contest since the DPJ ousted the Liberal Democratic Party in last August's House of Representatives election, and also the first since Kan took office earlier this month and revived his party's popularity, which was plunging before the exit of his predecessor, Yukio Hatoyama.

Election boards nationwide reported 438 people filing their candidacies by early afternoon for the triennial poll, in which half of the upper chamber's 242 seats will be up for grabs with the fate of the DPJ-led ruling camp's majority at stake.

They include 187 candidates on the lists for the poll's proportional representation section submitted by all the 12 political parties and groups poised to vie for 48 seats. The remaining 251 will run in 47 prefecture-based constituencies, to which 73 seats in total are allocated.

"What helped the economy to flounder is a wrong economic policy. I promise to rebuild the economy and put Japan on a growth track," Kan, making his first stump speech for the race, said in front of more than 1,000 people in Osaka.

Kan also touched on the hot issue of a future hike in the 5 percent consumption tax, saying, "I hate to talk about raising the consumption and other taxes, but (the situation) could become like (debt crisis-hit) Greece in one or two years.

"Please understand that we will discuss the matter with other parties," he said to only scattered applause.

LDP President Sadakazu Tanigaki said in Kofu, Yamanashi Prefecture, "This is an election to test whether the LDP can be entrusted again as well as a rating of the DPJ-led government.

"We will have to stop the dole-out policy of the DPJ government for the sake of the next generation," he said, also citing the example of the Greek sovereign debt crisis.

Attention is focused on whether Kan's government can hold public support despite his willingness to discuss the potentially contentious issue of raising the 5 percent sales tax. Public approval of the Cabinet rebounded to over 60 percent after Kan took office on June 8 but fell somewhat after he clarified his stance on the tax issue.

The envisioned tax hike drew resistance not only from smaller opposition parties, including Your Party, the Social Democratic Party and the Japanese Communist Party, but also from the DPJ's tiny coalition partner, Kokumin Shinto (People's New Party).

"Is such a thing permissible?" asked Kokumin Shinto head Shizuka Kamei in an address in Tokyo.

Even if the ruling bloc fails to retain a majority, it would not immediately affect the DPJ's grip on power as it holds a comfortable majority in the more powerful House of Representatives, but such a result could impact Kan's party leadership and prompt the DPJ to seek a broader alliance or otherwise face a policy deadlock.

The DPJ-Kokumin Shinto coalition needs to secure at least 56 of the 121 seats to be contested to keep a majority in the Upper House.

Kan is aiming to at least maintain his party's current 54 such seats, while Tanigaki has staked his status as LDP leader on the opposition camp blocking the ruling coalition from retaining its Upper House majority. The LDP and other opposition parties need 66 seats to do so.

Some new parties also hope to offer a third choice for voters discontented with both major parties.

Masuzoe, in Tokushima, called for a realigned political landscape, and Yoshimi Watanabe of Your Party a thorough streamlining into a small government.

### **Upper House race tightens for ruling DPJ Small parties face uphill battle: poll**

Kyodo News

The ruling coalition is walking a fine line as to whether it can secure the 56 seats needed for it to retain a majority in July's House of Councilors election, a survey showed Saturday.

The Liberal Democratic Party, the main opposition power, has a good chance to garner about 45 seats against its current 38 that will be contested in the poll, in which half of the upper chamber's 242 seats are up for grabs. Meanwhile, other opposition parties could struggle to hang onto their seats and the relatively new Your Party may leap to seven seats from none.

But the situation may change in the course of the 17-day official campaigning that began Thursday. About half the respondents to a telephone poll of about 30,000 eligible voters from Thursday to Saturday across Japan said they were still undecided about who they will back in the July 11 vote.

As well as the telephone poll, research was also carried out in constituencies.

Of the 29 prefecture-based constituencies where candidates are vying for a single seat, Democratic Party of Japan candidates and their LDP rivals are facing off in 27. Most of them are closely contested affairs, except for at least five districts in which the DPJ is considerably ahead and three in which the LDP has large margins.

The DPJ and the LDP are likely, meanwhile, to win one seat each in the 12 two-seat constituencies, despite the DPJ's strategy of fielding two candidates in those districts with the aim of sweeping both seats.

The two major parties are also expected to get at least one seat each in Kanagawa and four other three-seat districts plus Tokyo, where five seats will be up for grabs, and the DPJ may secure a second seat in Tokyo and Kanagawa, according to the survey results.

Under the proportional representation section of the contest, by which 48 of the 121 seats at stake are filled, the DPJ will likely obtain somewhere between 15 and 19, and the LDP between 10 and 14.

But the DPJ's tiny coalition partner, Kokumin Shinto (People's New Party), is facing an uphill battle, as it is only likely to win one proportional representation seat at best, while three of its six seats are up for re-election.

Among the smaller opposition parties, New Komeito faces a struggle to regain its 11 seats at stake, the Japanese Communist Party its four seats and the Social Democratic Party its three seats.

Among newcomers, Your Party, which currently has only one uncontested seat in the Upper House, has the impetus to win seven seats in the coming race, but Shinto Kaikaku (New Renaissance Party) led by LDP defector Yoichi Masuzoe would obtain one seat at best, while its five seats are at stake.

#### **40-year-old reactor set to continue**

FUKUI (Kyodo) Kansai Electric Power Co. has decided to extend operation of the 40-year-old No. 1 reactor at the Mihama nuclear power plant in Fukui Prefecture for another 10 years, which will make it the longest operating domestic nuclear reactor, informed sources said Saturday.

The government will formally approve the plan as early as this week, they said.

While Japan Atomic Power Co.'s Tsuruga No. 1 nuclear reactor in the prefecture entered its 41st year of operation in March, it will be deactivated in 2016.

It is expected that more reactors will have their operations extended beyond 40 years as the construction of new nuclear power plants has not been proceeding as planned.

#### **Coalition revamp possible, Kan says**

TORONTO, Canada (Kyodo) Prime Minister Naoto Kan suggested Saturday his Democratic Party of Japan may seek a new coalition framework if the ruling bloc fails to maintain its majority in the upcoming Upper House election.

If the ruling coalition loses its majority, it "would face a difficult situation in managing government. It would be necessary (for the DPJ) to have talks with other parties" about various possibilities, Kan told reporters in Toronto, where he is attending the Group of 20 summit of advanced and major developing economies.

The ruling coalition, composed of the DPJ and smaller partner Kokumin Shinto (the People's New Party) is looking to keep a majority in the House of Councilors, where half of the 242 seats will be up for grabs in the July 11 election.

The ruling bloc will be able to retain control of the chamber with 56 seats, but Kan has set out a lower target of 54 seats — the same number the DPJ held before official campaigning kicked off Thursday.

Asked how he would react if the DPJ misses its target, Kan only said: "I'll do my best and let God do the rest."

The prime minister also declined to comment on whether he would reshuffle the Cabinet after the election.

Kan said he wants to launch a bipartisan debate on comprehensive tax reform once the election is over, alluding again to a future sales tax increase as one of his priority issues.

"I would like to make the proposal again after the Upper House election, and if it gains approval, we would like to start discussions early," Kan said.

### **Japan hopes to halt slide in British JET numbers**

LONDON — Japanese diplomats say they are working hard to stop the decline in the number of British participants in the Japan Exchange and Teaching Program.

They recognize the concerns of the U.K.-Japan 21st Century Group, which recently highlighted the drop in the number of British JET participants since 2001, both in absolute terms and as a percentage of the overall total.

The body, which represents leading academics, politicians and businesspeople from both countries and meets annually, is calling on Japan to reverse the trend, arguing it could damage bilateral relations in the long term.

"I think it's very bad news if there is a long-term decline in the numbers going both ways," said John Boyd, a senior member of the group, reflecting concern also at the fall in the number of Japanese students coming to Britain. "Personally, I would very much like to see public subsidy and private-sector inducement to make sure the numbers don't go down any further."



Each year, the Japanese government recruits hundreds of young people on the JET scheme to work as English instructors for up to five years in schools. A smaller number also work as coordinators for international relations in local town halls and some act as sports assistants.

As well as providing education, the idea behind the project is to foster cultural relations between Japan and the 43 countries that send teachers. Originally, the scheme focused on native English language speakers but now includes participants from all over the world.

British participants in the JET program peaked in 2001 at 1,405, representing 22 percent of the total, but has fallen since then to 8 percent.

Due to the tighter financial situation in Japan, prefectures have taken on fewer JET hires, but the number of U.S. participants has nonetheless increased over the last nine years with the proportion of Americans in the program also rising.

Daisuke Tsuchiya, deputy director of the Japan Information and Cultural Center at the Japanese Embassy in London, denied the decline in numbers was deliberate. He said Japan remains 100 percent committed to the scheme and recruiting British teachers.

Each year, the program is promoted in British universities and officials then select candidates they think will be suitable for working in Japanese schools, regardless of whether they can actually speak any Japanese. The embassy looks for applicants with an interest in Japan and who have a broad range of skills to offer the youngsters.

There is no set quota for each country and the final numbers depend on the quality of the applicants each year.

