

Globalized Business and politics: A View from Muslim world

Weekly report on South Korea & Japan

Report # 125 & 126

4th JULY 2010 to 10th JULY 2010

Presentation Date: 14th JUNE 2010

Wajid Hussain

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Summary of Report

South Korea

Politico-Strategic Front

Lee to overhaul presidential office this week Restructuring of the presidential office may come as early as this week and a reshuffle of personnel will follow, a senior Cheong Wa Dae official said Sunday. As for the timing of the shake-up of senior presidential secretaries and Cabinet ministers, he said it will take a little more time and will likely be announced several days before it takes place.

President orders thorough probe of surveillance case President Lee Myung-bak called for a thorough investigation of an alleged illegal surveillance case involving an official of the Office of the Prime Minister, Sunday. During a meeting with senior presidential secretaries at Cheong Wa Dae, Lee said, "The truth behind the scandal should be unveiled quickly and thoroughly. Those found responsible for the irregularities should be punished," according to a presidential aide. Lee's remarks, he said, mean that prosecutors should launch a probe into the case.

Opposition party split over leadership race Factional feuding is escalating within the main opposition Democratic Party (DP) between mainstreamers loyal to party Chairman Chung Sye-kyun and a group of reform-minded legislators ahead of the party's national convention, slated for late August.

PM office searched over civilian surveillance case Prosecutors Friday raided Prime Minister's office over allegations that its ethics officials illegally conducted surveillance against a civilian. A dozen investigators from the Seoul Central District Prosecutors' Office stormed into the ethics division office in the Central Government Complex building in downtown Seoul at around 10 a.m., to confiscate documents and records related to the alleged surveillance.

Boeing seeks OK to export stealthy F-15 to S. Korea Boeing Co (BA.N) said it has applied for an export license to sell a stealthy variant of its F-15 fighter jet to South Korea, which is expected to release terms of a competition for 60 new fighters next year.

South Korean Premier Chung May Resign After Loss in Elections, Yonhap Says South Korean President Lee Myung Bak may accept Prime Minister Chung Un Chan's offer to resign after the government lost in local elections and lawmakers rejected its strategy for developing a new city, Yonhap News said.

U.N. statement "bodes well" for N. Korea nuclear talks The U.N. Security Council's likely adoption of a statement on the sinking of a South Korean warship on Friday without blaming the North could shift the focus to nuclear disarmament talks aimed at reining in Pyongyang.

UN council condemns sinking of S. Korea warship The U.N. Security Council condemned on Friday what it called an attack leading to the sinking of a South Korean ship in March but in a concession to China stopped short of explicitly blaming North Korea.

GDF Suez mulls using S. Korean nuclear technology GDF Suez is examining the possibility of picking South Korean nuclear technology for future projects after losing an Abu Dhabi contract last year to a South Korean consortium, the French utility said on Thursday. The consortium headed by state owned Korea Electric Power Corp. (KEPCO) (015760.KS) in December won the Middle East's biggest ever energy contract to build and operate four nuclear reactors for the United Arab Emirates, beating U.S. and French rivals.

China Says UN Response to South Korean Warship Sinking May Defuse Tensions China's ambassador to the United Nations said the Security Council response today to the sinking of a South Korean warship, which doesn't explicitly blame North Korea, will help ease tensions in the region.

North Korea shrugs off ship and calls for nuclear talks North Korea said on Saturday it was willing to return to nuclear disarmament talks and signaled satisfaction that a U.N. Security Council statement did not directly blame it for the sinking of a South Korean warship.

Economic Front:

Citigroup Excludes Korean Debt From Government Bond Index Following Review Citigroup Inc. has decided to keep South Korea out of its [World Government Bond Index](#) following a review, according to Kim Yi Tae, foreign-exchange market director at the finance ministry. Government bonds were lower after the announcement, with the yield on the 3.75 percent note maturing in June 2013 up three basis points at 3.84 percent.

Korea Electric, Posco Buy Stakes in Australian Mines From Anglo American Korea Electric Power Corp., the country's biggest electricity producer, and steelmaker Posco agreed to buy stakes in coal mines in Australia from Anglo American Plc for a combined A\$453 million (\$382 million).

Samsung Posts Record Operating Profit on Chip Prices Samsung Electronics Co., Asia's biggest maker of semiconductors, flat screens and mobile phones, posted record earnings last quarter, fueled by a recovery in demand for computer-memory chips that drove up prices. Second-quarter operating income rose 87 percent to 5 trillion won (\$4.1 billion) from 2.67 trillion won a year earlier as sales gained 14 percent, the Suwon, South Korea-based company said today. Profit beat the 4.74 trillion won average of 14 analyst estimates compiled by Bloomberg.

Sovereign Default Risk Rose 30% as European Debt Crisis Deepened, CMA Says The cost of insuring sovereign debt against default climbed 30 percent on average last quarter amid Europe's escalating fiscal crisis, according to CMA DataVision. Credit-default swaps on 93 percent of the 70 governments tracked by CMA rose, with Greece temporarily overtaking Venezuela as the country with the world's highest bond risk, the CME Group Inc. unit said in a report published today.

Korean Tensions

Swaps on South Korea climbed 65 percent as tensions with neighboring North Korea mounted when a warship sank, making it Asia's worst-performing sovereign. With a 2 percent increase Vietnam was Asia's best performer. The cost of insuring Australia's debt increased 52 percent after a new mining tax was levied on resource companies.

Woongjin Energy Rises in Seoul, Doubling From IPO on U.S. Solar Demand Woongjin Energy Co. rose, helping the South Korean solar-power equipment parts maker almost double from its debut last week on expectations it will benefit from growing U.S. alternative energy demand as it boosts output

Japan and S. Korea step up game in fight for resources Japanese and South Korean firms, backed increasingly by the state, are stepping up their game in the dash for global resources in which they face fierce competition from China. For resource-poor Japan and South Korea, China with its tremendous purchasing power is a formidable opponent -- in June China secured more than \$8.8 billion worth of commercial and mining deals with Australia. Still, analysts say the tide may be turning for Japan and South Korea because of increased state funding, more state and private sector partnerships and in Japan's case, a change in the law to encourage firms to seek resources abroad.

S. Korea approves \$221 mln IPO of Hyundai Homeshopping The Korea Exchange said on Wednesday it had approved an initial public offering plan worth up to 270 billion won (\$221 million) by South Korea's third-largest online shopping operator Hyundai Homeshopping.

Hyundai Engineering Wins \$1.13 Billion Order to Build Kuwait Bubiyan Port Hyundai Engineering & Construction Co. won a \$1.13 billion contract to build a port on Kuwait's Bubiyan island. The Middle Eastern nation's Ministry of Public Works placed the order, the South Korean builder said in an e- mailed statement today.

Hyundai Heavy Wins Court Approval for Hyundai Oilbank Purchase From IPIC A South Korean court has given Hyundai Heavy Industries Co., the world's largest shipyard, approval to buy Hyundai Oilbank Co. from International Petroleum Investment Co., backing a ruling in Singapore last year.

Samsung's Q2 forecast highlights tech industry strength Samsung Electronics, one of the world's largest electronics makers, on Wednesday forecast record operating profit for the second quarter of 2010 on strong sales. Samsung has been bullish this year on prospects in the tech industry.

IMF ups S. Korean 2010 growth f'cast to 5.75 pct The IMF on Tuesday raised its 2010 economic growth forecast for South Korea by more than one percentage point, and recommended the country's central bank gradually raise interest rates. The upgrade and remarks come before the central bank is scheduled to hold an interest rate-setting meeting on Friday.

Yongsan 'dream project' a pipe dream? Seoul's ambitious plan to turn a 530,000 square-meter site around Yongsan Station into a global business district is about to fall apart, a victim of the sluggish property market. The real estate owner and the biggest investor KORAIL has threatened to cancel deals with builders if they do not submit a detailed plan to honor overdue payments for use of the real estate by next Friday.

Social Front:

Middle class takes brunt of financial crisis About one third of middle class families in Seoul suffered a drop in their income in the fallout of the 2008 global financial crisis, and more than half of them have been forced to reduce spending. The Seoul Development Institute (SDI), a non-profit research organization established by the Seoul Metropolitan Government, surveyed 1,000 middle-class households in June 2009 and found that 31 percent of the respondents saw their income decline in the wake of the financial meltdown.

South Korea May Use Surplus Rice to Make Animal Feed, Farm Ministry Says South Korea, the world's third- largest corn buyer, may use some of the nation's surplus rice to make animal feed to help stabilize the domestic rice market, according to the farm ministry. About

360,000 metric tons of rice produced in 2005 may be turned into feed, the Ministry for Food, Agriculture, Forestry and Fisheries, said in an e-mailed statement today.

Preparations underway to launch overseas voting Koreans living abroad inched closer Wednesday to being able to vote in national polls, as the Seoul government began training its overseas representatives to debut an absentee voting system in 2012.

MOLEG - gateway to legal information for foreigners in Korea The Ministry of Government Legislation (MOLEG) is the central administrative agency which is responsible for control and coordination of the government's legislative affairs, reviewing and drafting legislative bills, and statutory interpretation.

(Cyber Space) South Korean Government Websites Hit by Attacks, Yonhap Says Five South Korean websites including the presidential office were hit by attacks yesterday, Yonhap News reported, citing the state-run Korea Communications Commission. The intrusions, came exactly one year after similar attacks and left no major damage, according to the report.

(Cyber Space) Zombie computers blamed for latest attacks on gov't Websites Wednesday's Internet attacks on government Websites originated from some of the same zombie computers used in massive hacker attacks a year ago that were automatically reactivated on the same day, police said. Zombie computers refer to those contaminated with a virus.

'1 in 6 adults considered suicide' Nearly one in six adults here have seriously considered committing suicide, reflecting the severity of the issue and underlining the need for more effective countermeasures, a recent survey has shown.

Participatory programs needed for education on security A number of surveys showing that nearly half of the younger generation has little basic knowledge about the Korea War underscore the importance of children's education on probably the most tragic chapter of Korean history.

Branksome Hall to Open a School on Jeju Island, South Korea On July 7, Jeju Free International City Development Center (JDC) Chairman & CEO Byon Jong-il will sign a Co-operative Venture Agreement (CVA) with Branksome Hall to establish an overseas campus of the world-renowned Toronto independent school. Branksome Hall Asia will become the second partner school to open in the Global Education City. A major step in the Jeju Global Education City's quest to become the education hub of Northeast Asia, the signing will be conducted July 7, at 1:30 p.m., at Branksome Hall, 2 Elm Avenue. The new school is scheduled to open in September 2012.

U.S. man in N. Korean prison attempts suicide –KCNA An American being held in North Korea has attempted suicide out of frustration and guilt, the reclusive country's state media said on Friday. Aijalon Mahli Gomes, 30, is serving a sentence of eight years hard labor after being convicted in April of illegally entering the country.

Japan

Politico-Strategic Front:

Chinese flotilla slips by Okinawa A destroyer and a frigate from the Chinese Navy passed through international waters between Okinawa and Miyako on Sunday while en route to the Pacific Ocean, the Defense Ministry said.

Ozawa hands inquest body denial of guilt Democratic Party of Japan kingpin Ichiro Ozawa submitted a statement Monday to an independent judicial panel denying involvement in any irregularities in connection with funding reports.

Six companies to form nuclear JV Toshiba Corp., Hitachi Ltd. and Tokyo Electric Power Co. are among six Japanese companies that will form a joint venture to sell nuclear reactors and technology to Vietnam and other countries. The group, which includes Mitsubishi Heavy Industries Ltd., Chubu Electric Power Co. and Kansai Electric Power Co., will seek financial assistance from the trade ministry, they said in a joint statement Tuesday. The companies have set up an office ahead of forming the venture this autumn.

Kan Cabinet's Approval Rating Drops 5 Points to 45%, Nikkei Survey Says Japanese Prime Minister Naoto Kan's approval rating dropped 5 percentage points to 45 percent ahead of the July 11 upper house election, according to a Nikkei newspaper survey. The disapproval rating for Kan's Cabinet rose 8 points to 41 percent from the last survey in late June.

Japan protests Russian military drill on Etorofu Russia conducted a military drill last weekend on Etorofu, one of four Russian-held islands off Hokkaido claimed by Japan, despite a request by Tokyo not to do so. A press officer in the military's Far East district said Saturday-Sunday drill was "the largest-scale exercise held on the disputed islands since the collapse of the Soviet Union" in 1991.

Cabinet support drops to 43%: poll Public support for the Cabinet of Prime Minister Naoto Kan plunged 15.4 percentage points to 43.4 percent in the latest nationwide telephone poll, according to results released Thursday. The disapproval rate for the Cabinet of Kan, who assumed power June 8, increased to 43.2 percent, up 13.2 points from the previous June 19-20 survey. The latest poll was conducted Wednesday and Thursday, ahead of Sunday's House of Councilors election. A total of 41.7 percent said the ruling coalition should retain a majority in the Upper House.

Japan Votes to Decide Whether Kan's DPJ Maintains Control of Upper House Japanese voters fill in their ballots today with polls showing Prime Minister Naoto Kan's Democratic Party of Japan may lose control of the upper house of parliament, its biggest setback since taking power 10 months ago.

Policies at stake in Japan's upper house election Japan was holding an election for the upper house of parliament on Sunday that will affect whether the Democratic Party-led government can implement policies smoothly as it tries to curb debt and engineer growth. Following are the main policies at stake in the elections of Japan's upper house:

FISCAL POLICY

MONETARY POLICY

YEN POLICY

CLIMATE POLICY

POSTAL REFORM

DIPLOMACY, SECURITY POLICY

Economic Front:

Japan should erase more barriers for working women, experts say Japanese society needs to be more enthusiastic about women taking a prominent role in the workplace if the country is ever to achieve equality between the sexes, a panel of British experts on Japan recently concluded.

Daiwa to buy KBC bond unit, Asia derivatives for \$1 billion Daiwa Securities Group Inc. said Monday it has agreed to buy KBC Groep NV's convertible bond unit and its Asia equity derivatives business for about \$1 billion.

Mitsubishi, Hitachi eye hydro tieup Hitachi Ltd. and two Mitsubishi group companies have agreed in principle to begin studying ways to integrate their hydroelectric power operations under a joint venture to be formed next year, the three companies said Monday

BOJ's Shirakawa Says Export Demand Will Keep Japan's Economy Expanding Bank of Japan Governor Masaaki Shirakawa said the world's second-largest economy will keep expanding, driven by demand from abroad.

Japan's Machinery Orders Slump 9.1%, Most Since 2008 Japanese machinery orders fell the most since August 2008, a sign that any rebound in business investment may be too weak to drive an economic recovery that is showing signs of losing momentum.

Toyota files to recall 90,000 cars in Japan Toyota Motor Corp. filed Monday with the transport ministry for a domestic recall of more than 90,000 cars spanning eight models, mostly the luxury Lexus brand, due to an engine defect. Along with simultaneous recalls abroad, some 270,000 vehicles will be affected.

Nissan plans hybrid, green tech Nissan is readying a new hybrid system for its Fuga luxury model, set to go on sale later this year, while revamping technology for regular gas engines to send a green message. Nissan Motor Co. is a leader among global automakers in zero-emission electric cars, with its Leaf to be rolled out in a few months.

Toyota expands recall of Lexus cars to U.S. Toyota Motor Corp. on Tuesday filed a recall of 138,874 luxury Lexus vehicles sold in the United States over an engine defect. The move follows a recall in Japan of more than 90,000 Lexus vehicles and the Toyota Crown luxury sedan over the same problem, which was filed with the transport ministry Monday

Imported auto sales rise 11.7% Sales of new imported vehicles, including those produced at Japanese automakers' overseas plants, increased 11.7 percent from a year earlier to 97,282 vehicles in the first half of this year, an industry body said Tuesday. It was the first rise in the January-June period in four years.

Bankruptcies fell 14.7% in first half Corporate bankruptcies are down 14.7 percent in the first half compared with the same period a year ago, a credit research firm said Thursday.

Toyota Extends Auto Development Time to Boost Quality Toyota Motor Corp. is taking more time to develop cars and trucks and faces higher expenses as the world's largest carmaker seeks enhanced vehicle quality following its worst recall crisis.

(Cyber Space) E-book sales enter brisk chapter Japan's electronic book market gained about ¥10 billion in sales last year to reach ¥57.4 billion and is expected to exceed ¥130 billion in five years, a research company said Thursday.

Toyota open to China pay hikes Toyota Motor Corp. is open to raising the wages of workers in China, where a series of strikes have disrupted its operations in that fast-growing market, the automaker's president said Friday.

Denso to up output Denso Corp., Toyota Motor Corp.'s largest component supplier, plans to expand production capacity in China over the next 12 months as rising demand outweighs concerns that labor costs in the nation will increase.

NEC sets supercomputer goals NEC Corp. aims to double its share of the global supercomputer market in the next four years by increasing sales in Europe, a market where industry leaders IBM Corp. and Hewlett-Packard Co. may be easier to challenge.

Kan eager to lower corporate tax Prime Minister Naoto Kan has expressed his eagerness to lower corporate taxes as early as fiscal 2011, ahead of a proposed hike in the consumption tax.

Socio-Cultural Front:

Modified genes found in wild plant Wild plants growing near a national highway in Mie Prefecture carry genes of a genetically modified rapeseed, possibly as a result of crossbreeding with imported rapeseeds that were lost during transportation, a survey by a citizens group has found.

Grappler ties sumo gambling to gangs A former sumo wrestler suspected of having played a key role in a gambling scandal rocking Japan's national sport recently admitted to police that a syndicated crime organization was involved in illegal gambling on baseball games, investigative sources said Saturday.

