

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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- Farm ministry to file criminal complaints against 4 companies over tainted rice
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Summary of Report

South Korea

Politico-Strategic Front:

Gates leaves for Seoul to attend 2-plus-2 meeting U.S. Defense Secretary Robert Gates departed for Seoul Sunday to attend a ministerial meeting to consolidate the decades-old alliance amid heightening tensions in the region after the sinking of a South Korean warship, Yonhap News reported. While in Seoul, Gates will have a separate meeting with South Korean Defense Minister Kim Tae-young, visit a U.S. military unit, and pay tribute to the American and South Korean soldiers killed in the Korean War.

Clinton, Gates to Commemorate Korean War Anniversary With Visit to DMZ Secretary of State Hillary Clinton and Defense Secretary Robert Gates will visit the armed border dividing North and South Korea tomorrow, in a show of U.S. unity with its ally after the sinking of one of the South's warships.

North Korea Executes Official Who Negotiated With South, Dong-a Ilbo Says North Korea executed a former Cabinet official who had been responsible for negotiations with South Korea, the Seoul-based Dong-a Ilbo newspaper reported, citing an unidentified person in Beijing. Kwon Ho Ung, North Korea's chief delegate to ministerial-level talks between the two sides from 2004 to 2007 was killed by firing squad, the paper said.

North Korea Denounces 'Hostile' Sanctions by U.S., Urges Six-Party Talks North Korea denounced new U.S. sanctions against its regime and said next week's naval exercises involving South Korean and American forces posed a threat to regional peace.

Obama's Spy Chief Nominee Clapper Sees Danger Ahead From North Korea The U.S. may be entering "a dangerous new period" with North Korea marked by military provocations designed to advance the Stalinist state's political goals, President Barack Obama's nominee for intelligence chief said.

South Korea Seeks Accord With U.S. by 2012 to Reprocess Spent Nuclear Fuel South Korea aims to reach an accord with the U.S. by 2012 that could allow the Asian nation to recycle spent nuclear fuel for "peaceful" use to produce electricity, Minister of Knowledge Economy Choi Kyung Hwan said.

China Objects to U.S.-South Korea Naval Drills China signaled its opposition to next week's naval drills by the U.S. and South Korea and urged all parties to refrain from actions that might increase tension on the Korean peninsula. China is "firmly opposed" to any threatening foreign military activities in waters off its shores, the foreign ministry said in a statement posted on its website. The government will monitor the exercises, it said.

Joint Statement of ROK-US Foreign and Defense Ministers' Meeting ROK Minister of Foreign Affairs and Trade Yu Myung-hwan and Minister of National Defense Kim Tae-young, and U.S. Secretary of State Hillary Rodham Clinton and Secretary of Defense Robert M. Gates met in Seoul on July 21, 2010, to commemorate the 60th anniversary of the outbreak of the Korean War, which gave birth to the ROK-U.S. Alliance.

S. Korea, US to set new alliance vision South Korea and the United States will establish a new roadmap to outline a broader alliance by the year's end in tandem with a changing security environment around the Korean Peninsula, the Ministry of National Defense said Thursday.

U.S. announces new sanctions against North Korea The United States on Wednesday announced new sanctions against North Korea, targeted against its leadership, and warned of serious consequences if it again attacked the South. Relations across the divided peninsula have turned increasingly hostile after South Korea accused the North of sinking one of its warships in March, killings 46 sailors.

North Korea Considers 'Physical Response' to Planned U.S. Naval Maneuvers North Korea threatened a physical response to naval drills off the Korean peninsula that will start this weekend, accusing the U.S. of conducting 19th century style “gunboat diplomacy.”

Probe into illegal surveillance widens The prosecutors' investigation of the Prime Minister's Office (PMO)'s illegal surveillance of a businessman is zooming in on a former presidential secretary for labor affairs. Investigators are expected to summon Lee Young-ho, a former presidential secretary, next week for questioning over whether he was directly reported to by officials from the premier's office regarding the result of the unlawful surveillance, officials from the prosecution office said Friday.

Education ministry sits on fence over corporal punishment The education ministry remains ambivalent about disputes over corporal punishment at schools, adding confusion to the sensitive issue. The Seoul Metropolitan Office of Education, headed by liberal superintendent Kwak No-hyun, has made it clear that it will ban physical discipline and establish a task force to come up with a detailed action plan. The team, comprising of 20 teachers, parents and students, will devise specific guidelines on how to eliminate physical punishment at schools.

UNC-NK talks fail to produce results The U.S.-led U.N. Command (UNC) and North Korea's military ended their third round of working-level talks Friday without tangible results, the command said, as tension has heightened further following the U.S. announcement to impose tougher financial sanctions on the North over the sinking of a South Korean warship in March in the West Sea.

'US troops in Korea to be deployed to conflict areas' The United States will deploy some of its troops stationed in Korea to other conflict regions in the coming years as part of its strategic deployment stance, the top U.S. military officer said this week in Seoul.

North Korea threatens nuclear response to U.S.-South Korea military exercises North Korea raised the stakes in its face-off with the United States and South Korea on Saturday, threatening to use nuclear weapons if Washington and Seoul go ahead with military exercises planned for regional waters this summer.