Tsuchiya believes the reduction in numbers could be due to the relatively good economic situation in Britain during the last decade, which saw greater competition from companies for new graduates.

This point could be supported by the fact that this summer, when the job market is considered tougher, the number of JET hires from Britain is going up for the first time in nine years. Britain will be sending about 200 new teachers this summer, a 50 percent increase from 2009.

Two sources versed in the JET scheme, who spoke on condition of anonymity, said the past decline could also be attributed to the rather "lackluster" recruitment process over the last few years.

They said the embassy has cut back on advertising and is not publicizing the JET scheme to the "best and brightest" graduates.

Tsuchiya admitted the budget used for JET recruiting in Britain is under financial constraint but said the embassy is still going out and promoting the program.

Last year, more than 50 universities in Britain were approached to highlight the scheme and Tsuchiya believes that could have partly contributed to this year's better figures. They are also liaising with Japanese tutors and career advisers at colleges to advertise the scheme further.

### **Kan refuses debate with eight rivals**

DPJ chief fears other party heads will torment him

TOYAMA (Kyodo) Prime Minister Naoto Kan said Friday he is opposed to attending a debate show with leaders of eight other political parties ahead of the July 11 House of Councilors election, saying he could be "crucified" by his rivals.

"If it is a one-on-one serious match, I am always ready to go for it," said Kan, leader of the ruling Democratic Party of Japan, in a stump speech in Toyama.

"But one versus eight will not be a discussion. If things go wrong, I could be crucified," he said.

Chief Cabinet Secretary Yoshito Sengoku also said at a news conference in Tokyo that he doubts a situation where all other parties can lay into the DPJ can be fair. "If the length of time (for making remarks) is given equally (to each party), it would be actually unfair."

Sengoku suggested that the DPJ leader will attend a group debate with other party leaders if the prime minister is allowed to comment every time after a rival speaks.

The Liberal Democratic Party, as well as New Komeito, the Japanese Communist Party and Your Party have sent a protest letter to the DPJ, claiming Kan is avoiding appearing in a TV debate show with other party leaders.

Kan's attempt to avoid multiparty debate sessions may underline the fact that he is on the defensive over his recent remarks about raising the 5 percent consumption tax.

Opposition parties are slamming Kan for proposing sales tax refunds for a range of income levels, saying he has spoken too carelessly about the subject.

Kan this week floated several income levels with specific figures — ranging from ¥2 million to ¥4 million in annual income — as possible tax-return thresholds.

LDP chief Sadakazu Tanigaki claims Kan has flip-flopped over the matter because he lacks "basic planning," saying that if consumption tax payments are returned to those whose annual income is ¥4 million or less, as Kan has suggested in one of his several proposals, about half the households in the country would qualify.

"Why don't they instead deal with it by raising an income tax?" he told reporters Thursday in Takamatsu, Kagawa Prefecture.

Natsuo Yamaguchi, who heads New Komeito, complains that the range of yearly income Kan has offered for tax returns — between ¥2 million and ¥4 million or less — would produce too big a difference in tax revenue.

"He is saying irresponsible things through his teeth," Yamaguchi said Thursday in Yokohama.

Social Democratic Party policy chief Tomoko Abe blasted Kan for making imprecise remarks. "I don't think he knows people's income levels," she said.

After drawing fire from the opposition camp, the prime minister apparently stopped mentioning specific figures.

In his street speech Thursday in Nagasaki, Kan did not touch on the issue.

He only stressed the importance of taking measures to alleviate the regressive tax's impact on low-income earners.

Chief Cabinet Secretary Sengoku only said the prime minister has offered "ingredients" for discussions about the issue.

In his Nagasaki speech, Kan emphasized the need to rebuild the nation's public finances, saying, "I don't want to raise the consumption tax, either.

"Although I want to lead the efforts to oppose the move, things would be tough if we faced financial collapse," he said. "Please understand this."

### **Japanese 'critical' in U.S. language scheme**

Kyodo News

WASHINGTON — Thirty students from the U.S. traveled to Kyoto last month under a new U.S. government initiative to boost the country's number of Japanese speakers, to make the country more competitive globally.

The student trip was sponsored by the U.S. State Department as part of its Critical Language Scholarship Program, known as CLS, a government initiative aimed at improving the foreign language skills of U.S. citizens.

The two-month program gives undergraduate and graduate students from across the country the opportunity to study Japanese in intensive, full-immersion environments at Doshisha University and Kyoto University.

Japanese was added to the CLS program for the first time this year since it started in 2006 under the administration of former President George W. Bush, in line with the launch of the National

Security Language Initiative, a scheme to increase the study of languages considered vital to U.S. national security.

In the program's first years, scholarships were offered for Arabic, Pashtun, Korean and other languages that are rarely studied in the United States but are considered to be of strategic importance by the U.S. military and intelligence communities.

But the program has gradually expanded to include languages that are more broadly relevant to U.S. global interests, including trade and finance, and Japanese was chosen this year.

Susan Schmidt, an expert on Japanese language acquisition at the Association of Teachers of Japanese, believes that including Japanese in this year's program reflects the changing attitudes of U.S. policymakers about what makes a language "critical."

"I think what happened probably is that in the State Department, it was felt that that definition of critical, as in important for national security or national purposes, that that definition should be expanded a little bit, beyond the strictly military context," Schmidt said.

Deputy Assistant Secretary of State for Academic Programs Alina Romanowski said that CLS selects "challenging, difficult languages in places where we know there's economic opportunity, we have long-term bilateral security interests and where to be proficient in that language takes time."

The program comes at a time that some describe as a fraught period in Japan-U.S. relations, when the outlook of bilateral ties has grown uncertain due to a change in Japan's political leadership and a dispute over the fate of a U.S. Marine base in Okinawa.

The decision to include Japanese in the CLS program, however, was made well before the current tensions began, Romanowski noted. "It's a very important relationship. . . . It made sense that we would end up including Japanese," she said.

In fact, in its decision to add Japanese to the CLS program, the State Department seems to be riding a growing wave of interest in the study of Japanese within the U.S.

The number of American students studying Japanese has more than doubled over the last two decades and continues to increase steadily, according to a 2006 report on foreign language study in the U.S. conducted every four years by the Modern Language Association.

Schmidt believes this interest has been primarily driven by student interest in Japanese cultural exports, noting that " 'manga' cartoons and animated films and the video games are a fairly big motivation for students."

Once their interest has been sparked, Schmidt said, these students increasingly put their Japanese to use in their studies.

"A lot of students in the sciences now are interested in learning Japanese and studying in Japan," she said.

Schmidt's assessment was confirmed at an orientation session for the CLS program held in Washington in early June, where participants said that although Japanese culture was what initially interested them in the language, they see it as an important tool for their future, whether in international business, diplomacy or the sciences.

"Before the large 'anime' boom around the early 2000s, I had never even heard of Japan," said Tiarra Beaver, a 19-year-old student at the University of Illinois in Urbana-Champaign, who now hopes to work with Japanese immigrants as they adjust to life in the U.S.

While not discounting the attraction of Japanese culture, Ryan Seebruck, a 27-year-old graduate student at the University of Arizona, sees the Japanese language as "critical" for a more pragmatic reason.

"Japan will undoubtedly remain a top economic power for a long time," Seebruck said.

### **Public screenings of 'The Cove' begin**

Heavy police presence deters rightwing groups

Kyodo News

Six movie theaters on Saturday started screening the Oscar-winning U.S. documentary "The Cove," about a controversial dolphin hunt in Taiji, Wakayama Prefecture, despite protests that caused earlier screenings to be canceled.

With police officers patrolling outside the theaters in Sendai, Tokyo, Yokohama, Kyoto, Osaka and Hachinohe, Aomori Prefecture, there were no reports of disruption. Eighteen other cinemas in 16 prefectures plan to screen the film in the coming days.

In Tokyo's Shibuya Ward, Theatre Image Forum said all three screenings for the day were full. "We are relieved that we could run the screenings without incident," the 108-seat theater said in a statement.

In Yokohama, seven people who appeared to be rightwing group members gathered in front of Yokohama New Theatre and protested against the showing. A 48-year-old man claiming to be a key member of the group said, "Its content is anti-Japanese and tramples on Japanese culinary culture."

A 24-year-old graduate school student from Tsukuba, Ibaraki Prefecture, said after watching the film in Yokohama: "It was really cruel to see the seawater turn so red with the dolphins' blood. . . . The film will provide opportunities to consider the rights and wrongs of dolphin hunting."

He added, however, "I thought it focuses only on what its producers wanted to say, while paying less attention to fishermen's views."

The film, which depicts the traditional dolphin hunt in Taiji, was originally scheduled to be screened at 26 theaters nationwide starting June 26.

But it has drawn criticism from some rightwing groups that claim it is anti-Japanese. Rightist groups have intimidated theaters planning to show the film and led three theaters in Tokyo and Osaka to cancel screenings.

According to its distributor, Unplugged Inc., four of the six theaters showing the film on Saturday were the targets of street protests or intimidation. Of the four, two in Tokyo and Yokohama successfully applied for a court injunction against citizens groups staging protests around the theaters.