Konishiki: Individuals should be punished, not all of sumo Sumo wrestlers caught gambling should be punished individually instead of as a group, ex-champion Konishiki said, citing the example of Major League Baseball's Pete Rose.

Suicide rate down 7.4% this year Suicides between January and June dropped 7.4 percent from a year earlier to 15,906, the National Police Agency said Tuesday in a preliminary report.

(Cyber Space) More memory, same price for PS3 Sony Corp. will introduce a new model of its PlayStation 3 video game console July 29 that offers more memory at the same price as the previous machine.

Just 13% of designated hospitals ready for child organ donations under new law Only 13 percent of hospitals identified as organ donor institutions will be ready to handle organs from brain-dead children when revisions to the transplant law come into force later this month, according to a survey of health facilities.

Over 50% of homeless want chance to vote About 57 percent of homeless people expressed a desire to vote in an election, according to results of a survey conducted by supporters released Wednesday. A group promoting exchanges among supporters of the homeless in Kagoshima Prefecture took the initiative in conducting the survey at parks, Internet cafes and other places in Tokyo and Kanagawa, Kyoto, Fukuoka, Kagoshima and Okinawa prefectures between late June and earlier this month, ahead of Sunday's House of Councilors poll.

Kobe-area cattle farmers hope foot-and-mouth steers clear KOBE — Prized for its tender, marbled texture and succulent flavor, Kobe beef is a delicacy that can cost ¥19,000 for a slab of steak at some restaurants. But cattle farmers near Kobe are worried an outbreak of foot-and-mouth disease in Miyazaki Prefecture, another key beef-raising region that often supplies calves to Kobe breeders, could spread to them as well — and impact the nation's premium beef market for years to come.

South Korea

Detailed News:

Politico-Strategic Front:

Lee to overhaul presidential office this week

Restructuring of the presidential office may come as early as this week and a reshuffle of personnel will follow, a senior Cheong Wa Dae official said Sunday.

"Cheong Wa Dae, which is aiming to complete its restructuring by this week, is now fine tuning details," the official said, asking for anonymity.

As for the timing of the shake-up of senior presidential secretaries and Cabinet ministers, he said it will take a little more time and will likely be announced several days before it takes place.

During a radio address last month, President Lee Myung-bak said the operations of Cheong Wa Dae and the Cabinet will be revamped to improve efficiency with matching personnel changes.

Lee said he would consider a "new lineup" as he reviews policy priorities for the second half of his term.

Any new presidential aides are widely expected to be younger people in their late 40s and early 50s, but some insiders claim that age will not be a crucial factor.

Last Wednesday, Prime Minister Chung Un-chan also hinted at stepping down over the failure to have the National Assembly pass a revised bill on the Sejong City development project.

"As the architect of the revised plan for Sejong, I will take full responsibility for the failure to win parliamentary endorsement," he said in a televised press conference.

Chung had spearheaded the drive to overhaul the original plan to build an administrative town in South Chungcheong Province since his inauguration in September last year.

Meanwhile, President Lee returned home Saturday after a week of summit talks in Canada, Panama and Mexico, and is now preparing to tackle a slate of tough domestic issues including a possible shake-up of his top brass.

Back at home, Lee faces a bumpy political road after his Grand National Party's defeat in last month's local elections.

The National Assembly last week voted down Lee's controversial plan to create a business hub in Sejong City, Chungcheong Province, instead of the originally planned administrative town.

Prime Minister Chung, the architect of the revision, may offer his resignation to Lee over the bill's failure to pass through the legislature, sources said.

While Chung's future is unclear, Lee is expected to replace some of his key presidential aides and shake up his Cabinet.

President Lee's accomplishments during the trip included a deal with U.S. President Barack Obama to delay the transfer of wartime operational control (OPCON) of South Korea's troops by more than three years.

Under the agreement, which was struck on June 26 on the sidelines of the G-20 economic summit in Toronto, OPCON will be returned to Seoul by Dec. 1, 2015, buying time for the allies to better prepare for the transition amid high tension on the Korean Peninsula.

Obama also pledged to resolve remaining issues in the Korea-US free trade agreement (KORUS FTA) and submit it to Congress by early next year for ratification.

The pact, signed in 2007, has remained shelved due to congressional opposition from Obama's Democratic Party over imbalances in auto trade and restrictions on U.S. beef.

If ratified, the FTA is expected to bump up annual bilateral trade by \$20 billion.

In Toronto, Lee fulfilled his duties as host of the next G-20 summit, announcing that establishing global financial safety nets and developing poor nations will be on the agenda when the gathering meets in Seoul.

During his three days in Panama, Lee held a summit with the leaders of the Central America Integration System (SICA), an eight-member economic bloc, agreeing to bolster economic cooperation between the two sides.

Lee also pledged to share Korea's developmental experience and expand technology transfer with SICA countries: Belize, Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua, Panama and the Dominican Republic.

In Mexico, Lee and counterpart Felipe Calderon agreed Thursday to work for an early resumption of FTA talks. Negotiations ground to a halt in 2008 due to backlash from Mexican industries.

The leaders did not establish a timeline for resumption of negotiations. In the meantime, Lee won South Korean companies the chance to participate in public infrastructure projects in Mexico a right normally reserved for FTA partners.

President orders thorough probe of surveillance case

By Kim Se-jeong

Staff reporter

President Lee Myung-bak called for a thorough investigation of an alleged illegal surveillance case involving an official of the Office of the Prime Minister, Sunday.

During a meeting with senior presidential secretaries at Cheong Wa Dae, Lee said, "The truth behind the scandal should be unveiled quickly and thoroughly. Those found responsible for the irregularities should be punished," according to a presidential aide.

Lee's remarks, he said, mean that prosecutors should launch a probe into the case.

The prime minister's office has initiated an internal inquiry on the allegation at the instruction of Prime Minister Chung Un-chan.

The governing Grand National Party (GNP) is on the defensive about the scandal, which was brought to light by the main opposition Democratic Party (DP).

Together with the four-river restoration project, the scandal is expected to be an issue in campaigns for National Assembly by-elections scheduled for July 28. Up for grabs are eight seats in Seoul, Incheon and Gwangju, and Gangwon and Chungcheong provinces.

In an investigative program aired by MBC TV last week, two DP members alleged that Lee In-kyu, in charge of public ethics at the prime minister's office, had ordered surveillance on a citizen, who posted an anti-government video on websites in September 2008, when mass protests against U.S. beef imports were taking place.

The program also interviewed the alleged victim, a businessman only identified as Kim who testified that officials ran an unannounced investigation into his bank accounts, and that his regular bank dropped him as customer as a result.

Over the weekend, the DP formed a special committee led by Rep. Shin Kuhn to look into the scandal, saying that it will present the case to the Assembly for a parliamentary inquiry, a move that will further marginalize the GNP and the administration.

The ruling camp has recently suffered from successive defeats in the June local elections and the Sejong City development revision plan.

Opposition party split over leadership race

Factional feuding is escalating within the main opposition Democratic Party (DP) between mainstreamers loyal to party Chairman Chung Sye-kyun and a group of reform-minded legislators ahead of the party's national convention, slated for late August.

"Due to the party's fragile leadership, the diversity of opinions and democratic decision-making process is disappearing," Rep. Lee Jong-kul of the DP said on a radio program, Monday.

On Sunday, 23 of the party's 84 lawmakers, known to be opposed to Chairman Chung's seeking reelection gathered to launch an alliance, urging the party to overhaul its rules in selecting party leaders.

Many of the DP's heavyweights have joined the group, including Reps. Chung Dong-young, Chung Jung-bae, Park Joo-sun, Kim Young-jin and Lee.

Claiming that most of the senior party members, who are entitled to vote in the national convention, are filled with close associates of the incumbent leadership, the group said the party should change its regulation so that all party members can cast a ballot.

During the gathering, they also called on Chairman Chung and the party's decision-making Supreme Council members to step down immediately after the July 28 National Assembly by-elections, so that an interim leadership temporarily runs the party to ensure a fair election.

Moreover, the group also called for an overhaul of the party regulations so that the chairman can share more of his or her power with other party members, including Supreme Council members, and prevent the chairman from automatically becoming the party's candidate for the 2012 presidential election.

"An opinion poll found that only 2.3 percent of the voters, who picked the DP in the local elections, believed the party did well," Rep. Kim said.

The survey conducted last month by a local paper found that 79 percent of them voted for the opposition party to provide checks and balances to the current administration and the ruling party, which controls 168 of the 299-member legislature.

"Let's change everything in the DP, except its title," Chung Dong-young, formerly party chairman and minister of unification, said.

As for the rise of dissidents to the incumbent leadership, Rep. Choi Jae-sung, a close confidant to Chairman Chung said, he respects the diversity of opinions within the party but they appear to have crossed the line.

"It is totally inappropriate for a lawmaker to instigate other legislators with extreme views," Choi said.

A recent survey by the Hankook Ilbo, a sister paper of The Korea Times, found that Chairman Chung's popularity lags far behind other presidential hopefuls of the governing Grand National Party, though he led the party to victory in the June 2 local polls.

Many DP lawmakers fear that the DP will lose in the next presidential election, unless a more charismatic leader takes the helm of the liberal party.

PM office searched over civilian surveillance case

Prosecutors Friday raided Prime Minister's office over allegations that its ethics officials illegally conducted surveillance against a civilian.

The raid came as prosecutors were gearing up to dig into the unfolding scandal after they questioned a former businessman Kim Jong-ik, 56, who raised allegations on an investigative television program that a group of four ethics officials from the prime minister's office had conducted illegal surveillance of him after he posted a video clip on the Internet critical of President Lee Myung-bak in May 2008.

A dozen investigators from the Seoul Central District Prosecutors' Office stormed into the ethics division office in the Central Government Complex building in downtown Seoul at around 10 a.m., to confiscate documents and records related to the alleged surveillance.

According to prosecutors, they have secured official documents, daily logs and computer files as well as internal documents to look into why the ethics division of the prime minister's office, which is only tasked to look into the corruption of civil servants, covertly kept Kim under close watch. Based on the documents, they will also probe whether the officials pressed Kim's contractors to cut business deals with him and how they confiscated accounting records of the company, officials noted.

Earlier this week, the prosecution banned the four officials, including Lee In-kyu, a senior ethics official, from leaving the country as it launched a full investigation into the case.

Boeing seeks OK to export stealthy F-15 to S.Korea

WASHINGTON July 7 (Reuters) - Boeing Co (BA.N) said it has applied for an export license to sell a stealthy variant of its F-15 fighter jet to South Korea, which is expected to release terms of a competition for 60 new fighters next year.

Brad Jones, Boeing program manager for the F-15 "Silent Eagle" model, said South Korea has already ordered 60 K models of the F-15 fighter, and has expressed interest in the newest variant of the successful fighter, which has special coatings to help it evade enemy radar, for the next phase of its fighter procurement.

Jones said Boeing had provided flight evaluation data to the U.S. government in the fourth quarter of 2009 about the new F-15 model, and received an export release policy in the second quarter of 2010.

The company followed up with a formal export license request pegged to South Korea's interest, and was now awaiting the government's decision.

He said it was not yet clear if South Korea would seek the stealthy version for all 60 fighters expected in the third tranche of its fighter replacement program.

Jones said Boeing had also reached an agreement with an international defense company to design the weapons bay for the F-15 Silent Eagle variant and other F-15 models, but said the company in question did not want to be identified.

Work on the program would begin once Boeing had a buyer for the new fighter model, he said.

Boeing unveiled plans for the "Silent Eagle" in March 2009, pegging its projected cost at roughly \$100 million per plane, including pilot training, spares and support equipment.

U.S. military officials have said the new F-15 model would have an edge over other fighters of its generation with the stealthy coatings, but said the new plane would still be no match for the next-generation F-35 fighter being built by Lockheed Martin Corp (LMT.N).

South Korean Premier Chung May Resign After Loss in Elections, Yonhap Says

By John Brinsley - Jul 6, 2010

South Korean President Lee Myung Bak may accept Prime Minister Chung Un Chan's offer to resign after the government lost in local elections and lawmakers rejected its strategy for developing a new city, Yonhap News said.

Chung has repeatedly asked to step down and Lee is almost certain to accept, Yonhap said today, quoting an anonymous source in the Lee's office. Min Yong Kee, a spokesman for the prime minister's office in Seoul, declined to comment.

Lee indicated in a speech last month that he would shuffle the Cabinet after his Grand National Party suffered a surprise loss in local elections on June 2. He will change half a dozen ministers before parliamentary by-elections on July 28 and may replace his chief of staff, Yonhap said today.

The National Assembly on June 30 rejected the government's proposal to revise a plan to move nine ministries and four government agencies to Sejong City, 150 kilometers (93 miles) south of Seoul. Chung was a proponent of the revision, which instead sought to encourage companies such as Samsung Group to invest in the town.

Samsung, Lotte Group, Hanwha Group and Woongjin Group pledged 4.4 trillion won (\$3.6 billion) of investment in Sejong City under the new plan. Chung said in January that at least 16.5 trillion won would be spent on the project, adding that investment would increase as more companies and universities moved there, given tax incentives and other benefits. More than 5 trillion won has already been spent.

U.N. statement "bodes well" for N. Korea nuclear talks

SEOUL (Reuters) - The U.N. Security Council's likely adoption of a statement on the sinking of a South Korean warship on Friday without blaming the North could shift the focus to nuclear disarmament talks aimed at reining in Pyongyang.

The conclusion of a month-long diplomacy orchestrated by South Korea and the United States with a council president's statement will also likely mean the leveling off of tension fueled by threats of war on the Korean peninsula.

Diplomats at the U.N. said a draft statement circulated on Thursday by the United States condemned what it called an attack leading to the sinking of the Cheonan, which killed 46 South Korean sailors, but stopped short of blaming North Korea.

"This bodes well for the six-party talks, in the way the wording stresses peace and security in Northeast Asia," said Baek Seung-joo of the state-affiliated Korea Institute for Defense Analyses in Seoul.

South Korea had hoped to see the council adopt a new resolution with binding sanctions imposed on its neighbor as punishment for what it sees as a torpedo attack launched from a submarine that intruded into disputed waters.

The draft has been approved by the five permanent council members, including Pyongyang's ally China, and will likely be put to a vote when its 15 member states meet again on Friday at 1330 GMT, U.N. officials said.

South Korea, Japan and the United States already have sanctions in place aimed at punishing the North for the sinking of the corvette and Seoul may impose more.

North Korea denies it was involved in any way, saying the accusation is a fabrication by South Korea aimed at politically damaging Pyongyang.

In a turnabout, the North proposed on Friday to hold military talks with the United States on Tuesday to discuss the ship's sinking. Analysts have said the North would eventually try to talk its way out of the stalemate.

The Security Council statement reflected the pattern of diplomacy taken by China and Russia that was often based on self-interest over what other states considered hard facts, Baek said.

"China's interest in this case was to check U.S. control over the Korea issue," he said.

The six-way talks by the two Koreas, the United States, Japan and Russia and hosted by China have been stalled since late 2007 when North Korea said they were over.

A core agreement to compensate Pyongyang in return for moves to end its nuclear programme appeared to lose any relevance as the North tested a long-range missile and set off a nuclear device in 2009, drawing more U.N. sanctions.

Analysts said those sanctions squeezed the North's failed economy deeper into hardship and drove Pyongyang's leaders to take provocative actions to divert attention from domestic woes and boost the stakes for disarmament talks.

"As long as Kim Jong-il's 'military-first policy' is in place, we can't rule out the possibility of a second and third Cheonan incident," said Ha Young-sun, international relations professor at the Seoul National University.

UN council condemns sinking of S. Korea warship

UNITED NATIONS July 9 (Reuters) - The U.N. Security Council condemned on Friday what it called an attack leading to the sinking of a South Korean ship in March but in a concession to China stopped short of explicitly blaming North Korea.

In a statement agreed to by all its 15 members, the council expressed "deep concern" over findings by a South-Korean-led panel of inquiry that North Korea had sunk the vessel, but noted that Pyongyang had denied responsibility.

GDF Suez mulls using S. Korean nuclear technology

MELUN, France, July 8 (Reuters) - GDF Suez is examining the possibility of picking South Korean nuclear technology for future projects after losing an Abu Dhabi contract last year to a South Korean consortium, the French utility said on Thursday.

The consortium headed by state owned Korea Electric Power Corp. (KEPCO) (015760.KS) in December won the Middle East's biggest ever energy contract to build and operate four nuclear reactors for the United Arab Emirates, beating U.S. and French rivals.

The French consortium comprised France's state-owned electricity producer EDF (EDF.PA), GDF Suez (GSZ.PA), oil major Total (TOTF.PA) and nuclear reactor maker Areva (CEPFI.PA).

GDF Suez has repeatedly said that while it favoured the French nuclear technology developed by Areva, it did not rule out those from other countries, such as the AP1000 reactor from Westinghouse Electric Co., a subsidiary of Japan's Toshiba Corp (6502.T).

"This is a preliminary study and we think it (the South Korean) is an interesting technology," Paul Rorive, head of the nuclear branch of GDF Suez, told journalists during a seminar.

"In this first stage, we are relying on accessible information but it's not enough to make a decision on principle," Rorive said, adding that the utility now needed to decide whether or not to contact South Korea.

GDF Suez Chief Executive Gerard Mestrallet said earlier this year that French nuclear producers, such as the group he heads, needed to have a wider choice of reactors if they wanted to win more deals around the world. [ID:nLDE60C0YK]

The French offered to build up to four EPRs -- Areva's flagship 1,650 megawatt, plane crash proof nuclear reactor -- for \$36 billion, a bid that was described by industry players as too expensive.

