

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

**Weekly report on South Korea & Japan**

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**Wajid Hussain**

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- Despite DPJ's decline, Renho's star still rising
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- 53% of Upper House members back hike in sales tax
- ¥2 billion in shady accounting at 11 ministries
- Trader indicted over export to N. Korea

- Toyota, Nissan Invest \$1.2 Billion to Expand Production in Latin America
- NTT agrees to buy S. Africa's Dimension
- Finance Chief Says His `Severe' Fiscal Situation Similar to Government's

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- Thousands urged to evacuate homes as heavy rains hit Japan
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**South Korea**

**Politico-strategic front:**

**(Cyber Space) Twitter election campaigns illegal** The court has laid down guilty verdicts to people indicted for spreading messages in support of their favorite election candidates through the micro-blogging service Twitter. The rulings are in line with the National Election Commission (NEC)'s guideline that prevents politicians and their supporters from using Twitter for promotional activities starting from 180 days ahead of voting.

**Pyongyang ready to resume six-party talks** North Korea is ready to rejoin the six-party negotiations on its denuclearization, its state-run media said Saturday. But a senior government official in Seoul stressed Sunday that the talks will remain stalled until Pyongyang apologizes for the March sinking of a South Korean warship, and proves its true willingness to denuclearize the Korean Peninsula.

**'Delay in command transfer reflects Seoul's security need'** President Lee Myung-bak said Monday the recent agreement between South Korea and the United States to delay the transfer of wartime operation control (OPCON) by three years to 2015 was based on Korea's current security situation.

**Ruling party to pick new leaders today** Amid intensifying mudslinging among the 11 candidates, the governing Grand National Party (GNP) will hold a national convention in a gymnasium in Southern Seoul today to elect five decision-making Supreme Council members, including the chairman.

**Talks planned between UN Command and N. Korea postponed** A working-level meeting scheduled Tuesday between the United Nations Command and North Korea was postponed at Pyongyang's request, the command said.

**By-election campaigns start** The 13-day official campaigning for the July 28 National Assembly by-elections starts today, with candidacy registration having been completed Wednesday. The DP has yet to reach a compromise with any of the opposition parties

**Gov't panel draws up guidelines for 'death with dignity' bill** A group of medical and ethics experts as well as governmental officials suggested Wednesday a set of guidelines for the National Assembly to reflect on for a pending bill allowing doctors to halt excessive life-sustaining treatment on terminally ill patients. The guidelines are expected to set standards for the practice.

**UN Command, NK discuss ship sinking** Officers from the U.S.-led United Nations Command (UNC) and North Korea met Thursday to discuss matters regarding the holding of generals' talks on the sinking of the South Korean Navy ship Cheonan, defense ministry officials said. The two sides discussed the timing of the talks and other procedural matters, an official said, asking not to be identified.

**Scholars want President to be given less power** A group of scholars called for the government to push through an amendment to the Constitution, Friday, aimed at reducing presidential power. In a conference at the National Assembly to mark the 62nd Constitution Day, they claimed that the direction of the revision should be aimed at decentralizing the power of the president. Priority should be given to reaching a consensus through open discussions, they said.

**FM vows to prevent recurrence of tragedies involving foreign wives** The foreign ministry on Friday expressed its condolences to the family of a Vietnamese woman killed by her South Korean husband in Busan last week and to the people of Vietnam, vowing to ensure no similar incident happens again in the future.

**Obama Defends Stimulus Grants to Electric-Car Battery Plants** President Barack Obama travels today to the construction site for a battery factory to defend his economic stimulus program, as polls show the U.S. public isn't convinced of its success and is wary of a growing deficit.

**North Korea Cancels Talks With UN Command Over Sinking of South's Warship** North Korea canceled talks with officials from the United Nations Command aimed at discussing the sinking of a South Korean warship for the first time. The meeting was canceled for "administrative reasons" and no new date was proposed, the UN Command said in an e-mailed statement today. The U.S.-led military body oversees an armistice agreement in place since the end of the Korean War.

## **Economic Front:**

**Korea Electric Power's Unit May Build \$1.6 Billion Power Plant in India** Korea East-West Power Co. may build a \$1.6 billion coal-fired power plant in India, it said in an e-mailed statement today. The unit of Korea Electric Power Corp. concluded initial agreement on the project with Sahara India Power Corp., according to the statement.

**South Korea Industries to Invest \$18.5 Billion in Clean Energy Projects** South Korea's 30 major industrial groups plan to invest 22.4 trillion won (\$18.5 billion) by 2013 in clean energy, including batteries and solar power, to benefit from the government's spending on environment-friendly projects.

**Korea Air to hike int'l airfare by up to 10%** Korean Air, the nation's largest air carrier, will hike its international airfares by up to 10 percent next month capitalizing on surging overseas travel demand by Koreans amid improving economic conditions and the strengthening of the local currency. Asiana Airlines and low budget carriers are also expected to follow suit.

**Kawasaki Heavy May Buy Steel Plates From China, South Korea for First Time** Kawasaki Heavy Industries Ltd., Japan's third-largest maker of heavy machines, may buy steel plates from China and South Korea for the first time to build ships if domestic prices rise too much.

**Posco Profit Almost Triples to \$989 Million on Higher Steel Prices, Demand** Posco, Asia's third-largest steelmaker, posted its third straight gain in quarterly profit after increasing prices and production on revived demand from automobile and appliance makers. Second-quarter net income almost tripled to 1.2 trillion won (\$989 million) from 430.5 billion won a year ago, Pohang, South Korea-based Posco said today in a statement. That fell short of the 1.46 trillion won average of 22 analysts' estimates compiled by Bloomberg. Sales in the three months ended June 30 gained 25 percent to 7.93 trillion won.

**South Korea's Unemployment Rate Climbs as Government Job Programs Wane** South Korea's unemployment rate rose for the first time in five months in June as government employment programs began to wind down. The jobless rate climbed to 3.5 percent from 3.2 percent in May, which was the lowest level since October 2008, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures. The rate hit a 10-year high of 4.8 percent in January.

**G20 Seoul summit to tackle global financial stability** International Monetary Fund (IMF) chief Dominique Strauss-Kahn said Wednesday that he would cooperate closely with the Korean government for a successful hosting of the G20 Seoul Summit in November, the presidential office said.

**Hyundai Elevator May Pay More in Bond Sale on Loan Dispute With Creditors** Hyundai Elevator Co., South Korea's largest elevator-maker by sales, plans to sell 80 billion won (\$67 million) of bonds to repay maturing debt, according to two people familiar with the matter.

**Murchison Metals Says Posco Australian Unit Raised Shareholding to 13.91%** Murchison Metals Ltd. said Posco's Australian subsidiary has increased its shareholding in Murchison to 13.91 percent, making it the company's largest shareholder.

**Zuma's Nephew Khulubuse Says Daewoo Venture Will Expand Across Africa** Khulubuse Zuma, a nephew of South African President Jacob Zuma, said a venture between a company he owns and Daewoo Shipbuilding & Marine Engineering Co. will ship energy commodities throughout Africa.

**South Korea's Honam Acquires Malaysia's Titan Chemicals for \$1.25 Billion** Honam Petrochemical Corp. will acquire Malaysia's Titan Chemicals Corp. in an all-cash deal valued at \$1.25 billion in South Korea's biggest overseas acquisition this year.

**100 more workers allowed to enter Gaeseong site** The Ministry of Unification said Friday that it has eased the restrictions on the joint Gaeseong Industrial Complex in North Korea, by allowing the entry of 100 more South Korean workers. The ministry notified the 121 companies operating in the complex of the additional number of personnel allowed access.

## **Social Front:**

**(Cyber Space) Males more positive about finding dates through Twitter** The match-making company Duo surveyed 257 people earlier this month on people's attitudes toward finding dates through a social network service (SNS) such as Twitter, me2DAY and Facebook and it found that males are more in favor of meeting new dates in this manner. According to the survey, 88 percent of men said they were positive about establishing a new relationship with the opposite sex through an SNS, while 62 percent of women were negative.

**SNU professor accused of fabricating paper** Seoul National University (SNU) professor's paper, published in an international science journal, was found to have been based on fabricated data, the state-owned school said Monday. The school said it will soon officially inform Nature Materials, a U.K.-based monthly journal, of its finding that the professor's paper used manipulated data.

**232 suicide attempts in Han River in 1st half** A total of 232 people attempted suicide in Seoul's Han River in the first half of the year, but preventative measures are still pending due to budget issues. According to Seoul City Monday, 166 people jumped from bridges over the Han River and 66 people entered the water from its banks in the six months up to June. Of them, 47 were found dead.

**Game firms frustrated over smartphone snag** South Korea has been injecting new life into the smartphone party, but outdated local regulations have prevented game developers from joining the fun.

**(Cyber Space) SK Telecom to go strong with Wi-Fi** SK Telecom, the country's biggest mobile-phone carrier is talking with major handset vendors like Samsung Electronics and Apple to provide smartphones that work on its second-generation (2G) cellular network.

**North Korea's health care system is in a "dire": Amnesty International** North Korea's health care system is in a "dire state" where amputations are carried out without anesthesia, Amnesty International said in a report released today.

**Seoul among world's 10 most competitive cities** A top Chinese think tank has named Seoul as one of the 10 most competitive cities in the world, Xinhua News Agency reported Wednesday. The capital city ranked ninth on the list of global urban competitiveness compiled by the Chinese Academy of Social Sciences, jumping three spots from its 2008 listing.

**Ministers tackle environmental damage** Health Minister Jeon Jae-hee and Environment Minister Lee Maan-hee Thursday urged their counterparts from 13 other Asian countries to take joint action against environmental and health issues sweeping the globe.

**(cyber Space) Korea fifth largest junk email producer** South Korea ranked fifth on the list of nations producing junk emails in the second quarter of the year, information technology security firm Sophos said Friday. The world's most wired country accounted for 4.2 percent of the world's spam during the three-month period, the fifth largest in the world. But the firm didn't reveal the exact number of spam mails produced by Koreans.

**Miss Korea 2009 to represent Amore Pacific** Kim Joo-ri, Miss Korea 2009, will be the face of Amore Pacific's V=B, a beauty vitamin product, according to her agency IM Company, Friday.

## Japan

### Politico-strategic Front:

**Parties in last-ditch appeals to voters** Polls indicate DPJ likely to lose majority; Political leaders on Saturday made last-minute efforts to drum up voter support in some of the most hotly contested constituencies in Sunday's Upper House election.

**Ruling bloc loses Upper House majority** The Democratic Party of Japan-led ruling coalition lost its Upper House majority on Sunday as Prime Minister Naoto Kan's sudden emphasis on tax reform pushed voters back to the Liberal Democratic Party. Of the 121 seats up for grabs, the DPJ secured 44, compared with 51 for the LDP.



**Kan, Edano blamed for DPJ defeat** As the ruling Democratic Party of Japan scrambled to get back on its feet Monday a day after voters took away the coalition's Upper House majority, the blame game was quick to commence and the two key targets were Prime Minister Naoto Kan and DPJ Secretary General Yukio Edano. DPJ lawmakers reportedly demanded a shakeup in the party's leadership, including the resignation of Kan and Edano.

**Current, former junior coalition partners lose seats in election** The Democratic Party of Japan's current and former coalition partners didn't fare well in Sunday's Upper House election, dimming their hopes of retaining their strategic influence in the political arena.

**52% spurn Cabinet but OK with tax hike** The disapproval rate for the Cabinet of Prime Minister Naoto Kan has risen to 52.2 percent, while the approval rate has plunged to 36.3 percent, the latest poll by Kyodo News showed Tuesday. In the poll conducted Monday and Tuesday after Sunday's Upper House election, in which Kan's Democratic Party of Japan suffered a heavy loss, 52.8 percent said the prime minister doesn't need to resign. Only 15.2 percent wanted him to step down.

**Overseas voter turnout around 24%** Overseas voter turnout stood at 24.4 percent in the proportional representation segment of Sunday's Upper House election, while that for single- and multiseat districts came to 23.7 percent.

**Despite DPJ's decline, Renho's star still rising** Renho's popularity was surging even before she started campaigning in Tokyo on June 24. Although DPJ candidates languished in Sunday's election, Renho cruised to victory with a whopping 1.71 million votes, the most ever in the Tokyo district for an Upper House election. Underlining Renho's accomplishment is the fact that she spent only five days in the 17-day official campaigning period in her own constituency. She used most of the time shuttling from district to district across the nation to stump for other DPJ candidates. Renho gained nationwide attention as a straight-shooting cost-cutter, coated with her soft charm and sharp wit, during sessions to weed out wasteful spending.

**Survey: 73% say Kan can stay** Seventy-three percent of voters said there is no need for Prime Minister Naoto Kan to resign over his ruling Democratic Party of Japan's poor showing in Sunday's Upper House election, an Asahi Shimbun survey showed. Only 17 percent of respondents said Kan should resign.

**Military helicopter deployment to Sudan nixed** The Japanese government has decided not to send military helicopters to Sudan to help oversee a referendum on independence in the south of the country, Chief Cabinet-Secretary Yoshito Sengoku said Tuesday.

**South Korean national living in Japan cleared of spy charges** A Japanese resident imprisoned by South Korea for nearly six years as a North Korean spy was cleared of the charges by the Seoul High Court on Thursday. Lee Jong Soo, a 51-year-old South Korean national living in

Kyoto, was arrested for spying for Pyongyang when he went to study in South Korea in the early 1980s.

**JAXA hopes to launch Hayabusa 2 mission in 2014** The Japan Aerospace Exploration Agency (JAXA), still basking in international acclaim for the Hayabusa space probe's seven-year journey to an asteroid and back, is planning to launch its successor in 2014.

**Japan dumps pier plan, to use reclaimed land for Futenma move** The government has abandoned plans to build a pier-type facility for the relocation of the U.S. Futenma air station in Okinawa Prefecture and will instead reclaim land as decided under a 2006 agreement, sources said.

## **Economic Front:**

**S&P: Election negative for ratings** Standard & Poor's said Monday the Democratic Party of Japan's stunning defeat in the Upper House election will act as a "negative factor" on Japan's sovereign ratings. This is because a "hung" Diet is the most likely outcome, which will make it difficult for the government to implement structural reforms, including to the public pension system, as well as an increase in the consumption tax rate, S&P said.

**California next target in high-speed rail bid, transport official says** Japan may send a sales delegation to California early next year, following visits to Washington and Chicago, as it steps up efforts to win U.S. orders for train makers that built the world's first bullet train in 1964. Japan may hold a seminar in the state as early as January,

**BOJ to face pressure to fight deflation** Pressure on the Bank of Japan to fight deflation is likely to increase following the coalition government's defeat in the Upper House election, economists said.

**China sales fall 2.7% after strikes** Honda Motor Co.'s sales to dealers in China fell 2.7 percent in June as strikes at parts makers led the automaker to suspend production, creating a shortage of vehicles. Sales fell to 50,113 units during the month, Honda said Monday in an e-mailed statement, while rising demand for cars pushed up sales 22 percent in the first half of the year from the same period a year earlier. Honda's China sales also fell 10.3 percent in May from a year earlier, the company said.

**China Watchdog Orders Recall of 2,443 Trucks With Mitsubishi Fuso Chassis** China has ordered a recall of 2,443 trucks with chassis made by Mitsubishi Fuso Truck and Bus Corp. from July 15, the General Administration of Quality Supervision, Inspection and Quarantine said today in a statement on its website.

**Magazine puts Nomura tops in China research** Nomura Holdings Inc. placed first in China research by Institutional Investor magazine's inaugural All-China Research Team ranking. The Tokyo-based company won 14 total team positions, beating Citigroup Inc. and Goldman Sachs Group Inc., which tied for second place, the magazine said on its Web site. BofA Merrill Lynch Global Research was in fourth place, followed by Deutsche Bank AG. Chinese stocks are the worst performers in Asia this year, with the Shanghai Composite Index falling 24 percent on concern that government efforts to curb inflation and property speculation will slow the world's third-largest economy.

**Bond sale nets Sapporo ¥12 billion** Sapporo Holdings Ltd. issued ¥12 billion in bonds in its first debt sale since June 2007. The company, which initially planned to raise about ¥10 billion, priced the five-year, 0.96 percent bonds to yield 30 basis points more than the yen swap rate.

**Rabigh Refining Signs Accord to Provide Petrochemicals to Saudi Companies** Rabigh Refining and Petrochemicals Co., a joint venture between state-owned Saudi Aramco and Sumitomo Chemical Co. of Japan, signed an agreement to provide petrochemicals to Saudi Advanced Industries Co. and National Industrialization Co., according to a statement on the Saudi bourse website today.

**53% of Upper House members back hike in sales tax** More than 50 percent of Upper House members are in favor of raising the consumption tax rate within five years, even though the issue was blamed for the ruling party's setback in Sunday's election, a survey shows. Prime Minister Naoto Kan drew sharp criticism for broaching the issue ahead of the election.