The people of Taiji have also objected to the documentary, which was mostly shot in the town with hidden cameras. They claim the film is based on misinformation and infringes on individual rights because the people were filmed without their permission.

Taiji Mayor Kazutaka Sangen said Saturday he is disappointed that the film is finally being shown.

"I understand there should be freedom of expression but at the same time you have to think about the rights of the fishermen and the rules (for film production)," Sangen said.

An official of the Taiji fisheries union voiced concern that showing the film could spread misunderstanding about dolphin hunts, but added that the union hopes audiences will get an "exact understanding" of what actually takes place in the town.

"Our union doesn't have enough money and manpower to take action against the film . . . we're just living ordinary lives," another union member said. "It feels Taiji is being rocked by a powerful film and powerful groups of people."

### **Marines' move to Guam to cost more**

Kyodo News

U.S. Defense Secretary Robert Gates has asked Tokyo to shoulder additional costs to transfer about 8,000 U.S. Marines from Okinawa to Guam, diplomatic sources from the two countries said Saturday.

The increased amount is estimated to be at least tens of billions of yen, with the U.S. side claiming that expenses to develop infrastructure, such as facilities for electricity as well as water and sewerage, will cost more than expected, according to the sources.

Japan is planning to respond to the request, which Gates made in a letter sent in mid-June, after the July 11 House of Councilors election, according to the sources.

The transfer of the marines to Guam, together with the relocation of the Futenma air station in Okinawa Prefecture, was agreed on in 2006 to be completed in 2014. While a delay in relocating the Futenma base is expected, infrastructure development in Guam is already under way.

The 2006 agreement said total costs for the transfer to Guam will be \$10.27 billion, or around ¥900 billion, of which Japan will shoulder some \$6.09 billion.

It will be a headache for Prime Minister Naoto Kan as it will inevitably draw criticism from opposition lawmakers and other quarters if the government accepts the increase in the cost burden.

Before submitting the letter, Gates made the request during talks with Defense Minister Toshimi Kitazawa in Singapore on June 5. But Kitazawa declined to respond directly at that time as it was shortly after the abrupt resignation of Yukio Hatoyama as prime minister.

The U.S. is apparently seeking Japan to shoulder more costs not only because of its tight budget situation, but "it may be linked to former Prime Minister Hatoyama's flip-flops over the relocation of the Futenma base that damaged the Japan-U.S. alliance," a diplomatic source said.

Hatoyama, who made a campaign promise during last year's general election to move the Futenma base out of the prefecture, ended up signing a deal with Washington to relocate it to the Henoko coastal area in Nago, northern Okinawa, in line with an existing plan.

## **Economic Front:**

### **Shirakawa, Kan huddle ahead of G20 meet**

Kyodo News

Prime Minister Naoto Kan and Bank of Japan Gov. Masaaki Shirakawa exchanged opinions Monday on global economic and financial conditions ahead of the Group of 20 summit this week in Canada.

In their first meeting since Kan took office this month, the two also discussed domestic issues, apparently including efforts to fight deflation. After the meeting, Shirakawa denied that Kan made any requests regarding BOJ monetary policy.

Shirakawa said the lunch meeting came about as both the government and BOJ had hoped to have such an opportunity following the inauguration of the new Cabinet. Chief Cabinet Secretary

Yoshito Sengoku and BOJ Deputy Gov. Hirohide Yamaguchi also attended the meeting at the prime minister's office.

Shirakawa said he briefed the prime minister on domestic and international economic and financial issues that he should know about before attending the G20 summit in Toronto.

### **Kan faces key tests: Fitch**

Election, debt fight pose major challenges in next two months

Bloomberg

Prime Minister Naoto Kan's debt-fighting credentials will be tested over the next two months as he issues a fiscal strategy and his party deals with the Upper House election, Fitch Ratings said.

"It's early days for his government, so the intention is there, but it remains to be seen how strong the consensus is" among politicians and the electorate, Andrew Colquhoun, Hong Kong-based director at the company's Asia-Pacific sovereign group, said Monday in Tokyo. "The next two months is quite an important period."

Kan, who took office just this month, is scheduled to unveil his plan for containing the world's biggest public debt this week before facing the July 11 election. He has indicated he may seek to double the consumption tax to 10 percent, a statement surveys show has hurt his approval ratings and signals he may meet resistance to his debt-cutting plans.

The outcome of the ballot and release of Kan's fiscal road map "will give us information about what political appetite is in Japan for fiscal consolidation, or if it's there," Colquhoun said.

Colquhoun said that while the outlook on Japan's AA- credit rating, the fourth-highest, remains stable, it could come "under downward pressure" if the government doesn't achieve a "credible" fiscal plan.

Kan will not only need fiscal targets but also a detailed road map of how he intends to achieve them, he said.

"More credible plans are detailed so they can say quantitative numbers on spending and tax revenue measures. They have a flexibility built into them," he said. "In a credible plan, we look for a clearly articulated guidance" on how the government can react to any unexpected shocks.

Standard & Poor's and Moody's Investors Service have also said they will closely watch Kan's budget strategy as Europe's fiscal woes increase global scrutiny of sovereign debt.

He is considering an annual spending limit of ¥71 trillion over three years, two government officials said this month.



Kan's approval rating fell 9 percentage points to 50 percent, an Asahi Shimbun survey taken Saturday and Sunday. Half of the respondents said they disapproved of his comments about doubling the consumption tax from the current 5 percent, while 39 percent said they applauded the remarks.

"Unless we work on fiscal rehabilitation, an international organization such as the International Monetary Fund could control our fiscal management," Kan said last week. "We must rehabilitate our finances with our own power without relying on other countries."

In its election platform released last week, the ruling Democratic Party of Japan said it will commit to erasing the primary deficit in 10 years while capping bond sales at the same level as this year's ¥44.3 trillion in fiscal 2011. A primary shortfall excludes interest payments on bonds.

Japan's finances have come under scrutiny since January, when Standard & Poor's cut the outlook of the nation's AA rating, the third-highest grade, to "negative." Fitch said in April that Japan's creditworthiness is "at risk." Moody's rates Japan's debt at Aa2, the third-highest investment grade, with a stable outlook.

### **NTT communication giant, answerable to state, politics**

By KAZUAKI NAGATA

Staff writer

Nippon Telegraph and Telephone Corp., the nation's biggest phone company, holds a unique place in corporate Japan.

Although relatively unknown internationally, the carrier has topped all of Japan's more recognizable global companies in profit for the past two years despite having to compete in a cutthroat telecommunications market.

Often hit as monopolistic because it was public-run when it debuted in 1952 and is still under partial government control, NTT was nominally privatized in 1985 and broken up in 1999. Criticism of its dominance has continued, however, and the juggernaut remains a political football for high-powered politicians eager to keep votes.

How big is NTT?

The NTT Group consists of five main companies — NTT East, NTT West, NTT Communications, NTT Data and NTT DoCoMo — under the wing of a holding company.

NTT East and West are mainly land-line, IP phone service and home Internet service providers. NTT Communications and NTT Data run information and communications technologies solutions business for companies and NTT DoCoMo is Japan's biggest cell phone carrier.

Overall, NTT had 530 affiliated companies as of March.

What is driving the NTT Group's performance?

One factor is that the communications industry is less affected by changes in economic conditions. Because NTT's operations are mostly domestic, overseas sales accounted for only ¥270 billion of its more than ¥10 trillion in sales in fiscal 2009.

NTT also commands its own business infrastructure, including the nationwide phone line network it was tasked with building when it was a state-run company.

That, combined with its long history, have given NTT strong brand recognition, and many consumers generally view it as dependable.

With the shift to mobile communications, however, NTT is now getting about 40 percent of its annual sales and 75 percent of its operating profit from DoCoMo.

What is the history of the NTT Group?

The company was founded as Nippon Telegraph and Telephone Public Corp. in 1952. Its mission was to rebuild and improve the national communications infrastructure, including telephone, telegraph and other data networks that were heavily damaged by the war.

As the nation's sole telecommunications company, it took NTT until the late 1970s to complete its mission. After the economy began surging, however, the government moved to privatize NTT in 1985 to create competition in the industry.

At the time the NTT Law was passed, the company had more than 300,000 employees and ¥780 billion in capital. But it is still not completely private. The NTT Law allows the government to maintain a one-third stake.

Did NTT start as one company?

Yes, but it was not broken up into its current holding company structure until 1999.

According to Masaki Kanda, author of "NTT Mineika no Kozai" ("The Merits and Demerits of the NTT Privatization"), the government apparently didn't put a lot of thought into NTT's privatization because it was preoccupied with privatizing another behemoth — the Japanese National Railways.

According to Kanda, the government was supposed to review NTT five years after privatization but delayed it until 1999 because of resistance from lawmakers and NTT employees.

This is how it worked: The union ranks feared their power would be weakened if the company was divided, and lawmakers dependent on NTT's unionized voters didn't want to lose their support, Kanda said.

Has privatization worked well?

This is the subject of longtime debate in the communications industry and among lawmakers.