Rorive said that while the South Korean technology was not certified in the United States or Europe, Seoul had submitted certification requests to the Finnish authorities and Lithuania, while it was in talks with Turkish and Jordanian authorities.

Rorive said nuclear projects with South Korea could take place either by choosing its technology or via partnerships.

GDF Suez, which operates seven nuclear reactors in Belgium, said it was already close to KEPCO in non-nuclear activities.

China Says UN Response to South Korean Warship Sinking May Defuse Tensions

By Bill Varner - Jul 9, 2010

Officials investigate the stern section of the sunken South Korean naval ship Cheonan after it was salvaged off Baengnyeong Island, South Korea. Source: Yonhap News via Bloomberg

China's ambassador to the United Nations said the Security Council response today to the sinking of a South Korean warship, which doesn't explicitly blame North Korea, will help ease tensions in the region.

"I think now the situation is moving in the right direction," Ambassador Li Baodong said after joining in unanimous adoption of a statement that condemns the March 26 attack on the Cheonan.

"I can see that the feeling from the Security Council is to seek peace and stability in the region and encourage that the parties concerned exercise restraint from escalating the tensions," Li said. He said China hopes the UN response "opens a new chapter" in the region.

The Security Council statement "takes note" of North Korea's denial of involvement in the March 26 incident. North Korea's UN Ambassador Sin Son Ho called the statement "a great diplomatic victory."

A multinational investigation reported on June 14 that a North Korean-made torpedo caused the sinking. The UN statement says that, "in view of the findings" of the probe, the Security Council "expresses its deep concern" about the finding of North Korean complicity.

Envoys from the U.S., Japan and South Korea said that the message to the government in Pyongyang was clear.

Strong Statement

“I am sure today’s strong and unanimous statement will serve to make North Korea refrain from further attacks or provocations,” South Korea’s Ambassador Park In-kook told reporters after adoption of the text. “The Security Council made it clear that it is North Korea to be blamed and to be condemned.”

U.S. Secretary of State Hillary Clinton said in a statement that the Security Council action “sends a clear message that such irresponsible and provocative behavior is a threat to peace and security in the region and will not be tolerated.”

Clinton, who said she would travel to South Korea this month for further talks on the situation, praised the “careful handling” of the incident by the government in Seoul.

Susan Rice, the U.S. Ambassador to the UN, said use of the word “attack” throughout the Security Council statement makes the message to North Korea “crystal clear.”

The statement also says the incident “endangers peace and security in the region” and urges “appropriate and peaceful measures to be taken against those responsible for the incident.”

The permanent members of the Security Council -- Britain, China, France, Russia and the U.S. -- agreed yesterday on the text following more than a month of negotiations that also included Japan and South Korea.

South Korea initially sought a Security Council resolution explicitly condemning North Korea for sinking the Cheonan, demanding an apology and a commitment there will be no repeat of the attack, and calling for a return to stability in the region.

Neutral Language

The UN decided “on keeping peace on the Korean peninsula by using very neutral language rather than taking sides,” said Kim Yong Hyun, professor at Dongguk University in Seoul. “The South Korean government may not be happy with the statement, even though it was expected, because the UN didn’t reflect its position.”

The UN language is a blow to South Korean President Lee Myung Bak, who has called on China to acknowledge North Korea’s responsibility and on the UN to take “appropriate action.”

Yet by not specifically blaming North Korea, the UN may help revive six-nation talks on dismantling the communist regime’s nuclear program, Kim said. North Korea will “continue the denuclearization process on the Korean peninsula through the six-party talks,” North Korean envoy Sin said today.

China's Foreign Ministry said today the UN statement on the sinking of the South Korean warship represents an opportunity to "turn the page" on the incident.

Nuclear Talks

The six-nation talks on ending North Korea's nuclear weapons program should resume as soon as possible, Foreign Ministry spokesman Qin Gang said in a press statement today. All parties should continue to ensure that peace is maintained on the Korean peninsula, he said.

North Korea's ambassador to the UN said on June 16 that any Security Council statement "condemning us or questioning us" would produce a military response. "Follow-up measures will be carried out by our military forces," Ambassador Sin told reporters.

The North Korean ambassador, who theorized that the Cheonan might have run aground on rocks, said his government wants to send an investigative team to the site of the sinking. South Korea has rejected such a plan.

North Korea shrugs off ship and calls for nuclear talks

SEOUL (Reuters) - North Korea said on Saturday it was willing to return to nuclear disarmament talks and signaled satisfaction that a U.N. Security Council statement did not directly blame it for the sinking of a South Korean warship.

China, the North's sole key ally, urged regional powers to put the navy ship sinking behind them and return to the negotiating table to end a cycle of confrontation that has raised security tensions to new heights since late March.

On Friday, the Security Council condemned the sinking of the South Korean corvette Cheonan in March that killed 46 sailors but stopped short of directly blaming North Korea, an outcome hailed by Pyongyang's U.N. ambassador as "a great diplomatic victory."

Six-way nuclear talks involving North and South Korea, the United States, Japan, Russia and China have been in limbo since 2007 and a 2005 disarmament deal appeared to lose relevance when Pyongyang tested a long-range missile and a nuclear device.

"The DPRK will make consistent efforts for the conclusion of a peace treaty and the denuclearization through the six-party talks conducted on equal footing," the North's Foreign Ministry spokesman said in comments carried by the KCNA news agency.

DPRK is short for the North's official name, the Democratic People's Republic of Korea.

"We take note of the ... statement saying that 'the Security Council encourages the settlement of outstanding issues on the Korean Peninsula by peaceful means to resume direct dialogue and negotiation through appropriate channels'," it added.

A South Korea-led investigation concluded that a North Korean torpedo sank the Cheonan. Pyongyang has denied any involvement in the incident, saying it was a fabrication by the South aimed at politically damaging Pyongyang's leaders.

The Security Council statement, by not identifying an attacker, was able to win consent from Pyongyang's ally China for unanimous approval.

China, which had been the host of the six-way talks that began in 2003, urged regional powers to "flip the page of the Cheonan incident" and quickly resume those negotiations.

"We call for an early resumption of the six-party talks and joint efforts to maintain peace and stability on the Korean Peninsula," Foreign Ministry spokesman Qin Gang was quoted as saying by Xinhua news agency.

"MUST ADMIT RESPONSIBILITY"

South Korea and the United States have previously said the North must first admit responsibility for the Cheonan incident before they would consider the resumption of the six-way forum.

Seoul did not immediately have comment on the North's gesture to shrug off the attack, which analysts said was carried out to divert attention from domestic economic woes and to consolidate Kim Jong-il's power to help pave the way for his son to eventually succeed him.

Washington did not immediately respond to the North's offer to resume talks at the multilateral forum.

"At this point we want to let North Korea absorb the fact that the international community has condemned the Cheonan incident," State Department spokesman Mark Toner said when asked about North Korea's offer to return to nuclear talks.

North Korea has consistently sought talks with Washington, claiming the status of a legitimate nuclear power, and has also demanded new negotiations to replace the armistice ending the 1950-53 Korean War with a permanent peace treaty.

South Korea and the United States have rejected the idea of peace talks, saying the dismantling of the North's nuclear program in an irreversible manner must come first.

Economic Front:

Citigroup Excludes Korean Debt From Government Bond Index Following Review

By Frances Yoon - Jul 4, 2010

Citigroup Inc. has decided to keep South Korea out of its [World Government Bond Index](#) following a review, according to Kim Yi Tae, foreign-exchange market director at the finance ministry.

Government bonds were lower after the announcement, with the yield on the 3.75 percent note maturing in June 2013 up three basis points at 3.84 percent.

South Korea's government securities could attract as much as 11 trillion won (\$9.8 billion) in additional foreign-fund inflows should Citigroup add Korea to its World Government Bond Index, Barclays Plc estimated in April. Citigroup in July 2007 estimated that global investors with \$1 trillion tracked their fund performance against its global benchmark.

Citigroup's index consists of government bonds from 23 countries. Only Japan, Australia, Singapore and Malaysia are included from the Asia-Pacific region.

Korea Electric, Posco Buy Stakes in Australian Mines From Anglo American

By Shinhye Kang and Sungwoo Park - Jul 5, 2010

Korea Electric Power Corp., the country's biggest electricity producer, and steelmaker Posco agreed to buy stakes in coal mines in Australia from Anglo American Plc for a combined A\$453 million (\$382 million).

The state-run utility will acquire Bylong mine for A\$403 million, the Seoul-based company said in an e-mailed statement today. Posco's Australian unit will purchase 70 percent of the Sutton Forest mine for A\$50 million, the Pohang-based steelmaker said in a separate statement.

South Korea, which imports almost all its resources requirements, is encouraging domestic companies to expand overseas energy investment to get supplies to feed its economy, Asia's fourth-biggest. Coal is used to produce almost half of South Korea's power.

Bylong, in New South Wales, may produce 7.5 million metric tons of coal a year starting in 2016, the utility said. The purchase will increase the ratio of Korea Electric's output from its overseas mines to 24 percent from 12 percent currently, the company said.

Posco, Asia's third-biggest steelmaker, may get 1.3 million tons a year of coal used in steelmaking starting in 2016 after buying the stake in the Sutton Forest mine, also in New South Wales. The deal will boost the company's self-sufficiency ratio of the resource to 36 percent from 30 percent, Posco said.

The steelmaker gained 3.6 percent to close at 483,500 won in Seoul trading today, while Korea Electric declined 1.1 percent to 31,000 won. The benchmark Kospi index was up 0.2 percent. The announcements came after the market close.

Korea Electric, Posco and Australia's Cockatoo Coal Ltd. comprised a group that bid for five coal mines owned by Anglo American, today's statements said.

Anglo American offered to sell its holdings in undeveloped coal resources in Australia to focus on assets that are already in production, according to the London-based company on March 1.

Cockatoo has agreed to buy stakes in the other three deposits, including Ownaview, owned by Anglo American, for a total of A\$105 million, Korea Electric said.

Samsung Posts Record Operating Profit on Chip Prices

July 7 (Bloomberg) -- Bloomberg's Scarlet Fu reports on the latest breaking news and top stories in today's Business Briefs. (Source: Bloomberg)

Samsung Electronics Co., Asia's biggest maker of semiconductors, flat screens and mobile phones, posted record earnings last quarter, fueled by a recovery in demand for computer-memory chips that drove up prices.

Second-quarter operating income rose 87 percent to 5 trillion won (\$4.1 billion) from 2.67 trillion won a year earlier as sales gained 14 percent, the Suwon, South Korea-based company said today. Profit beat the 4.74 trillion won average of 14 analyst estimates compiled by Bloomberg.

It's the second straight quarter of record profit for the maker of semiconductors that go into Apple Inc.'s iPhones and Dell Inc.'s computers, giving Chairman Lee Kun Hee room to invest more on plants and equipment than any other technology company and widen Samsung's lead in chips. The electronics maker faces the challenge of sustaining earnings growth amid concerns prices may have peaked and Europe's fiscal crisis will persist.

"Earnings were very, very good, although we had already expected such an outstanding performance," said Kang Shin Woo, chief investment officer at Seoul-based Korea Investment Trust Management Co., which manages about \$15.6 billion in assets. "Some investors are concerned that earnings may slow down from the fourth quarter."

Samsung fell 0.9 percent to 768,000 won as of 10:38 a.m. in Seoul trading, while the benchmark Kospi index dropped 0.4 percent. The shares have fallen 3.8 percent this year, while the benchmark Kospi index has been little changed.

Preliminary Figures

Operating profit may be 200 billion won higher or lower than today's estimate after an audit, Samsung said. Revenue climbed to between 36 trillion won and 38 trillion won, up from 32.51 trillion won a year earlier, it said. The company was projected to report sales of 37.9 trillion won, according to the average analyst estimate compiled by Bloomberg.

The preliminary figures are consolidated, meaning they include earnings from overseas affiliates. The company didn't report net income for the period and didn't give a breakdown of divisional earnings.

Operating profit, or sales minus the cost of goods sold and administrative expense, will probably climb to a record 18.1 trillion won this year, according to the average of 19 analyst estimates compiled by Bloomberg before the announcement.

Chip Business

Profit from chips probably accounted for more than half of its total operating income in the quarter, according to a separate survey of seven analysts by Bloomberg News.

Samsung's earnings growth will probably extend through the third quarter, helped by rising profit from the chip division, according to analysts at Mirae Asset Securities Co. and Daewoo Securities Co.

"Samsung probably had better second-quarter earnings than first quarter because semiconductors offset poor performance in mobile phones," Kim Chang Yeul, an analyst at Mirae Asset, wrote in a June 22 report. "Stable growth of chip demand and Samsung's confidence in expanding its market share may be confirmed in third-quarter earnings as well."

Global semiconductor sales are forecast to grow 27 percent this year to \$290 billion, compared with a February projection of a 20 percent gain, Stamford, Connecticut-based researcher Gartner Inc. said on June 3. The industry will show "continued growth" and exceed \$300 billion in sales in 2011, it said.

The market for dynamic random access memory, or DRAM, chips that serve as short-term memory inside computers or smartphones such as the iPhone, will surge 78 percent this year, according to the research firm.

Chip Prices

The Dramexchange Index, which tracks prices of the most widely used computer-memory chips, rose 9.3 percent this year as the global economic recovery spurred demand for electronics, lifting earnings for chipmakers.

Hynix Semiconductor Inc., the world's second-largest computer-memory chipmaker, in April announced a third straight quarterly profit. Taiwan's Powerchip Technology Corp. and Boise,

Idaho-based Micron Technology Inc. have reported three straight quarters of profit after years of losses.

Samsung's flat-panel division likely generated income of 757 billion won, triple the 250 billion won a year ago, according to the Bloomberg survey of analysts. Income at the digital media division that makes TVs may have declined 43 percent to 660 billion won, according to the survey.

Global shipments of liquid-crystal display televisions may rise 24 percent to more than 180 million units in 2010, Austin, Texas-based DisplaySearch said in March.

Flat Panels

The average price of Samsung's mid- to large-sized LCDs probably rose 22 percent in the second quarter and may climb 10 percent for the year, according to a June 27 report by Song Myung Sup, an analyst with HI Investment & Securities Co.

The phone division's operating profit probably dropped 26 percent to 727 billion won, according to the survey of analysts, as Samsung trails behind Apple and BlackBerry maker Research In Motion Ltd. in the market for handsets designed to surf the Internet and watch movies. Global smartphone sales will rise 36 percent to 247 million in 2010, ISuppli Corp. said in April.

Samsung, the world's second-largest mobile-phone maker, aims to more than double its share of the smartphone market, helped by the introduction of the Galaxy S model, Lee Donjoo, senior vice president of the Mobile Communications Division, said on June 22. The company's share of the more lucrative and faster-growing market for the devices is just 4 percent, according to the company's own estimates.

"The new smartphone, Galaxy S, is likely to significantly reduce investors' skepticism on the company's handset business," Bae Seung Chul, an analyst with Deutsche Bank AG, wrote in a June 28 report.

The Galaxy S may sell more than 7 million units by the end of the year, which will probably create about \$3 billion of revenue in the fourth quarter, Bae wrote.

Samsung passed Nokia Oyj, the world's biggest maker of mobile phones, in shipments of low-end handsets to Western Europe in the first quarter, researcher IDC said on June 28.

Sovereign Default Risk Rose 30% as European Debt Crisis Deepened, CMA Says

By Katrina Nicholas - Jul 6, 2010

The cost of insuring sovereign debt against default climbed 30 percent on average last quarter amid Europe's escalating fiscal crisis, according to CMA DataVision.

Credit-default swaps on 93 percent of the 70 governments tracked by CMA rose, with Greece temporarily overtaking Venezuela as the country with the world's highest bond risk, the CME Group Inc. unit said in a report published today.

“The major widening action in European sovereign credits indicates that the eurozone remains the hub and focus of the global debt crisis,” according to CMA’s Global Sovereign Credit Risk report. “None of the Western European sovereign credit- default swaps tightened.”

European Central Bank President Jean-Claude Trichet this week urged governments to trim deficits to improve consumer and investor confidence. The European Union in May hammered out a 750 billion euro (\$939 billion) rescue package to help ease a regional debt crisis sparked by Greece’s budget deficit.

Protection costs for the quarter’s worst European performers more than doubled, with swaps on Greece soaring 190 percent, Belgium climbing 168 percent, Spain 129 percent and Portugal 127 percent, the report said.

Credit-default swaps are contracts for protecting bonds against default and traders use them to speculate on credit quality. An increase suggests deteriorating perceptions of credit quality and a drop shows improvement.

Korean Tensions

Swaps on South Korea climbed 65 percent as tensions with neighboring North Korea mounted when a warship sank, making it Asia’s worst-performing sovereign. With a 2 percent increase Vietnam was Asia’s best performer.

The cost of insuring Australia’s debt increased 52 percent after a new mining tax was levied on resource companies.

The U.S. was one of eight nations whose default swaps showed improvement in the quarter, falling 2.4 percent, according to CMA. U.K. credit-default swaps were little changed as the country’s new coalition government announced a reduction in the “scale of state spending and tax increases to help bring public debt under control,” the report said.

Norway, Finland, the U.S., Denmark and Sweden have the lowest probability of sovereign default, according to the swaps market. Venezuela, Greece, Argentina, Pakistan and Ukraine are the riskiest states.

Woongjin Energy Rises in Seoul, Doubling From IPO on U.S. Solar Demand

Woongjin Energy Co. rose, helping the South Korean solar-power equipment parts maker almost double from its debut last week on expectations it will benefit from growing U.S. alternative energy demand as it boosts output.