**¥2 billion in shady accounting at 11 ministries** The internal affairs ministry said Tuesday it has found accounting irregularities totaling ¥2.06 billion in budgets and subsidies at 11 ministries and an agency in the three years to fiscal 2008. Of the sum tallied from Board of Audit reports and each entity's internal probes, ¥1.17 billion administered by six ministries and an agency, or 57 percent of the total, was comprised of subsidies used improperly by local governments, the Internal Affairs and Communications Ministry said.

**Trader indicted over export to N. Korea** FUKUOKA (Kyodo) have indicted the president of a trading company in Kumamoto Prefecture for illegally exporting to China a power shovel that can be used in the development of weapons of mass destruction and which was later transported to North Korea. Hiromitsu Tsutsumi, 63, of Yatsushiro, was arrested last month.

**Toyota, Nissan Invest \$1.2 Billion to Expand Production in Latin America** Toyota Motor Corp. and Nissan Motor Co. will invest a combined \$1.2 billion to expand production in Latin America amid growing regional and export demand. Toyota is spending \$600 million on a new car plant in the Brazilian state of Sao Paulo, the company said in a statement, and Nissan is spending the same amount to expand Mexican production to build three new models, Chief Executive Officer Carlos Ghosn said in Mexico City yesterday.

**NTT agrees to buy S. Africa's Dimension** Overseas push seen to reverse declining sales; Nippon Telegraph & Telephone Corp. agreed to buy South Africa's Dimension Data PLC for £2.1 billion, or ¥286 billion, to expand in the faster-growing computer-services market, NTT said Thursday.

**Finance Chief Says His `Severe' Fiscal Situation Similar to Government's** Japanese Finance Minister Yoshihiko Noda says he knows how important it is to contain the nation's growing debt load, drawing from first-hand experience of being a borrower himself.

## **Social Front:**

**(Cyber Space) Sales of fake Japanese goods spread on Chinese Web sites** Increasing numbers of counterfeit Japanese goods such as watches and cosmetics are spreading on Chinese online shopping sites, according to a recent investigation by the Ministry of Economy, Trade and Industry.

**Thousands urged to evacuate homes as heavy rains hit Japan** Hundreds of thousands of people in western and southern Japan have been urged to evacuate their homes as heavy rains caused mudslides and flooded houses, killing two and leaving some missing. The Meteorological Agency said early on Thursday that torrential rain was expected to hit western and eastern Japan later in the day.

**Ex-skipper admits fixing games** The Japanese former manager of a Taiwanese baseball team pleaded guilty Tuesday to fixing games and fraud. Appearing at the Banciao District Court in Taipei County, Shin Nakagomi pleaded guilty to five counts of game-fixing after confessing June 25 to the offenses, which took place in 2008 and 2009 and led to the prosecution of some of Taiwan's most prominent baseball players.

## **South Korea**

**Detailed News;**

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

**(Cyber Space) Twitter election campaigns illegal**

The court has laid down guilty verdicts to people indicted for spreading messages in support of their favorite election candidates through the micro-blogging service Twitter.

The rulings are in line with the National Election Commission (NEC)'s guideline that prevents politicians and their supporters from using Twitter for promotional activities starting from 180 days ahead of voting.

Twitter, which combines the strengths of blogs and instant messaging services, enables users to send and receive short messages of up to 140 characters on personal computers and mobile devices.

The Busan District Court said Sunday that it had slapped a fine of 1.2 million won (\$1,000) on a 52-year-old for engaging in illegal election campaigning using Twitter.

The accused, identified only by his surname Lee, was among followers of a candidate running for the education superintendent of the nation's second largest city in the June 2 local elections and posted supportive messages.

"It's acknowledged that the accused publicized messages using the service in order to promote a certain candidate," presiding Judge Kang Kyung-tae said. "Given the nature of the Internet, which is characterized by openness and mass circulation, his messages could damage the fairness of the elections."

According to the court, Lee became a follower of the candidate in March and posted messages advocating him at least 16 times on Twitter.

In the meantime, another Twitter user, surnamed Choi, was fined 800,000 won for posting a video clip favorable to a candidate who ran for the mayor of Busan.

"His activity evidently undermined the fairness of the election so that rigorous punishment is deemed necessary," Judge Kang ruled. "But I mitigated the sentence after taking into consideration that he posted only one clip and the candidate was a teacher he revered."

Fortunately, the court verdicts were in accordance with the NEC's stance but any discord between the two parties over the use of Twitter during elections could be reignited at any time because of the absence of laws governing the issue.

The NEC's ban on the use of Twitter from 180 days ahead of voting was first applied to the June 2 local elections. The decision touched off a heated debate in political circles and the blogosphere.

Although the NEC cited the Korean Election Law that bans politicians from distributing promotional material and other content "with a similar purpose" from 180 days ahead of the voting date, the politicians eagerly responded to the social media bandwagon question whether a Twitter clampdown would be over-the-top.

“We see Twitter as a new service that combines the features of existing Web services like homepages and e-mail, so it’s natural that Twitter applies under the same rules as those,” said an NEC spokesman.

“Should we spot campaign violations or messages distributing misinformation about certain politicians or political parties, we will request the service provider to delete the content immediately. For illegal content from foreign accounts, we could request Twitter to block the account and prevent access to Korean Internet users.”

Meanwhile, the June 2 elections showed how mighty the latest online social networking tool is in attracting voters.

Many celebrities and ordinary citizens posted thousands of messages on the latest online social networking tool, encouraging fellow users to exercise their right to vote. Thanks partially to such messages the voter turnout for the recent elections was much higher than expected; nearly 55 percent of eligible voters cast a ballot nationwide, the second highest turnout since the first local elections in 1995 when the figure stood at 68.4 percent.

### **Pyongyang ready to resume six-party talks**

North Korea is ready to rejoin the six-party negotiations on its denuclearization, its state-run media said Saturday.

But a senior government official in Seoul stressed Sunday that the talks will remain stalled until Pyongyang apologizes for the March sinking of a South Korean warship, and proves its true willingness to denuclearize the Korean Peninsula.

The North's announcement came after a U.N. Security Council presidential statement released Friday did not directly blame the North for the sinking of the South Korean frigate Cheonan on March 26 in the West Sea, in which 46 sailors were killed.

In the statement, the UNSC condemned the attack and called for resuming direct dialogue to settle issues on the Korean Peninsula. But it fell short of laying blame on North Korea amid fierce opposition from China, the North's last major ally.

"We take note of the presidential 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,'" the North's Korean Central News Agency quoted an unnamed foreign ministry spokesman as saying.

The spokesman added, "The Cheonan case should have been settled between the North and the South without referring it to the U.N."

A six-party agreement signed in 2005 by the two Koreas, the U.S., China, Japan and Russia calls for a peace treaty on the Korean Peninsula to replace the armistice, in addition to the North's denuclearization, in exchange for economic aid and diplomatic recognition by Washington.

"The DPRK (North Korea) will make consistent efforts for the conclusion of a peace treaty and denuclearization through the six-party talks conducted on an equal footing," the official said.

But the spokesman also warned that if "hostile forces" continue to provoke the North despite the U.N. call for peaceful dialogue, they will be met with "strong physical retaliation" and escalation of the conflict.

Despite this, Pyongyang's reaction to the presidential statement, in light of its repeated warnings of military retaliation against such a measure, is being seen as relatively muted.

Seoul's foreign ministry urged Pyongyang to prove its commitment to denuclearization as the first step toward establishing a peace regime on the peninsula.

"North Korea, above all, must clearly show its will toward denuclearization," spokesman Kim Young-sun told reporters.

Seoul will consult closely with the other four members of the talks and watch North Korea closely as Pyongyang decides on the future path of the denuclearization process, Kim said.

Washington, meanwhile, refrained from responding to the North's offer to resume the talks.

"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 told reporters.

### **'Delay in command transfer reflects Seoul's security need'**

President Lee Myung-bak said Monday the recent agreement between South Korea and the United States to delay the transfer of wartime operation control (OPCON) by three years to 2015 was based on Korea's current security situation.

"Some people are voicing criticism over the adjustment of the OPCON transfer, stressing the importance of autonomous national defense," Lee said in a pre-recorded address to the nation, broadcast on KBS1 Radio and YouTube.

"However, the rescheduling constitutes a choice that is substantive and autonomous in nature, and in accordance with Korea's needs."

At his bilateral summit with U.S. President Barack Obama on the sidelines of a G-20 meeting in Toronto, Canada, in late June, both leaders agreed to delay the transfer of wartime control of

South Korean troops to Dec. 1, 2015 from the original target date of April 17, 2012, set by their predecessors.

The Lee administration requested the rescheduling amid North Korea's continued military provocations highlighted by a second nuclear test last year and a deadly torpedo attack on a South Korean naval ship in March.

Seoul handed over its military command to the U.S.-led United Nations Command (UNC) shortly after the outbreak of the 1950-53 Korean War. Seoul regained its peacetime OPCON in 1994, but the wartime OPCON remains in the hands of a four-star general who commands the 28,000 U.S. troops stationed in South Korea.

Lee pointed out that the North Atlantic Treaty Organization (NATO), which is controlled by a U.S. commander, is a basic framework for the security of Europe with a number of strong countries.

“There are many political powers in Europe; yet NATO, which is headed by an American commander, serves as the bedrock of security in the region. The issue of OPCON must also be understood within the larger context of the security of East Asia and the world as a whole,” Lee said.

He said his administration will build up sufficient deterrence capabilities in the coming years, and make sure that the OPCON transfer is implemented successfully in a seamless manner in 2015.

Despite such efforts, there will be no increase in the country's defense expenditures associated with the continued stationing of American forces in Korea, Lee stressed, citing the Special Measures Agreement announced in 2009 to freeze the costs at the current level for the next five years.

The President also said the summit with Obama produced an unexpected breakthrough in the stalled process of getting parliamentary approval for a free trade agreement (FTA) between the two nations signed in 2007.

“By setting a target date and urging an expeditious compromise, President Obama made public a strong commitment to have it ratified at the earliest possible date,” Lee said.

### **Ruling party to pick new leaders today**

Amid intensifying mudslinging among the 11 candidates, the governing Grand National Party (GNP) will hold a national convention in a gymnasium in Southern Seoul today to elect five decision-making Supreme Council members, including the chairman.



"Regretfully, there have been incidents that give the public the impression that the national convention has turned into a dog fight," Rep. Kim Moo-sung, interim leader of the party, said Tuesday, on the eve of the leadership race, urging the candidates to stop negative campaigning.

Slandering of rival candidates, however, continued as they made last-ditch efforts to woo voters.

The biggest target of attack has been Rep. Ahn Sang-soo, former floor leader of the party, who has been accused of dodging mandatory military duty and blindly following the instructions of the presidential office.

"The GNP will be labeled as a military-dodgers' party, if someone who was on the run for 10 years and exempted from the honorable duty due to old age is elected as the party's leader," Ahn's archrival Hong Joon-pyo said.

On Monday, Hong made Ahn's military records public stating that Ahn refused to join the military for more than 10 years until he reached 30, the age limit after which conscripts are no longer obliged to serve compulsory military duty.

The age limit has been raised to 36, following the passage of a revised bill submitted by Hong in 2009.

Hong and Ahn, both four-term lawmakers and former prosecutors, are reportedly leading the race, followed by two-term lawmaker Chung Doo-un.

Rep. Kim Sung-sik, a reform-minded candidate, has also been vocal about Ahn's military dodging.

"If Ahn becomes the new chairman of the party, it will add a great burden to the administration, which is seeking a breakthrough after the crushing defeat in the June 2 local elections," Kim said.

The candidate who secures the most votes will become the new GNP chairman for the next two years, a crucial time for the conservative party which is reeling from a humiliating defeat in the local elections to regain popularity for the 2012 National Assembly elections and presidential poll.

If no female candidate places in the top five in the election, the one who garners the most votes will automatically become a Supreme Council member as party regulations stipulate that at least one of the five Supreme Council members must be a woman.

Na Kyung-won is currently the strongest female candidate running in the race and is likely to win a seat.

### **Talks planned between UN Command and N. Korea postponed**

A working-level meeting scheduled Tuesday between the United Nations Command and North Korea was postponed at Pyongyang's request, the command said.

The talks were to discuss the sinking of a South Korean warship in March.

### **By-election campaigns start**

The 13-day official campaigning for the July 28 National Assembly by-elections starts today, with candidacy registration having been completed Wednesday.

Eight seats are up for grabs, including one for the Eunpyeong district in Seoul where Lee Jae-oh, a close confidant of President Lee Myung-bak, from the governing Grand National Party (GNP) was elected three consecutive times until he was defeated by Moon Kook-hyun of the Creative Korea Party in 2008. Moon was stripped of his seat last year after being convicted of violating the Election Law.

Chang Sang of the main opposition Democratic Party (DP), who was formerly president of Ewha Womans University in Seoul, is challenging Lee Jae-oh's ambition to return to the National Assembly.

Chang appears to have a slim chance of winning the election unless candidates of other opposition parties withdraw their candidacy to support her.

Pundits say Cheon Ho-seon, former chief of staff for the late President Roh Moo-hyun, running on the ticket of the People's Participation Party (PPP), is splitting the opposition vote.

The seven other parliamentary seats are in constituencies in Incheon and Gwangju, and Gangwon and Chungcheong provinces.

Observers forecast it will be an uphill battle for the governing party as most of the districts are known to be the home turf of opposition parties.

The GNP, which holds a majority in the legislature, was defeated in seven of the districts in both the 2008 National Assembly elections and last month's local elections. It only held Wonju in Gangwon Province,

DP officials said they are confident that they can secure victory in at least five of the districts.

However, it might be too early for the liberal party to lower its guard since significantly more prominent figures will be running on the GNP's ticket in Eunpyeong and in Chungcheong Province.

In the June 2 local elections, opposition parties formed an alliance to field united candidates in an effort to curb the ruling party's dominance, but the prospect of such a coalition is dim as the DP is reluctant to yield any seats.

Asked about the PPP's proposal that the DP withdraw its candidacy in Eunpyeong in return for supporting its candidate in Gwangju, Secretary General Lee Mi-kyung did not hesitate to express her skepticism.

"That's very unlikely to happen," Lee said in a radio program, adding that the DP fully conceded to the demands of minor opposition parties in the previous local polls.

The DP has yet to reach a compromise with any of the opposition parties.

### **Gov't panel draws up guidelines for 'death with dignity' bill**

A group of medical and ethics experts as well as governmental officials suggested Wednesday a set of guidelines for the National Assembly to reflect on for a pending bill allowing doctors to halt excessive life-sustaining treatment on terminally ill patients.

The guidelines are expected to set standards for the practice.

A government consultative group of 18 including doctors, university professors, a lawyer and civil servants have held seven meetings to systemize the "death with dignity" act since last December.

Though they haven't reached a consensus on every issue, they have agreed that the practice could be conducted on patients in the terminal stage of illnesses including those in persistent vegetative and brain-dead states.

Removing artificial devices such as respirators or following "do not resuscitate" (DNR) instructions is allowed. But cutting off water and nutrition supply will be banned because the patient may still have to receive other medical treatment.

Patients will be required to sign a consent form after consulting with their doctors for a minimum of two weeks. Verbal confirmation will also be acknowledged.

An ethics committee must be created at medical facilities allowing death with dignity and the Ministry of Health and Welfare will establish an oversight commission.

Whether to follow a patient's request will be decided by the concerned doctors and the former's legal guardians. However, if they cannot reach a decision, it will be referred to the respective hospital's ethics committee. If any dispute ensues, a court will give a final ruling.

Quality of life

Lawyer Shin Hyun-ho, a member the group, said the guidelines were to codify actions that in reality are already in practice.

"About 180,000 people die of illnesses a year at medical institutions here. Among them, only 30,000 are on life-sustaining equipment while others die without artificial efforts. This means that in the actual world, the stoppage of excessive treatment has already been settled," he said.

Hur Dae-seog, the director in charge of the National Evidence-based Healthcare Collaborating Agency, said the guidelines will mainly benefit patients who have no hope being cured and are in extreme pain from unwanted, elongated treatment.

"Using life sustaining devices or performing resuscitation may leave only pain, which substantially lowers the quality of life. It is the patients who call for the cessation of treatment. Their families follow the order because they cannot stand the enormous amount of pain their loved ones suffer," he said.

After a series of debates, the group couldn't come to an agreement regarding whether to let a third party — family members or other legal guardians — sign the consent form for the patient.

Professor Koh Youn-suk of Asan Medical Center and head of the Korea Society for Medical Ethics stressed that some acknowledgement was necessary.

"In Korean culture, family members are given nearly equal legal status as the person being treated. Accepting family members' requests for terminating treatment has long been accepted in other countries," he said.

Currently the U.K., Australia, Taiwan, Japan, Albania, Denmark, Netherlands, Belgium and several states in the U.S. have adopted such a proactive measure at differing levels; allowing family members to make decisions for comatose patients under strict monitoring by doctors.

However, Professor Lee Sang-won of Chongshin University remains opposed to the idea.