NTT's management has often drawn flak from rival telecom carriers who feel its government legacy has made it too dominant, whether divided or not.

For instance, other than the land-line network, NTT East and West command more than 70 percent of the fiber-optic Internet line market, while DoCoMo has nearly half of the cell phone market.

In addition, the NTT Group eclipsed its rivals by posting ¥10.1 trillion in sales in fiscal 2009, compared with ¥3.44 trillion for KDDI Corp. and ¥2.76 trillion for Softbank Corp.

KDDI President Tadashi Onodera and other experts have said each unit in the NTT Group should be separated completely from each other in terms of their shareholdings and cash to prevent them from acting together as one company.

What is the counterargument?

Because NTT, NTT East and West have to conform with the NTT Law, they cannot act like normal companies. For instance, because the communications infrastructure is crucial to daily life, NTT West and East are obligated to provide phone access anywhere in the country, even if it is unprofitable.

NTT must also submit a management plan each year to the communications ministry, implying that its decision-making process is not 100 percent independent.

NTT also says that KDDI and Softbank are logging combined sales of more than ¥6 trillion, which is more than four times what they were making in 1999 and a sign that healthy competition is flourishing. It also says that even though the company is topping others in operating profit, its profit margin is not necessarily higher.

What are the other issues swirling around NTT and its structure?

Communications minister Kazuhiro Haraguchi has declared that Japan will have broadband Internet connections in all households by 2015.

This has sparked talk of further restructuring for NTT, particularly by spinning off the fiber-optic Internet units at NTT East and West into a combined company that would specialize in that infrastructure.

The government drafted a plan in 2005 under then communications minister Heizo Takenaka, who favored breaking up NTT, to force a review this year.

While a ministry committee tried to postpone it until 2011, Haraguchi has stated that he is planning to come up with a course for restructuring before the end of the year.

It has been 25 years since NTT was privatized. Why do its structure and management remain such a big issue?

"When you look at the root of this issue, there are lawmakers," said Nobuo Ikeda, an economist and longtime observer of NTT's privatization.

Because bureaucrats at the communications ministry and certain lawmakers have a strong influence on decision-making at the company, "NTT's profits can easily be manipulated by their decisions," Ikeda said.

Therefore, NTT and its union have been supporting lawmakers who can influence telecommunications policy.

NTT has about 300,000 employees and about 200,000 are in its union, representing a huge organized vote, he said.

"NTT can be easily used for politics. I think that's the biggest factor (that has prolonged this issue)," Ikeda said.

### **Toyota apologizes to shareholders**

TOYOTA, Aichi Pref. (AP) Toyota Motor Corp. President Akio Toyoda bowed deeply and apologized to shareholders Thursday for the troubles caused by massive global recalls of the company's cars.

Toyoda was facing shareholders for the first time since the automaker's reputation for quality was damaged by the quality crisis that started last October.

Again bowing deeply after the remark, Toyoda also said the company was doing its utmost to improve quality control and thanked shareholders for their support.

"I apologize deeply for the concerns we have caused," he said. "We believe our most important task is to regain customers' trust."

The shareholders' meeting was closed to the media, but the proceedings could be seen on a TV monitor in another room at Toyota headquarters in the city named after the automaker.

"The company stumbled badly over the recalls, and it became a big problem," said one shareholder, who identified himself only by his surname, Nishikawa.

But he also expressed hope that Toyota as the "face of the company" will handle the recall problem bravely, without breaking into tears, referring to a widely reported meeting that a tearful Toyota had with dealers in the U.S. where the recall crisis was concentrated.

Others asked about Toyota's strategy for green vehicles and how it planned to expand in emerging markets, including dealing with labor strife that has temporarily shut down production.

Executive Vice President Shinichi Sasaki acknowledged that Toyota had failed to fully understand customers' concerns about safety.

But he said the company was working harder to beef up quality controls, including appointing outsiders to assess the company's transparency, and finding out more about how drivers are using Toyota vehicles.

"We want to make Toyota No. 1 in quality from the customers' viewpoint," he told shareholders.

### **Budget screening well-liked: poll**

Kyodo News

The budget screening initiated by the Democratic Party of Japan is well thought of by those who voted for the ruling party in last year's general election, a survey showed Saturday.

The nationwide survey, which covered 100 voters who supported the DPJ in last year's general election, also showed half of the respondents do not favor the introduction of child allowances and toll-free expressways.

Among the respondents, 65 said they will vote for the DPJ in the July 11 House of Councilors election, while five said they will not, with a Tokyo man in his 40s responding, "I have doubts over the DPJ's ability to hold the reins of government."

Twenty-eight said they have not yet decided.

On the screening of government programs, a woman in her 50s in Kofu, Yamanashi Prefecture, said, "It has revealed wasteful spending that ordinary citizens have not been aware of."

Meanwhile, a Tokyo man in his 30s criticized the child allowance, saying the money should be used to build more nursery schools. With regard to toll-free expressways, a man in his 60s in the city of Saga said the measure does not benefit the whole population.

## **Usiminas Agrees to Sell Stake in Mining Unit to Sumitomo for \$1.93 Billion**

By Lucia Kassai - Jun 30, 2010

Usinas Siderurgicas de Minas Gerais SA, Brazil's second-largest steelmaker, agreed to sell a stake in its mining and railroad businesses to Sumitomo Corp. for \$1.93 billion before a possible share offering in the unit.

Sumitomo will buy 30 percent of unit Mineracao Usiminas SA, the Belo Horizonte, Brazil-based steelmaker said today in a regulatory filing. The unit will own 83 percent of railroad operator Usiminas Participacao & Logistica SA.

Usiminas is seeking to profit from surging iron-ore prices by selling a stake and spinning off the unit, which the company said may be worth \$6.43 billion. Cia. Siderurgica Nacional SA, the Brazilian steelmaker known as CSN, also plans to sell shares in its iron-ore operations.

"Sumitomo agreed to pay a considerable amount," Marcos Assumpcao, an analyst at Itau Unibanco Holding SA, said in a telephone interview from Sao Paulo. "That reflects strong global demand for iron ore."

Usiminas will invest 4.1 billion reais (\$2.27 billion) by 2015 to boost iron-ore output more than fourfold to 29 million metric tons, Chief Executive Officer Wilson Brumer said today on a conference call.

"Global iron-ore demand is pretty strong, prompting clients to seek partnerships to secure supplies," Brumer said. The company doesn't yet have a timeline for a public share sale in the unit, he said.

### Supplies

Tokyo-based Sumitomo follows other Asian companies buying assets in South America to secure supplies of iron ore, the main raw material used to make steel, as demand in China rises.

A group that included Posco and Nippon Steel Corp. last year acquired a 40 percent stake in the CSN's Namisa unit for \$3.12 billion.

Sumitomo paid the equivalent of about \$247 a ton of iron ore, almost twice as much as Usiminas paid in 2008 to buy mining company Mineracao J. Mendes Ltda., Ivan Fadel, a Credit Suisse analyst based in Sao Paulo, said today in a note to clients.

"Financially, we believe this was an excellent deal pulled out by Usiminas management," Fadel said.

The Usiminas unit owns iron-ore mines in the southeastern Brazilian state of Minas Gerais and the Itaguaí port project in neighboring Rio de Janeiro state.

The railroad business includes a 20 percent voting stake in MRS Logística SA, a rail operator in southeastern Brazil. Vale SA and CSN also hold stakes in MRS.

CSN is seeking to spin off its mining unit to sell shares in an initial public offering to finance expansion. The spinoff includes iron-ore mine Casa de Pedra, 60 percent of the Namisa mine, its stake in MRS and an iron-ore port project in Brazil, the company said Nov. 4.

Usiminas fell 1.59 reais, or 3.2 percent, to 48.11 reais in Sao Paulo trading. The stock is down 2.6 percent for the year, compared with an 11 percent loss for Brazil's benchmark Bovespa index.

### **Japanese Stocks Fall to Seven-Month Low as U.S. Consumer Confidence Drops**

By Norie Kuboyama - Jun 30, 2010

Japanese stocks plunged, extending a global rout and sending benchmark indexes to their lowest levels in seven months, as a slump in U.S. consumer confidence fueled concern about the prospects for a global economic recovery.

Canon Inc., a camera maker that counts Europe as its biggest market, sank 1.9 percent as the dollar and euro weakened against the yen. Mitsubishi Corp., Japan's largest commodities trader, lost 1.9 percent after oil and metal prices slumped. Shin-Etsu Chemical Co., the world's biggest maker of silicon for semiconductors, lost 4 percent, leading chip shares lower after Mizuho Securities Co. cut its investment rating.

The Nikkei 225 Stock Average fell 2 percent to 9,382.64 at close in Tokyo. The broader Topix index dropped for a seventh consecutive day, losing 1.3 percent to 841.42 as almost five times as many stocks declined as advanced. Both gauges retreated to their lowest closing levels since Nov. 30.