The stock climbed 12 percent to 18,250 won as of 11:42 a.m. on the Korea Exchange, after rising 15 percent yesterday, while the benchmark Kospi stock index added 1.2 percent. Woongjin Energy, which began trading on June 30, has surged from its initial share sale's price of 9,500 won.

Woongjin Energy plans to invest 283.7 billion won (\$234 million) to expand production of ingots and wafers, the company said in a filing yesterday after the close. Hyundai Securities Co. increased its share-price forecast for Woongjin to 21,000 won from 17,000 won, saying in a report dated yesterday the company will gain from an expanding U.S. market.

“There should be increasing demand by utilities to expand renewable energy generation facilities” in the U.S., Hyundai analysts led by Han Byung Hwa wrote. “The company could benefit a lot.” SunPower Corp., the second-biggest U.S. manufacturer of solar power modules, holds 31 percent of Woongjin Energy.

The Obama administration proposed tougher air pollution rules for 31 states from Massachusetts to Texas that may lead energy companies to shut some power plants. The regulations would cut sulfur dioxide, which produces acid rain, by 71 percent by 2014 from 2005 levels, according to the Environmental Protection Agency. It would reduce nitrogen oxide, the cause of smog, by 52 percent over the same period.

Shinsung Holdings Co., a South Korean solar-cell maker, also climbed 6.6 percent to 6,800 won.

Japan and S. Korea step up game in fight for resources

TOKYO/SEOUL (Reuters) - Japanese and South Korean firms, backed increasingly by the state, are stepping up their game in the dash for global resources in which they face fierce competition from China.

For resource-poor Japan and South Korea, China with its tremendous purchasing power is a formidable opponent -- in June

China secured more than \$8.8 billion worth of commercial and mining deals with Australia.

Still, analysts say the tide may be turning for Japan and South Korea because of increased state funding, more state and private sector partnerships and in Japan's case, a change in the law to encourage firms to seek resources abroad.

There are some positive signs for South Korea and Japan:

Korea National Oil Corp (KNOC), armed with a \$6.5 billion war chest, is mulling a cash offer for Britain's Dana Petroleum (DNX.L) as part of a move aimed at doubling national oil reserves, while state-backed Japan Bank for International Cooperation (JBIC) recently signed an agreement of cooperation with Vietnam's state oil group.

"Three winning factors in global bidding for resources are money, relationship with the government there, and technologies," says Korea Investment & Securities analyst Ki-yong Park.

"State-run (South Korean) companies, SK Energy (096770.KS) and POSCO (005490.KS) have advantages in those factors."

SK Energy, South Korea's top crude oil refiner, is likely to buy some stakes in mines of Brazilian iron ore firm Ferrous Resources this year, an industry source said, hoping to develop crude oil, LNG and iron ore in South America.

POSCO, with the help of state-run Korea Resources Corp (KORES), is expected to eye coal mines in Australia.

In Japan, resource firms are hoping a recent legal revision will promote a state-guarantee on explorations.

From July, Japan Oil, Gas and Metals National Corp (JOGMEC) can lend to private-sector firms for investment in metal mines including rare metals, and expand the kind of operations for which it can guarantee state-backed loans.

"Our involvement will help create a sense of confidence to the government of the country where Japanese firms are advancing," state-backed JOGMEC President Hirobumi Kawano said.

STRATEGY KEY

Analysts say Japan and South Korea need not compete head-to-head with China, where the pace of economic growth and future demand for resources far exceeds theirs, but should instead be more strategic in securing raw materials.

"Since Japan's domestic demand is on a long-term downtrend unlike an uptrend in China, it should focus on resources such as rare metals which are vital for future demand," said Yukino Yamada, a senior strategist at Daiwa Institute of Research.

In South Korea, resource firms are increasingly teaming up with the public sector to bid for overseas resources.

"To be qualified in global bidding, the size of a bidder matters," said an official at KNOC, which lost out last year to China's largest oil refiner Sinopec when it acquired Swiss oil explorer Addax Petroleum Corp for \$7.24 billion.

Public firms' share of overseas mineral investment swelled to 63 percent last year, from an average of 21 percent between 1978 and 2009, as private firms spend less during the global recession.

"Private firms want to make overseas investments with us to hedge against risks, as developing resources has high risks," said KORES President Kim Shin-jong.

Analysts said that Japan's legal revision allows more flexible public assistance for firms going abroad, but a much smaller state involvement than Seoul limits firms' risk taking capacity and prompts them to look harder at opportunities in existing stakes in mines.

JOGMEC took an equity in Sumitomo Metal Mining Co's (5713.T) nickel mining development project in the Solomon Islands in March.

Japanese firms aim to increase the ratio of copper purchases from their own mines as they already have equity in overseas copper mines.

The other tactic is to form alliances as Mitsubishi (8058.T), JX Nippon Mining & Metals and Mitsubishi Materials did recently to raise a stake in Chile's Escondida copper mine.

"It is important for Japanese mining companies to advance into upstream activities, which offer them hedges against both the price upswing and downswing," a JBIC official said.

Tokyo and Seoul equally weigh energy and metals investment.

Japanese public aid has long focused on energy projects, and a mounting pressure to secure industrial metals has not resulted in a shift in state lending.

"We don't prioritize our lending by the types of resources or regions," a JBIC official said.

Over the past 10 years, JBIC lent 4.5 trillion yen (\$51.28 billion) to resources-related projects by Japanese firms globally, ranging from gas, oil, LNG to aluminum and copper.

South Korean state spending for overseas oil and other resource development from its budgets is 1.7 trillion won (\$1.39 billion) in 2010 -- five times what it was in 2005.

The different procurement paths are a reflection of each country's market size, and corporate and industrial landscape.

Japan, the world's second-largest and Asia's biggest economy, has GDP per capita at \$38,455 in 2008, double South Korea's which is Asia's fourth-largest economy, according to the World Bank.

"South Korea's domestic market is much smaller than Japan's, so it's easier for Korea firms to pursue overseas strategy," said Naohiro Niimura, a partner at Tokyo-based research and consulting firm Market Risk Advisory Co.

(\$1=87.75 Yen)

S. Korea approves \$221 mln IPO of Hyundai Homeshopping

SEOUL July 7 (Reuters) - The Korea Exchange said on Wednesday it had approved an initial public offering plan worth up to 270 billion won (\$221 million) by South Korea's third-largest online shopping operator Hyundai Homeshopping.

Hyundai, which is majority owned by Hyundai Department Store (069960.KS), plans to sell 3 million shares at between 73,000 won and 90,000 won a share in September, raising between 220 billion and 270 billion won.

The operator of a television shopping channel and an Internet shopping mall earned 24 billion won in first-quarter net profit on sales of 139.7 billion won.

The share sale follows a \$4.4 billion IPO by Samsung Life Insurance (032830.KS) in May in the country's biggest-ever IPO.

Hyundai Securities, HI Investment & Securities and HMC Investment & Securities are handling the IPO.

Hyundai Engineering Wins \$1.13 Billion Order to Build Kuwait Bubiyan Port

By Seonjin Cha - Jul 8, 2010

Hyundai Engineering & Construction Co. won a \$1.13 billion contract to build a port on Kuwait's Bubiyan island. The Middle Eastern nation's Ministry of Public Works placed the order, the South Korean builder said in an e-mailed statement today.

Hyundai Heavy Wins Court Approval for Hyundai Oilbank Purchase From IPIC

By Kyunghye Park and Shinhye Kang - Jul 9, 2010

A South Korean court has given Hyundai Heavy Industries Co., the world's largest shipyard, approval to buy Hyundai Oilbank Co. from International Petroleum Investment Co., backing a ruling in Singapore last year.

Seoul Central District Court accepted Hyundai Heavy's claim to buy 70 percent of Hyundai Oilbank shares from IPIC, an Abu Dhabi-government investment arm, Judge Chang Jae Yoon said today. The shipyard currently owns 21.13 percent of the country's smallest refiner.

IPIC said in November 2009 a ruling by the International Chamber of Commerce in Singapore confirming Hyundai Heavy's right to buy Hyundai Oilbank isn't enforceable in South Korea. Under an agreement in 1999, shareholders in Hyundai Group, the former parent of Hyundai Heavy, have first priority to buy the stake should IPIC want to sell.

Hyundai Heavy plans to buy the refiner by the end of this month, the company said in an e-mailed statement after the ruling. IPIC will decide whether to appeal after carefully studying details of the ruling, the United Arab Emirates-based company said in a separate e-mail.

Shareholder Agreement Breached

The International Chamber of Commerce in Singapore said Nov. 12 that IPIC breached a shareholder agreement with Hyundai Heavy and ruled that IPIC should sell its 70 percent stake in Hyundai Oilbank for 2.57 trillion won (\$2.1 billion), based on 15,000 won a share, to Hyundai Heavy. The Abu Dhabi company said the ruling has no legal effect unless the shipyard obtains a judgment of final enforcement from South Korean courts.

In December, Hyundai Heavy filed a suit in Seoul. The acquisition, potentially Hyundai Heavy's biggest, would help the company expand its energy business and cut its dependency on building vessels.

Hyundai Heavy fell 0.2 percent to 252,000 won as of 11:21 a.m. in Seoul trading. The stock has advanced 45 percent this year, compared with a 1.4 percent gain in the benchmark Kospi index.

IPIC had wanted to reduce its stake in the refiner since 2007. The company said in April 2008 that Hyundai Heavy failed to make an offer for the shares before inviting bids from third parties.

Hyundai Oilbank has a capacity to process 395,000 barrels a day and is building a 2.1 trillion won unit to expand output of higher-priced fuels. Hyundai Motor Co. also holds 4.35 percent of the refiner and Hyundai Steel Co. 2.21 percent.

Hyundai Heavy is seeking to raise 2 trillion won in loans from lenders, including Korea Exchange Bank and Shinhan Bank.

In 2008, Hyundai filed a petition to the International Court of Arbitration under the International Chamber of Commerce in Singapore to resolve the dispute when IPIC failed to sell its shares in South Korea's oil refiner.

Samsung's Q2 forecast highlights tech industry strength

Wed Jul 7, 2010 8:10am EDT

Samsung Electronics, one of the world's largest electronics makers, on Wednesday forecast record operating profit for the second quarter of 2010 on strong sales.

The company is considered a technology industry bellwether because it is the world's largest producer of several products, including flat-screen TVs, DRAM, NAND flash memory chips and LCD screens, as well as the second-biggest mobile phone vendor. Its strong guidance for the second quarter, which ended June 30, suggest the technology industry continues to rebound after the global downturn last year.

Samsung said its operating profit will reach approximately 5 trillion Korean won (US\$4 billion), while sales will hit 37 trillion won. The 5 trillion won figure would beat Samsung's previous record high of 4.4 trillion won in the first quarter. The company will likely report the final results by the end of this month.

The company's forecasts have proven accurate in the past. Samsung nearly matched the guidance it provided in the first quarter, when it reported final results in April. The company forecast first quarter operating profit would reach 4.3 trillion won and its final results put the figure at 4.4 trillion won. Samsung also forecast 34 trillion won in sales for the first quarter, and the final result was 34.6 trillion won.

The strong forecast is one of the latest signs the technology industry continues to grow, though some analysts fear growth could slow in the second half of this year due to worries over debt in Europe and a possible slowdown in China's growth. Those doubts prompted a 1.3 percent decline in Samsung's stock to 62,700 won on the Korea Exchange on Wednesday, while the Kospi Composite Index of South Korean stocks slipped 0.6 percent.

Samsung has been bullish this year on prospects in the tech industry.

In May, the company announced its biggest spending plan ever for a single year, 26 trillion won, including 11 trillion won for new chip production lines and 8 trillion won for research and development. The company also said it planned to hire 10,000 new workers this year.

IMF ups S. Korean 2010 growth f'cast to 5.75 pct

SEOUL July 6 (Reuters) - The IMF on Tuesday raised its 2010 economic growth forecast for South Korea by more than one percentage point, and recommended the country's central bank gradually raise interest rates.

The IMF upgraded its this year's economic growth forecast for Asia's fourth-largest economy to 5.75 percent from 4.5 percent on its supportive macroeconomic and financial policies and a recovery in global trade.

"In light of the strong economic recovery, a carefully calibrated exit from supportive macroeconomic policies is appropriate," IMF said in a statement.

"It is now appropriate for the Bank of Korea to start gradually raising the monetary policy rate...beginning to raise the policy rate would still leave monetary policy highly supportive of the recovery," it said.

The upgrade and remarks come before the central bank is scheduled to hold an interest rate-setting meeting on Friday.

Yongsan 'dream project' a pipe dream?

Seoul's ambitious plan to turn a 530,000 square-meter site around Yongsan Station into a global business district is about to fall apart, a victim of the sluggish property market.

The real estate owner and the biggest investor KORAIL has threatened to cancel deals with builders if they do not submit a detailed plan to honor overdue payments for use of the real estate by next Friday.

Builders are having difficulty making leasing payments as financial firms have turned negative on projecting financing following a prolonged slump in the construction industry.

KORAIL said it sent an official letter Monday to Lee Kun-hee, the head of the Samsung Group whose construction unit is leading a consortium of 17 builders engaged in the project.

This is the first time the public railway company has sent such a letter to the business tycoon, not the company itself, an apparent move to put pressure on Samsung. The letter reportedly irritated Samsung Group.

The Yongsan developers' consortium, dubbed "Dream Hub" consists of Samsung Corp. and 16 other construction companies as well as 13 other investors, including KORAIL, KB and the National Pension Service.

Builders were to pay a total of 8 trillion won to KORAIL for the use of its real estate, where an old station warehouse was located.

However, the builders have failed to honor the payment of the 701 billion won first installment due last year.

The daily interest arising from the delay is about 180 million won and the total amount of installment payments amount to 4.7 trillion won.

The builders have requested KORAIL to put back the payment date till completion; exempt interest; and ease other building restrictions.

However, KORAIL refused, and instead demanded the 17 companies to come up with payment guarantees.

KORAIL officials said they have relaxed repayment terms several times, but builders are not delivering on their promises.

"KORAIL is a public corporation and the breach of contract means that they are fooling the citizens," it stated.

Construction firms said they might not be able to meet the terms required since the real estate market has tanked over the past couple of years and financing has become ever more difficult. "Since the project is the largest in history for a government-civilian development project, it is a huge risk for the developers, too," a representative from a construction firm said.

With KORAIL threatening to halt the project, the rosy picture of cramming Yongsan with skyscrapers housing hotels, shopping centers, leisure facilities and other amenities now seems in limbo. The construction was supposed to commence in 2012.

Analysts say a cancellation of the project will be a massive blow not only to the real estate market but society as a whole. They note that fewer people will be prepared to make investments, further damaging the market.

The builders have already paid 1 trillion won in non-refundable guarantees.

Some real estate experts say the Seoul Metropolitan Government needs to share responsibility.

The rather "humble" project of redeveloping the KORAIL warehouse grew into a 30 trillion won giant when the city administration pushed to link the Han River Renaissance project to it.

The river renaissance is the major pet project of Seoul Mayor Oh Se-hoon to fill the river's banks with skyscrapers and state-of-the-art leisure facilities among others.

Some pointed to civic movements opposing the projects. "Oh may face further resistance from local residents who feel they have been thrown off of their home ground," a civic group representative said.

Last year, five residents who were being evicted from the area as part of the redevelopment project died, along with a police officer during violent clashes with riot police

Social Front:

Middle class takes brunt of financial crisis

About one third of middle class families in Seoul suffered a drop in their income in the fallout of the 2008 global financial crisis, and more than half of them have been forced to reduce spending.

The Seoul Development Institute (SDI), a non-profit research organization established by the Seoul Metropolitan Government, surveyed 1,000 middle-class households in June 2009 and found that 31 percent of the respondents saw their income decline in the wake of the financial meltdown.

The SDI defined a "middle class" household as one with a monthly income between 1.5 and 4.5 million won.

"The latest financial crisis did not cause mass unemployment like the Asian financial crisis in the late 1990s, but it resulted in a worsening of the financial condition of the middle class," said Kim Kyung-hye of the SDI.

Kim said the government's welfare program also needs to pay greater attention to the shrinking middle class.

"We should change the paradigm of our welfare programs so that the lower-end of the middle class can be included and protected."

Among the middle class, those with a lower income saw it reduced the most.

Thirty-nine percent of those who earn 1.5 million to 2 million won per month said their income decreased, while only 26 percent of those who make 3 million to 4 million won suffered a decline in their income.

More than 54 percent of those surveyed said they had cut down on their living expenses. Dining-out, followed by other food expenses and private education costs were reduced in that order.

Some 64 percent had worsening housing conditions after the financial crisis — 33 percent moved to smaller houses, while 31 percent moved from their own house to rental homes.

Forty percent of the surveyed suffered deficits in their household balances as their income could not cover expenditures, and 32 percent had to borrow money from banks, relatives or private lenders to fill the gap.

Financial hardship also negatively affected family relations. After the 2008 crisis 10 percent said quarreling or family feuds had increased, while 5 percent were considering divorce.

South Korea May Use Surplus Rice to Make Animal Feed, Farm Ministry Says

By Sungwoo Park - Jul 5, 2010

South Korea, the world's third- largest corn buyer, may use some of the nation's surplus rice to make animal feed to help stabilize the domestic rice market, according to the farm ministry.

About 360,000 metric tons of rice produced in 2005 may be turned into feed, the Ministry for Food, Agriculture, Forestry and Fisheries, said in an e-mailed statement today.

South Korea, which is 99 percent self-sufficient in rice, imports almost all its needs for corn and wheat, used to make animal feed. Using the rice for feed may reduce demand for overseas shipments of the two grains.