"There is always the chance that doctors can make the wrong diagnosis. There is always the chance that families do not understand the desires of the patient. If death is involved, we should always pay extra attention to it rather than just go with the international flow," he said.

The agreed guidelines will be submitted to parliament where lawmakers are studying the pros and cons of the pertinent bill.

The bill was submitted in response to a Supreme Court ruling in 2008 allowing the removal of a respirator from a woman in a persistent vegetative state. The ruling triggered disputes but also highlighted the discussion on the right for people to choose death with dignity.

**UN Command, NK discuss ship sinking**

Officers from the U.S.-led United Nations Command (UNC) and North Korea met Thursday to discuss matters regarding the holding of generals' talks on the sinking of the South Korean Navy ship Cheonan, defense ministry officials said.

The two sides discussed the timing of the talks and other procedural matters, an official said, asking not to be identified.

No details were made available after the 90-minute meeting held at the truce village of Panmunjeom, the first of its kind since the March 26 sinking of the warship in the West Sea. Col. Kurt Taylor led the UNC delegation, while Col. Pak Ki-yong represented the North.

Since 1998, the UNC and North Korea have held the generals' talks as a channel to ease tensions. If the two sides agree to hold them again, they will be the 17th of their kind, the UNC said.

The UNC has conducted an investigation on whether the sinking violated the Armistice Agreement that ended the 1950-53 Korean War; the results of which have not been released.

A multinational probe concluded in May that the ship was sunk after being torpedoed by a North Korean submarine, but the North has denied this.

The meeting that was originally scheduled for Tuesday was abruptly called off by the North just before it was set to begin for what it cited as "administrative reasons." Later that day, Pyongyang proposed to reschedule the meeting for Thursday, and the UNC agreed.

Last week, the U.N. Security Council condemned the attack that killed 46 South Korean sailors, but stopped short of explicitly blaming the North. Pyongyang initially rejected the meeting with the UNC, but changed its stance just ahead of the release of the statement by the Security Council.

### **Scholars want President to be given less power**

A group of scholars called for the government to push through an amendment to the Constitution, Friday, aimed at reducing presidential power.

In a conference at the National Assembly to mark the 62nd Constitution Day, they claimed that the direction of the revision should be aimed at decentralizing the power of the president.

Priority should be given to reaching a consensus through open discussions, they said.

Korea, which witnessed former President Roh Moo-hyun take his own life, should put an end to its outdated presidential system that produces lame duck presidents toward the end of their terms, and split the public into liberals and conservatives during presidential elections, professor Kim Chul-soo of Seoul National University(SNU) said.

He proposed that the country adopt a German-style parliamentary Cabinet system of government or one where the president distributes some of his authorities to the Cabinet and the National Assembly.

Seong Nak-in, another SNU professor, called for a new presidential system where the President shares power with the prime minister.

"Without changing the fundamental of the Constitution, Korea should seek to decentralize the highly concentrated power belonging to the president," Seong said.

He also said that Korea should consider changing its five-year, single-term presidency to a U.S.-style four-year one with the possibility of reelection.

On Thursday, Ahn Sang-soo, leader of the governing Grand National Party (GNP), urged the adoption of a decentralized presidential system, though some opposition lawmakers and potential candidates for the 2012 presidential poll, including former GNP chairwoman Park Geun-hye, are against curtailing presidential power.

As for Ahn's proposal, Park Ji-won, floor leader of the main opposition Democratic Party (DP), agreed on the need for constitutional change, saying he is willing to discuss the issue if the GNP shows sincerity on the matter.

"There are many lawmakers within the DP who support constitutional change," Park said. "Though it is a little too late to discuss it, the DP is willing to talk if the GNP is willing to debate it sincerely,"

Park said that President Lee Myung-bak should have pushed for this move in the first two years of his presidency, if he were not to use it for political leverage ahead of the 2012 National Assembly and presidential elections.

A survey of 286 lawmakers, carried out by a local daily, showed that 191, or 88 percent of them, agree on the need for constitutional change.

### **FM vows to prevent recurrence of tragedies involving foreign wives**

The foreign ministry on Friday expressed its condolences to the family of a Vietnamese woman killed by her South Korean husband in Busan last week and to the people of Vietnam, vowing to ensure no similar incident happens again in the future.

Foreign Minister Yu Myung-hwan told Tran Trong Toan, the Vietnamese ambassador to South Korea, that the government will "do everything to prevent recurrences of such heinous crimes."

"I can assure you that my government will investigate this issue and make sure that we serve law and order and punish the criminal," Yu said.

The 20-year-old Thach Thi Hoang Ngoc was beaten and stabbed to death at her home by her 47-year-old husband, who had a history of mental disorder. The two had met through an international matchmaking service, which failed to check his past record of mental illness.

Toan stressed the need for both governments to ensure more transparency in international marriages.

"In the context that we have very good overall relations with Korea and Korean people, both sides need to cooperate more closely to verify the process of brokerage and help families achieve harmony and happiness," he said. "We should cooperate with the Korean government and people to further improve our relationship and this unfortunate case should not affect our overall relationship."

In response, Yu said the South will review the state of multicultural families and try to ensure proper naturalization and immigration processes.

There have been reports of domestic violence and human trafficking in international marriages between South Korean men and Southeast Asian women. In March, Cambodia placed a provisional ban on international marriages with South Koreans, citing fears of human trafficking through brokers.

Yu also donated money raised by the ministry staff to Toan, and asked him to give it to the family of the deceased. Toan expressed gratitude for the South Korean government's "concern and warm sentiment."

Home Minister Maeng Hyung-kyu also expressed his condolences and delivered a donation to the Vietnamese Embassy, vowing to prepare measures to prevent such incidents from happening again in the future.

In a move to join the efforts to improve the international marriage system, Seoul's state human rights watchdog called on the government to legislate related laws to meet the global standard for marriage migrants.

"The government should thoroughly investigate the cause of the killing and prevent such incidents that infringe upon marriage migrants' rights," the National Human Rights Commission said in a statement, noting it will also join efforts to reform the system.

## **Obama Defends Stimulus Grants to Electric-Car Battery Plants**

By Nicholas Johnston - Jul 15, 2010

President Barack Obama travels today to the construction site for a battery factory to defend his economic stimulus program, as polls show the U.S. public isn't convinced of its success and is wary of a growing deficit.

Obama will attend the groundbreaking in Holland, Michigan, of a factory for Compact Power Inc., a unit of South Korea's LG Chem Ltd. that got a \$151 million stimulus grant to make electric-vehicle batteries.

The completed factory will employ more than 300 workers to produce batteries for General Motors Co.'s Chevrolet Volt and Ford Motor Co.'s Focus Electric vehicles.

"None of this would have been possible without the Recovery Act," White House communications director Dan Pfeiffer told reporters on a conference call yesterday. He criticized Republican opposition to the \$862 billion stimulus.

"If they had their way we would not be breaking ground," he said. "These industries would not be created here."

Obama and other administration officials have stepped up their defense of the stimulus measure which was passed shortly after the president took office. The president spent a two-day trip to Missouri and Nevada last week talking about government spending on battery-driven trucks and tax credits that encourage clean-energy manufacturing.

An administration report released yesterday said the stimulus package will help encourage \$280 billion of investment by private industry and local governments that leads to job creation. About 3 million jobs have been "saved or created" by the legislation so far, the report said.

Republicans have said the stimulus is wasteful, hasn't reduced unemployment and has added to the record budget deficit.

'Fuzzy Math'

"No amount of Washington spin or fuzzy math can change the fact that the trillion-dollar stimulus is failing by the Obama administration's own standards," House Republican Leader John Boehner of Ohio said in a statement. "The American people have had enough of Washington Democrats' job-killing spending spree."

The White House hasn't made much progress in selling the stimulus spending to voters. Asked how their opinion of the stimulus has changed in recent months, respondents to a Bloomberg National Poll were divided almost evenly among those who say they had become more supportive, those who are less supportive and those who haven't changed their opinion.

Since the legislation was approved in February of 2009, the U.S. unemployment rate has climbed to 9.5 percent in June from 8.2 percent.

In his appearance today, Obama is to highlight \$2.4 billion in stimulus spending aimed at encouraging development of new battery and electric-vehicle technology.



According to a Department of Energy report, the spending will raise the U.S.'s manufacturing capacity for advanced- vehicle batteries from 2 percent of the world market to 40 percent by 2015.

“We can’t succeed in the 21st century relying on 20th century technology,” said David Sandalow, the Energy Department’s assistant secretary for policy and international affairs.

### **North Korea Cancels Talks With UN Command Over Sinking of South's Warship**

By Saeromi Shin and Shinhye Kang - Jul 12, 2010

North Korea canceled talks with officials from the United Nations Command aimed at discussing the sinking of a South Korean warship for the first time.

The meeting was canceled for “administrative reasons” and no new date was proposed, the UN Command said in an e-mailed statement today. The U.S.-led military body oversees an armistice agreement in place since the end of the Korean War.

North Korea has denied any involvement in the March attack, which left 46 sailors dead. The UN Security Council last week refrained from blaming Kim Jong Il’s regime for the sinking and North Korea accepted a proposal to hold working-level talks at its border with the South.

A South Korean-led multinational panel said in May that North Korea torpedoed the 1,200-ton Cheonan off the peninsula’s west coast near the disputed border. South Korea had sought a Security Council resolution condemning North Korea.

North Korea will continue its efforts to achieve a peace agreement and denuclearization through the six-party forum, the official Korean Central News Agency said on July 10. The disarmament talks have been stalled for 18 months.

## **Economic Front:**

### **Korea Electric Power's Unit May Build \$1.6 Billion Power Plant in India**

By Shinhye Kang - Jul 14, 2010

Korea East-West Power Co. may build a \$1.6 billion coal-fired power plant in India, it said in an e- mailed statement today. The unit of Korea Electric Power Corp. concluded initial agreement on the project with Sahara India Power Corp., according to the statement.

### **South Korea Industries to Invest \$18.5 Billion in Clean Energy Projects**

By Shinhye Kang - Jul 13, 2010

South Korea's 30 major industrial groups plan to invest 22.4 trillion won (\$18.5 billion) by 2013 in clean energy, including batteries and solar power, to benefit from the government's spending on environment-friendly projects.

The proposed investment from 2011 to 2013 is a 48 percent increase from 15.1 trillion won over the past three years, the presidential office said in a statement today.

Samsung Group, the nation's largest group, on May 11 unveiled a 23.3 trillion-won spending plan to expand into five new areas by 2020, including solar cells and batteries for electric vehicles. LG Group said in April it will invest 20 trillion won by 2020 to cut greenhouse-gas emissions and develop energy-saving products.

The government plans to spend as much as 15 trillion won on rechargeable battery technology by 2020 to boost competitiveness, the Ministry of Knowledge Economy said July 11.

South Korea, Asia's fourth-biggest crude oil importer, said last year it plans to invest 107 trillion won over the next five years to improve energy efficiency and help cut reliance on fossil fuels and boost economic growth.

### **Korea Air to hike int'l airfare by up to 10%**

Korean Air, the nation's largest air carrier, will hike its international airfares by up to 10 percent next month capitalizing on surging overseas travel demand by Koreans amid improving economic conditions and the strengthening of the local currency.

Asiana Airlines and low budget carriers are also expected to follow suit.

According to the Ministry of Land, Transport and Maritime Affairs Tuesday, Korean Air informed the ministry of its decision to increase its airfare between Incheon and destinations in North America, Europe and Oceania by 5 to 10 percent in August.

Flights bound for the United States and Canada will cost travelers 5 percent more, while those wanting to travel to Spain and other European countries, as well as Australia and New Zealand will have to pay 10 percent more.

For instance, first-class passengers on flights between New York and Incheon will pay 10.6 million won for a round-trip ticket, up 5 percent from the current 9.77 million won. First-class airfare between Incheon and Paris will increase by 10 percent to 9.33 million won from 8.48 million won.

The air carrier can raise airfares on these routes at its own discretion because it is required only to report price hikes to the government.

But if the airline firm wants to raise ticket prices for flights bound for China, Japan and Southeast Asia, it has to obtain prior permission from the ministry.

In June last year, both Korean Air and Asiana Airlines raised their international airfares to North America, Europe and Oceania by up to 15 percent. But those bound for other destinations have been frozen since 2006 as the government has not allowed any increase in prices.

“We have decided to boost ticket prices for some of our international routes by 5-10 percent next month to deal with growing fuel and other operating costs. Additionally, we haven’t been able to reflect the overall consumer price growth in our airfares over the past few years,” a Korean Air spokesman said.

He said that despite the rise in ticket prices, those who plan to travel to Europe and Australia will not likely pay substantially more, with the airline providing a range of discounts.

“Travelers bound for European and Oceania will not be affected much by the upcoming price increase. But those who go to North America will pay 5 percent more for tickets,” the official said.

Asiana Airlines has not yet decided whether to follow the footsteps of its larger rival. “We are contemplating many options at the moment. We will take a wait-and-see approach for the time being and then decide whether to raise airfare or not,” an Asiana Airlines spokesman said.

Early this month, Korea’s two national carriers hiked the fares by 10 percent on flights between Jeju and other domestic cities on Friday and weekends in time for the summer vacation season.

### **Kawasaki Heavy May Buy Steel Plates From China, South Korea for First Time**

By Masumi Suga - Jul 13, 2010

Kawasaki Heavy Industries Ltd., Japan’s third-largest maker of heavy machines, may buy steel plates from China and South Korea for the first time to build ships if domestic prices rise too much.

“We wouldn’t deny the possibility of using imported steel,” Nobumitsu Kambayashi, the president of Kobe, Japan- based Kawasaki Heavy’s shipbuilding unit, said yesterday in an interview. “If we fail to agree with domestic mills on prices and we find overseas-made steel offers an advantage in terms of quality, delivery and price, we will have to turn to it.”

Kawasaki’s comments come as Nippon Steel Corp. and JFE Holdings Inc. press customers to accept higher prices because of the increased cost of iron ore and coal, two key steelmaking raw materials. The move underscores the rising competition Japanese steelmakers face from China, whose five largest mills overtook Nippon Steel in terms of production last year, displacing it from its slot as the world’s second-largest steelmaker.

Kawasaki's venture with China Ocean Shipping Group Co. in Nantong, eastern China, has already purchased a small amount of steel for use in vessel handrails and stairs from Shanghai-based Baosteel Group Corp. on an experimental basis, Kambayashi, 62, said. Like Kawasaki's domestic shipyards, the Chinese venture buys higher-performance plates produced at Japanese mills including JFE.

Nissan Motor Co., Japan's third-largest carmaker, is evaluating Baosteel's products for global purchasing, the Chinese mill announced yesterday. Japan's Mitsui Engineering & Shipbuilding Co. this year received a sample of plate produced by Posco, South Korea's largest mill, and may use it after checking prices and services, spokesman Masatoshi Inui said yesterday in a phone interview.

### Price Negotiations

Price negotiations for the six months to Sept. 30 may drag on for another month, Kambayashi said. Kawasaki Heavy shares rose 1.9 percent to 219 yen on the Tokyo Stock Exchange, compared with a 0.4 percent drop on the Topix index.

To curb costs, Kawasaki Shipbuilding is also seeking to use futures contracts to hedge against price volatility of steel plates, Kambayashi said. Vessels are typically delivered to customers about three years after contracts are signed, making it hard for shipyards to pass higher costs onto buyers if prices fluctuate.

"We'd like to make use of futures if we can," Kambayashi said.

### Iron Ore Futures

Deutsche Bank AG and Credit Suisse Group AG started offering so-called iron-ore swaps in 2008. The swaps allow users to fix prices in advance for single cargoes. While Kambayashi is "interested" in the plan, his company might still have trouble hedging costs since it doesn't produce steel, he said.

The contract price of iron ore will rise more than 20 percent this quarter, JFE's steel unit President Eiji Hayashida said June 22. This would follow a 90 percent gain in the preceding quarter.

Japanese mills and domestic yards are in the final stage of talks to raise plate prices by 20,000 yen (\$225) a metric ton for the April-September period, the Japan Metal Daily said June 22, without giving price levels. Kawasaki Shipbuilding is still in negotiations and is asking mills not to raise prices, Kambayashi said.

JFE is Kawasaki's largest steel supplier. The group was formed in 2002 through the merger of NKK and Kawasaki Steel, which was spun off from Kawasaki Heavy in 1950.

“Shipbuilders and steelmakers have closely worked together in the postwar period,” he said. “We should continue walking along together,” Kambayashi said.

## **Posco Profit Almost Triples to \$989 Million on Higher Steel Prices, Demand**

By Sungwoo Park - Jul 13, 2010

Posco, Asia's third-largest steelmaker, posted its third straight gain in quarterly profit after increasing prices and production on revived demand from automobile and appliance makers.

Second-quarter net income almost tripled to 1.2 trillion won (\$989 million) from 430.5 billion won a year ago, Pohang, South Korea-based Posco said today in a statement. That fell short of the 1.46 trillion won average of 22 analysts' estimates compiled by Bloomberg. Sales in the three months ended June 30 gained 25 percent to 7.93 trillion won.