“The view is spreading among investors that a recovery in the global economy won't be as easy as people had expected,” said Kiyoshi Ishigane, a strategist in Tokyo at Mitsubishi UFJ Asset Management Co., which oversees about \$65 billion. “Moves by countries around the world to tighten fiscal policies are behind the plunge in markets.”

The Topix has slumped 16 percent from its high this year on April 15 on concern Europe's debt crisis and Chinese steps to curb property prices will hurt global growth. The retreat has widened the index's drop this year to 7.3 percent and cut the price of stocks in the gauge to 16.4 times estimated earnings, the lowest level since December 2008.

China, U.S. Confidence

The Nikkei 225 declined the most today among benchmark indexes in the Asia-Pacific region. This quarter the gauge lost 15 percent and the Topix declined 14 percent, their biggest drops since the quarter ended December 2008, immediately following the bankruptcy of Lehman Brothers Holdings Inc.

Futures on the Standard & Poor's 500 Index in the U.S. climbed 0.4 percent today. In New York yesterday, the gauge retreated 3.1 percent to its lowest level since Oct. 30 after the New York-based Conference Board cut its estimate for Chinese economic growth.

The private research group also said yesterday that its index of U.S. consumer confidence slumped to 52.9 this month, below the lowest forecast of economists surveyed by Bloomberg News, from a revised 62.7 in May.

“Investors are getting excessively anxious about the future of the global economy,” said Hiroichi Nishi, an equities manager in Tokyo at Nikko Cordial Securities Inc.

#### Yen, Commodities

Honda Motor Co., a carmaker that gets more than 80 percent of its sales abroad, lost 1.9 percent to 2,597 yen and Canon dropped 1.9 percent to 3,330 yen. They were the heaviest drags on the Topix.

Sony Corp., an electronics maker that gets about 70 percent of its revenue from outside Japan, slumped 1.9 percent to 2,383 yen. Fanuc Ltd., a maker of industrial robots, retreated 2.2 percent to 10,140 yen. Electronics makers were the biggest drag on the Topix among its 33 industry groups.

The yen appreciated against the euro to as much as 107.69 today from 108.82 at yesterday's close of stock trading in Tokyo. Against the dollar, it strengthened to as much as 88.39 from 88.76. A stronger yen reduces the value of overseas income for Japanese companies when converted into their home currency.

Mitsubishi Corp. declined 1.9 percent to 1,864 yen. Mitsui & Co., a trading company that counts commodities as its biggest source of profit, slid 2 percent to 1,054 yen. The company also had its credit outlook cut to “negative” from “stable” by Standard & Poor's Ratings Services.

#### Oil, Metals Decline

Crude oil for August delivery dropped for a third day today. It fell 3 percent yesterday in New York to settle at \$75.94 a barrel, the biggest one-day drop since June 4. The London Metal Exchange Index of six metals including aluminum and copper tumbled 5.5 percent yesterday, its largest slide since May 17. The Reuters/Jefferies CRB Index of 19 raw materials tumbled 2.8 percent, the most since Aug. 14. Only gold climbed.



Chip-related shares retreated today, led by Shin-Etsu Chemical after Mizuho Securities Co. cut its investment rating on the maker of wafers for semiconductors to “neutral” from “outperform.” The stock sank 4 percent to 4,175 yen. Sumco Corp., a competitor, lost 1.9 percent to 1,489 yen. Tokyo Electron Co., the world’s second-biggest maker of semiconductor equipment, declined 3.1 percent to 4,855 yen.

Micron Technology Inc., the largest U.S. maker of computer memory, fell the most in 19 months yesterday on concern it has too many unsold chips and that output of other products isn’t increasing fast enough. The stock plunged 13 percent, the biggest retreat in the S&P 500.

Shionogi & Co. soared 7.2 percent to 1,843 yen today, the drugmaker’s sharpest gain since November 2008. Its partner AstraZeneca Plc won a U.S. court ruling that will help prevent generic-drug makers from selling lower-cost copies of their Crestor cholesterol pill until 2016. Shionogi climbed the most in the Nikkei 225 and was the gauge’s biggest support.

### **Moody Investors Says Japan's Fiscal Strategy Supports Aa2 Sovereign Rating**

By Keiko Ujikane and Benjamin Purvis - Jun 29, 2010

Japan’s plan to restore fiscal health supports the stable outlook on the country’s Aa2 credit rating, though the government will need to provide more details on how to achieve its goals, Moody’s Investors Service said.

“A fleshing out of its details and demonstrated progress in performance during the next year will be needed to maintain market confidence,” Thomas Byrne, senior vice president at Moody’s, said in a statement released today.

Prime Minister Naoto Kan last week unveiled a plan to balance the budget in 10 years, reduce bond sales and cap spending to contain the world’s largest public debt. The government also said it would overhaul taxes “soon.”

Japanese government bond yields have fallen since the strategy was released on June 22. The yield on the benchmark 10- year bond dropped 4 basis points today to 1.098 percent.

“The initial market reaction has been positive,” Singapore-based Byrne said. “Where Mr. Kan’s road map is weak is in its lack of specificity in terms of the timing, form and degree of revenue and expenditure measures, as well as in its long duration.”

Byrne said Japan’s debt rating is underpinned by local demand for government securities, citing that 94 percent of the nation’s bonds are held by domestic investors. The banking sector will support the “stable domestic-market funding base,” he said, while adding that “there may be little margin for error in implementation, or for downside surprises from a fragile global economy.”

Fitch Ratings said in a separate statement today that Japan's fiscal plan "risks appearing leisurely given the sheer size of the debt stock and may not do enough to head off the longer-term build up of risks for Japan's public finances."

The strategy contains "no specific information on the balance of tax increases against spending cuts, or which budget items will be changed," Fitch said, without commenting on Japan's AA-credit rating. It expects more details to be provided after upper house elections on July 11.

### **Sharp May More Than Double Solar-Cell Production Capacity by March 2013**

By Mariko Yasu - Jul 1, 2010

Sharp Corp. may more than double its production capacity of solar cells, by March 2013, Tetsuo Onishi, head of the company's solar system unit, said at a conference in Yokohama, near Tokyo today.

"We'll probably strengthen our capacity in line with the market growth," Onishi said. Sharp estimates the global solar-cell market to expand to 16.9 gigawatts in fiscal 2012, from 7.7 gigawatts in 2009, he said.

The Osaka-based company's production capacity of solar cells was 792 megawatts as of March this year, Onishi said.

### **Toyota to Recall Lexus Models in U.S., Japan for Engine Flaws**

By Makiko Kitamura and Alan Ohnsman - Jul 2, 2010

Toyota Motor Corp. plans to recall Lexus models in the U.S. as well as Japan after saying engines in as many as 270,000 vehicles worldwide may have defective valve components that can lead to stalling.

The automaker will notify U.S. regulators of the recall next week, according to a statement yesterday. The company will inform Japan's transport ministry on July 5, Ririko Takeuchi, a spokeswoman, said earlier yesterday by phone. Model years affected are 2006, 2007 and 2008, depending on the vehicle.

Toyota, the world's largest automaker, is working to restore its reputation for quality after recalling about 8 million vehicles globally for defects linked to unintended acceleration. The company recalled about 13,000 Lexus GX 460 sport-utility vehicles in April after Consumer Reports labeled the model a "safety risk" because it could roll over. The designation was removed in May.

"Toyota's latest recall may further fuel the carmaker's drop in market share in the U.S.," said Masatoshi Nishimoto, a Tokyo-based analyst at consulting company IHS Automotive. "While

sales are rising as the market recovers from the recession, they are already losing share to U.S. and other Asian carmakers.”

Toyota’s U.S. sales rose 6.8 percent in June from a year earlier, compared with Hyundai Motor Co.’s 35 percent surge. Toyota’s market share may drop to as low as 15 percent this year from 16.9 percent in 2009, IHS Automotive estimates.

The U.S. National Highway Traffic Safety Administration said it hasn’t received official notification of the recall.

“Toyota will take similar required action in the other markets where these vehicles are sold,” said Paul Nolasco, a spokesman.

#### ‘Abnormal’ Noise, Stalling

About 90,000 vehicles in Japan and 138,000 in the U.S. may have engine problems ranging from “abnormal” noise and idling to stalling while the vehicle is moving, according to the company.

As many as eight models may be affected by the latest flaw, Takeuchi said. The models are the Lexus GS 350, GS 450h, GS 460, IS 350, LS 460, LS 600h and LS 600hL, and the Toyota Crown, according to the company.

“Due to slight variations during the manufacturing process, some foreign material may have contaminated the valve springs, resulting in potential breakage,” Toyota said on its website.

The latest recall may cost the carmaker 20 billion yen (\$228 million), the Asahi newspaper reported. Takeuchi declined to comment on the potential cost.

#### ‘Backbone Models’

Koji Endo, an analyst at Advanced Research Japan in Tokyo, said the recall may cost about 10 billion yen. “Lexus cars are Toyota’s backbone models and the most expensive,” he said. “The amount won’t hurt Toyota so much, but Toyota’s brand will hurt as Lexus models are its most high-end.”