The North Asian nation currently has 1.4 million tons of rice in reserves, almost twice the 720,000 tons considered adequate for emergencies, Yonhap News reported earlier today.

Preparations underway to launch overseas voting

Koreans living abroad inched closer Wednesday to being able to vote in national polls, as the Seoul government began training its overseas representatives to debut an absentee voting system in 2012.

Under the new system, some 2.5 million Koreans living overseas will be able to vote in the 2012 presidential election by registering with a South Korean embassy in their vicinity, where they would cast a ballot directly.

The training session, which runs through Friday at the National Election Commission (NEC) headquarters in Seoul, will instruct embassy officials on how to operate their voting facilities and send the ballots back to Korea.

The gathering also comes ahead of an NEC-coordinated mock election slated for Nov. 24, involving 26 embassies, to iron out kinks in the process.

“This week’s training session will provide an opportunity to discuss issues regarding overseas Koreans’ voting rights and fix any loopholes we might find,” an NEC official said. “It is a significant step in ensuring a sound and transparent electoral process and will help the embassies prepare for the new system.”

The launch will mark the first time Korean nationals living abroad will be allowed to vote from overseas, made possible by a Constitutional Court ruling in 2007 ensuring their suffrage.

Questions remain, however, regarding the transparency and efficacy of the system, which only allows for direct voting.

Under the law, direct campaigning is banned overseas, restricting candidates to making their case via the Internet, Korean satellite stations or over the phone. Some argue individuals or independent organizations could easily sidestep the rule as they are living outside Korean jurisdiction. Politicians are also divided over whether to permit sending ballots by mail in a bid to increase voter turnout.

Proponents argue that due to a lack of polling places, most overseas voters will have to travel several hours, sometimes crossing countries’ borders, in order to cast a ballot directly.

Both governing and opposition party lawmakers have submitted bills to introduce a postal voting option, but the issue has languished amid political bickering.

MOLEG - gateway to legal information for foreigners in Korea

The Ministry of Government Legislation (MOLEG) is the central administrative agency which is responsible for control and coordination of the government’s legislative affairs, reviewing and drafting legislative bills, and statutory interpretation.

MOLEG, since the establishment of the Korean Government in 1948, has been at the forefront of the establishment of constitutionalism, and has played a significant role in building a legal and institutional foundation to ensure Korea's rapid economic growth.

Apart from these affairs, MOLEG has made great efforts to disseminate a tremendous amount of legal information including the current laws, judicial precedents, municipal ordinances and municipal rules among others to the people.

MOLEG, as a sole official codifier, has been compiling, publishing and disseminating Korean Statutes Books for over half a century.

However, since a lot of information technology gadgets have been released on the market, thereby changing people's life patterns, MOLEG is eagerly endeavoring to extend the means of disseminating legal information to smartphones, e-Books, not to mention the Internet, in order to meet the needs of the people, and to generate interest among the young generation.

MOLEG has already been servicing legal information through the Internet since 2000, and from this February, has been providing mobile legal services to enable people to retrieve a total of 250,000 items of legal information free from the constraints of time and space through smartphones.

Moreover, the ministry plans to launch a legal information service for e-Book platforms from the latter half of this year.

These various kinds of legal information services are not confined just to the Korean people.

MOLEG also provides information services in English (<http://oneclick.law.go.kr>) for foreign residents lest they suffer from disadvantages of not having enough knowledge on Korean laws.

The easy legal information service for foreigner is in 6 categories - 1) foreign investors, 2) foreign workers' employment, 3) foreign students, 4) interracial marriages, 5) transportation/driving, and 6) overseas Koreans - which contain the most necessary legal information.

The content therein will be extended every year.

MOLEG is also responsible for translating Korean laws into English. Now about 600 laws, which are closely related to everyday life, have been translated into English and provided through the ministry's Internet homepage (<http://www.moleg.go.kr/english/>).

At this time, these translations are serviced by text versions, however, MOLEG plans to develop highly advanced retrieval system this year to enable foreign residents to search for legal information in English by inputting related terms or provisions.

Furthermore, MOLEG intends to provide the English legal services through smart phones, e-Books in the same way that legal information in Korean is distributed.

MOLEG will take every measure to encompass foreign residents as a main consumer of Korean laws, and appropriately cope with the social reality of a multi-ethnic society.

(Cyber Space) South Korean Government Websites Hit by Attacks, Yonhap Says

July 8 (Bloomberg) -- Five South Korean websites including the presidential office were hit by attacks yesterday, Yonhap News reported, citing the state-run Korea Communications Commission. The intrusions, came exactly one year after similar attacks and left no major damage, according to the report.

(Cyber Space) Zombie computers blamed for latest attacks on gov't Websites

Wednesday's Internet attacks on government Websites originated from some of the same zombie computers used in massive hacker attacks a year ago that were automatically reactivated on the same day, police said.

Korea's government Websites, including those of the presidential office and the foreign ministry, came under attack again a year after the so-called distributed denial-of-service (DDoS) shut down 25 Internet sites for hours, including 11 in Korea and 14 in the United States.

Intelligence authorities initially suspected North Korea of mounting cyber warfare, but no conclusions have been made as to who is responsible.

"We found yesterday's DDoS attacks traced to zombie computers that were used in last year's attacks and left untreated, which became active on the same hour and same day after lying dormant for a year," the Cyber Terror Response Center of the National Police Agency said in a press release on Thursday.

Zombie computers refer to those contaminated with a virus.

These computers are believed to be programmed to resume the attacks on July 7 every year, the center said.

Police said a total of 462 computers were used in Wednesday's attacks, which is very small scale in comparison to last year's that mobilized 270,000 computers.

Similar to the 2009 case, there can be second or third rounds of attacks until the third day, they said, asking computer users to download and install vaccine programs available on Internet portals to cope with further attacks.

1 in 6 adults considered suicide'

Nearly one in six adults here have seriously considered committing suicide, reflecting the severity of the issue and underlining the need for more effective countermeasures, a recent survey has shown.

Family conflict was the biggest factor behind suicides, followed by financial difficulties, divorce or separation, and disease, according to researchers at Samsung Seoul Hospital and Seoul National University (SNU) Hospital, Thursday.

Dr. Jeon Hong-jin of Samsung and Dr. Cho Maeng-je of SNU hospital conducted the survey of 6,510 people over 18 years old and found that about 15.2 percent, or 982, had seriously considered killing themselves.

This is the first time such a large number of people were surveyed by medical doctors for suicide research. The findings were published in the latest edition of the Journal of Affective Disorder.

About 3.3 percent, or 214, said they had drawn up specific plans to commit suicide, while another 3.2 percent or 208, actually attempted it but failed.

Among the 3.2 percent who have attempted suicide, 2 percent planned it in advance while the rest were "impulsive."

Most of them first planned suicide at the age of 24 on average and it took them 1.1 years before their first attempt.

Doctors and professors pointed out that those who plan suicide usually take sleeping pills or tranquilizers or stab themselves but those who were impulsive drink toxic chemicals such as pesticides or throw themselves off buildings.

Impulsive suicide committers suffer more from depression or alcohol abuse than the "planners." Those who have bipolar disorder have a 3.5 times higher risk of committing suicide than those who don't.

"The research results suggest that people with the potential to commit suicide start thinking about death more than a year in advance. We need to listen to their stories, their complaints and their problems to prevent such tragedies," Jeon said. "Especially, we need to focus on those suffering from mood disorders because in these cases, asking them directly and talking about it will help."

Meanwhile, a separate report by Statistics Korea indicated that suicide is the No. 3 cause of death among females here.

According to its report, about 18.7 women per 100,000 killed themselves in 2008, taking third place in cause of death following cerebrovascular and heart diseases. The figure is higher than

traffic accidents, gastric and lung cancer and other causes, indicating that suicide has reached an alarming level here.

Korea's suicide rate for women was highest among OECD member states, which in general marked 4 to 8 per 100,000. Japan was the only exceptional case with 13.2.

It's not only women but also male suicide that is serious as it marked 33.4 per 100,000, fourth in the cause of death. The figure is the second highest among OECD peers, following Japan with 34.8.

Suicide has been one of the gravest issues for several years. Notable figures from entertainers to socialites, business people and others have fueled the misfortunate trend with what experts call a copy cat syndrome.

The Ministry of Health and Welfare is conducting anti-suicide campaigns and raising public awareness to encourage prevention.

Participatory programs needed for education on security

A number of surveys showing that nearly half of the younger generation has little basic knowledge about the Korea War underscore the importance of children's education on probably the most tragic chapter of Korean history.

This year's 60th anniversary of the outbreak of the war means the approach of the gradual passage of the older generation who witnessed and experienced it. It was a war from which the next generation should learn lessons.

"We are fully aware of the necessity of a new educational approach to the war," said Lt. Col. Yoo Mi-ae, a spokeswoman for the 60th Anniversary of the Korean War Commemoration Office of the Ministry of National Defense. "We are trying to come up with new and effective ways to educate the general public properly."

At least now, however, it seems that this is easier said than done.

No notable modifications, in both content and education methods, have actually been applied to current war education programs, run by the government and civic groups that depend largely on text-based materials, which have not been updated for years, and black-and-white historic films. The defense ministry is no exception.

"Any changes to the programs require time-consuming, extensive studies and research," Yoo said in a phone interview. "Frankly, we have no concrete solution at this moment."

For the ministry and institutes facing the dilemma, a students' association here that organized a variety of commemorative events for the 60th anniversary, which fell on June 25, provides plausible, note-worthy tips.

"Seeing is believing. And to meet is to believe more strongly," stressed Byun Jong-kuk, head of a students' association to commemorate the anniversary, highlighting the effectiveness of "participatory" war education.

"Do you remember how you were taught and what you leant about the Korea War at primary and secondary schools? Maybe, not much!" said Byun, 25, a senior student majoring in politics and diplomacy at Yonsei University in Seoul. "That's the fallout from current education programs, which were designed with little calculation on the reality of their educational effectiveness."

Text-based education

Such old-fashioned war education has left critical loopholes in knowledge as well as attitudes toward national security among the younger generation, experts say.

A recent survey of 1,016 teenagers by the defense ministry showed 43.2 percent of them didn't know when the war broke out. Only half of them knew the fact that North Korea invaded the South.

Surprisingly, 13.4 percent said the United States, Seoul's strongest ally, was culpable for the bloody full-scale war, while another 13.4 percent pointed out to Japan as the major culprit behind the invasion.

In a survey 30 percent of respondents said that the U.S. was the biggest threat to security on the Korean Peninsula, followed by Japan with 27.7 percent and North Korea with merely 24.5 percent.

As a bold countermeasure following the sinking of South Korean warship in a torpedo attack by North Korea on March 26, the government is moving to re-designate the North as the "main enemy" in its defense white paper, a concept dropped six years ago amid a push for inter-Korean reconciliation.

Bolstering the concern is that such critical flaws in security concepts have already tarnished a great number of those playing leading roles in national security.

In 2004, a poll of first-year cadets at the Korea Military Academy showed 34 percent of newcomers to the academy or 250 called the United States the main enemy of Seoul.

Kim Choong-bae, who conducted the survey as then superintendent of the military school, argued that "inappropriate" education in schools is to blame for the hostile sentiment toward the country's closest ally.

Participation needed

To normalize the false security concept in education, the reform-minded student urged the authorities to shift its war education concept to "participatory" from sedentary.

Countless scientific studies have proven that participatory education programs help increase knowledge about the domain in which the experience occurs and at the same time intensify feelings of self- and social-efficacy.

Among participatory programs Byun and 20 other students co-organized to commemorate the anniversary include visits to the demilitarized zone (DMZ) and foreign embassies representing countries that sent troops here during the war to combat the invaders from north; open discussions; and lectures about the war from both domestic and foreign war veterans.

One of the lecturers they invited was Paik Sun-yup, the country's first four-star Army general who fought major battles during the Korean War.

More than 300 secondary and university students benefitted from the program, Byun said.

"Meeting and talking with war veterans itself provided great opportunities to deepen participants' understanding and knowledge about the war, which typical text-based programs cannot offer," he said. "When we learnt from lessons that more than 3,000 U.S. soldiers were killed in an operation to buy time for our soldiers' retreat, we raised questions over the reason for anti-U.S. campaigns here in South Korea."

Citing an incident during Paik's lecture, Byun noted that one student said a lot of bodies of North Korean soldiers were found with their legs shackled to non-portable weapons at major battle grounds, meaning they were forced to fight and destined to die in a battle.

"How brutal was the North Korean regime, to do that?" he said.

The student organizer said some participants joined the program with the wrong idea that small-scale skirmishes initiated by the South provoked the North and in response North Korea launched a full-scale war, in other words, South Korea was to blame.

"They completely dropped the idea after the program," he said. "This was an example that obviously showed how impractical current text-based programs are in educating students about the issue."

Based on interviews with teenage North Korean defectors, he called for the introduction of war education capitalizing on Korean War veterans.

In North Korea, war veterans lecture at schools, meet and talk face-to-face with those unfamiliar with the historic event, he said. "But this is not the case here."

The government has hosted a variety of memorial events with war veterans at home and abroad participating. But few of them involved going to classrooms to educate students.

"It's something that needs to be changed," Byun said. "They are valuable living resources for war education that cannot be replaced."

Branksome Hall to Open a School on Jeju Island, South Korea

TORONTO, ONTARIO, Jul 07 (MARKET WIRE) -- On July 7, Jeju Free International City Development Center (JDC) Chairman & CEO Byon Jong-il will sign a Co-operative Venture Agreement (CVA) with Branksome Hall to establish an overseas campus of the world-renowned Toronto independent school. Branksome Hall Asia will become the second partner school to open in the Global Education City. A major step in the Jeju Global Education City's quest to become the education hub of Northeast Asia, the signing will be conducted July 7, at 1:30 p.m., at Branksome Hall, 2 Elm Avenue. The new school is scheduled to open in September 2012.

Established in 1903 in Toronto, Canada, as an independent school for girls, Branksome Hall is now a leading International Baccalaureate World School. The school educates girls from Junior Kindergarten to Grade 12 and provides a boarding program for senior students from around the world.

"Branksome Hall is honoured to have been invited by the South Korean government to open a school on Jeju Island," says Branksome Hall Board of Governors Chair James R. Christie. "An international campus will be in keeping with our vision to be globally minded and with the spirit of the International Baccalaureate Program."

"When our students graduate from Branksome Hall, they will go on to study and work in a global environment," says Principal Karen Murton. "As such, increased access to global opportunities and global understanding will only help them in their efforts to shape a better world." Branksome Hall Asia will "complement our existing programs through student exchanges and residential trips," she adds. "It will also allow access to a Branksome education for students throughout Northeast Asia."

The Jeju Global Education City, with its picturesque, pastoral ambience, is situated within two hours of 700 million people, "more than twice the population of the U.S. and Canada combined," says Jeju Global Education City Project Manager Christopher Bogden. While some Korean students already study at Branksome Hall in Toronto, an increased number of Korean students will be able to take advantage of Branksome's IB Program and its philosophy of inspiring and nurturing globally minded learners and leaders. The school will also provide quality educational opportunities to students from outside Korea, including some of the 90 million Chinese primary and secondary students, 210,000 of whom currently study abroad.

Byon Jong-il, Chairman & CEO of the JDC, which is spearheading the Education City project, believes Jeju Island is the best choice for international education because of its natural environment as well as the fact that local and foreign investors can enjoy tax and investment benefits. With Mount Halla in the distance and surrounded by preserved natural forests, the site of the Education City is less than a 15-minute drive from Jeju's picturesque southern coast. "The environment surrounding the Education City offers an array of extra-curricular opportunities.

Sea kayaking, scuba diving, horseback riding, hiking and golf are all available within a short distance," Byon says. Memorandums of understanding have been signed with other prestigious schools in both the United Kingdom and the United States. The goal is for Jeju's 3.7-million-square-metre Education City to house up to 12 elementary, middle and high schools, a university zone, residential and cultural facilities, as well as commercial amenities.

The Education City will be Korea's first education-focused city – fully functional and self-sufficient - where English is the primary language, both inside and outside of the classroom. Bogden explains: "The intent is to educate all the children in these schools in English to create an immersion environment for them," and "the English language will fuse everything happening educationally, commercially and residentially."

The Global Education City will accommodate up to 9,000 students from Kindergarten through high school level once the school zone is completed. Plans for the university zone call for 10 or more universities to share a campus. With the exception of classes in Korean language and Korean history, all instruction will be in English. Businesses that are invited to set up in the city must also use English in everyday commerce. JDC chose Itami Jun, a famous Korean-Japanese architect, as master architect for the city to ensure that "it all works together synergistically with the environment." Jun, who has designed several site-specific projects for Jeju previously, said he aims to incorporate Jeju's natural beauty into a specifically functional space.

U.S. man in N. Korean prison attempts suicide -KCNA

SEOUL July 9 (Reuters) - An American being held in North Korea has attempted suicide out of frustration and guilt, the reclusive country's state media said on Friday.

Aijalon Mahli Gomes, 30, is serving a sentence of eight years hard labor after being convicted in April of illegally entering the country.

"Driven by his strong guilty conscience, disappointment and despair at the U.S. government that has not taken any measure for his freedom, he attempted to commit suicide," the North's KCNA news agency said.

"He is now given first-aid treatment at a hospital."

In Washington, the U.S. State Department said diplomats from Sweden -- which represents the United States in North Korea in the absence of formal diplomatic ties -- had visited Gomes. But U.S. officials declined to provide details on his condition.

"We reiterate our urge for the North Korean government to release Mr Gomes on humanitarian grounds," State Department spokesman Mark Toner said.