Posco, part-owned by Warren Buffett's Berkshire Hathaway Inc., and its rivals benefited as a global economic recovery spurred demand for steel used in cars and appliances. The mill, which derives about 70 percent of sales from the domestic market, increased prices by as much as 32 percent this year to offset higher costs of iron ore and coal.

“The earnings look good because Posco raised domestic prices and sales, helped especially by car-sheet demand,” Shin Yoon Shik, an analyst with Meritz Securities Co. in Seoul, said before the announcement.

Hyundai Motor Co. and Kia Motors Corp., South Korea's biggest automakers, led a 12th straight gain in monthly sales in June, with Hyundai's sales increasing 11 percent.

Posco, Asia's biggest mill by market value, fell 0.2 percent to close at 500,000 won today in Seoul. The local benchmark Kospi index was little changed. The announcement came after the stock market closed.

### **Higher Costs**

Crude steel production rose to 8.4 million metric tons in the second quarter from 7.1 million tons a year ago, the company said in a separate statement today. Product sales rose to 7.8 million tons from 7 million tons, it said.

Posco has fallen 19 percent this year on concern steelmakers may fail to pass on increased costs to customers. Brazil's Vale SA, the biggest supplier of iron ore, and BHP Billiton Ltd. this year broke with a 40 year-tradition of setting annual prices for iron ore and coal, winning as much as a 90 percent gain for April quarter contracts.

“Profit margins in the current quarter may shrink marginally as its latest price increases fell slightly short of cost gains.” Meritz Securities' Shin said.

Second-quarter operating profit was 1.84 trillion, Posco said today. Then company raised its full-year forecast for operating profit to 5.6 trillion won and sales to 33.5 trillion won.

JFE Holdings Inc., Japan's second-largest steelmaker, and two rivals agreed to a 12.5 percent price increase for coking coal with BHP Billiton for the July quarter contracts, three people with knowledge of the agreements said last month.

Regional steel prices may increase in the fourth quarter with Chinese government spending skewed to the second half because of "stable" steel demand, Park Chan Wook, an analyst with Deutsche Bank AG, said in a June 14 report.

Among Korean mills, Posco will be "the biggest beneficiary" of China's steel policy changes including the removal of export rebates and a potential appreciation of the Chinese yuan, Kim Jin Mook, an analyst with JPMorgan Chase & Co., said in a July 6 report.

### **South Korea's Unemployment Rate Climbs as Government Job Programs Wane**

By Eunkyung Seo and William Sim - Jul 13, 2010

South Korea's unemployment rate rose for the first time in five months in June as government employment programs began to wind down.

The jobless rate climbed to 3.5 percent from 3.2 percent in May, which was the lowest level since October 2008, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures. The rate hit a 10-year high of 4.8 percent in January.

South Korea last week joined India, Malaysia and Taiwan in raising interest rates as a recovering economy threatens to stoke inflation. The central bank this week boosted its 2010 economic growth and inflation projections, supporting the case for further increases in borrowing costs.

"Policy makers will closely watch if the economy can sustain its momentum amid Europe's debt crisis before making their next move," said Lee Sang Jae, a senior economist at Hyundai Securities Co. in Seoul. "The key is how much local demand will recover as exports remain strong."

The unadjusted jobless rate was 3.5 percent in June, compared with 3.2 percent in May, today's report showed. The number of employed people increased by 314,000 to 24.28 million last month from a year ago.

'Private Sector'

"The private sector is leading the job market recovery," Finance Minister Yoon Jeung Hyun said at a ministerial meeting in Gwacheon today. "Strong economic growth forced the central bank to

raise the interest rate last Friday. They will decide the pace and scope of further rate increases after considering various factors.”

The economy will expand 5.9 percent in 2010, more than the 5.2 percent predicted in April, the central bank said this week. It trimmed the estimate for next year to 4.5 percent from a previous 4.8 percent.

Bank of Korea Governor Kim Choong Soo said yesterday that Asian nations are focusing on promoting domestic demand, consumption and investment as the global economy isn't growing strongly

The Finance Ministry said June 24 that South Korea's economy may add 300,000 jobs this year, more than its previous forecast of 250,000 jobs, after shedding 72,000 last year. The annual jobless rate will be 3.7 percent, it said.

The won closed 0.9 percent lower at 1,212.30 per dollar in Seoul yesterday, the biggest decline since June 29, according to data compiled by Bloomberg. It has retreated 3.9 percent so far this year, Asia's worst performance.

The number of people self-employed or working in the public-service sector rose 2.3 percent and hiring in the manufacturing sector climbed 4.7 percent, today's report showed. People employed in the construction industry increased 3.8 percent from a year earlier, while jobs in the agricultural, fishery and forestry sectors declined 2.1 percent.

### **G20 Seoul summit to tackle global financial stability**

International Monetary Fund (IMF) chief Dominique Strauss-Kahn said Wednesday that he would cooperate closely with the Korean government for a successful hosting of the G20 Seoul Summit in November, the presidential office said.

During his courtesy call on President Lee Myung-bak at Cheong Wa Dae, Strauss-Kahn, who is on a visit to Seoul to participate in an economic conference, praised Korea on its globalization efforts, saying the G20 meeting will pave the way for a stronger partnership between Korea and the IMF.

President Lee asked the IMF to play a greater role in ensuring global financial stability, which will be one of the key topics at the Seoul summit.

"Stressing the importance of the summit in finding binding solutions to the global economic crisis, Lee asked the IMF to help countries find common ground on challenging issues," Cheong Wa Dae said in a press release.

As host of the meeting of the world's 20 wealthiest nations, Seoul has vowed to prioritize setting up the global financial safety net for emerging and less-developed nations and stepping up reform of the financial governance structure.

Officials here said the G20 will focus on accelerating reform of the IMF and the World Bank, and addressing the needs of developing nations to promote a more balanced global growth.

President Lee has made it clear that he will mediate between developed and emerging economies to address their conflicting views and, for his part, increase Korea's stake in deciding on the future course of the global economy.

"Close policy coordination between Korea and the IMF is crucial to move the global economy forward," Lee said at the meeting with the IMF managing director.

### **Hyundai Elevator May Pay More in Bond Sale on Loan Dispute With Creditors**

By Jungmin Hong - Jul 14, 2010

Hyundai Elevator Co., South Korea's largest elevator-maker by sales, plans to sell 80 billion won (\$67 million) of bonds to repay maturing debt, according to two people familiar with the matter.

The two- and three-year notes may pay coupons of 5.9 percent and 6.3 percent respectively, said the people, who asked not to be identified before a final decision.

Investors are demanding a higher risk premium to buy the debt because of a conflict with creditors, who said this month they won't provide new loans to Hyundai Elevator and eight affiliates until the group signs an agreement to reorganize its finances, one of the people said.

Senior unsecured debt issued by the Icheon, Gyeonggi-based company is rated A, the sixth-highest investment grade by Korea Investors Service Inc. The average coupon paid on A rated two- year notes issued by South Korean companies was 4.67 percent yesterday and 5.2 percent on three-year bonds, according to data compiled by the Korea Financial Investment Association.

Telephone calls to Hyundai Elevator's main office seeking comment weren't answered.

Hyundai Elevator has 80 billion won in bonds due in November and paid a 6.5 percent coupon when it sold 30 billion won of three-year notes last September, according to data compiled by Bloomberg.

### **Murchison Metals Says Posco Australian Unit Raised Shareholding to 13.91%**

By Victoria Batchelor - Jul 15, 2010



Murchison Metals Ltd. said Posco's Australian subsidiary has increased its shareholding in Murchison to 13.91 percent, making it the company's largest shareholder.

### **Zuma's Nephew Khulubuse Says Daewoo Venture Will Expand Across Africa**

By Michael J. Kavanagh - Jul 15, 2010

Khulubuse Zuma, a nephew of South African President Jacob Zuma, said a venture between a company he owns and Daewoo Shipbuilding & Marine Engineering Co. will ship energy commodities throughout Africa.

Zuma will sell 49 percent of his Impinda Group to Daewoo, the world's second-biggest shipbuilder, the Seoul-based company said yesterday. The purchase will help reduce the South Korean's company's dependency on building vessels and Daewoo will help Impinda expand its commodity transportation business, it said.

"Impinda will be shipping gas, oil, coal," Zuma said in an interview from Johannesburg today. "It could be in South Africa or Congo or somewhere else," he said. Initially the company will focus on South Africa.

The Democratic Republic of Congo awarded two other companies in which Zuma is involved oil exploration blocks 1 and 2 in Congo's Lake Albert on June 18. The companies, Caprikat Ltd. and Foxwhelp Ltd., are incorporated in the British Virgin Islands.

"There's no link between Impinda and Caprikat and Foxwhelp yet," Zuma said. "There could be in the future."

Daewoo Shipbuilding will jointly manage Impinda to help it win more contracts to move cargo, Daewoo said. Impinda is currently in talks with at least three mining companies to transport raw materials, Daewoo added, without elaborating.

While the Johannesburg-based South African Press Association reported yesterday that Impinda is co-owned by a Congolese investor, Zuma said he is the sole owner.

Zuma is also chairman of Aurora Empowerment Systems Ltd., a Johannesburg-based gold mining company.

### **South Korea's Honam Acquires Malaysia's Titan Chemicals for \$1.25 Billion**

By Shinhye Kang and Seonjin Cha - Jul 16, 2010

Honam Petrochemical Corp. will acquire Malaysia's Titan Chemicals Corp. in an all-cash deal valued at \$1.25 billion in South Korea's biggest overseas acquisition this year.

South Korea's second-largest ethylene maker will buy all of Titan's stock for 2.35 ringgit (73 cents) a share, the Malaysian company said in a statement today. That's a 27 percent premium to Titan's closing price of 1.85 ringgit yesterday. Honam will pay 1.5 trillion won (\$1.25 billion) for the purchase, the Seoul-based company said in an e-mailed statement.

South Korean chemical companies are increasing investment overseas as a global economic recovery boosts demand for ethylene, a raw material used to make plastics and synthetic fibers. Honam said it expects the Titan acquisition to bolster its presence in Southeast Asia, China, the Middle East and Central Asia, and raise its revenue to 12 trillion won this year.

"The acquisition will help Honam become Asia's largest ethylene maker," said Yoo Young Kuk, an analyst at KTB Securities Co. "The increased ethylene output capacity will boost Honam's medium to long-term growth forecast as the global economic recovery will increase chemical demand."

The South Korean ethylene producer has enough cash reserves to finance the Titan acquisition, though it may raise some funds in the market, Roger Lee, a company spokesman, said by telephone, without specifying whether the money would be raised through debt or equity.

Honam has signed an agreement to acquire a 37.3 percent stake in Titan from Chao Group and a 35.3 percent interest from Permodalan National Bhd., Lee said. Honam is required to make an unconditional takeover offer to the remaining holders at a cash consideration of 2.35 ringgit a share, Titan said.

#### Overseas Sales

Shares of Honam advanced 8.8 percent to close at 161,500 won, the highest since Oct. 18, 2007. The benchmark Kospi index declined 0.7 percent. Trading in Titan was halted in Kuala Lumpur today.

Overseas sales account for 55 percent of Honam's total revenue, Lee said. The company plans to increase the ratio, he said, without giving a target.

Honam's annual capacity to produce ethylene will rise to 2.47 million metric tons after the acquisition, from 1.75 million tons currently, the company said.

Titan is Malaysia's biggest producer of olefins and polyolefins, used in making plastic parts in appliances and automobiles, and reported sales of \$1.64 billion last year.

HSBC Holdings Plc is the international financial adviser for Honam and RHB Investment Bank Bhd. is the company's Malaysian adviser, the chemical producer said.

South Korea's Hanwha Chemical Corp. last year formed a venture with Saudi International Petrochemical Co. to build a 4 billion-riyal (\$1.1 billion) plant in the Middle East's biggest economy.

### **100 more workers allowed to enter Gaeseong site**

The Ministry of Unification said Friday that it has eased the restrictions on the joint Gaeseong Industrial Complex in North Korea, by allowing the entry of 100 more South Korean workers. The ministry notified the 121 companies operating in the complex of the additional number of personnel allowed access.

The decision came after an announcement earlier this week that it will better accommodate the companies' requests. However, this hasn't satisfied the firms doing business there.

"The increase did little to appease businesses; it isn't even two people per company, which is by no means sufficient," a company executive said.

Roughly 500 South Koreans are currently staying at the complex, down from the 1,000 prior to the sinking of the South Korean Navy frigate Cheonan in March.

A multinational probe concluded in May that a North Korean submarine torpedoed the Cheonan, killing 46 sailors.

The ministry also halted commercial shipments between the two Koreas as a protest, stopping boats from the North using South Korean territorial waters.

The companies at Gaeseong complained about this, saying they were the hardest hit from the deteriorating inter-Korean relations.

A ministry official, however, said despite the damage to individual companies, the government won't lift all restrictions.

"Unless North Korea offers an apology for what it did in the West Sea, we will stick to the restrictions," the unnamed official was quoted as saying by Yonhap News Agency.

## **Social Front:**

### **Males more positive about finding dates through Twitter**

The match-making company Duo surveyed 257 people earlier this month on people's attitudes toward finding dates through a social network service (SNS) such as Twitter, me2DAY and Facebook and it found that males are more in favor of meeting new dates in this manner.

According to the survey, 88 percent of men said they were positive about establishing a new relationship with the opposite sex through an SNS, while 62 percent of women were negative.

The 64 percent that responded positively about a meeting person through SNSs said they were effective for understanding the other's emotional side and personal relationships and 10 percent said the profile information was trustworthy.

The remaining 36 percent, who were negative toward "Twitter dating" said they did not have confidence in the profile found on any SNS and felt uncomfortable about meeting someone online.

Kim Ji-won, 27, an office worker, said she might make new friends through Twitter, but was reluctant to meet those who obviously want to "find dates" through an SNS.

"SNS such as Twitter and Facebook just reveal what the person wants to show and I don't trust the profile wholly," she said. "But I agree that Twitter is good for making new friends and I guess I won't stop dating the 'friend' if things go well."

However, the rate of actually meeting someone offline was higher for females at 22 percent, compared to 16 percent for males.

### **SNU professor accused of fabricating paper**

Seoul National University (SNU) professor's paper, published in an international science journal, was found to have been based on fabricated data, the state-owned school said Monday.

The school said it will soon officially inform Nature Materials, a U.K.-based monthly journal, of its finding that the professor's paper used manipulated data.

The latest fabrication is expected to deal another blow to the credibility of papers written by South Korean scientists, which was tarnished in 2006 with the cancelation of two stem cell-related papers by Dr. Hwang Woo-seok.

A standing fact-finding committee associated with the nation's top university said the paper, titled "Enhanced mobility of confined polymers," by engineering Prof. Shin Kyu-soon in 2007 was confirmed to have been written based on groundless data.

The paper was published by Nature Materials, a monthly multi-disciplinary journal that covers a range of topics within materials science from materials engineering to structural materials.

"We've conducted two experiments in accordance with the paper, but were unable to obtain the identical result," a committee spokesman said. "In addition, the professor had no original data that proves his paper's credibility."

The official said it has yet to confirm whether the use of manipulated data was intentional.

"Even if the application of wrong data was accidental, the professor violated the code of conduct," the spokesman said. The committee is considering refereeing Shin to the disciplinary committee of the university.

The paper drew attention from related academia in 2007 with the finding that a high molecular substance moves faster when it is put into a tiny space, smaller than one nanometer, a phenomenon challenging earlier the norm in international academia that space doesn't affect mobility.

But some experts were skeptical and raised questions over the findings last year and asked the committee to review the paper. An interim report by the committee claimed the paper seemed to have been manipulated.

Amid the intensifying dispute, Professor Shin claimed that raw data had been deleted from his computer by accident. Shin pledged to reconstruct the research but failed, the committee said.

"We will intensify our fact-checking processes to prevent a recurrence of a similar case," said Prof. Seo Jin-ho, head of the school's research supervision body.

### **232 suicide attempts in Han River in 1st half**

A total of 232 people attempted suicide in Seoul's Han River in the first half of the year, but preventative measures are still pending due to budget issues.

According to Seoul City Monday, 166 people jumped from bridges over the Han River and 66 people entered the water from its banks in the six months up to June. Of them, 47 were found dead.

There have been more than 1,300 suicide attempts in the Han River since 2007 and 254 were fatal.

Last September, the city's Fire and Disaster Headquarters pledged to reinforce safety measures along the river to prevent people from attempting suicide on the bridges with a 13 billion won budget by the end of the year. But the plan has been suspended as it has not received a green light from the city government.

Other measures included installing nearly 100 surveillance cameras on eight bridges and raising the balustrades to 2 meters. Establishing a rescue team near Banpo Bridge has also been put on hold.

The plan went through major reappraisal at the city's investment deliberation committee earlier this year and was scaled down. The watered-down version will receive approval from the committee later this month.