Toyota shares rose 0.3 percent yesterday to close at 3,020 yen in Tokyo. Toyota’s American depositary receipts, each equal to two ordinary shares, fell 44 cents to \$68.23 in New York Stock Exchange composite trading.

The engine problem may result from “contaminated materials used in valve springs,” Mark Templin, U.S. group vice president and general manager of the Lexus brand, said July 1 on a conference call. “We want to take care of customers better than anybody and take care of this as quickly as possible.”

The Toyota City, Japan-based company said last week it would recall hybrid Lexus HS250h sedans because of a fuel-leak risk.

Toyota, which paid a record U.S. fine of \$16.4 million this year for not complying with auto-safety regulations, said June 25 it would recall the HS250h after too much gasoline spilled in U.S. government crash tests, posing a fire risk.

The company also said it completed repairs on more than 4 million, or 78 percent, of U.S. vehicles recalled this year for flaws linked to unintended acceleration, Bob Carter, U.S. group vice president, said on a conference call yesterday.

### **JAL Requests Extra \$1.03 Billion From Government, Banks, Nikkei Reports**

By Heather Burke - Jul 1, 2010

Japan Airlines Corp. has asked a government-run turnaround group and creditor banks for another 90 billion yen (\$1.03 billion) in financial aid, Nikkei English News reported, without saying where it got the information.

The carrier's negative net worth has widened by about 100 billion yen to 950 billion yen, Nikkei said. It plans to finish talks with creditors by mid-August, Nikkei said.

### **Toyota's Lexus Recall to Fix Engine Flaw May Cost \$228 Million, Asahi Says**

By Tak Kumakura - Jul 1, 2010

Toyota Motor Corp.'s planned recall of as many as 270,000 Lexus cars may cost the automaker 20 billion yen (\$228 million), the Asahi newspaper said, citing the company. Toyota said yesterday that the vehicles may have a problem that causes engines to stall.

### **Subsidies boost domestic sales at Toyota, Honda**

Bloomberg

Toyota Motor Corp. and Honda Motor Co., Japan's two biggest carmakers, led the 11th straight monthly increase in domestic auto sales as government incentives boosted demand.

Sales of cars, trucks and buses, excluding minicars, rose 21 percent to 293,537 vehicles in June from a year earlier, the Japan Automobile Dealers Association said in a statement Thursday. Toyota, the world's largest carmaker, sold 140,207 units, excluding Lexus-brand cars, up 27 percent.

Auto sales began recovering from a yearlong slide in August as government rebates and tax cuts for fuel-efficient vehicles rekindled demand. The incentives helped raise sales by about 600,000

vehicles last year and may increase them by about 900,000 this year, the Japan Automobile Manufacturers Association said in December.

June's sales rose 19 percent at Honda to 44,377 units, while Nissan Motor Co., the nation's third-largest automaker, sold 43,313 vehicles, up 12 percent.

Under a government program started in June 2009, consumers in Japan can apply for a rebate of as much ¥250,000 if they scrap a car more than 13 years old to buy a new one, and ¥100,000 for a new car purchased without scrapping an old one. The program expires at the end of September.

Electric, hybrid, natural-gas and some diesel vehicles also qualify for an exemption from weight and purchase taxes.

### **Lexus recall may go as high as 270,000 vehicles**

Bloomberg

Toyota Motor Corp. will recall Lexus luxury cars in Japan after saying engines in as many as 270,000 vehicles worldwide may have defective valve components that can cause problems, including stalling.

The company will notify the transport ministry of the recall on Monday, Ririko Takeuchi, a Toyota spokeswoman, said Friday. She declined to specify which models or how many vehicles are involved.

Toyota is working to restore its reputation for quality after recalls of more than 8 million vehicles globally for defects linked to unintended acceleration. The company recalled about 13,000 Lexus GX 460 sport utility vehicles in April after Consumer Reports labeled the model a "safety risk" because it could roll over.

"Toyota's latest recall may further fuel the carmaker's drop in market share in the U.S.," said Masatoshi Nishimoto, a Tokyo-based analyst at consulting company IHS Automotive. "While sales are rising as the market recovers from the recession, they are already losing share to U.S. and other Asian carmakers."

Toyota's U.S. share may drop to as low as 15 percent this year from 16.9 percent in 2009, Nishimoto said. The latest recall may cost the carmaker ¥20 billion, the Asahi newspaper reported Friday. Takeuchi declined comment on the potential cost.

Koji Endo, an analyst at Advanced Research Japan in Tokyo, said the recall may cost about ¥10 billion. "Lexus cars are Toyota's backbone models and the most expensive," he said. "The amount won't hurt Toyota so much, but Toyota's brand will hurt as Lexus models are its most high-end."

The carmaker said Thursday as many as 90,000 vehicles in Japan and 180,000 overseas may have engine problems ranging from "abnormal" noise to stalling while the car is moving.

### **JAL wins ¥43 million HQ rent cut**

Bloomberg

Japan Airlines Corp. negotiated a reduction in rent for its headquarters in Tokyo as it works to slash costs and return to profit under state-backed bankruptcy procedures.

The carrier's monthly rent will be cut by ¥43.3 million from this month until March and the airline will reduce the amount of space it rents from April, Nomura Real Estate Asset Management Co., the manager of the building, said Wednesday on its Web site.

Sze Hunn Yap, a spokeswoman at JAL, confirmed the rent reduction Friday.

### **Only Okinawa keeping the flame of unloved, unused ¥2,000 bills**

Kyodo News

Ten years after making its debut to commemorate the Group of Eight summit in Okinawa, the ¥2,000 bill is now an endangered species, virtually absent from daily transactions.

According to the Bank of Japan, which started issuing ¥2,000 bills on July 19, 2000, about 110 million bills, or 1 percent of all yen bills, are now in circulation.

But the central bank said it stopped new issuance of ¥2,000 bills in fiscal 2003, adding that tons of the bills are stored in its safe as "inventory."

Circulation of ¥2,000 bills peaked in August 2004 with 510 million, BOJ officials said, adding that the figure was higher than the circulation of ¥5,000 bills at that time. But the number has been on the slide ever since.

Before the debut of the ¥2,000 bill, "Japan had never seen a yen bill carrying the number '2.' That spread a negative impression that the bill may not be useful," said a BOJ official.

The official added that he believes the ¥2,000 bill is useful in paying for cinema tickets and taxi fares.

Incompatibilities of automated teller machines installed at banks and convenience stores may be partly responsible for the ill-fated bill. Bank ATMs do not issue ¥2,000 bills when customers draw cash.

"We give ¥2,000 bills to customers only on a request basis," a major bank official said. "But we rarely receive such a request."

One convenience store chain did try to install ¥2,000-compatible ATMs in 2001 but later changed its policy after receiving customer complaints.

"Many people complained that the ¥2,000 bill resembled the ¥5,000 bill, and asked to exchange it for two ¥1,000 bills," said an official of the chain.

Despite its demise, use of ¥2,000 bills has been promoted in Okinawa because it features the famous Shureimon Gate in Naha. Built in the 16th century, Shureimon is a main gate of Shuri Castle.

In Okinawa, local businesses have organized a group to promote the circulation of ¥2,000 bills. Local banks have set up ATMs compatible with the bills, while stores at shopping malls in Naha give change in ¥2,000 bills.

"I always keep at least 10 ¥2,000 bills in my wallet," said Hidetomo Kojo, 75, the head of the promotional group. "The Shureimon Gate is a symbol of peace, and so is the ¥2,000 bill. We'd like to promote the spirit of peace from Okinawa."

## **Social Front:**

### **43% viewed Japan-Holland game**

Kyodo News

Japan's World Cup campaign continued to draw high viewer interest as the average rating for Saturday's World Cup match against the Netherlands reached 43 percent.

Video Research Ltd. said the first-round match, broadcast live in prime time by TV Asahi, logged an average rating of 43.0 percent in the Kanto region and 43.5 percent in Kansai.

The rating peaked at 55.4 percent in Kanto and 55.3 percent in Kansai at 10:19 p.m. in both regions, when the match ended with a 1-0 win by the Dutch.

The clash was the second of three Group E games for both sides. The Netherlands earned a spot in the knockout stage after two wins in as many games, while Japan still maintains hopes of advancing with a win or a draw against Denmark early Friday.

Japan's 1-0 win over Cameroon last week fetched an average rating of more than 40 percent in the Kanto region.

### **Number of Chinese tourists jumps 36%**

Kyodo News

Around 600,000 Chinese tourists visited Japan in the January-May period, up 36 percent from a year earlier, the Japan National Tourism Organization said in a preliminary report Friday.

As Japan will relax visa conditions for individual Chinese tourists from next month, the number of visitors from China is expected to reach an all-time high of 1.5 million this year, topping the current record of 1.01 million set in 2009, according to the Japanese tourism industry.

The number of tourists who visited Japan from other parts of Asia in the first five months of the year also increased by double digits, the government agency said.

### **Most taxis in Osaka Prefecture will ban smoking starting July 1**

Kyodo News

Smoking will not be permitted in more than 90 percent of taxis in Osaka Prefecture starting July 1, the transport ministry's Kinki Transport Bureau and Osaka Taxi Association have announced.