North Korea has rejected calls for Gomes' release and said last month that it was considering how to make his punishment even harsher under the rules of war, as it was in a state of war with the United States.

The case has further strained ties between the North and the United States as Washington backed Seoul's drive for strong punitive measures at the United Nations over the sinking of a South Korean navy ship in March. The South blames North Korea for the sinking but Pyongyang denies any involvement.

The Security Council adopted a statement condemning the ship's sinking without explicitly blaming the North, in a setback for Seoul's attempt to hold Pyongyang accountable. Impoverished North Korea has in the past used detained American citizens as bargaining chips.

Gomes had been teaching English in Seoul for about two years before making the trip to North Korea in January. He was also active in Protestant churches, his colleagues said.

He likely crossed into North Korea in support of U.S. Christian missionary Robert Park, who entered the North on Christmas Day to raise awareness about its human rights abuses, according to an activist who helped arrange Park's trip. Park was detained and eventually released.

In previous cases, North Korea, the focus of multinational talks aimed at reining in its nuclear weapons program, has typically released Americans a few months after their capture after trying to win concessions.

Japan

Detailed News:

Politico-Strategic Front:

Chinese flotilla slips by Okinawa

Kyodo News

A destroyer and a frigate from the Chinese Navy passed through international waters between Okinawa and Miyako on Sunday while en route to the Pacific Ocean, the Defense Ministry said.

It is the first time Chinese military vessels have been seen passing through the waters since April, when two submarines and eight other ships passed through, it said.

The Defense Ministry has been keeping close tabs on the Chinese Navy's activities, especially long-distance voyages that grown increasingly aggressive in recent years.

China was reportedly planning to conduct a large naval exercise in the East China Sea from late June through early July, but it is not known whether the two ships observed Sunday are related to the event.

Ozawa hands inquest body denial of guilt

Kyodo News

Democratic Party of Japan kingpin Ichiro Ozawa submitted a statement Monday to an independent judicial panel denying involvement in any irregularities in connection with funding reports.

The statement was submitted on Ozawa's behalf by his lawyer before the panel, the No. 5 Committee for the Inquest of Prosecution, looks again into the decision by prosecutors not to indict the former DPJ secretary general. It is quite rare for a highly influential sitting member of the Diet to make such a move.

Because there is no clause in the law concerning the judicial panel on how to handle such a statement in the screening process for a decision to indict, it is up to the panel to decide whether to take the statement into account.

In February, three of Ozawa's former aides, including DPJ lawmaker Tomohiro Ishikawa, were indicted for alleged irregularities involving Ozawa's Rikuzankai fund management body.

In April, the No. 5 committee, made up of 11 citizens and attached to the Tokyo District Court, concluded Ozawa merited indictment on grounds that there was a strong likelihood he and the aides conspired to falsify Rikuzankai's financial reports.

Although prosecutors decided to drop the case against Ozawa for a second time in May after acting on the committee's conclusion, Ozawa will face criminal charges if the panel decides again in favor of an indictment.

Six companies to form nuclear JV

Bloomberg

Toshiba Corp., Hitachi Ltd. and Tokyo Electric Power Co. are among six Japanese companies that will form a joint venture to sell nuclear reactors and technology to Vietnam and other countries.

The group, which includes Mitsubishi Heavy Industries Ltd., Chubu Electric Power Co. and Kansai Electric Power Co., will seek financial assistance from the trade ministry, they said in a joint statement Tuesday. The companies have set up an office ahead of forming the venture this autumn.

Japan is holding talks for nuclear cooperation treaties with India, Jordan and Russia and has had preliminary discussions with Vietnam. The trade ministry will work to speed negotiations for the treaties, which are necessary for Japanese companies to export nuclear technology, the ministry said in a statement Tuesday.

Kan Cabinet's Approval Rating Drops 5 Points to 45%, Nikkei Survey Says

By Fergus Maguire - Jul 8, 2010

Japanese Prime Minister Naoto Kan's approval rating dropped 5 percentage points to 45 percent ahead of the July 11 upper house election, according to a Nikkei newspaper survey.

The disapproval rating for Kan's Cabinet rose 8 points to 41 percent from the last survey in late June.

Some 32 percent of respondents said they would support Kan's ruling Democratic Party of Japan in proportional representation voting, down 3 points, and 22 percent said they'd back the opposition Liberal Democratic Party.

Nikkei English News didn't provide a margin of error or the number of respondents.

Japan protests Russian military drill on Etorofu

VLADIVOSTOK, Russia (Kyodo) Russia conducted a military drill last weekend on Etorofu, one of four Russian-held islands off Hokkaido claimed by Japan, despite a request by Tokyo not to do so.

A press officer in the military's Far East district said Saturday-Sunday drill was "the largest-scale exercise held on the disputed islands since the collapse of the Soviet Union" in 1991.

It immediately drew criticism from Japan, with Foreign Minister Katsuya Okada expressing "deep regret" over the military exercise.

Okada told reporters in Yokkaichi, Mie Prefecture, that Japan cannot accept the use of a training camp on Etorofu Island by the Russian military and has lodged a protest with Moscow through diplomatic channels.

"We have a different political standpoint (over the island) but such an incident has never occurred before as far as we know. In that sense, it is regrettable," Okada said. "I wonder why they conducted the drill at this time."

According to an announcement dated Sunday by the Russian Defense Ministry, the drill on Etorofu Island was part of the Vostok 2010 strategic exercises in the Russian Far East and Siberia, which began June 29 and will continue through Thursday.

The drill on Etorofu involved about 1,500 soldiers and 200 military and special-purpose vehicles, it said.

Okada warned Russia against holding a drill on the disputed island last Friday, but a source at the Russian Foreign Ministry brushed aside the warning, telling ITAR-Tass news agency the same day that Russia "has the right to choose the place of exercises."

About 10,000 service members are taking part in the drill, which also involves all the Russian fleets — Pacific, North, Black Sea and Baltic — as well as air force units, according to the news agency.

ITAR-Tass quoted Russian Armed Forces Gen. Nikolai Makarov, who is supervising the exercises, as saying the drill is not targeted at any real country but aimed at ensuring "defense of national interests from a presumed enemy on the Far Eastern borders."

The row over the islands of Kunashiri, Etorofu, Shikotan and the Habomai islets has prevented the signing of a postwar peace treaty.

Cabinet support drops to 43%: poll

Kyodo News

Public support for the Cabinet of Prime Minister Naoto Kan plunged 15.4 percentage points to 43.4 percent in the latest nationwide telephone poll, according to results released Thursday.

The disapproval rate for the Cabinet of Kan, who assumed power June 8, increased to 43.2 percent, up 13.2 points from the previous June 19-20 survey. The latest poll was conducted Wednesday and Thursday, ahead of Sunday's House of Councilors election.

Respondents were split over whether they support Kan's remark that he would consider 10 percent as a reference for raising the 5 percent consumption tax, with 45.3 percent saying they back his comments and 46.8 percent replying they do not.

The support rate for Kan's Cabinet has been on the slide since hitting 64.8 percent in the June 12-13 poll, the first of three surveys conducted in the leadup to the Upper House election.

Asked which party they will vote for in the proportional representation section of the Upper House election, 23.7 percent favored the ruling Democratic Party of Japan, down from 26.3 percent in the previous poll.

Although the rate was higher than the 17.3 percent — up from 15.8 percent — for the Liberal Democratic Party, the DPJ's lead over the main opposition force shrank 4.1 points from the previous poll to 6.4 points.

In constituencies, the DPJ's lead over the LDP also narrowed 8.4 points to 1.7 points, as 22.6 percent of respondents said they will support DPJ candidates in electoral districts and 20.9 percent said they will support LDP candidates.

The two major parties were followed in terms of support in the proportional representation block by Your Party at 7.7 percent, New Komeito at 6.4 percent, the Japanese Communist Party at 2.9 percent and the Social Democratic Party at 2.0 percent.

Newly formed small parties continued to struggle to garner support, with Tachiagare Nippon (Sunrise Party of Japan) gaining 1.0 percent and Shinto Kaikaku (New Renaissance Party) getting 0.8 percent.

As for the total number of Upper House seats, including those that will not be contested in the upcoming election, 46.7 percent said the ruling parties should lose their majority in the chamber, exceeding the proportion of those who said they should retain their majority for the first time in the three surveys.

A total of 41.7 percent said the ruling coalition should retain a majority in the Upper House.

Japan Votes to Decide Whether Kan's DPJ Maintains Control of Upper House

By Sachiko Sakamaki - Jul 10, 2010

Japanese voters fill in their ballots today with polls showing Prime Minister Naoto Kan's Democratic Party of Japan may lose control of the upper house of parliament, its biggest setback since taking power 10 months ago.

Failing to retain a majority in the chamber would hinder the government's ability to pass fiscal tightening legislation and may put Kan's job in jeopardy. A total of 437 candidates are racing for half of the 242 seats at stake.

Three newspaper polls published two days ago said the ruling coalition may fall short of keeping the 56 seats needed to maintain its majority in the chamber. The main opposition Liberal Democratic Party, ousted last August in elections after half a century in power, and the new Your Party are likely to gain, the surveys showed.

"This election is primarily a race for voters to evaluate DPJ administrations since last September," said Hiroyuki Kishi, professor of economic policies at Tokyo-based Keio University. "The DPJ may lose control of the upper house, and the question is what will happen after that."

The Asahi newspaper said on July 9 that DPJ coalition partner the People's New Party may not win any of the three seats it is contesting. The Asahi interviewed 49,653 people on July 6-7 and didn't provide a margin of error.

Kan's suggestion that the government may have to raise the 5 percent consumption tax to reduce the world's largest public debt has cut into his approval ratings. He has framed the debate in terms of the need to pay for rising social welfare costs, and said any increase is "at least two to three years off."

Falling Approval Ratings

The prime minister's approval rating declined to 43 percent from 66 percent after he took office on June 8, the Mainichi newspaper said July 9.

Last month, Kan replaced Yukio Hatoyama, who quit over his broken promise to relocate a U.S. military base from Okinawa and campaign finance scandals involving him and the party's number two official Ichiro Ozawa. Hatoyama shifted spending from public works to households, passing legislation to give households a monthly stipend of 13,000 yen (\$147) per child and eliminating public high school fees.

While the world's second-biggest economy continues to recover from recession, it is still grappling with 12 years of deflation, and the unemployment rate reached a five-month high of 5.2 percent in May. The Nikkei 225 Stock Average is down 9.1 percent this year.

Policies at stake in Japan's upper house election

July 11 (Reuters) - Japan was holding an election for the upper house of parliament on Sunday that will affect whether the Democratic Party-led government can implement policies smoothly as it tries to curb debt and engineer growth.

Prime Minister Naoto Kan's replacement of unpopular predecessor Yukio Hatoyama last month boosted the Democrats' chances in the poll. But support has slipped back and the party is in danger of falling far short of Kan's own election target.

Below are key policies that could be affected by the outcome of the election:

FISCAL POLICY

Debt woes in the euro zone have turned the spotlight on Japan's own massive debt, which the International Monetary Fund put at 217.7 percent of gross domestic product last year, far worse than Greece's debt-to-GDP ratio of 115.1 percent.

Most of Japan's debt is held by domestic investors, who are less sensitive to credit ratings agency downgrades than foreign investors, but that is slowly changing as the population ages and household savings fall.

Kan, a former finance minister, has made fiscal reform a top priority and analysts say there is now a greater chance of bolder steps to rein in public debt, given his call for tax reform including a possible doubling of the 5 percent sales tax.

A majority of voters agree fiscal reform is needed.

The government last month unveiled a mid- and long-term fiscal reform strategy. But the plan lacked specific ideas on how to meet ambitious targets such as balancing the budget and reducing its debt-to-GDP ratio.

How aggressively the government tackles the problem depends partly on the outcome of the election, including the shape of any coalition.

MONETARY POLICY

The Bank of Japan, which has stressed the need for a credible plan to cut back public debt, sees little need to ease monetary policy and feels it has done enough for now by outlining a loan programme aimed at supporting industries with growth potential.

But some central bankers worry that Kan, previously among the most vocal government critics of the BOJ when it was reluctant to ease monetary policy, may renew pressure for more aggressive monetary policy steps if sharp rises in the yen hurt Japan's fragile recovery.

While the BOJ is independent from the government by law, direct pressure from the premier may be hard to resist.

YEN POLICY

Investors remain reluctant to test the government's tolerance for a strong currency, although Tokyo has not intervened in the market since early 2004.

Kan caused a stir in January when he said he would work with the BOJ to weaken the yen, and that "it would be nice" if the Japanese currency slipped further.

He has subsequently toed the government line that stable exchange rates are desirable but levels should be set by the markets -- but noted after becoming prime minister that there was a general view that a weaker yen would be better for Japan's export-driven economy.

Special money market funding operations by the Bank of Japan, launched in December and expanded in March, have been seen as a means of trying to keep the yen from rising further JPY

CLIMATE POLICY

Kan has stuck to a 2020 goal to cut Japan's greenhouse gas emissions by 25 percent from 1990 levels, premised on an international framework in which major emitting countries would agree on ambitious targets.

The more powerful lower house passed a climate bill including that goal and a shortlist of domestic measures to achieve it, but the upper house ran out of time to enact the legislation.

The government is expected to compile a bill with the same goal and submit it to parliament after the election.

POSTAL REFORM

The parliament session ended in mid-June without passage of a bill to scale back postal privatisation. Kan has said he will resubmit the legislation, sought by small coalition partner the People's New Party (PNP), in an extra session expected in the autumn even though its most vocal proponent, PNP leader Shizuka Kamei, has quit the cabinet.

Not all Democratic Party lawmakers are keen on the legislation and banks complain it would give Japan Post an unfair advantage because of an implicit government guarantee.

Japan Post, which has retail banking and insurance services, is the world's largest financial conglomerate with assets of about 300 trillion yen (\$3.4 trillion) and its fate could sway financial markets and industry.

The United States and Europe said last month the draft legislation had not addressed their concerns about what they see as the preferential treatment that Japan Post receives compared with private-sector companies.

DIPLOMACY, SECURITY POLICY

Regardless of the election outcome, Japan's foreign and security policies are unlikely to shift drastically.

The Democrats took power promising to steer a diplomatic course more independent of close ally the United States, but efforts by Kan's predecessor Hatoyama to do so hit a roadblock when he failed to find an alternative to keeping a U.S. Marine airbase on the southern Japanese island of Okinawa.

Tokyo and Washington have basically agreed to implement a 2006 agreement to shift the Marines' Futenma airbase to a less crowded part of Okinawa, host to about half the U.S. troops in the country.

But local opposition clouds the outlook for implementation, and experts worry that Hatoyama opened a Pandora's box by fanning anti-base sentiment that could undermine the 50-year-old alliance.

The government will also likely keep stressing the need to deepen ties with other Asian countries including China, given Japan's increasing reliance on the region for economic growth.

Economic Front:

Japan should erase more barriers for working women, experts say

LONDON (Kyodo) Japanese society needs to be more enthusiastic about women taking a prominent role in the workplace if the country is ever to achieve equality between the sexes, a panel of British experts on Japan recently concluded.

They said during a recent seminar at the Daiwa Anglo-Japanese Foundation that while much progress has been made in terms of legislation, a cultural change is needed in both men and women to raise the status of women at work.

Helen MacNaughtan of London University said the number of nonregular workers — mainly part-timers — has soared in the last 25 years, and more than half of all working women now fall into this category.

Like Britain, many of these part-time workers have returned to work after having children. However, the Japanese part-timer is more restricted in terms of the hours she can work and mobility in the company, MacNaughtan said.

The seminar participants agreed that despite the introduction of equal opportunity legislation, women face an uphill struggle.

MacNaughtan said employers are still "wedded" to the idea of men being the "breadwinners," and women are often seen as occupying part-time jobs, often in clerical and customer service roles.

And perhaps symbolizing the root of the problem, the "gender segmentation" of jobs is quite popular in opinion surveys.

Social attitudes on child care are quite traditional and provisions for working mothers are patchy, and only a minuscule number of men take paternity leave, she said.

There was also concern at the seminar about the fact that women who attend more academically rigorous four-year universities are less likely to work than those who attend two-year colleges.

MacNaughtan said it is "questionable" how much has changed since the 1960s, given the way part-time work has become almost an institution for women. "You have to change people's attitudes. Unless you do this, nothing is going to happen," she said.

George Olcott of Cambridge University said Japanese women are often reluctant to push themselves in their careers and sometimes feel held back by other women, who may hold traditional views on a woman's place in a company.

Both agreed that the recent increase in female participation in the workforce was driven more by economic need than any feminist movements.

MacNaughtan believes that change will happen as more baby boomers retire and the demand for workers increases.

But she also thinks the governing Democratic Party of Japan should reform the tax system for working women, as it has previously indicated.

In Japan, a married man's tax allowance can be offset against his annual income tax, provided his wife's income does not exceed a specific limit. If her income goes above that level, then she has to pay income tax and make other contributions. Therefore, the tax system encourages firms to pay part-time women less, MacNaughtan said.

Olcott, who helped run several Japanese companies, told the seminar that female managers and board members are "conspicuously absent" in Japan compared with the United States and Britain.

But he said equal opportunity legislation has increased the number of women in managerial posts, or "sogoshoku" in Japanese.

However, he described how many of these career-oriented, full-time employees feel obliged to act in a nonthreatening and feminine way due to pressure from women in clerical positions, or "ippanshoku," who have limited prospects for promotion.

By contrast, male managers do not have to show the same level of caution and restraint.

He said foreign takeovers of Japanese firms normally result in a dramatic increase in the number of female managers and improved working conditions for women.

As part of his research, Olcott studied how new foreign owners brought in senior women to try to redress the gender imbalance.