Under the new plan, the city will push for other cost-saving projects such as installing emergency phones on bridges connected to guard posts.

The city's disaster division said it will push for more surveillance cameras and higher safety railings later, in the light of the reduced budget.

### **Game firms frustrated over smartphone snag**

South Korea has been injecting new life into the smartphone party, but outdated local regulations have prevented game developers from joining the fun.

The current law requires all game content to be censored and approved before reaching consumers. However, the rules are quickly being rendered irrelevant in the smartphone era, as Korean authorities don't have a prayer of screening and approving the massive number of games pushed through global content platforms such as the Apple App Store and Android Market every day.

And with so many games provided online through servers instead of CDs or cartridges, it's questionable whether the current reviewing process has any meaning when gamers aren't prevented from accessing foreign websites.

While it's obvious that the country's regulations on digital content have been aging badly, software companies are complaining that their sense of urgency isn't shared by lawmakers, who decided that the discussions on a renewed computer games law could wait for the next National Assembly session.

The requirement for pre-release reviews have forced Apple and Google, the backer of the Android mobile platform, to prevent their local smartphone customers from accessing the games categories on their content platform. However, this isn't much of a problem for the savvier users, who set up foreign accounts to access and download the games anyway.

The real losers are Korean game developers such as Com2us, who are scrambling to pitch their products to foreign users without having much of a local customer base to fall back on.

“Although it's possible to provide some of the game content to Korean users by filing them to be listed in the App Store's entertainment category, this can't be a long-term solution,” said a Com2us official.

“Frankly, there is no real market for games on iPhones or other popular smartphones. Games developers could be missing out on a crucial opportunity for growth.”

The proposed version of the new games law allows the immediate listing of smartphone games that meet a certain quality requirement, while handset vendors and mobile platform operators get more freedom to self-regulate the decency of the content.

However, a conflict between the Ministry of Culture, Sports and Tourism and the Ministry of Gender Equality and Family has been further bogging down the talks for the new rules that have been progressing at a snail's pace nonetheless.

The draft law also includes measures to curb compulsive gaming and addiction, which are becoming an increasing social problem here, with the suggestion of including introducing disadvantages in game play when gamers exceed the advised limit for playing time.

However, with game developers resisting the idea of limiting playing times, the culture ministry has suggested dividing the issue and allowing lawmakers to discuss and possibly approve the changes to the games review process first.

The family ministry, on the other hand, insists that the issues should be discussed together. Considering that the next regular parliamentary session is scheduled for September, and the enforcement of the new law will require a three-month adjustment period, game developers aren't likely to see any resolution before the end of the year.

A late start on their home turf is particularly frustrating for the companies as mobile gamers tend to favor domestic content, as evidenced by the lists of the most frequently downloaded games by American and Japanese iPhone users.

Smartphones had been a hard sell due to their lavish price tags and the lack of content, but with the market finally having desirable devices such as the iPhone and Samsung Electronics' Galaxy S to intrigue the average consumer, the country is on the cusp of a mobile Internet explosion.

The country's three mobile carriers — SK Telecom, KT and LG Uplus — barely had 300,000 smartphone users around November last year, right before KT put iPhones on Korean shelves. By the end of this year, the number of Korean smartphone users are forecast to be anywhere between 3 to 4 million

### **SK Telecom to go strong with Wi-Fi**

SK Telecom, the country's biggest mobile-phone carrier is talking with major handset vendors like Samsung Electronics and Apple to provide smartphones that work on its second-generation (2G) cellular network.

The carrier has approached Apple, which could go multicarrier for the iPhone 4, the latest version of its do-it-all smartphone, and is also looking for a local carrier for its iPad tablet computers.

SK Telecom currently controls more than 50 percent of Korean wireless users, but its decision to keep off the iPhone bandwagon has been costly, as it finds itself taking a beating by its industry rival, KT, which has sold nearly 1 million iPhones since its release last November.

It remains to be seen whether SK Telecom will get to sell the iPhone 4 or not, but Jung stressed that Apple devices are nonetheless considered as part of SK Telecom's future smartphone lineup.

KT is planning to launch the iPhone 4 in July.

Most of the smartphones currently on shelves are designed to work on third-generation (3G) networks, but SK Telecom sees a market for premium, data-enabled handsets for 2G customers too, Jung Man-won, chief executive of SK Telecom, said.

"We are currently talking with Apple to sell the 2G-based iPhones. However, nothing has been decided yet," Jung told reporters in a news conference at SK Telecom's Seoul headquarters, Wednesday.

SK Telecom is also talking with Samsung Electronics, the world's second-largest handset vendor and the local industry kingpin, for developing smartphones that run on 2G networks.

"It would be possible to sell smartphones based on the old code division multiple access (CDMA) technology by the end of the year. We admit that we should have been quicker to offer 2G smartphones to our users," Jung said.

Jung said the carrier raised its sales target for smartphones this year from 2 million to 2.5 million units, driven by the strong sales of handsets powered by the Google-backed Android operating system, including Samsung's Galaxy S.

However, Jung stated that Apple must improve its repair and after-sales support services for SK Telecom to fully accept its products.

"Once again, Apple's poor after-sales policy is the biggest reason that is keeping us from completely committing to the next-generation iPhone. If Apple takes care of the problem, the iPhone 4 will be available to SK Telecom customers," Jung told The Korea Times at the sidelines of the news conference.



"Apple has already dropped its 'one country, one carrier' policy. It has been in talks with the top U.S. carrier Verizon Wireless to offer CDMA-based iPhones. Therefore, chances are wide open for us."

Steve Park, a representative of Apple's Korean branch, declined to comment on Jung's remarks.

M&A not an option

Jung said that SK Telecom has no plans to acquire its struggling broadband unit, SK Broadband, citing the lack of synergy.

"Our investors wouldn't want that. Acquiring the company physically is the easy part, but achieving chemical cohesion would be a lot more difficult. We aren't interested in going through all that," Jung said.

To improve its services for wireless users, Jung said SK Telecom will allow customers to make voice over Internet protocol (VoIP) calls over its third-generation cellular network, which would be a boon for applications makers such as Skype.

The usage of mobile Internet phone calls has currently been limited to Wi-Fi wireless networks. Jung said the company will make 15,000 Wi-Fi zones across the country by the end of 2010 to actively respond with increased demand for wireless data.

SK Telecom also vows to be at the forefront in long term evolution (LTE), a next-generation wireless technology that is competing with mobile WiMAX in the 4G standard wars.

As a major operator of WiBro, the local variant of mobile WiMAX, KT is showing more reluctance toward hedging its bets on LTE. SK Telecom will invest 3 trillion won (\$2.47 billion) to construct its LTE network, Jung said. North Korean Health System 'Dire,' Amnesty International Says

### **North Korea's health care system is in a "dire": Amnesty International**

By Frederik Balfour - Jul 14, 2010

North Korea's health care system is in a "dire state" where amputations are carried out without anesthesia, Amnesty International said in a report released today.

"The Crumbling State of Health Care in North Korea" is based on interviews with North Koreans living abroad and health care workers who described the use of unsterilized needles. Problems of malnutrition exacerbate challenges for the state-run system in the face of epidemics, the report said.

The country is under a series of United Nations trade sanctions for its nuclear weapons program and is suffering from worsening food shortages since a botched currency revaluation last year. North Korea spends less than \$1 per person annually on health care, less than any other country, according to World Health Organization figures cited in the report.

“The government’s failure to provide basic education about using medication is especially worrying as North Korea fights a tuberculosis epidemic,” said Catherine Barber, Amnesty International’s Deputy Director for the Asia Pacific.

The report also described how patients since the 1990s have paid doctors for services intended to be free using cigarettes, alcohol or food.

“The North Korean people are in critical need of medical and food aid,” Barber said. “It is crucial that aid to North Korea is not used as a political football by donor countries.”

### **Seoul among world’s 10 most competitive cities**

A top Chinese think tank has named Seoul as one of the 10 most competitive cities in the world, Xinhua News Agency reported Wednesday.

The capital city ranked ninth on the list of global urban competitiveness compiled by the Chinese Academy of Social Sciences, jumping three spots from its 2008 listing.

New York and London topped the list, which assessed 500 cities using such indices as gross domestic product (GDP) per square kilometer, the number of international patents and the multinational corporation index.

Among Seoul's Asian peers, Tokyo ranked second and Singapore came in at eighth. Hong Kong, which climbed one spot from its previous 11th, was the only Chinese city to make the top 10.

But the study also found that nine of the top 10 fastest growing cities, including Erdos, Bautou, and Yantai, are in China.

Seoul's rise as a competitive city is in line with Mayor Oh Se-hoon's goal for the capital to become one of the world's top five cities. It came in 27th in the 2006 rankings.

Meanwhile, U.S. cities continued to make a strong stand on the list, despite the economic crisis. Twenty cities made the top 50, including Chicago (5), San Francisco (6) and Los Angeles (9).

### **Ministers tackle environmental damage**

JEJU Health Minister Jeon Jae-hee and Environment Minister Lee Maan-hee Thursday urged their counterparts from 13 other Asian countries to take joint action against environmental and health issues sweeping the globe.

At the 2nd Ministerial Regional Forum on Environment and Health in Southeast and East Asian Countries held in the southern island of Jeju, Minister Jeon stressed that environmental and health issues should be tackled by the global community through close coordination.

"The World Health Organization reported that 24 percent of all diseases and 23 percent of deaths in the world are attributable to environmental factors. They are known to be responsible for 36 percent of the deaths of children, which speaks volumes about the necessity to protect vulnerable groups," she said.

"Recently, concerns are mounting over various health damage from climate change. We are already seeing heat waves or other meteorological disasters kill an increasing number of people in many nations. The shortage of food or drought is worsening hunger and malnutrition in certain areas. Air pollution continues to deteriorate, increasing respiratory and allergic illnesses," she said.

"Strengthening environmental health policies, cooperation between environment and health sectors and between countries is crucial to effectively achieving health-related Millennium Development Goals, aimed at reducing infants and child mortality, improving maternal health and combating infectious diseases such as malaria."

The ministers suggested creating an "environmental health capacity-building program" to foster environmental health experts who can tackle health issues caused by the environmental damage. They also sought to deliver their own experience of building a preemptive and preventive response system and budget 5 million won a year for a three-year run.

At the two-day forum that ended on Friday, the ministers agreed to establish a transnational task force to tackle air quality, water, sanitation and hygiene, solid and hazardous waste, toxic chemicals and hazardous substances, climate change, ozone depletion and ecosystem change, as well as contingency planning and readiness and response to environmental health emergencies.

They also announced the Jeju Declaration on the Environment and Health. They agreed on the need to cooperate in sharing good examples and technologies from a global and regional perspective. It is also essential to pursue international cooperation to strengthen the national capacity for environmental health management, they said.

The member states will form a health impact analysis team to evaluate the effect of various environmental backdrops affecting human health.

"The declaration will cement Korea's global status as a 'Green country,'" Jeon told reporters.

The meeting was the second of its kind following the first one in Bangkok in 2007 to discuss sustainable development and assure a healthy future for the next generation.

The participants in Thursday's meeting were ministers from Cambodia, China, Indonesia, Japan, Lao People's Democratic Republic, Malaysia, Mongolia, Myanmar, the Philippines, Singapore, Thailand and Vietnam and 200 other delegates.

### **Korea fifth largest junk email producer**

South Korea ranked fifth on the list of nations producing junk emails in the second quarter of the year, information technology security firm Sophos said Friday.

The world's most wired country accounted for 4.2 percent of the world's spam during the three-month period, the fifth largest in the world. But the firm didn't reveal the exact number of spam mails produced by Koreans.

The United States remained the world's single biggest generator of junk emails, accounting for 15.2 percent of total spam sent, up from 13.1 percent in the previous three months.

India came in second at 7.7 percent, followed by Brazil (5.5 percent) and Britain (4.6 percent). Ranking after Korea, about 4.1 percent of global spam emails originated from France, followed by Germany (4 percent), Italy (3.5 percent) and Russia (2.8 percent).

"Britain saw a significant rise in the proportion of spam it relayed. With a total output of 4.6 percent of the world's spam, this puts the country in fourth place, up sharply from ninth earlier this year," the U.K.-based firm said.

In terms of continents, Europe has overtaken Asia as the biggest source of email spam worldwide with Britain a major culprit, Sophos said.

Europe produced over a third of the international total junk emails in the second quarter of 2010, slightly more than Asia.

A steady increase in spam generation from France, Italy and Poland were also contributing factors to Europe's rise, it said. Asian countries' rankings in the list generally fell, with both Vietnam and China dropping by five notches to 10th and 12th, respectively.

### **Miss Korea 2009 to represent Amore Pacific**

Kim Joo-ri, Miss Korea 2009, will be the face of Amore Pacific's V=B, a beauty vitamin product, according to her agency IM Company, Friday.

"Kim's beauty as 'Miss Korea' was apparent during the commercial shoot for the product recently," the agency said.

The 22-year-old had dreamt of becoming a ballerina since she was five, but her hopes to perform on stage as a dancer were dashed due to a knee injury. After watching the Miss Korea pageant in

2007, she decided to try out and eventually won the title to be lauded as one of the most beautiful women in Korea.

Kim will leave for Las Vegas next month to attend the 59th Miss Universe pageant.

## **Japan**

### **Detailed News:**

### **Politico-strategic Front:**

#### **Parties in last-ditch appeals to voters**

Polls indicate DPJ likely to lose majority

Political leaders on Saturday made last-minute efforts to drum up voter support in some of the most hotly contested constituencies in Sunday's Upper House election.

"This election is taking place just in time, before we really push the clock forward" since the Democratic Party of Japan came to power, Prime Minister Naoto Kan, who heads the DPJ, said in a stump speech in Sakai, Fukui Prefecture.

While many media surveys have shown that the ruling camp is at risk of failing to maintain its majority in the upper chamber, Kan, who took office last month, begged for the DPJ to be given another chance to implement its policies and revitalize the country.

But Sadakazu Tanigaki, who heads the Liberal Democratic Party, the biggest opposition force, told a crowd in Kai, Yamanashi Prefecture, that the DPJ's way of running the government is arbitrary and irresponsible.

"To have decent politics again, we have to defeat the ruling bloc and prevent it from gaining a majority," said Tanigaki, whose LDP ruled the country almost continuously for more than 50 years until losing last August's general election.

"Whether Japan's politics can again be good hinges on this battle," Tanigaki said.

The House of Councilors election is the first national poll since the DPJ swept to power last year, pledging to wrest control of policymaking from the powerful bureaucracy, cut wasteful spending of taxpayers' money and put more cash into the hands of people.

A total of 437 candidates are competing for the 121 seats up for grabs in the election.

Pre-election surveys released last week by major media outlets predict the two-party ruling coalition led by the DPJ will find it tough to hold on to the 56 seats it needs to maintain a majority in the Upper House.

Regardless of the outcome, the DPJ will stay in power as it controls the more powerful House of Representatives. But should it suffer a serious setback, the political environment is likely to become more turbulent as it will be hard to smoothly pass bills in the Diet.

Many of the surveys show that the DPJ may not secure more than 50 seats, despite Kan's self-imposed target of winning at least 54, the same number of the ruling party's seats that are up for grabs. Half of the Upper House's 242 seats are being contested in the triennial election.

The LDP has a good chance of winning around 45 seats, up from the 38 it currently holds that are being contested.

### **Ruling bloc loses Upper House majority**

Chaos looms as DPJ, Kokumin Shinto fail first test

The Democratic Party of Japan-led ruling coalition lost its Upper House majority on Sunday as Prime Minister Naoto Kan's sudden emphasis on tax reform pushed voters back to the Liberal Democratic Party.

Of the 121 seats up for grabs, the DPJ secured 44, compared with 51 for the LDP.

The LDP, which had 38 seats up for contention, emerged as the victor in the election and was set to secure far more than the 71 seats it had going in.

The DPJ, which had 116 seats in the chamber, ended up with fewer than the 54 it was trying to protect.

The national election marked the first major test for the DPJ and its minor partner, Kokumin Shinto (People's New Party), since the DPJ ousted the LDP from the helm of government in a historic Lower House election some 10 months ago.

It also gave voters a chance to pass judgment on Kan's decision to broach an election taboo by raising the issue of a consumption tax hike.

The result will likely throw national politics into chaos for the time being as the DPJ decides what to do with Kan and throws feelers out for new coalition partners.

At a news conference held after midnight, Kan admitted that the DPJ's strategy got twisted up after he mentioned the possibility of raising the consumption tax. He said his efforts weren't enough to convince the public of the need to correct the nation's dire fiscal situation.

"As Japan's finance minister (before becoming prime minister), I strongly felt the need to try to avoid a fiscal crisis like the one in Greece," Kan said. "There may have been a gap between me and the public" on fiscal matters.

Kan vowed to keep leading the nation and to learn a bitter lesson from Sunday's defeat.

Although the DPJ is assured of remaining in power thanks to its comfortable majority in the more powerful House of Representatives, a loss in the upper chamber will clearly hamstring Kan's administration.