Taxis belonging to the association as well as individually owned taxis, together amounting to more than 20,000, will participate in the ban.

According to the association, Osaka will be the 40th prefecture to introduce a smoking ban in cabs.

Tokyo, which has the largest number of taxis, has made the move, so now with Osaka, which has the second-most, also coming on board, the overall industry is expected to enforce a total ban.

The Osaka association opted for the ban after the health ministry ordered municipal governments in February to introduce a smoking ban, in principle, in public places.

To let people know about the ban, all nonsmoking taxis will bear a sticker that reads "Nonsmoking" as well as a similar sign for the front passenger seat.

According to the Kinki Transport Bureau, 18,000 taxis that belong to taxi companies as well as 4,000 individually owned taxis are currently operating in Osaka Prefecture.

Some critics, however, point out that taxis in Osaka, which are already suffering from excessive numbers, may further lose customers if they ban smoking.

As of the beginning of this month, Hokkaido, Aomori, Iwate, Osaka, Wakayama, Tottori, Yamaguchi and Nagasaki prefectures had not totally banned smoking in taxis.

### **Japan group wins U.S. gospel fest**

NEW YORK (Kyodo) A group of U.S.-based Japanese singers has won a prestigious gospel competition, the first Japanese to win the event, the group's representative said Tuesday.



The Harlem Japanese Gospel Choir won the choir division of McDonald's Gospelfest at the Prudential Center in New Jersey on Saturday, Kimiko Matsuo said.

The event is one of the biggest of its kind in the country. Known for the high quality of entrants, about 40,000 people enter auditions and some of the award winners become professional singers.

The Japanese group passed an audition in January and won the main event with its rendition of the hymn "How Great Is Our God," according to Matsuo.

Gospel, a type of religious music developed by black Americans, is popular in Japan, where fan clubs have been formed.

The group was established in 1997 by Tommy Tomita, a Japanese native who has been showing tourists around Harlem for more than two decades. About 20 members — including homemakers, office workers and students — gather weekly in Harlem to practice.

"To be honest, I am surprised that we won," Matsuo said. "We did practice very hard, but being a Japanese group singing gospel is unusual and may have helped."

### **Kan, officials jubilant over soccer success**

By JUN HONGO

Staff writer

Top officials were jubilant Friday about Japan's overnight triumph over Denmark at the soccer World Cup, with Prime Minister Naoto Kan offering congratulations to the Blue Samurai from his Toronto-bound government jet.

"I congratulate this achievement from my heart," said Kan, en route to the Group of Eight summit and other conferences in Canada. "I hope the team will unite as one and put up a good fight under coach (Takeshi) Okada to continue its success at the tournament stage."

In Tokyo, Chief Cabinet Secretary Yoshito Sengoku also admitted he was "heavy-lidded" during his routine news conference, acknowledging he was hooked on the game that ended after daybreak.

"This was a splendid victory," Sengoku said, praising the Japan Football Association and J. League for the national team's impressive run.

"Japan scored splendidly twice with free kicks, which is their strong suit. And when (Denmark) lunged and fell forward, the duo of (Keisuke) Honda and (Shinji) Okazaki scored the third goal," he analyzed. "Up next is Tuesday's game against Paraguay. Let's hope the team plays well and goes through to the next round," he said.

Viewer rating soars

Kyodo News

Japan's victorious World Cup game with Denmark drew a viewer rating of 41.3 percent at one point in the Kanto region surrounding Tokyo, a ratings agency said Friday.

The average rating for the two-hour live broadcast of the game relayed by Nippon Television Network Corp. from 3 a.m. to 5 a.m. Friday Japan time, when the second period was still under way, was 30.5 percent in Kanto and 27.4 percent in the Kansai region, Video Research Ltd. said.

The highest rating was marked shortly before 5 a.m.

### **Foot-and-mouth being contained**

Kyodo News

Chief Cabinet Secretary Yoshito Sengoku said Friday the outbreak of foot-and-mouth disease in Miyazaki Prefecture is gradually being contained.

"It is a good sign that we have not seen any new emergence of the disease over the past six days," he told a news conference. "We are gradually containing it."

Some 199,000 cows and pigs suspected of being infected with the disease had been slaughtered and buried by Thursday in Miyazaki, and Sengoku said the government wants to destroy the remaining 30,000 animals as soon as possible to prevent the disease from spreading.

### **Yakuza ties revealed in sumo scandal**

Kyodo News

A former sumo wrestler held for allegedly extorting around ¥3.5 million in hush money from ozeki Kotomitsuki over illegal gambling told police he belonged to a crime syndicate in Kyushu after retiring from the sport, investigative sources said Saturday.

Mitsutomo Furuichi, 38, was quoted as telling investigators that he was "a member of a mob group in Kyushu for four to five years after retiring from sumo."

While police said they have not confirmed that membership, it was widely rumored that some in the sumo industry have links to organized crime.

After retiring from sumo in 1997, Furuichi at one point ran an adult entertainment club in Fukuoka, according to his relatives and Japan Sumo Association sources.

Police suspect Furuichi pressured Kotomitsuki to pay hush money to conceal his habitual gambling on professional baseball games, according to the sources.

Police sent Furuichi to prosecutors Saturday.

Meanwhile, the JSA, the sport's governing body, said the same day that an official ranking list for a tournament in Nagoya will not be announced on Monday as scheduled.

It also said Friday that it will discuss Monday possible punishments for wrestlers who have been involved in illegal gambling and whether to hold the Nagoya tournament in July as scheduled.

The JSA is scheduled to make a final decision on July 4 about whether to hold the Nagoya tourney, slated to begin July 11, amid growing public calls that it should not be held until the scandal is fully dealt with.

The JSA also raised the number of wrestlers who have been involved in gambling on baseball games from 29 to 31.

Assist from Sanoyama

Sumo elder Sanoyama offered a helping hand to ozeki Kotomitsuki when he tried to collect ¥5 million in winnings from illegal gambling on professional baseball games from another wrestler late last year, sources said.

"You'd better pay the money," Sanoyama, who was an active sumo wrestler known as Chiyotaikai at the time, told a 34-year-old wrestler of the Onomatsu stable, the sources said Friday. Chiyotaikai retired from sumo earlier this year and has since served as a sumo elder of the Kokonoe stable.

Sanoyama is reportedly close to Kotomitsuki, who is at the center of the unfolding scandal rocking Japan's national sport.

### **Victory over Denmark gives Japan inspiration**

On a night when a positive result was more important than a positive performance, Japan emphatically delivered both.

Thursday's 3-1 win over Denmark not only sent Takeshi Okada's side into the second round of the World Cup, it also gave the nation arguably the greatest night in its soccer history.

The confidence, maturity and resilience that shone through Japan's victory in Rustenburg paints a picture of a team looking ever more comfortable in its own skin. Paraguay will be no pushover in Tuesday's last-16 clash in Pretoria, but the World Cup rewards those with the wind in their sails and Japan is going from strength to strength as the tournament progresses.

Thursday night's game was a case in point. The knowledge that a draw would have been enough to progress seemed to weigh heavily as Japan made a tentative start, and Yasuhito Endo and Yuto Nagatomo were both booked for time wasting with the match less than 30 minutes old.

Once Okada's demand to be bold and go looking for the win had sunk in, however, liberation followed.

The slick, fluid passing style that had thus far been suppressed in South Africa returned, and two free kicks of the highest quality put Japan firmly in the driver's seat.

The world had seen only the destructive face of Okada's side until that point, but the image of Shinji Okazaki's razor-sharp third goal has now been indelibly burned on the tournament's consciousness.

So, too, has the name of Keisuke Honda. The CSKA Moscow striker always threatened to establish himself as Japan's leading man coming into the competition, but the impact he has made so far has been astonishing.

Honda's 17th-minute free kick is unlikely to be bettered by anyone at this World Cup, and his vision, technique and refusal to accept second best has made him one of the stars of the tournament so far.

The fact that he is still only 24 also augurs well for the future, and Japan may have finally found a player capable of surpassing the marker laid down by Hidetoshi Nakata.

But while Honda is grabbing the headlines, his teammates are excelling too.

Captain Makoto Hasebe led by example with a number of well-timed tackles on Thursday, while Endo's metronomic passing and Yuki Abe's solid reliability were again to the fore in midfield. Add to this an attack that never stops running and a defense that has conceded only two goals, and the omens are looking good.

To even contemplate a place in the quarterfinals or beyond seemed utterly ludicrous after losing 2-0 to South Korea only a month ago, but the team's transformation since then is a testament to its character. Okada's men may not be as talented as the side that reached the second round on home soil in 2002, but they are proving to be tenacious competitors indeed.

Okada will need no reminding, however, that the 2002 campaign ended not with a bang but the whimper of a 1-0 defeat to Turkey.

Nakata accused his teammates of being satisfied with their lot after that limp capitulation in the Miyagi rain, and it was interesting to hear Honda set his sights higher in the immediate aftermath of Thursday's win.

Okada, of course, could never be found guilty of lacking ambition. For now, at least, his semifinal target remains a tantalizing possibility.