They provided day care centers, scrapped company uniforms and attempted to end the sogoshoku-ippanshoku division. These firms also encouraged some of the ippanshoku to move into the management tier.

However, despite the radical surgery, he found that some Japanese staff still retained traditional views on the role of women. Indeed, some women left the company after they were promoted because they felt uncomfortable in their new role.

Olcott said that despite positive signals coming from the DPJ, he is "slightly pessimistic" about the prospects of redressing the gender imbalance in the medium-term.

David Coats, a British employment expert and a fellow of the Smith Institute, an independent center-left think tank, said that in many ways Japan resembles Britain of a few decades ago.

He said pay disparities had narrowed thanks to the introduction of minimum wage, but large differences still persist in the financial sector. While women are entering into many all-male bastions, it is largely women who are doing the "four Cs" — caring, cleaning, cooking and being a cashier.

Daiwa to buy KBC bond unit, Asia derivatives for \$1 billion

Bloomberg

Daiwa Securities Group Inc. said Monday it has agreed to buy KBC Groep NV's convertible bond unit and its Asia equity derivatives business for about \$1 billion.

Under the agreement, Daiwa is paying about \$200 million for assets and about \$800 million for the trading position, the companies said in a joint statement. The transaction is subject to regulatory approval and is expected to be completed early in the fourth quarter, according to the release.

Daiwa Chief Executive Officer Shigeharu Suzuki is expanding brokering and investment banking operations globally after ending a decade-long venture with Sumitomo Mitsui Financial Group Inc. in December.

The acquisition will help Daiwa boost revenue at its equities and bond business by about ¥15 billion annually, spokesman Kenichi Kanda said.

"With this acquisition we demonstrate our commitment not just to growing in Asia, but also to building a globally competitive derivatives business," Toshinao Matsushima, global head of markets at Daiwa, said in the statement.

Mitsubishi, Hitachi eye hydro tieup

Kyodo News

Hitachi Ltd. and two Mitsubishi group companies have agreed in principle to begin studying ways to integrate their hydroelectric power operations under a joint venture to be formed next year, the three companies said Monday.

The move is aimed at maximizing their hydroelectric power generation business amid growing demand for clean sources of renewable energy in emerging economies, they said.

Hitachi, Mitsubishi Heavy Industries Ltd. and Mitsubishi Electric Corp. aim to get the new company up and running by Oct. 1, 2011.

The three companies said they are pooling their technologies and resources to better compete against Chinese and European rivals in the wake of anticipated strong demand for hydroelectric power in places such as China, India and Latin America.

Hitachi will hold a 50 percent stake in the new company and the rest will be held by the two Mitsubishi firms.

While domestic demand will remain intact in terms of maintaining and upgrading existing facilities, construction of new plants for hydroelectric power generation in Japan is on the decline, the companies said.

Under their partnership, the companies aim to unify their hydroelectric power generation business in terms of domestic and global sales, marketing, engineering, development and design of key hydropower products such as water turbines, water turbine generators and control systems, they said.

BOJ's Shirakawa Says Export Demand Will Keep Japan's Economy Expanding

By Mayumi Otsuna - Jul 7, 2010

Bank of Japan Governor Masaaki Shirakawa said the world's second-largest economy will keep expanding, driven by demand from abroad.

The pace of growth in exports and production will moderate and domestic demand is likely to pick up, Shirakawa said at a quarterly meeting of the central bank's branch managers in Tokyo today.

Japan's Machinery Orders Slump 9.1%, Most Since 2008

By Aki Ito - Jul 8, 2010

Bank of Japan Governor Masaaki Shirakawa said the economy will keep expanding. Photographer: Toshiyuki Aizawa/Bloomberg

Japanese machinery orders fell the most since August 2008, a sign that any rebound in business investment may be too weak to drive an economic recovery that is showing signs of losing momentum.

Orders, an indicator of future capital spending, slid 9.1 percent in May from April, the Cabinet Office said today in Tokyo. It was the first decline in three months, and exceeded the median 3 percent drop in a Bloomberg News survey.

The report prompted Cabinet Office spokesman Keisuke Tsumura to say the outlook is becoming less certain, while Bank of Japan Governor Masaaki Shirakawa said the economy will keep

expanding. The remarks echo a divergence between government officials and the central bank earlier this year before Shirakawa and his board expanded a credit program in March.

“Pressure on the BOJ to ease monetary policy further will continue to increase,” said Kenro Kawano, a debt strategist in Tokyo at Credit Suisse Group AG. “The central bank’s policy is heading toward an easing bias.”

The yen fell 0.8 percent against the dollar and 0.9 percent versus the euro, reducing pressure on exporters whose competitiveness has been threatened by gains in the currency. The Nikkei 225 Stock Average rose 2.8 percent, the most in more than a month, after a trade group said U.S. retail sales grew the most in four years. The gauge has lost 15 percent in the past three months.

Exports Cool

Separate figures showed a cooling of exports, which have been the main driver of the nation’s rebound from its worst postwar recession. Slower growth in shipments abroad caused the current-account surplus to narrow for the first time in 10 months, falling 8.1 percent to 1.205 trillion yen (\$14 billion) in May from a year earlier, the Finance Ministry said.

“The recovery’s no longer adding momentum and we’re beginning to see more downside risks,” said Yoshiki Shinke, senior economist at Dai-Ichi Life Research Institute in Tokyo. He said the degree of any political pressure on the BOJ depends on the direction of the economy as well as stocks and the yen.

The International Monetary Fund today cut its forecast for Japan’s 2011 economic growth to 1.8 percent from 1.6 percent. The world’s second-largest economy will grow 2.4 percent this year, faster than the 1.9 percent the IMF predicted in April.

“Exports and production are expected to keep increasing,” though at a slower pace, as overseas economies continue to improve, Shirakawa said at a quarterly meeting of the bank’s branch managers in Tokyo. The regional chiefs raised their view of the economy in eight of the country’s nine areas, their Sakura Report showed today.

Credit Concern

The BOJ intends to keep a “very accommodative financial environment,” Shirakawa said, adding that global credit markets are showing signs of volatility because of sovereign- debt concerns.

Japan’s central bank has held the benchmark interest rate at 0.1 percent since December 2008. It doubled a credit facility to 20 trillion yen in March and has since unveiled a 3 trillion yen program to encourage lending to businesses and help defeat deflation.

Cabinet Office Parliamentary Secretary Tsumura said the outlook is being clouded by Europe's debt crisis. "It's possible that the pace of the recovery will be more gradual, even weaker, than our initial expectations."

Merchant sentiment declined for a second month in June, a separate Cabinet Office report showed today. Tsumura is a member of Prime Minister Naoto Kan's Democratic Party of Japan that is seeking to maintain control of the upper house of parliament in elections on July 11.

Hoarding Cash

Businesses have yet to deploy record stockpiles of cash accumulated as the trade revival that began last year spurred profit. Bank lending slid 2.1 percent in June, matching the biggest drop in almost five years, the central bank said today, an indication that firms remain reluctant to borrow.

Companies "are just sitting on their cash," said Martin Schulz, senior economist at Fujitsu Research Institute in Tokyo. "They have limited plans of investing in Japan because most corporations do not expect the domestic economy to come back strongly."

Today's machinery report contrasts with a Bank of Japan survey last week that showed large companies aim to increase spending by 4.4 percent in the year ending March 2011, the first gain in three years.

Computer-memory chip maker Elpida Memory Inc. is among firms that are planning to spend more as prospects improve. The Tokyo-based company plans to more than double its investment budget to 115 billion yen this fiscal year.

Still, Japan can't count on continued surges in overseas demand for much longer, according to economist Tatsushi Shikano.

"Overseas economies will probably begin to lose steam at the end of the year," said Shikano, senior economist at Mitsubishi UFJ Securities Co. in Tokyo. "That means exports and production may lose momentum, leading to a halt in the increases in capital spending."

Toyota files to recall 90,000 cars in Japan

Compiled from Kyodo, AP

Toyota Motor Corp. filed Monday with the transport ministry for a domestic recall of more than 90,000 cars spanning eight models, mostly the luxury Lexus brand, due to an engine defect.

Along with simultaneous recalls abroad, some 270,000 vehicles will be affected.

The domestic recall, which begins Friday, covers 91,903 cars in seven Lexus models — the top of the line LS460 sedan, LS600h, LS600hL, GS350, GS450h, GS460 and IS350 — as well as the Toyota Crown, according to the automaker and the ministry.

The cars subject to the recall were manufactured between July 27, 2005, and Aug. 21, 2008.

The defect in the engine valve spring produces an unusual sound, results in engine malfunction and in the worst cases shuts down the engine while the car is moving.

In its recall notice to the ministry, Toyota said it will replace the defective valve springs with reinforced springs.

It will inform its customers by direct mail or telephone.

The company said it has received 220 complaints in relation to the valve springs, but no reports of accidents have been linked to the defect.

Toyota identified the cause as the presence of very tiny foreign substances in the valve spring, saying it failed to take out the foreign substances, which could weaken the strength of the valve spring.

Toyota has announced it will also recall in the United States about 138,000 Lexus vehicles, including the LS460. Including Japan, about 270,000 vehicles worldwide are expected to be recalled due to the defective engine valve springs.

Expenditures linked to the latest recall at home and abroad are expected to reach ¥20 billion.

The latest woes come on top of a recall last week for 17,000 Lexus hybrids after tests showed fuel can spill during a rear-end impact.

Analysts said Monday's recall did little to instill consumer confidence after Toyota President Akio Toyoda, facing shareholders last month, vowed to improve vehicle quality inspections.

"It is not doing a good job in communicating a message about what exactly it is doing to beef up quality checks," said Shotaro Noguchi, an auto analyst with Nomura Securities Co. "So it is hard for people to believe Toyota is taking the customer's view as it is promising to do."

The latest development could deal yet another blow to the company's efforts to redeem its reputation for quality vehicles through stricter quality control checks, as more than 8 million vehicles have been recalled worldwide since last autumn.

Honda bike price cut JJI Honda Motor Co. will slash domestic prices of its motorcycles by 10 percent to 30 percent over the next two to three years, officials said Monday.

The manufacturer hopes to cut prices to levels similar to those in 2000, or before domestic demand tumbled, the officials said.

Honda currently sells about 45 models. Prices will be cut as each model is revamped, the officials said.

For example, the low-end 250cc Forza is likely to be priced at about ¥130,000 less than the current ¥693,000.

Nissan plans hybrid, green tech

YOKOHAMA (AP) Nissan is readying a new hybrid system for its Fuga luxury model, set to go on sale later this year, while revamping technology for regular gas engines to send a green message.

Nissan Motor Co. is a leader among global automakers in zero-emission electric cars, with its Leaf to be rolled out in a few months.

But its engineers said Tuesday that green offerings for conventional cars are in the works because vehicles with gasoline engines still make up the bulk of Nissan's models.

Environmentally friendly features in the works include idling-stop, which turns off the engine when the vehicle comes to a temporary stop such as at a traffic light, and a unique way of injecting fuel into the engine to boost efficiency.

The main attraction in a presentation at Nissan's global headquarters was the hybrid technology for the Fuga, sold as the Infiniti in Japan, which comes with two clutches, allowing the vehicle to coast along as an electric vehicle longer than if it came with one clutch.

Yokohama-based Nissan declined to disclose the mileage for the hybrid but said it will be comparable with a compact, which would translate to about double the mileage for a sedan.

Nissan did not give a price but promised it would be reasonable, saying the two-clutch hybrid system is relatively cheaper and simpler compared with rival hybrids.

Corporate Vice President Shuichi Nishimura said the automaker is also making engines lighter and reducing friction in moving parts.

All that will be packed in the remodeled March subcompact, also known as the Micra for Nissan's alliance partner Renault SA, rolling out later this month in Japan, he said.

Whether such technology will be offered elsewhere will depend on demand in each region, officials said.

The idling-stop feature — which other Japanese carmakers offer, including Mazda Motor Corp. — is good for stop-and-go traffic common in Japan and Europe, but not for the United States, they said.

In Japan, 20 models, or slightly more than a third of Nissan products, are categorized as green, said Takao Katagiri, senior vice president.

"We want our customers to recognize Nissan as having a wide range of progressive ecological cars," he said.

Toyota expands recall of Lexus cars to U.S.

NEW YORK (Kyodo) Toyota Motor Corp. on Tuesday filed a recall of 138,874 luxury Lexus vehicles sold in the United States over an engine defect.

The move follows a recall in Japan of more than 90,000 Lexus vehicles and the Toyota Crown luxury sedan over the same problem, which was filed with the transport ministry Monday.

Subject to the recall in the U.S., filed with the Department of Transportation, are 2006-2008 Lexus models, including the top-of-the-line LS460 sedan, IS350, GS460, GS450h and the LS600hL models.

Toyota plans to recall 270,000 vehicles worldwide due to defective engine valve springs.

The automaker has said the defect produces an unusual sound, results in engine malfunction and in the worst case stalls the engine while the car is moving.

In late June, Toyota announced it will recall about 17,000 units of the 2010 model of its hybrid Lexus HS250h in the United States over concern that it may cause a fuel spill in a rear-end collision.

Imported auto sales rise 11.7%

Kyodo News

Sales of new imported vehicles, including those produced at Japanese automakers' overseas plants, increased 11.7 percent from a year earlier to 97,282 vehicles in the first half of this year, an industry body said Tuesday.

It was the first rise in the January-June period in four years.

The increase is partly due to the popularity of small imported vehicles that are subject to tax breaks and subsidies, an official of the Japan Automobile Importers Association said.

By brand, Volkswagen topped the ranking with sales of 24,862 vehicles, up 32.5 percent. Mercedes-Benz ranked second with 15,556 sales, up 13.2 percent, followed by BMW at 14,184, up 6.5 percent.

Bankruptcies fell 14.7% in first half

Kyodo News

Corporate bankruptcies are down 14.7 percent in the first half compared with the same period a year ago, a credit research firm said Thursday.

Bankruptcies fell to 5,989, according to Teikoku Databank, which credited the rare drop to the ongoing economic recovery and the legal easing of loan repayment terms for small businesses.

The decline is the first since Teikoku Databank started tracking the data under its current criteria in April 2005.

The liabilities left by the failures fell 9.6 percent to ¥4.15 trillion, but rose from the ¥2.21 trillion logged in the second half of 2009, it said.

Toyota Extends Auto Development Time to Boost Quality

By Alan Ohnsman - Jul 7, 2010

Toyota is spending an average of four weeks more on development, Executive Vice President Takeshi Uchiyamada told reporters. Photographer: Nelson Ching/Bloomberg

Toyota Motor Corp. is taking more time to develop cars and trucks and faces higher expenses as the world's largest carmaker seeks enhanced vehicle quality following its worst recall crisis.

The company is spending an average of four weeks more on development to allow for added quality checks and has expanded its quality review group to 1,000 engineers, Executive Vice President Takeshi Uchiyamada told reporters today in Toyota City, Japan, where the automaker is based. Such efforts will probably increase costs for the next year or two, he said.

“Temporarily, the cost might increase,” said Uchiyamada, who is leading Toyota’s product quality and manufacturing operations. “But by improving the development process, we’ll better stabilize quality.”

Toyota is working to regain a reputation for quality after recalling about 8 million vehicles worldwide for defects linked to unintended acceleration. It’s also preparing to recall 270,000 Lexus and Toyota cars for a flaw that may cause engines to stall, and faces further questions from a U.S. congressional committee about its models.

The average vehicle development time for a model for the Japanese market has been 24 months, Uchiyamada said.

Toyota in May created the “design quality innovation division” that’s now working with vehicle development teams to ensure flaws are caught and corrected before models go into production, Katsutoshi Sakata, the group’s general manager, told reporters today.

Sales Effect

Recalls have hurt Toyota's U.S. sales and market share. Toyota for June reported a 6.8 percent increase from a year earlier, compared with the industrywide gain of 14 percent and Hyundai Motor Co.'s 35 percent surge. Toyota's first-half U.S. sales rose 9.9 percent, trailing the industry's 17 percent.

Toyota has also fallen behind Ford Motor Co. in the U.S., with market share of 15.1 percent, down 0.9 percentage point from a year earlier, while Ford's has risen to 17.5 percent, according to Autodata Corp.

Along with increased reviews of components, engines, transmissions and electronics, Toyota is spending more time with customers as part of the development process to understand how they use the vehicles in daily driving, Sakata said.

"Under the current difficult situation, we want to know, what were the phenomenon that caused problems," Uchiyamada said.

The carmaker in April recalled Lexus GX sport-utility vehicles for a handling defect found by Consumer Reports magazine and is completing repairs of cars and trucks worldwide for the flaws linked to unintended acceleration.

Toyota's American depository receipts rose 97 cents to \$71 at 4:03 p.m. in New York Stock Exchange composite trading. They have fallen 16 percent this year.

E-book sales enter brisk chapter

By KAZUAKI NAGATA

Staff writer

Japan's electronic book market gained about ¥10 billion in sales last year to reach ¥57.4 billion and is expected to exceed ¥130 billion in five years, a research company said Thursday.

According to Impress R&D, a Tokyo-based information technology research firm, sales in fiscal 2009 overwhelmingly came from e-books for cell phones — ¥51 billion — while ¥6 billion was spent on content for computers.

Comic books, or "manga," for cell phones have been leading the growth, but new types of e-book readers, including smart phones and Apple's iPad tablet computer, are expected to see dramatic growth over the next few years, said Masahiro Kitagawa, an expert on the e-book industry and an executive of Impress Holdings Inc., which owns Impress R&D.