LDP President Sadakazu Tanigaki said on NHK that he will continue to lead the main opposition party since he has fulfilled his vow to block the DPJ from gaining a majority.

As election unfolded, Kokumin Shinto policy chief Mikio Shimoji said the ruling coalition will have to find new partners so the coalition can pursue its legislative agenda.

"We'll think about it because we're short on numbers," he said on a TV program after the polls had closed.

Touching on the possibility of teaming up with the DPJ, Your Party chief Yoshimi Watanabe hinted that an alliance is possible, depending on certain policy items, such as civil service reform. Forming an official coalition, however, is not an option, he said.

Your Party secured 10 seats, while New Komeito, the Japanese Communist Party, Kokumin Shinto, Shinto Kaikaku (New Renaissance Party) and the Social Democratic Party were all struggling to stay even.

The election for half the 242 seats in the Upper House came as the nation continues to exit a two-decade economic slump exacerbated by a host of challenges brought on by drastic demographic and other social changes, ranging from a rapidly aging and shrinking population to disintegrating community bonds.

A total of 437 candidates vied for the 121 seats.

Voter turnout came to 58.09 percent, down slightly from the 2007 Upper House election.

In a sign of early interest, the 16-day early voting period that began June 25 saw ballots cast by 12 million people, or 11.56 percent of all registered voters — a record high for an Upper House election, the internal affairs ministry said.

A pre-election survey by Kyodo News indicated that the DPJ and Kokumin Shinto were unlikely to win the combined 56 seats needed to maintain control of the chamber.

On its own, the survey said the DPJ was likely to get 50 seats, at best. Kan's target was 54, the same number it had up for grabs.

The DPJ came to power in September, riding a landslide win in the Lower House election the previous month on promises to cut wasteful government spending and put more cash into the hands of people in the prime of their lives.

The Upper House poll was the first major test for Kan, who took over June 8 for Yukio Hatoyama, who resigned after eight months in office as money scandals and policy flip-flops eroded his popularity, especially after reneging on a campaign vow to move U.S. Marine Corps Air Station Futenma outside of Okinawa.

The DPJ, which has 62 seats that weren't being contested this time, needed 60 to have a majority of its own and pass bills without help from other parties.

Kokumin Shinto, which had six seats in the upper chamber, had three seats in play.

It is extremely difficult for a single party to gain control of both chambers. The last time it happened was in 1989.

The DPJ remains in power regardless of the outcome because it already controls the Lower House.

Still, the loss of the majority means Kan's grip on the government is almost certain to slip and that rifts inside his party will deepen ahead of its presidential election in September.

Kan, the fifth prime minister since 2006, made fiscal consolidation the heart of his party's 17-day election campaign.

Shortly after becoming prime minister and head of his party, Kan's Cabinet enjoyed approval ratings of around 60 percent to 70 percent, marking a dramatic rebound from the final days of the Hatoyama team, whose ratings eventually sank below 20 percent.

But the high expectations for Kan — Japan's first leader in 14 years who wasn't born into a blue-blood political family — have waned, and the Cabinet's ratings have fallen over 20 points in the past month.

The drop was in part due to Kan's proposal to launch cross-party talks on a proposal to hike the 5 percent consumption tax sometime after the poll to pay off the public debt and finance the rapidly graying society's snowballing social welfare costs.

About 100 million people aged 20 or older were eligible to vote Sunday.



Upper House elections are often a barometer of whether a prime minister can build a stable government. Many past leaders, including Ryutaro Hashimoto in 1998 and Shinzo Abe in 2007, stepped down following crushing defeats.

However, Junichiro Koizumi parlayed a landslide victory in the 2001 election to stay in power for five years through 2006 — one of the longest runs in recent memory.

The balloting did not proceed without mishaps.

Election officials in Unzen, Nagasaki Prefecture, gave ballots for electoral and proportional representation constituencies in the wrong order to 19 voters, the local election board said, noting the votes will be invalidated.

The 19 voters came to the voting station at 7 a.m., when it opened, and received the wrong papers by hand from the officials, who noticed the mistake 10 minutes later.

In Tsushima, also in Nagasaki, the start of voting was delayed by 10 minutes to an hour at 10 polling stations because heavy rain and flooding prevented election officials from getting there in time.

The city of Habikino, Osaka Prefecture, mistakenly handed to 27 people two sheets of voting paper which were both for the proportional representation system, although voters must be given one for a constituency and one for proportional representation.

### **Kan, Edano blamed for DPJ defeat**

No Cabinet shakeup in works; even Chiba stays

As the ruling Democratic Party of Japan scrambled to get back on its feet Monday a day after voters took away the coalition's Upper House majority, the blame game was quick to commence and the two key targets were Prime Minister Naoto Kan and DPJ Secretary General Yukio Edano.

DPJ lawmakers reportedly demanded a shakeup in the party's leadership, including the resignation of Kan and Edano.

Despite the election drubbing the DPJ-Kokumin Shinto (People's New Party) ruling bloc suffered, Kan was quick to say he plans to remain in his post and wants the party's No. 2 man to do the same.

"I'd like to get back to the starting line and continue taking charge of the government with responsibility," Kan said in the early hours of Monday after most of the election results were in.

"The (DPJ) executives worked very hard for this election, and I'd like them to continue fulfilling their roles," he said when asked if the party leadership should be overhauled.

Edano has also indicated he plans to stay in his post, at Kan's request. The secretary general runs the election campaigns for party candidates.

"I accept with sincerity the voices I hear from many corners," Edano said at a news conference Monday after meeting with DPJ executives, including Kan.

"But the prime minister has ordered me to fulfill my responsibility" as secretary general, he said.

"I intend to follow his orders and work (to meet) the public's expectations," Edano said, adding other DPJ executives confirmed their unity at the meeting.

Meanwhile, responding to calls for a Cabinet reshuffle, Chief Cabinet Secretary Yoshito Sengoku said Kan is unlikely to tinker with the lineup until September, when he will seek re-election as DPJ president.

Sengoku also said it is desirable that Justice Minister Keiko Chiba, who lost her Diet seat Sunday, will retain her portfolio until September.

"From the perspective of proceeding with the government's work, it is desirable" that she stay on, Sengoku said.

The election saw 437 candidates vying for 121 seats, with the DPJ losing out to its main rival, the Liberal Democratic Party, which won 51 seats compared with the 38 it had going in.

The DPJ won 44 seats out of the 54 it had that were up for re-election.

And to make matters worse, Kokumin Shinto failed to win any seats.

This will force Kan to reach out to other forces willing to join the coalition, lest legislative gridlock ensues.

Besides lacking an Upper House majority, the DPJ is also short of the two-thirds majority in the Lower House needed to swiftly override any Upper House rejection of legislation.

But with the party rocked by internal revolt, the future of the DPJ-led government is cloudy.

Potential allies include Yoshimi Watanabe's Your Party, which garnered strong support from voters during the election, picking up an impressive 10 seats.

But so far Watanabe has only indicated his party may cooperate on a policy-by-policy basis, and has maintained a noncommittal stance.

Another option may be forming a grand coalition with the LDP or New Komeito, although many DPJ lawmakers would oppose this. The LDP is meanwhile set to collaborate with other opposition parties to strengthen its Upper House clout.

LDP Secretary General Tadamori Oshima said, however, that his party has yet to consider a candidate for Upper House president, an important position the opposition camp wants to wrest from the DPJ.

"We will call out to other opposition parties and independents as much as possible and work together in areas where we share common goals," Oshima told a news conference.

But "we have not decided what we are going to do about (picking) the president of the Upper House, nor have we had any concrete discussions about it."

Oshima, who served as LDP Diet affairs chief in the previous divided Diet, said the LDP intends to engage in thorough deliberations on bills and could cooperate with the DPJ if there is legislation they agree on.

LDP executives met in the afternoon and decided to hold onto their posts until September, the end of their one-year term.

### **Current, former junior coalition partners lose seats in election**

Kyodo News

The Democratic Party of Japan's current and former coalition partners didn't fare well in Sunday's Upper House election, dimming their hopes of retaining their strategic influence in the political arena.

Kokumin Shinto (People's New Party) remains the sole coalition partner of Prime Minister Naoto Kan's DPJ, after the Social Democratic Party broke ties in May after clashing with the ruling party over policy on Okinawa.

Regardless of their current status, the results of Sunday's election turned out to be similar for both minor parties.

With the loss of its Upper House majority, the DPJ-Kokumin Shinto bloc will be forced to consider adding new partners to prevent legislative deadlock from paralyzing the Diet, Mikio Shimoji, Kokumin Shinto's secretary general, said Sunday night.

"We'll think about it because we're short on numbers," he said.

Shimoji told NHK that the ruling coalition must also consider forging a "partial alliance" with opposition parties so it can pass policies on an individual basis.

Kokumin Shinto, led by the conservative former financial services and postal reform minister Shizuka Kamei, lost all three of the seats it had in contention, halving its presence in the Upper House to three.

The SDP won two of the three seats it had up for grabs — one for leader Mizuho Fukushima, the former consumer affairs minister, and one for newcomer Tadatomo Yoshida via proportional representation — dropping its presence in the chamber to four from five.

Fukushima said her party failed to make use of its opposition to the government's stance on tax hikes and on the Futenma military base to improve its prospects.

She said the SDP, despite being an opposition party, is still willing to work with the DPJ on policies it finds important, such as those for disabled people and for child-rearing support.

Kokumin Shinto fielded a total of nine candidates, while the SDP fielded 14.

Kokumin Shinto tried to highlight its achievements over the nearly 10 months since it became part of the government, including a law that placed a moratorium on loan repayments by small firms.

It opposed the idea of opening debate on hiking the consumption tax despite its partnership with the DPJ and advocated the use of drastic stimulus measures to prop up the economy.

Kamei, who stepped down as postal reform minister last month to protest the DPJ's decision to postpone legislation to dilute Japan Post's privatization, said his party will put priority on getting it enacted in a future Diet session.

"As long as the bill looks fine in the eyes of the public, there is no reason for the opposition parties to oppose it," he said.

### **52% spurn Cabinet but OK with tax hike**

DPJ still most popular despite election setback: poll

Kyodo News

The disapproval rate for the Cabinet of Prime Minister Naoto Kan has risen to 52.2 percent, while the approval rate has plunged to 36.3 percent, the latest poll by Kyodo News showed Tuesday.

In the poll conducted Monday and Tuesday after Sunday's Upper House election, in which Kan's Democratic Party of Japan suffered a heavy loss, 52.8 percent said the prime minister doesn't need to resign. Only 15.2 percent wanted him to step down.

The Cabinet's approval rate logged a sharp fall from 61.5 percent just after its inauguration in early June. The rate was even lower than the 43.4 percent seen in the previous poll July 7 and 8 just before the election. The disapproval rate then stood at 43.2 percent.

The ruling DPJ and its coalition partner, Kokumin Shinto (People's New Party), lost their majority in the chamber after Kan raised the specter of a consumption tax hike in his campaign speeches, a move seen triggering the fall in support.

But the latest survey also found that 52.5 percent support a consumption tax hike for fiscal consolidation and social security.

Kyodo received valid responses from 1,034 voters.

Kan said he was "very happy" that more than 50 percent of the poll's respondents think there is no need for him to step down.

The poll showed 29.4 percent welcomed the election results, while 19.8 percent did not, while 49.2 percent were undecided.

The support rate for the DPJ fell from 43.8 percent in the June survey to 31.7 percent, against 27.6 percent for the Liberal Democratic Party. The LDP's rate rose from 20.0 percent.

Of the respondents, 16.3 percent supported Your Party, which was formed last August and won 10 seats Sunday.

Masao Matsumoto, a political science professor at Saitama University, said voters were disappointed with Kan's wavering stance on the consumption tax issue, not over the proposed increase itself.

"(Voters) had high hopes for (strong) leadership when Prime Minister Kan took" over after the exit of the unpopular Yukio Hatoyama, Matsumoto said.

"But their disappointment has grown on a different level regardless of if they are for or against a hike in the consumption tax," he said.

When casting votes in the Upper House election, 35.2 percent of the respondents gave top priority to the economy, followed by 18.1 percent to taxes, 10.3 percent to the pension system, 8.4 percent to money in politics, and 7.4 percent to foreign policy and national security.

As the top priority that the Kan Cabinet should tackle, 48.3 percent cited economic and employment improvement, followed by 37.6 percent for administrative and fiscal reform including elimination of waste spending, and 22.9 percent for social security reform.

**Overseas voter turnout around 24%**

Kyodo News

Overseas voter turnout stood at 24.4 percent in the proportional representation segment of Sunday's Upper House election, while that for single- and multiseat districts came to 23.7 percent.

As of Sunday, there were 113,230 people registered as eligible voters residing overseas. The turnout in the proportional representation segment was up 0.8 percentage point from the previous Upper House election in 2007, while that in the electoral districts gained 0.7 point, the government said.

"Our plan is to make the 4G jump earlier than everyone has been expecting," Jung said.

"LTE, much faster than current 3G networks, is built for data. However, we will continue to invest in WiBro as well," he said.

### **Despite DPJ's decline, Renho's star still rising**

ASAHI SHIMBUN WEEKLY AERA

Renho's popularity was surging even before she started campaigning in Tokyo on June 24. (THE ASAHI SHIMBUN)

A resident of Tokyo's Sumida Ward studied the manifestos of all major parties before Sunday's Upper House election, determined to make her vote go toward economic and employment changes that would improve her life.

The 33-year-old woman lost her job in March at a cosmetics manufacturer and has struggled to even land an interview. Through her hardships, she has become disenchanted by the ruling Democratic Party of Japan.

"I don't think the DPJ will change the current society. If anyone, it's Your Party, which seems more promising with its thorough employment policy," the woman said before the election.

Her ballot in the proportional representation section was all but assured for Yoshimi Watanabe's conservative party.

But in her drive for change, she said her ballot for the Tokyo district race would go to a member of a party with quite different policies--the ruling DPJ.

The woman said she would vote for Renho, the state minister in charge of government revitalization whose star is rising in the political world despite the faltering of her party.

"Women politicians tended to be akin to accessories, but she (Renho) is different," the Tokyo resident said. "If anyone is capable of tackling the job of changing the very way society works, it would have to be someone who can talk straight like her."

Although DPJ candidates languished in Sunday's election, Renho cruised to victory with a whopping 1.71 million votes, the most ever in the Tokyo district for an Upper House election.

Underlining Renho's accomplishment is the fact that she spent only five days in the 17-day official campaigning period in her own constituency. She used most of the time shuttling from district to district across the nation to stump for other DPJ candidates.

Both men and women, rich and poor--but all seeking change--sent the former model and newscaster and now mother of two to her second term in the Upper House.

"I just want to ask that someone change this system at its roots, where bureaucrats and employees at big companies are assured a life of ease, while the others aren't," said the voter in Tokyo.

The woman completed a master's program in science in 2001, but ended up job-hopping in search of a workplace that would let her use her expertise. Now unemployed, she sent applications to more than 30 companies but has failed to get her foot in the door.

Renho gained nationwide attention as a straight-shooting cost-cutter, coated with her soft charm and sharp wit, during sessions to weed out wasteful spending.

Her efforts and style have won over a wide range of voters.

According to a straw poll conducted by AERA last Saturday on 618 Tokyo residents between the ages 20 and 40, many women in their 20s and men in their 40s supported Renho.

About 70 percent of those who supported Your Party, which gained 846,438 votes in the proportional representation segment in Tokyo, also backed Renho.

Renho has also won over both temporary and dispatch workers and professional types in the high-income brackets, according to the poll.

A 31-year-old employee at a foreign information technology-related company said he decided to vote for Renho in hopes of change.

While he and his wife, a pharmacist, have a combined annual income of 14 million yen (\$157,600), they face problems that continue to plague society.

The couple is expecting a child in January, but have no assurances for an opening at the public day-care center in the ward where they live.

Adding to that frustration is the knowledge that even if the child can enter the center, the services stop at 7 p.m. With their busy schedules, the parents will likely be forced to hire a baby sitter to cover the extra hours, or they may have to switch to home jobs.

They said they feel cheated by the high local taxes they pay.

"In the end, it is a matter of personal responsibility. But before getting into that, I would like to see, at the very least, my tax money being used effectively," the man said.

Business and economic commentator Kazuyo Katsuma said Renho's ability to project "compassion" and a sense of "fairness" are likely the qualities that make her so popular.

"Renho is probably the only politician who understands the sense of irritation shared among the 40-and-under population," Katsuma said.

"This generation is not asking to be spoon-fed by the government," she said. People want to see the current society "where a few people and a particular generation get the breaks change into one where everyone gets a fair shot at competition."

Renho herself stressed that point at a symposium in March on the topic of women in the work force.

"I would like you to live on the assumption that no one out there will do something for you. I would like people to realize ... that politics is there to help people who try but still cannot attain what they are striving for."

"The age when the state will do everything will not come," she said.