## **Japan May Lift Domestic Livestock-Shipment Ban Over Foot-and-Mouth in July**

By Aya Takada - Jun 30, 2010

Japan may lift a ban in July on domestic beef and pork shipments imposed two months ago after an outbreak of foot-and-mouth, as no cases have been found since the government completed culling infected animals last week.

Shipments of live animals from disease-hit areas in Miyazaki prefecture in southern Japan may resume as early as July 16, unless a fresh outbreak occurs, said Hiroaki Ogura at the animal health division of the Ministry of Agriculture, Forestry and Fisheries. The government finished slaughtering all infected animals on June 25.

The resumption could boost meat supply in Japan, potentially curbing demand for imported pork and beef, as Miyazaki is the nation's second-biggest pig producer and third- largest for beef cattle. Foot-and-mouth is one of the most contagious livestock diseases and can have high mortality rates in young animals, according to the Paris-based World Organization for Animal Health, or OIE.

“The risk of the disease’s spread is declining,” Ogura said today in a telephone interview. “We plan to finish culling of the vaccinated animals today or tomorrow.”

Japan is set to complete the slaughter of 276,049 animals, of which 199,293 were infected and the rest were vaccinated for protection from the disease. Of the total, 208,076 were pigs, 67,956 were beef cattle and dairy cows, and the rest were sheep and goats.

### **First Outbreak**

The figures represent 2.1 percent of Japan’s total swine herd and 1.5 percent of overall cattle and cows. The country’s first outbreak of the disease since 2000 was reported on April 20 from a cattle farm in Tsuno town in eastern Miyazaki.

Japan imposed a ban on the movements of animals that live within a radius of 10 kilometers from the affected farms. The government also prohibited shipments of animals living in a radius of 10 to 20 kilometers of the disease-hit farms for trade outside the area.

Japan slaughtered 1.47 million hogs in April to produce 114,300 metric tons of pork, the latest data from the agriculture ministry showed. The number dropped 1.8 percent from March, while the volume decreased 1.7 percent.

The wholesale price of pork averaged 428 yen (\$4.8) per kilogram in Japan's meat markets in April, rising 1.9 percent from March, the ministry data showed.

#### Limited Impact

"Foot-and-mouth disease has had limited impact on the balance of supply and demand in Japan's meat markets, as the affected animals represent a small share of the nation's total herd," Yuichi Imasaki at the ministry's meat and egg division said today by phone.

The number of cattle and cows Japan slaughtered in April rose 5.3 percent from March to 105,553, according to the ministry data. Beef production increased by 6.4 percent to 45,314 tons. The wholesale price for beef rose 6.5 percent to 1,067 yen a kilogram on average in April.

Japan imported 475,000 tons of beef in the year ended March 31, climbing 1.2 percent from a year earlier, according to the ministry. Australia was the biggest supplier with 355,488 tons, while the U.S. was the second-largest with 73,823 tons.

Japan imported 692,000 tons of pork last fiscal year, declining 15 percent from a year earlier. The U.S. represented 40 percent of the total supply, while Canada was the second-largest exporter with 25 percent.

#### **Sony offers software fix to save melting VAIO computers**

The Associated Press

Sony Corp. said Wednesday it has started providing free software updates to more than half a million users worldwide to fix a glitch that could cause overheating in its popular VAIO laptops.

No injuries have been reported, but the Tokyo-based electronics company said it has received 39 problem reports, including 26 in the U.S., with users complaining about the heat and distortion of the shape of their computers, the company said.

No problems have been reported in Japan, Sony said.

The problem could affect 535,000 VAIO laptops worldwide, mainly U.S. users but also others in Europe, Japan and the rest of Asia.

The overheating could occur when a user plugs in an adapter to charge when the battery in the laptop is nearly used up, Sony said.

Sony is offering users a software application download designed to fix the flaw, and has notified registered users by e-mail of the service.

Sony in 2006 had a massive global recall over quality problems in its batteries for laptops.

After incurring annual losses for two straight years, Sony expects to return to the black in the current financial year to March 2011.

### **Miyazaki eases foot-and-mouth restrictions**

By ERIC JOHNSTON

Staff writer

MIYAZAKI — Miyazaki Prefecture on Thursday partially rescinded restrictions on travel and public gatherings put in place to prevent the spread of foot-and-mouth disease.

The decision came a day after the last of more than 276,000 cows and pigs were vaccinated and slaughtered to contain the outbreak and 72 days after the first case was officially confirmed.

"On May 18, the prefectural government declared a state of emergency due to the outbreak of the disease. To prevent its spread, we called on all prefectural residents to refrain from unnecessary travel, and to postpone events," Gov. Hideo Higashikokubaru told a news conference.

"From today, residents outside areas that have been designated restricted zones are free to travel, and public events outside the infected zones can go forward, as long as appropriate disinfectant measures are taken."

No confirmed or suspected cases have been observed since June 18.

If no new cases are confirmed by July 16, the prefecture is expected to lift the state of emergency.

The disease has had a devastating effect on Miyazaki's prized beef, as consumers nationwide shied away from it. In addition, the Miyazaki Truck Association reports trucks with Miyazaki license plates have been stopped and detained by police in other prefectures, even if they were carrying cargo that had nothing to do with beef and did not pass through the infected areas.

Higashikokubaru has spent the past few weeks desperately trying to convince the rest of the nation that fears about the disease spreading beyond Miyazaki are unfounded.

"I know there are people who worry the foot-and-mouth virus will be transported outside the prefecture. But that will not happen," he said, adding that not only Miyazaki beef but also other agricultural products, including the prefecture's mangoes, are safe.

Fears over foot-and-mouth have also led to a drastic decline in inbound tourism. Many bars and restaurants in the city of Miyazaki shut their doors in May and June due to a lack of customers, and hotel operators say room cancellations are in the thousands.

### **Tokyo Disneyland reopens Jackson 3-D attraction**

CHIBA (Kyodo) Tokyo Disneyland on Thursday reopened a 3-D movie featuring the late entertainment icon Michael Jackson for the first time in about 14 years.

The theme park will run "Captain EO" for a limited time through June 30, 2011. The film starring Jackson, who died suddenly in June 2009, was directed by Francis Ford Coppola, with George Lucas serving as its executive producer.

"I enjoyed it when I saw it more than 10 years ago, so I wanted to show it to my 5-year-old daughter," said Seishi Yamabe, a 51-year-old company employee from Kawasaki who came with his family.

The film was a featured attraction at the theme park between 1987 and 1996, when the moon-walking "King of Pop" was at the height of his popularity.

### **For senior years, urban life is preferable: poll**

Kyodo News

Nearly three-quarters of the people would prefer to live in urban areas offering easy access to entertainment and medical facilities when they get old instead of rural areas with a more natural environment, a recent government survey found.

The survey released Wednesday by the Land, Infrastructure, Transport and Tourism Ministry on "ideal ways" of living in old age found that 73.9 percent said they want to live in an urban area, although 43.9 percent of those who gave valid answers think "an ideal is merely an ideal."

The survey, conducted in January and February, targeted 1,199 men and women aged 20 and older. Of the total, 994 gave valid answers.

The survey results also showed 63.4 percent hoped to live with or close to their children, while 80.5 percent said they are willing to spend money on equipment for healthy and comfortable living, such as an emergency alarm system and a floor heating system.

On where they think would be the ideal place to live, 75.0 percent chose Japan, while 25.0 percent chose "overseas."

By location, Tokyo topped the list, followed by Okinawa and Kanagawa prefectures. For those looking abroad, Hawaii was tops, the U.S. mainland second and Australia third.

### **China's Expected Tourism Boom May Prove Damp Squib in Japan, Asahi Says**

By Ben Richardson - Jul 3, 2010



Japan's plan to ease visa restrictions on tourists from China may not have the desired effect of pump-priming the economy by boosting consumer spending, the Asahi Shimbun newspaper reported today.

While Japan's Tourism Agency predicts the number of Chinese tourists will jump 80 percent this year to 1.8 million people, their spending has so far failed to have much impact on the moribund domestic economy, the paper said, citing Ryoji Maku, a senior researcher at Mitsubishi Research Institute Inc. Consumer spending accounts for more than half of Japan's gross domestic product, the paper said.

Chinese tourists have each spent about \$1,470 on trips to Japan, the paper said. The new tourists being targeted are less wealthy middle-class Chinese and may spend less, the paper said, citing a department store executive it didn't identify.

### **Japan men defend gymnastics title**

Kyodo News

Japan claimed its second consecutive title in the men's gymnastics team event at the 2010 Japan Cup on Saturday.

With Kohei Uchimura leading the way, the host scored 276.100 points to finish ahead of runnerup Germany, which trailed by 9.200 in the eight-nation competition at Tokyo Metropolitan Gymnasium. The United States came third with 265.400.

Beijing Olympic champion China is not competing in the two-day meet.

In the women's team event, Japan, centering on Koko Tsurumi, had to settle for second behind powerhouse Russia, which won the title with a total of 173.850. The host collected 169.850 while South Korea took third with 150.650.