"E-book sales for cell phones are expected to stay the same or decrease a bit. New platforms will join the market and will probably lead the growth," Kitagawa said during a seminar at the Tokyo International Book Fair, which runs through Sunday at Tokyo Big Sight.

With the boost from new platforms, sales of e-books should top ¥130 billion by fiscal 2014, Kitagawa said, adding that the pace of growth will depend on how quickly the Japanese publishing industry adjusts to provide strong content.

He said the environment is starting to pick up this year.

With the iPad's debut providing a boost, this year is considered by many to be the beginning of the e-book era, and people in the Japanese publishing industry and related fields are trying to make the most of it at the fair, which has drawn about 1,000 companies from 30 countries.

Many companies, regardless of size, are displaying e-book related products and gadgets, including viewing software and e-book rental services.

Internet giant Google Inc.'s booth in particular was drawing a lot of attention Thursday as the company pitched its Google Books and Google Editions services.

Partnering with more than 20,000 publishers and authors, Google Books enables users to search through the full text of books and then take users to online bookstores where those books are available for purchase.

Google Editions is a service where users pay a fee to read books stored in Google's servers. It will start in the U.S. this year, while the launch in Japan is not yet decided.

Toyota open to China pay hikes

Benefit seen in raising middle class, buyers

NAGOYA (AP) Toyota Motor Corp. is open to raising the wages of workers in China, where a series of strikes have disrupted its operations in that fast-growing market, the automaker's president said Friday.

Akio Toyoda said raising wages in China would bring some benefits, like helping to create a middle class of consumers who can go out and buy Toyota vehicles. He said managers and workers need to communicate better in China, adding that they share the same goal of building quality vehicles.

"It's not all bad for us" to raise the wages of Chinese workers, Toyoda told a group of U.S. reporters at a Toyota museum in Nagoya.

Toyota, as well as rival Honda Motor Corp., have been forced to halt production repeatedly at car assembly plants in China since mid-May because of strikes at affiliated suppliers. The strikes

have since inspired labor unrest at a number of other foreign-operated factories in China, where workers complain of low wages and poor conditions.

China is a popular location for international companies to locate their production because they often enjoy a lower cost of labor there. It is also one of the fastest-growing automotive markets and last year overtook the U.S. as the world's largest car market.

But demands for higher wages and other rising costs are forcing some companies to rethink their China operations. Many are striving to stay profitable by shifting factories to cheaper areas farther inland or to other developing countries. A few Western corporations have even shifted some production back home.

Toyota Executive Vice President Shinichi Sasaki told reporters the company is still a newcomer in China and is still working to understand that market.

"We really have to understand the mindset of the Chinese workers in our personnel management," Sasaki said. "We are a young company in China."

Denso to up output

BLOOMBERG Denso Corp., Toyota Motor Corp.'s largest component supplier, plans to expand production capacity in China over the next 12 months as rising demand outweighs concerns that labor costs in the nation will increase.

Denso, the world's biggest listed auto parts maker, will add "several hundred thousand units" of capacity in China, mostly to make air conditioners for cars, according to Chief Executive Officer Nobuaki Katoh. One of Denso's joint-venture plants in China halted production for 4 1/2 days in June as workers walked out demanding higher wages.

"Demand in China is very strong," Katoh said in a recent interview in Kariya, Aichi Prefecture, near the company's base. "We need to add to our readiness step by step."

Car sales in China, the world's largest auto market, rose 10.9 percent from a year earlier to 839,228 units in June as the economy expanded 11.9 percent in the first quarter. Toyota plans to start building 100,000 Corolla cars a year at its factory in Changchun in the first half of 2012. Honda Motor Co., Japan's second-largest carmaker, aims to expand capacity in China by 28 percent by the second half of 2012.

At least eight strikes since May have forced suppliers to Toyota, Honda and Nissan Motor Co. to raise wages in China, increasing carmakers' costs. Honda agreed to offer a 24 percent pay increase to 1,910 yuan (\$282) a month to workers at Honda Auto Parts Manufacturing Co. in Foshan, Guangdong Province.

Denso hasn't disclosed how much it raised wages to end the walkout at Denso Guangzhou Nansha Co., a joint venture in Guangzhou, Guangdong Province.

Wages will probably continue to rise in China, and "there isn't much impact on our profitability," Katoh said. "Having more frequent conversations with employees and deepening communication is the most fundamental way" to avert further strikes, Katoh said.

Profit this year may exceed Denso's forecast on strong sales in Japan and the U.S., Katoh said. Expiring subsidies for cars in Japan in September and possible declining consumer confidence in Europe have made the outlook for the second half of this year less certain, he said.

Denso, which makes battery-control computers and electric-current sensors for Toyota's gasoline-electric hybrid cars, said April 28 it expects net income to rise 34 percent to ¥98 billion in the year ending March 31. Profit may be as much as ¥114 billion, according to the average of 15 analyst estimates compiled by Bloomberg.

Denso is aiming to halve its production costs for parts to be used in carmakers' low-cost models for emerging markets, Katoh said. The company will increase procurement of materials and components in the countries it sells in, he said.

NEC sets supercomputer goals

Bloomberg

NEC Corp. aims to double its share of the global supercomputer market in the next four years by increasing sales in Europe, a market where industry leaders IBM Corp. and Hewlett-Packard Co. may be easier to challenge.

Japan's largest personal computer maker will increase to 5 percent its share of the supercomputer market by 2014, Fumihiko Hisamitsu, general manager of NEC's high-performance computing division, said at the company's Tokyo headquarters Monday.

NEC's plan to expand in Europe mirrors a strategy announced this year by rival Fujitsu Ltd., which said in May it aims to tap rising demand in Germany, France and the U.K. to increase its market share to 10 percent from 2.2 percent in the next five years. U.S.-based IBM and HP control about 80 percent of the market, according to supercomputer-ranking Web site Top500.

"The barrier to entry in Europe is lower than in the U.S., where there's a 'buy American' mentality," Hisamitsu said. "There's a potential for us to grow our business there."

While supercomputers that fill entire buildings are still mainly found in military and research labs, smaller systems are used by companies to design cars, test drugs and do other tasks that require massive calculating power. The world market for high performance computers, including machines that cluster standard servers, will expand 10 percent annually through 2014, Hisamitsu said.

NEC, which took the world record for computer speed with its Earth Simulator in 2002, estimates its supercomputer division will break even this fiscal year on sales of ¥20 billion to ¥30 billion.

Fujitsu is building what it says will be the world's fastest computer when completed in 2012 at the Institute of Physical and Chemical Research near Osaka. The machine, the size of half a soccer field, will string together 80,000 processors and be able to perform 10 quadrillion calculations a second, more than four times as many as the current record holder, a computer called Jaguar built by Cray Inc. and housed at the Oak Ridge National Laboratory in Tennessee.

Kan eager to lower corporate tax

Kyodo News

Prime Minister Naoto Kan has expressed his eagerness to lower corporate taxes as early as fiscal 2011, ahead of a proposed hike in the consumption tax.

He made the remarks on TV Tokyo, saying it will be possible to incorporate a plan to reduce corporate taxes in a government taxation blueprint, to be adopted late this year, for the next fiscal year starting April 1.

Kan has repeatedly spoken of the need to lower corporate taxes from around the current 40 percent as a means of increasing Japanese companies' international competitiveness.

Socio-Cultural Front:

Modified genes found in wild plant

Kyodo News

Wild plants growing near a national highway in Mie Prefecture carry genes of a genetically modified rapeseed, possibly as a result of crossbreeding with imported rapeseeds that were lost during transportation, a survey by a citizens group has found.

Cases of crossbreeding between genetically modified rapeseeds and normal rapeseeds for horticultural purposes have occurred in the past, the group said.

However, the latest finding of crossbreeding between the wild plant — a flowering plant in the cabbage family known as *Rorippa indica* that grows in Southeast Asia as well as Japan — and the artificially modified rapeseeds could be the first case of intercrossing found in the wild in Japan.

"As the possibility that modified genes could spread among wildlife emerged, we are concerned that it could have an impact not only on farming products but also on ecosystems," Masaharu Kawata, a Yokkaichi University lecturer who was involved in the survey, said Friday.

The group conducted the survey in mid- and late June.

Grappler ties sumo gambling to gangs

Kyodo News

A former sumo wrestler suspected of having played a key role in a gambling scandal rocking Japan's national sport recently admitted to police that a syndicated crime organization was involved in illegal gambling on baseball games, investigative sources said Saturday.

The 34-year-old, who had earlier confessed that he served as a bookmaker for gambling on baseball games, said during police questioning that the crime group involved is affiliated with a major gang based in western Japan.

A special oversight panel investigating the illegal gambling, set up by the Japan Sumo Association, said late last month that it could not confirm such ties between wrestlers and organized crime groups.

The former wrestler once belonged to the Onomatsu stable and is believed to have acted as an intermediary in setting up sumo wrestlers with bookies. In this regard, the Metropolitan Police Department suspects that wrestlers and sumo elders may not have had any direct ties with gang members, according to the sources.

Konishiki: Individuals should be punished, not all of sumo

Bloomberg

Sumo wrestlers caught gambling should be punished individually instead of as a group, ex-champion Konishiki said, citing the example of Major League Baseball's Pete Rose.

Sumo's governing authority Sunday banned a wrestler and coach for life after they admitted betting on professional baseball games. The centuries-old sport is struggling to contain the gambling scandal and the allegations of connections to organized crime.

"Pete was expelled from the major league for gambling, but the MLB was not blamed for Pete," Konishiki, a Hawaiian-born wrestler who retired in 1997, said in an interview Sunday in Tokyo. "What happens past 6 o'clock is each wrestler's privacy, and needs to be separated from what happens within sumo."

A three-month investigation in 1989 found that Rose bet on baseball games during his time as manager of the Cincinnati Reds, leading to him being barred from baseball and disqualified from selection for the Hall of Fame.

More than 65 members of the Japan Sumo Association have admitted to illegal gambling on baseball, mah-jongg and card games.

Konishiki, 46, the all-time heaviest competitor at more than 300 kg who reached the second-highest rank of ozeki, said wrestlers should be punished as individuals.

"Regardless of whether they were sumo wrestlers or not, what they did was illegal and they need to be held responsible for that," he said.

Sumo, which weaves aspects of the Shinto religion into matches, including a purification ritual that involves throwing salt before bouts, is seeking to protect ¥8.5 billion in annual tournament revenue and repair a reputation already tarnished in recent years by allegations of assault, trainee abuse and drug use.

The association decided Sunday to remove wrestler Kotomitsuki and stablemaster Otake after an emergency board meeting.

Other wrestlers who owned up to gambling have been suspended from competing in the next tournament.

NHK, which has broadcast sumo tournaments since 1953, has said it may cancel coverage of the 15-day Nagoya event that begins next Sunday unless the association takes "sufficient" measures to address the gambling scandal.

"There's people out there who truly look forward to watching the games, so I want them to continue broadcasting them," Konishiki said.

"There are many people whose income depends on the tournament, and I'm glad the wrestlers who weren't involved in the scandal are able to wrestle."

Fuji Xerox Co. and at least four other companies have pulled their sponsorship of the Nagoya tournament.

Suicide rate down 7.4% this year

Kyodo News

Suicides between January and June dropped 7.4 percent from a year earlier to 15,906, the National Police Agency said Tuesday in a preliminary report.

The fall is believed to reflect the government's various measures to address the increase in suicides, which surpassed 30,000 for the 12th straight year last year, although the pace remains on track to exceed the figure again this year.

In June alone, the number of suicides fell 3.5 percent from a year earlier to 2,758 — 1,896 men and 862 women — for the 10th consecutive monthly decline.

However, the pace of the decline has slowed. It was 16.7 percent in April and 10.0 percent in May.

(Cyber Space) More memory, same price for PS3

Bloomberg

Sony Corp. will introduce a new model of its PlayStation 3 video game console July 29 that offers more memory at the same price as the previous machine.

The company will sell a 160-gigabyte model for ¥29,980, the same price at which Sony had previously offered its 120-gigabyte console, the company said Tuesday. A 320-gigabyte model will sell for ¥34,980.

The effective price cut follows a similar move by rival Microsoft Corp.

Just 13% of designated hospitals ready for child organ donations under new law

Kyodo News

Only 13 percent of hospitals identified as organ donor institutions will be ready to handle organs from brain-dead children when revisions to the transplant law come into force later this month, according to a survey of health facilities.

The percentage rises to 29 percent if hospitals expecting to be prepared by the end of the year are included.

The revisions coming into force July 17 will recognize brain-dead people as legally deceased and pave the way for children under 15 to also be organ donors.

The survey covered hospitals identified as organ donor institutions by the Japan Organ Transplant Network, the nation's sole organization certified to act as an intermediary between donors and recipients.

Of the 337 hospitals, including pediatric hospitals, that will become donor institutions under the revised law, 223 replied to the survey, a response rate of about 66 percent.

While 218 hospitals replied to the question about preparedness for organ donations from children, 85 said they will either be prepared for donations regardless of the donor's age or for transplants only from children.

Asked when they will be prepared, 29 said they can handle donated child organs immediately, while 35 replied they will be ready by the end of the year.

The survey also found that 123 hospitals are prepared to deal with adult organs.

Over 50% of homeless want chance to vote

Kyodo News

About 57 percent of homeless people expressed a desire to vote in an election, according to results of a survey conducted by supporters released Wednesday.

A group promoting exchanges among supporters of the homeless in Kagoshima Prefecture took the initiative in conducting the survey at parks, Internet cafes and other places in Tokyo and Kanagawa, Kyoto, Fukuoka, Kagoshima and Okinawa prefectures between late June and earlier this month, ahead of Sunday's House of Councilors poll.

Of 392 people surveyed who are unable to vote because they do not have resident registration, 222 of them, or 56.6 percent, said they would like to vote if allowed to do so, while 157, or 40.1 percent, said they do not want to vote, according to the survey.

Of the total, 305 people, or 77.8 percent, said they have voted in the past.

An official of the group said: "Homeless people tend to be thought of as having nothing to do with an election. But many of them were forced into losing their resident registration and became unable to vote."

The association plans to file a petition with the government, demanding it let people without such registration vote.

Kobe-area cattle farmers hope foot-and-mouth steers clear

The Associated Press

KOBE — Prized for its tender, marbled texture and succulent flavor, Kobe beef is a delicacy that can cost ¥19,000 for a slab of steak at some restaurants.

But cattle farmers near Kobe are worried an outbreak of foot-and-mouth disease in Miyazaki Prefecture, another key beef-raising region that often supplies calves to Kobe breeders, could spread to them as well — and impact the nation's premium beef market for years to come.

"I have to think seriously about the risk," said Shigefumi Tanimoto, a rancher for more than 20 years on Awaji Island, Hyogo Prefecture. "If foot-and-mouth disease came to Kobe, I could lose everything."

The disease broke out about two months ago in Miyazaki. To keep it from spreading, more than 270,000 animals were destroyed, including several valuable stud bulls, bred to sire calves with optimal fattiness. Under a state of emergency declared by Gov. Hideo Higashikokubaru, people who lived in particular areas were urged not to travel, and vehicles leaving the prefecture had to have their wheels disinfected.

So far, the outbreak appears to have been contained, and no cows in the Kobe region have been found infected. Last week, the government said it completed preventive measures, allowing Miyazaki-area residents to travel freely.

But the disease is highly contagious and the virus can be spread by water droplets, shoes, vehicles and other means.

"Foot-and-mouth disease is notorious for its ability to spread widely by many means especially animal movements," said Peter Roeder, an animal health expert and adviser for the U.N. Food and Agriculture Organization.

But given the strong steps authorities have taken, he sees only a very low likelihood of the disease spreading.

The virus causes lesions inside the mouth and on hooves, sometimes resulting in lameness. Calves are much more at risk of dying than older cattle. Humans can't get infected from eating contaminated meat, but there have been rare cases of transmission from direct contact with sick animals.

All Japanese beef exports have been suspended since April 20. The nation exported 565 tons of beef, worth ¥3.8 billion in fiscal 2009 through March, according to the Agriculture, Forestry and Fisheries Ministry. The ministry doesn't break down exports of premium "wagyu" beef, which includes Kobe and Miyazaki brands.

The culling of cattle will reduce the supply of meat available and drive up prices, farmers and experts say.

And even if the disease is contained, the killing of so many cows is a heavy blow to the market for wagyu because it means many farmers in Kyushu will have to restart the selective breeding process that has been key to producing the high-quality meat.

"Usually it takes two to three years to raise and fatten cattle before slaughtering," said Yasuhiro Nakashima, a professor of food and agricultural economics at Tokyo University. The breeding process to replace lost stud bulls could take much longer, experts say.

About 1,300 Miyazaki cattle are sold to the Kobe region every year, according to the agriculture ministry. But this year, sales were postponed or canceled because of the outbreak.

Restaurant owners who specialize in Kobe beef say their products are untainted, but they worry consumers still will avoid the meat. Past scares about mad cow disease and bird flu have hit their businesses, said Kazuho Miyasu, 48, owner of the Kobe steak house Miyasu.

"It usually takes four to five years to get our customers back after so much damage," Miyasu said.

The origin of the virus that causes the disease is still unknown, but prefectural officials say it is similar to a strain found in South Korea.

Masakazu Onishi, owner of Kobe's Teppankyaki Onishi, said he agrees slaughtering cattle suspected of having the disease is the only way to eradicate it, but he sympathizes with farmers.

"Some farmers care for their calves like their own family members," Onishi said. "I would be devastated if I were them."

Back on Awaji Island, Tanimoto said the disease — if it does spread — could destroy years of hard work.

"In the past 20 years I have raised four generations of cattle," he said. "Foot-and-mouth disease would wipe out my business."