According to social critic Tsunehiro Uno, 31, the people's hopes in Renho for change are reminiscent of those for Prime Minister Junichiro Koizumi in the 2005 Lower House election and for the DPJ before its landslide victory in the Lower House election in August last year.

"Although voters became disgusted with the DPJ, which was unable to break away from old-style politics, many found they could support only Renho, whose role in reviewing government spending was clearly about changing the old guard," Uno said.

Despite all the accolades, the real test lies ahead for the 42-year-old politician, according to those who know her.

"In order for her to become a leader at a higher stage, she will have to learn more about fiscal policy and diplomacy, and develop coordinating skills by assuming Cabinet posts that oversee actual ministries," said outspoken journalist Soichiro Tahara, who encouraged Renho's entry into politics in 2004.



A former aide to Renho said she has shown her abilities on offense, but she will have to prove her mettle by effectively playing defense.

"How will she fare on the defensive, when she comes under attack from the opposition as a Cabinet minister? The key to her success will lie in how effectively she switches from the one who asks the questions to the one who answers them," said Hironobu Narisawa, mayor of Tokyo's Bunkyo Ward, who worked as a member of Renho's campaign staff six years ago.

### **Survey: 73% say Kan can stay**

THE ASAHI SHIMBUN

Seventy-three percent of voters said there is no need for Prime Minister Naoto Kan to resign over his ruling Democratic Party of Japan's poor showing in Sunday's Upper House election, an Asahi Shimbun survey showed.

Only 17 percent of respondents said Kan should resign.

The telephone survey was conducted Monday and Tuesday. It polled eligible voters across Japan and received 1,088 valid responses.

Asked about the election results, in which the DPJ won 44 seats and the opposition Liberal Democratic Party won 51 seats, 48 percent of respondents said the results "were good," compared with 30 percent who said they "were not good."

The opposition party has not won a vote of confidence, however.

Asked if they trusted the LDP to control the government, 64 percent said they did not think so, compared with 17 percent who answered in the affirmative.

The approval rate for Kan's Cabinet was 37 percent, down from 39 percent in the previous survey on July 3 and 4.

This compared with 46 percent of respondents who said they do not approve of the Cabinet. That figure is up from 40 percent in the previous survey.

### **Military helicopter deployment to Sudan nixed**

THE ASAHI SHIMBUN

The Japanese government has decided not to send military helicopters to Sudan to help oversee a referendum on independence in the south of the country, Chief Cabinet-Secretary Yoshito Sengoku said Tuesday.

Japan had been expected to send four Ground Self-Defense Force helicopters and 300 troops to the country to transport ballot boxes and election observers as part of a U.N. peacekeeping operation during the referendum in January 2011.

The announcement is a victory for Defense Minister Toshimi Kitazawa over enthusiasts for the deployment in the Foreign Ministry, who saw it as a way for Japan to satisfy the United States and fulfill its U.N. peacekeeping commitments.

Kitazawa opposed sending the helicopters because he felt the relatively low profile of the operation was not worth the safety risks and logistical problems. He was quoted as telling Foreign Minister Katsuya Okada in June that he "would not do the Sudan thing."

Sengoku said Tuesday that the mission was potentially dangerous, posing a risk of "physical disturbances and attacks." He added that providing logistic support far into northeast Africa's interior would be difficult and that necessary support for helicopter operations would not be available.

The deployment was initially considered after unofficial requests from the United Nations and the United States.

### **South Korean national living in Japan cleared of spy charges**

BY YOSHIHIRO MAKINO THE ASAHI SHIMBUN

SEOUL--A Japanese resident imprisoned by South Korea for nearly six years as a North Korean spy was cleared of the charges by the Seoul High Court on Thursday.

Lee Jong Soo, a 51-year-old South Korean national living in Kyoto, was arrested for spying for Pyongyang when he went to study in South Korea in the early 1980s.

According to South Korea's Trust and Reconciliation Commission, military police detained him without an arrest warrant in November 1982 on suspicion of being a North Korean agent and tortured him.

The Supreme Court confirmed a 10-year prison sentence in September 1984 and he was not released until June 1988.

The commission concluded in September 2008 that the case against Lee had no basis in fact and recommended that the South Korean government take measures to clear his name.

The commission has also reached similar conclusions in cases involving six other Korean nationals living in Japan.

The Seoul High Court found Lee not guilty after a retrial and offered an apology on Thursday: "You were forced to spend five years and eight months of your youth in disappointing circumstances. We hope you will forgive the wrong committed by the state during a period of authoritarian rule."

After the court hearing, Lee told supporters, "Thank you very much. I want to help the many others who also underwent experiences like I did."

Lee's case was the first retrial of a Japanese resident with Korean nationality convicted on espionage charges in South Korea. About 100 Korean nationals were implicated in similar spying cases and many may also seek to clear their names.

Most of the cases occurred during the 1970s and 1980s, under the regimes of generals Park Chung-hee and Chun Doo-hwan. During that period, there were 966 spying cases in South Korea.

Suspicion often fell on South Korean nationals living in Japan and Japanese citizens because the authorities believed there was a high possibility of them having contact with North Korea.

Japanese and South Korean nationals living in Japan were involved in 319 spying cases.

According to Lee, 109 South Korean nationals living in Japan were indicted.

### **JAXA hopes to launch Hayabusa 2 mission in 2014**

The Japan Aerospace Exploration Agency (JAXA), still basking in international acclaim for the Hayabusa space probe's seven-year journey to an asteroid and back, is planning to launch its successor in 2014.

The education ministry and the Strategic Headquarters for Space Policy with the Cabinet Secretariat will decide in August whether to give the green light to the Hayabusa 2 mission.

According to the JAXA blueprint unveiled at the education ministry's Space Activity Committee on Wednesday, the Hayabusa 2 mission will involve creating a crater--5 to 6 meters in diameter--on the surface of an asteroid and then collecting a sample of dust and rock particles from it.

JAXA aims to send the probe to an asteroid that is rich in organic substances, unlike the Itokawa on which Hayabusa landed, hoping to find clues about how life began on Earth.

The education ministry's committee will study the technical feasibility of JAXA's plan before the ministry and Cabinet Secretariat get together to make a final decision next month.

JAXA said that Hayabusa 2 must be launched by 2015 in order to intercept the orbit of the target asteroid. A delay beyond that would make it difficult to reach the body and complete the mission.

### **Japan dumps pier plan, to use reclaimed land for Futenma move**

THE ASAHI SHIMBUN

The government has abandoned plans to build a pier-type facility for the relocation of the U.S. Futenma air station in Okinawa Prefecture and will instead reclaim land as decided under a 2006 agreement, sources said.

However, Okinawans, already feeling betrayed by the government led by the Democratic Party of Japan, could derail the entire plan to relocate the U.S. Marine Corps Air Station Futenma, now in Ginowan, Okinawa Prefecture, to the Henoko district of Nago in the prefecture.

Building the airfield on reclaimed land was agreed upon by Tokyo and Washington in 2006, as was moving the Futenma air station to Nago.

The plan to build a pier supported by piles driven into the seabed was touted by former Prime Minister Yukio Hatoyama, who sought to quell criticism over his broken promise to move the air station out of the prefecture.

He said the pier project would have a smaller impact on the environment.

But the administration of Naoto Kan decided that the plan would be too expensive and time-consuming to carry out.

According to Defense Ministry estimates, construction costs for the pier-style facility would exceed 1 trillion yen (\$11.3 billion), and the complex structure might not be built in time for the 2014 deadline for completion.

In addition, Washington criticized Hatoyama's plan, saying the structure would be vulnerable to terrorist attacks.

In contrast, calculations in the 2006 agreement put the cost of the reclamation project at 400 billion yen.

Japanese officials have already gained approval from the U.S. side to go back to the landfill plan, the sources said.

Working-level talks on the Futenma relocation were to resume Thursday and Friday in Washington.

The deadline for a Japan-U.S. agreement on details of the construction method has been set for late August.

But the Kan administration, hoping to avoid being criticized as kowtowing to the United States, wants to leave such details as the number of runways undecided for the time being.

The government "could consider preparing multiple plans that are feasible," a senior Japanese government official said Wednesday.

If Kan appears weak with the United States, it could undermine his chances for re-election as DPJ president in September. His leadership has already been called into question over the party's stinging defeat in the Upper House election last Sunday.

The original agreement calls for two runways converging in a V-shape. But some officials say only one runway should be built.

The Kan administration must also contend with opposition in Okinawa Prefecture against the relocation to Nago.

The government plans to promote the reclamation method as a way to provide much-needed business for the local construction industry.

The prefecture is bracing for a series of political showdowns this fall, including the Nago city assembly election on Sept. 12 and the Okinawa gubernatorial election on Nov. 28.

If the governor, who holds the executive power to authorize a reclamation project, opposes the Futenma plan, the entire relocation project could be suspended.

Washington hopes to wrap up negotiations with Tokyo on the Futenma relocation before autumn, when Congress starts budget deliberations, including the costs of transferring thousands of Marines and their families from Okinawa to Guam, which is also part of the 2006 agreement.

Stalled Japan-U.S. negotiations could become a source of embarrassment in summit talks during U.S. President Barack Obama's scheduled visit to Japan in November.

## **Economic Front:**

### **S&P: Election negative for ratings**

Kyodo News

Standard & Poor's said Monday the Democratic Party of Japan's stunning defeat in the Upper House election will act as a "negative factor" on Japan's sovereign ratings.

This is because a "hung" Diet is the most likely outcome, which will make it difficult for the government to implement structural reforms, including to the public pension system, as well as an increase in the consumption tax rate, S&P said.

The U.S. credit rating agency, which lowered the outlook for its rating on long-term Japanese governments from "stable" to "negative" in January, also said it may lower the sovereign ratings on Japan if there is a lack of concrete measures aimed at fiscal consolidation.

Noting that many political parties and politicians appear to lack a sense of urgency on fiscal rehabilitation, S&P said, "Generally speaking, the longer the government delays decisive action on fiscal consolidation, the greater the potential risk of losing market confidence."

### **California next target in high-speed rail bid, transport official says**

Bloomberg

Japan may send a sales delegation to California early next year, following visits to Washington and Chicago, as it steps up efforts to win U.S. orders for train makers that built the world's first bullet train in 1964.

Japan may hold a seminar in the state as early as January, Akihiko Tamura, assistant vice minister for international affairs at the transport ministry, said in a recent interview in Tokyo. The ministry is also considering seminars in New York, Boston and Florida, he said.

California is aiming to issue a tender for a bullet-train line linking Los Angeles and San Francisco by next year after winning the biggest share of President Barack Obama's \$8 billion in grants to link cities by fast trains. East Japan Railway Co., the world's largest passenger rail operator by market capitalization, will compete against makers such as Alstom SA.

"Japan needs to be proactive in holding seminars in order to make up for lost ground in promoting its high-speed trains," said Ryota Himeno, an analyst at Mitsubishi UFJ Morgan Stanley Securities Co. "The country needs to promote a united approach that can quickly respond to the needs of projects."

Transport minister Seiji Maehara is keen for the nation's companies to work together with the U.S. and its long-distance passenger railroad operator on high-speed rail projects. U.S. Transport Secretary Ray LaHood visited Japan earlier this year to try out its bullet trains and encouraged Japanese companies to visit his country.

"I hope to form strong partnerships with not only the state governments but also with Amtrak," Maehara said at a seminar in Chicago last month.

### **BOJ to face pressure to fight deflation**

Bloomberg

Pressure on the Bank of Japan to fight deflation is likely to increase following the coalition government's defeat in the Upper House election, economists said.

Prime Minister Naoto Kan's government lost control of the chamber in Sunday's contest, meaning he will have to rely on smaller parties to pass laws smoothly. While that may undermine his ability to cut the world's largest public debt, his adversaries at least agree on the need for a swift end to the price declines that are undermining the economic recovery.

"The common understanding among parties during the election was that deflation shouldn't be left unsolved," said Hideo Kumano, a former BOJ official and now chief economist at Dai-ichi Life Research Institute. "Pressure on the BOJ will probably build."

BOJ Gov. Masaaki Shirakawa and his colleagues are unlikely to take action at a policy meeting this week, although the prospect of slower economic growth and political coercion could force them to ease monetary conditions in the coming months, such as by increasing bond purchases, said economist Susumu Kato.

"The government may put more focus on escaping deflation as its basic economic policy, at a time when economic growth is set to slow," said Kato, chief economist for Japan in Tokyo at Credit Agricole CIB and CLSA. "Your Party, especially, may strongly call for further monetary easing."

Kan's DPJ won 44 seats, compared with 51 for the Liberal Democratic Party. Your Party, a group founded by former LDP Cabinet minister Yoshimi Watanabe that has advocated monetary easing, won 10. Half of the 242 seats in the less powerful Upper House were up for grabs.

The prime minister, who took office last month, said he wouldn't step down after failing to meet his goal of winning at least 54 seats, adding he will pursue "policy-based" alliances with other parties. Kan blamed his "insufficient" explanation to the public of the need for a consumption tax increase as a reason for the defeat.

Your Party leader Watanabe said that while he isn't interested in joining Kan's coalition, he will work with the government "if we have common agendas" on specific issues. In its platform, the party, formed last year, said it wants to set an inflation target and seek further monetary easing to boost growth and tackle deflation.

Dai-ichi's Kumano and Takahide Kiuchi at Nomura Securities Co. said financial market volatility could be the trigger for additional government pressure on the central bank.

The yen has surged 4.7 percent against the dollar and 13 percent versus the euro in the past three months, threatening to erode earnings among the exporters who have led Japan's recovery. The Nikkei 225 stock average slid 15 percent in the same period.

"The focus after the election will be on how the government tries to overcome deflation and maintain stability in financial markets and the economy," Kiuchi said. "Given the nation's severe fiscal condition, there's little room for the government to spend more, and so it will likely demand additional measures from the central bank."

### **China sales fall 2.7% after strikes**

Bloomberg

Honda Motor Co.'s sales to dealers in China fell 2.7 percent in June as strikes at parts makers led the automaker to suspend production, creating a shortage of vehicles.

Sales fell to 50,113 units during the month, Honda said Monday in an e-mailed statement, while rising demand for cars pushed up sales 22 percent in the first half of the year from the same period a year earlier.

Honda's China sales also fell 10.3 percent in May from a year earlier, the company said.

The decline in sales came after Honda announced in May that it will raise production capacity in China by 28 percent to 839,000 vehicles a year by the second half of 2012 and introduce two new models to take advantage of rising demand.

China's wholesale passenger car sales rose 19 percent in June to 1.04 million units, according to a report Friday by the China Association of Automobile Manufacturers.

At least eight strikes in the past two months at parts suppliers to Honda, Toyota Motor Corp. and Nissan Motor Co. have forced the automakers to suspend production for days or for a few hours. Before May, Honda's last monthly sales decline was in March 2009 as the financial crisis undermined demand, according to the company.

Honda closed two plants in Guangzhou, Guangdong Province, on May 24, and factories in Guangzhou and Wuhan, Hubei Province, on May 26 after 1,850 workers at a parts-making unit went on strike for higher wages. The four factories resumed production June 5.

Nissan eyes Baosteel

Baosteel Group Corp., China's largest supplier of auto sheets, said Nissan Motor Co. is evaluating its products for global purchasing as the carmaker seeks to lower spending for raw materials.



This is the first time a Chinese steelmaker has been selected for evaluation as a global supplier to Nissan, the Shanghai-based mill said Monday on its Web site.

The move underscores the rising competition that Japanese steelmakers such as Nippon Steel Corp. face from China, where exports last month jumped to their highest level since September 2008.

Nissan is predicting that North American sales will rise 13 percent this fiscal year and is planning to boost production capacity in China by almost 70 percent by 2012.

### **China Watchdog Orders Recall of 2,443 Trucks With Mitsubishi Fuso Chassis**

By Bloomberg News - Jul 14, 2010

China has ordered a recall of 2,443 trucks with chassis made by Mitsubishi Fuso Truck and Bus Corp. from July 15, the General Administration of Quality Supervision, Inspection and Quarantine said today in a statement on its website.

The recall was to rectify problems with the chassis on the FV517K, FV517S, FV51JJ, FV51JK, FV51JP and FV51JS models, produced by the Mitsubishi Fuso from Sept. 8, 2005, to Dec. 3, 2009, it said. Problems with the electronics on the chassis could disable the tachographs, it said.

### **Magazine puts Nomura tops in China research**

Bloomberg

Nomura Holdings Inc. placed first in China research by Institutional Investor magazine's inaugural All-China Research Team ranking.

The Tokyo-based company won 14 total team positions, beating Citigroup Inc. and Goldman Sachs Group Inc., which tied for second place, the magazine said on its Web site. BofA Merrill Lynch Global Research was in fourth place, followed by Deutsche Bank AG. Chinese stocks are the worst performers in Asia this year, with the Shanghai Composite Index falling 24 percent on concern that government efforts to curb inflation and property speculation will slow the world's third-largest economy.

Nomura's chief Asian equity strategist, Sean Darby, said June 23 the brokerage was turning positive on China's yuan-denominated shares for the first time this year, citing greater flexibility in the yuan's exchange rate, improving risk appetite and large cash holdings of domestic fund managers.

"With China offering such enviable economic performance but so much uncertainty over the impact of present and future policy changes on the nation's equity markets, it's not surprising that

investors are clamoring for research and insight into what has become arguably the world's most important economy," Institutional Investor said.

### **Bond sale nets Sapporo ¥12 billion**

Bloomberg

Sapporo Holdings Ltd. issued ¥12 billion in bonds in its first debt sale since June 2007.

The company, which initially planned to raise about ¥10 billion, priced the five-year, 0.96 percent bonds to yield 30 basis points more than the yen swap rate.

Bondholders can exercise a so-called put option demanding Sapporo buy back the notes should control of the company change and if it is downgraded below investment grade by the Japan Credit Rating Agency, according to a statement from sale manager Mizuho Securities Co. The brewer is ranked BBB+ by the ratings agency, three steps above speculative grade.

### **Rabigh Refining Signs Accord to Provide Petrochemicals to Saudi Companies**

*By Glen Carey - Jul 14, 2010*

Rabigh Refining and Petrochemicals Co., a joint venture between state-owned Saudi Aramco and Sumitomo Chemical Co. of Japan, signed an agreement to provide petrochemicals to Saudi Advanced Industries Co. and National Industrialization Co., according to a statement on the Saudi bourse website today.

### **53% of Upper House members back hike in sales tax**

THE ASAHI SHIMBUN

More than 50 percent of Upper House members are in favor of raising the consumption tax rate within five years, even though the issue was blamed for the ruling party's setback in Sunday's election, a survey shows.

Prime Minister Naoto Kan drew sharp criticism for broaching the issue ahead of the election.

But a survey conducted jointly by The Asahi Shimbun and a University of Tokyo team found that a combined 53 percent of respondents were either in support of or leaning toward raising the consumption tax rate by 2015. A combined 20 percent were opposed to an increase in the tax rate, which now stands at 5 percent.

Among Upper House members belonging to the ruling Democratic Party of Japan, a combined 53 percent were in favor of an increase. Among Liberal Democratic Party Upper House members, the corresponding figure was 78 percent.

Candidates in Sunday's Upper House election as well as members who were not up for election were canvassed for their views between late May and up until Sunday's ballot.

The responses of successful candidates were compiled with those of Upper House members who did not run. The University of Tokyo team was headed by Masaki Taniguchi, a political science professor.

Responses were obtained from 172 Upper House members, both newly elected and incumbents.

The difference between the DPJ and the LDP reflects the stances of the two parties as outlined in their respective campaign manifestoes.

The DPJ manifesto called for "commencing with nonpartisan discussions on comprehensive revision of the taxation system, including the consumption tax, in order to obtain a conclusion as soon as possible."

While the manifesto itself made no mention of raising the consumption tax to 10 percent, Kan's comment on the 10-percent rate focused so much attention on the issue that he was later forced to backtrack and declare, "I meant to say that the consumption tax rate would not be increased one bit until the next Lower House election."

DPJ candidates were also busy trying to fend off criticism, with many saying that priority should be placed on discussions on taxation system reform.

However, the survey results show clearly that most DPJ Upper House members were in agreement with Kan's statement about a 10-percent consumption tax rate.

The higher percentage of LDP members in favor of raising the consumption tax rate reflects the following statement in the party's manifesto:

"The consumption tax rate should be 10 percent for the time being. It will be decided on after obtaining the understanding of the public after we regain control of the government."

One party whose members have not taken a clear stance on the consumption tax rate is New Komeito. Half of the respondents said they were unsure whether the tax rate should be increased. While 36 percent were in favor of an increase, 14 percent were opposed.

New Komeito's manifesto only called for "comprehensive revision of the taxation system, including the consumption tax."

Three parties opposed to a consumption tax increase are Your Party, the Japanese Communist Party and the Social Democratic Party.

A Your Party campaign pledge was to "not raise taxes for the three-year period of concentrated reform." In the survey, 89 percent of Your Party Upper House members were opposed to a consumption tax rate.

### **¥2 billion in shady accounting at 11 ministries**

Kyodo News

The internal affairs ministry said Tuesday it has found accounting irregularities totaling ¥2.06 billion in budgets and subsidies at 11 ministries and an agency in the three years to fiscal 2008.

Of the sum tallied from Board of Audit reports and each entity's internal probes, ¥1.17 billion administered by six ministries and an agency, or 57 percent of the total, was comprised of subsidies used improperly by local governments, the Internal Affairs and Communications Ministry said.

Internal Affairs and Communications Minister Kazuhiro Haraguchi urged ministries and agencies, including those where no irregularities were found, to beef up accounting audits, saying all of them had insufficient safeguards against such problems.

Haraguchi ordered the government bodies in April to investigate the presence of accounting irregularities as part of the administration's efforts to cut wasteful spending.

Some ¥690 million was reportedly misappropriated for purchasing goods after fictitious orders were placed for office supplies and bogus expenses were pooled.

The second-largest proportion, some ¥540 million, was used to order goods to be delivered in the next fiscal year to use up allotted budgets within a given fiscal year, the ministry said.

Among the 12 entities targeted, the Agriculture, Forestry and Fisheries Ministry topped the list with ¥610 million, including subsidies of ¥480 million, followed by the Land, Infrastructure, Transport and Tourism Ministry, with ¥560 million, including ¥530 million in subsidies.

The Education, Culture, Sports, Science and Technology Ministry's ¥110 million all came from irregularities committed by local governments.

The internal affairs ministry also found that six ministries and an agency didn't taken preventive measures, including overhauling the procedure for procuring and managing goods and strengthening auditing functions.

### **Trader indicted over export to N. Korea**

FUKUOKA (Kyodo) have indicted the president of a trading company in Kumamoto Prefecture for illegally exporting to China a power shovel that can be used in the development of weapons of mass destruction and which was later transported to North Korea.

Hiromitsu Tsutsumi, 63, of Yatsushiro, was arrested last month.

Also arrested in connection with the case was the 37-year-old head of another trading firm in the city of Fukuoka, but prosecutors have decided not to indict him due to insufficient evidence.

Tsutsumi is suspected of exporting to China a used power shovel in April 2009 under the name of the trading firm in Fukuoka by submitting a false declaration to customs and without obtaining permission from the minister of economy, trade and industry, according to the indictment.

The Fukuoka Prefectural Police said they have confirmed that the power shovel has since been transported to North Korea from Dalian, China.

Tsutsumi exported three other power shovels to Hong Kong in February 2009. According to the police, he has told investigators he received orders from North Korea and was given about ¥10 million in advance payment, and that the power shovel he exported in April 2009 was a reward for the party that placed the orders.

Power shovels come under the export control regulation because they could be diverted for military use, such as for launchpads for ballistic missiles.

U.S. cooperation

WASHINGTON (Kyodo) Japan and the United States reaffirmed Tuesday their cooperation on a response to North Korea over its alleged sinking in March of a South Korean warship, Foreign State Secretary Koichi Takemasa said after meeting with U.S. Deputy Secretary of State James Steinberg.

Takemasa said he and Steinberg agreed to work closely on seeking full implementation of a resolution adopted last month by the U.N. Security Council for fresh sanctions against Iran over its nuclear programs.

Takemasa, who is visiting the U.S., said they discussed a range of bilateral and global issues but declined to say whether they took up the issue of relocating the Futenma air base in Okinawa.

### **Toyota, Nissan Invest \$1.2 Billion to Expand Production in Latin America**

By Jens Erik Gould and Makiko Kitamura - Jul 15, 2010

Toyota Motor Corp. and Nissan Motor Co. will invest a combined \$1.2 billion to expand production in Latin America amid growing regional and export demand.

Toyota is spending \$600 million on a new car plant in the Brazilian state of Sao Paulo, the company said in a statement, and Nissan is spending the same amount to expand Mexican production to build three new models, Chief Executive Officer Carlos Ghosn said in Mexico City yesterday.

Mexican vehicle production more than doubled in June from a year earlier as the country exported a record number of vehicles, mostly to the U.S. and Europe. Earlier this month General Motors Co. said sales in Brazil may surge 68 percent to 1 million vehicles by 2014 as growth in Latin America's largest economy stokes demand.

Toyota will start building 70,000 units a year of a new compact car from the second half of 2012 at the Sao Paulo plant. Nissan will produce 300,000 units of the March compact, a four-door sedan and a five-door multipurpose vehicle a year in Mexico, 80 percent of which will be distributed in the Americas, Ghosn said. Production of the March will begin next year, he said.

Twenty percent of the new models will be sold in Mexico, Ghosn said, boosting Nissan's 23.5 percent market share there. Nissan has the largest share in Mexico and was the No. 1 producer of vehicles there last year, with 355,414 units.

"This market share is not only sustainable but should continue to grow," Ghosn told reporters in Mexico City.

"Record Year"

While globally automakers will have a "record year" in 2010, producing as many as 70 million vehicles, industry sales in Europe will drop 7 percent to 9 percent, Ghosn said. He forecast Nissan and partner Renault SA, which has a controlling stake in the Japanese automaker, will sell a combined 7 million vehicles worldwide this year.

Ghosn also said Mexico's rising drug-fueled violence is "not an obstacle" to investing in the country. The company has taken "minor" precautions, he said.

GM surpassed Nissan as the largest producer of autos in Mexico this year. In the first five months, GM produced 234,940 vehicles compared with 190,173 for Nissan, according to statistics from the Mexican Auto Industry Association.

For the first five months of the year, Nissan produced 56,162 autos for sale in Mexico. GM produced 48,216 in Mexico for sale in the local market.

Supply Disruption

Ghosn declined to say how much Nissan will lose in sales from a parts-supply disruption that caused it to halt production at plants in Japan and the U.S. for three days.

“I hope that the damage and shortage of sales and production will be very limited,” he said. “When we reach a number that is solid, we’ll communicate it.”

The carmaker, based in Yokohama, is losing 15,000 units of production from the shutdown in Japan. The disruption was caused by a supplier to Hitachi Ltd. that couldn’t deliver integrated circuits for engine control units on time, Tokyo-based Hitachi said earlier this week.

The company is conducting an inquiry on the root cause of the supply disruption, Ghosn said, adding that Nissan’s just-in-time production system of taking delivery of components without stocking inventories is unlikely to be challenged.

Nissan plans to resume production at the plants in Japan on July 19 and the following day at the U.S. factories, Yokohama-based spokesman Toshitake Inoshita said by phone today.

Geneva-based STMicroelectronics NV, a maker of microchips, is the vendor to Hitachi, the Nikkei newspaper reported July 14. Keiko Sako, a spokeswoman for STMicroelectronics in Tokyo, declined to confirm the company’s supply contract to Hitachi.

### **NTT agrees to buy S. Africa's Dimension**

Overseas push seen to reverse declining sales

Compiled from Bloomberg, Kyodo

Nippon Telegraph & Telephone Corp. agreed to buy South Africa's Dimension Data PLC for £2.1 billion, or ¥286 billion, to expand in the faster-growing computer-services market, NTT said Thursday.

Japan's largest phone company offered 120 pence a share, or 18 percent more than Johannesburg-based Dimension's last closing price, the Tokyo-based phone carrier said. The management of Africa's largest computer-services company and a majority of its shareholders have agreed to the sale, it said.

The friendly buyout is expected to be completed in October, enabling NTT to expand its global operations for corporate customers, the Japanese telecom giant said.

NTT will use funds on hand and loans from Bank of Tokyo-Mitsubishi UFJ to buy all outstanding common shares as well as those planned to be issued.

The purchase would give NTT a computer-services company with more than 6,000 customers across 49 countries as it seeks to reverse three years of declining sales.

"NTT needed to look for an acquisition target to make good use of its cash that's piling up," said Hironobu Sawake, an analyst at JPMorgan Chase & Co. in Tokyo. "As an overseas transaction that supplements NTT's existing businesses, the transaction seems to be positive."

The offer values Dimension at about 20 times earnings projected for the year ending in September, according to analyst estimates compiled by Bloomberg. That compares with an average multiple of 24 for 16 European software and computer-services companies tracked by Bloomberg.

Dimension in May reported net income rose 8.7 percent to \$71.7 million in the six months through March as corporate customers boosted technology spending. Revenue rose 11 percent to \$2.17 billion.

Worldwide information technology spending, which includes computer equipment and software purchases, will grow 9.3 percent this year from an estimated \$1.4 trillion in 2009, according to Forrester Research Inc. in Cambridge, Mass.

"Global expansion is a crucial part of our growth strategy," NTT President Satoshi Miura said in Tokyo. "Dimension Data has been expanding in Africa, South America and the Middle East, regions where our service offering has been lacking."

NTT DoCoMo Inc., NTT's mobile-phone subsidiary, in March 2009 bought a 26 percent stake in India's Tata Teleservices Ltd. for ¥250 billion to take advantage of the market's growth. The carrier in December bought 79.6 percent of Germany's Net Nobile AG shares for an undisclosed amount.

### **Finance Chief Says His `Severe' Fiscal Situation Similar to Government's**

By Toru Fujioka - Jul 16, 2010

Japanese Finance Minister Yoshihiko Noda says he knows how important it is to contain the nation's growing debt load, drawing from first-hand experience of being a borrower himself.

"Japan's in a severe fiscal situation -- and I can say the same applies for my finances," Noda, who disclosed he has a 36 million yen (\$413,000) bank loan, said at a press conference in Tokyo today. "I need a fiscal strategy for my household budget and will return the money according to a schedule."

Noda last month helped Prime Minister Naoto Kan craft guidelines for cutting the government's debt burden, which at \$80,000 per head is twice the annual salary of the country's average worker. The government last month pledged to balance its primary budget by fiscal 2020 while freezing spending increases and new bond sales for three years.



“If your own finances are severe, it may be easier to understand the threat of debt problems because one can frame them in the context of a household budget,” said Toshihiro Nagahama, chief economist at Dai-Ichi Life Research Institute in Tokyo. “Noda will work hard to address Japan’s fiscal problem.”

Noda disclosed his finances in accordance with Cabinet rules and the documents didn’t elaborate on the nature of his debt. He and his wife have 17.7 million yen in assets and Noda doesn’t hold any bonds and stocks, the report showed.

## **Social Front:**

### **Sales of fake Japanese goods spread on Chinese Web sites**

Kyodo News

Increasing numbers of counterfeit Japanese goods such as watches and cosmetics are spreading on Chinese online shopping sites, according to a recent investigation by the Ministry of Economy, Trade and Industry.

METI has strongly requested the Chinese government to take firm measures to prevent such online shopping sites from doing business, while alerting consumers who may fall victim to such products.

As part of the investigation of counterfeit goods, METI said it purchased 10 units of various items made by Japanese companies that were marketed on several major Chinese online shopping sites in fiscal 2009 and examined their authenticity.

In one of the shopping sites, all the cosmetics and character goods turned out to be counterfeits, while in another site, 60 percent of watches and 83 percent of clothing were copied products, METI said.

The ministry did not disclose the specific names of the Web sites they examined.

The online shopping industry in China is expanding rapidly as the number of Internet users in China continues to grow. In 2009, the size of the Chinese online shopping industry exceeded ¥3 trillion, almost double the size of the previous year. METI thinks that the rapid expansion of the market has led to the proliferation of counterfeit goods, ministry officials said.

### **Thousands urged to evacuate homes as heavy rains hit Japan**

TOKYO, July 15 (Reuters) - Hundreds of thousands of people in western and southern Japan have been urged to evacuate their homes as heavy rains caused mudslides and flooded houses, killing two and leaving some missing.

The Meteorological Agency said early on Thursday that torrential rain was expected to hit western and eastern Japan later in the day.

TV images showed some houses tilted after being hit by mudslides, swollen rivers and abandoned cars almost totally submerged in flooded streets. Footage also showed a rescue crew saving a man caught in a fallen tree on a fast-running river.

Kyodo news agency said local governments had recommended that some 300,000 people evacuate from their homes. Heavy rain and mudslides also suspended or delayed bullet and local trains.

In Hiroshima, western Japan, two were killed, one who drowned and one buried in a landslide, and two are missing.

### **Ex-skipper admits fixing games**

TAIPEI (Kyodo) The Japanese former manager of a Taiwanese baseball team pleaded guilty Tuesday to fixing games and fraud.

Appearing at the Banciao District Court in Taipei County, Shin Nakagomi pleaded guilty to five counts of game-fixing after confessing June 25 to the offenses, which took place in 2008 and 2009 and led to the prosecution of some of Taiwan's most prominent baseball players.

The 40-year-old Nakagomi admitted in April to one count of game-fixing, and he told the court Tuesday that he hoped his full confession will allow him to return to Japan as soon as possible to care for his daughter.

Prosecutors are seeking an 18-month prison term.

He may also face a substantial fine. The Chinese Professional Baseball League and two teams said they would seek a combined 370 million Taiwan dollars (about ¥1 billion) in compensation from those convicted.