Economic Front:

South Korean Bidders to Offer Low Fares to Win Brazil Bullet Train Deal A group of 25 South Korean companies, including Samsung SDS Co., Hyundai Rotem Co. and LG CNS Co Ltd., will offer low ticket prices in a bid to build and operate a 511-kilometer (318-mile) high-speed train project in Brazil, a South Korean government official said.

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.

Korea Electric to Buy 20% of Indonesia's Bayan Resources for \$515 Million Korea Electric Power Corp., South Korea's largest utility, will buy a 20 percent stake in PT Bayan Resources for about \$515 million to add supplies of coal used to generate half the electricity in Asia's fourth-biggest economy.

Korea Gas May Need More Australian LNG After Chevron Deal, Citigroup Says Korea Gas Corp., the world's biggest importer of liquefied natural gas, may need more Australian LNG after signing an initial accord to buy supplies from Chevron Corp.'s proposed Wheatstone project, Citigroup Inc. said.

Hyundai Motor, Workers Union Reach Tentative Agreement on Wage Increases Hyundai Motor Co., South Korea's largest automaker, and its workers union reached a tentative agreement on a wage increase for this year, averting a strike. Workers' monthly base salary will be increased by 4.9 percent, or 79,000 won (\$66), Hyundai and the union said in separate statements late yesterday. They also agreed on a bonus equal to three months' pay plus 5 million won in cash and a distribution of 30 shares for each worker. The pay deal needs union members' approval in a vote, which is planned for tomorrow.

LG Chem Second-Quarter Record Profit Beats Estimates on Demand From China LG Chem Ltd., South Korea's biggest maker of chemicals, posted a record profit in the second quarter, beating estimates, as Chinese demand for materials used to make plastics and synthetic rubber increased. Net income jumped 36 percent from a year earlier to 645.7 billion won (\$535 million) in the three months ended June 30, the Seoul-based company said in a regulatory filing today. The median estimate of nine analysts in a Bloomberg News survey was for a profit of 541.5 billion won.

Won May Fall 4.7% on Export-Growth Risk, Credit Agricole Says South Korea's won may fall 4.7 percent against the dollar by the end of this quarter on concern demand for the nation's exports will wane should the global economy deteriorate, Credit Agricole CIB said.

Samsung Planning to Grow African Market Share to as Much as 33%, COO Says Samsung Electronics Co. Ltd.'s sub-Saharan African unit plans to increase its share of the electronics market on the continent to as much as 33 percent by 2015 from 20 percent now, Chief Operations Officer George Ferreira said.

Samsung Total Petrochemicals Shuts Naphtha Cracker After Power Disruption Samsung Total Petrochemicals Co. shut its naphtha cracker today at Daesan complex in South Korea after a thunderstorm disrupted power supply, a company official said. The 850,000 metric ton-a-year plant was shut around 10 a.m. local time today and may resume operation in about one or two

days, said the official, who declined to be identified because he isn't authorized to speak to the media.

Shipyards May Gain on Hyundai Heavy Profit, Daewoo Container-Vessel Orders South Korean shipyards may rise after Hyundai Heavy Industries Co. reported better-than-expected profit and Daewoo Shipbuilding & Marine Engineering Co. won its first container-ship order in two years.

S. Korea Growth Likely 'Outperformed,' Adding Pressure on Rates South Korea's economy probably grew for a sixth straight quarter in the three months to June, adding to evidence that Asia's fourth-largest economy is withstanding risks to the global recovery. Gross domestic product grew 1.3 percent in the second quarter from the prior three months, when it gained 2.1 percent, according to the median of seven estimates in a Bloomberg News survey. The release is due at 8 a.m. on July 26 in Seoul.

U.S. Starts Freezing North Korean Bank Accounts, JoongAng Ilbo Reports The U.S. began freezing about 100 North Korean bank accounts around June at about 10 banks around the world, the JoongAng Ilbo newspaper reported, citing an unidentified diplomatic official.

Police Raid Woori Bank in Korea on Construction Loans Police raided Woori Bank, the lending unit of South Korea's third-largest financial company, to investigate the role of employees in construction loans that may turn sour. The police began searching Woori Bank's headquarters in Seoul at 10 a.m. today after the lender asked authorities to examine real estate project financing loans, spokesman Jung Hee Kyung said today by telephone.

Social Front:

Seoul City in bad shape financially Outstanding debt jumps 75%; per citizen debt 310,000 won, The financial soundness of the Seoul Metropolitan Government has been deteriorating over the past few years as it outspends its revenue, and borrows more money to finance a number of development schemes, including the "Design Seoul" and "Han River Renaissance" projects.

Actual marital status matters for naturalization A court ruled Monday that an immigrant wife should have the right to naturalization if she assumes the role of wife and daughter-in-law in the wake of the death of her Korean husband.

Heat wave warnings issued A heat wave is expected to continue Tuesday across the nation with the level of discomfort forecast very high. The Korea Meteorological Administration forecast that the daily high will soar far above 30 degrees Celsius in most major areas, such as Seoul, Chuncheon, Gangneung and Busan.

'Steps needed to woo more diverse foreign students' A growing number of foreign students choose Korea as their destination to study. The number has already topped 75,000 but not all

education experts here take the upward spiral of incoming students from overseas as positive with more than half of them coming from a single country — China. They say that Korea needs to put more efforts into attracting students from more diverse countries — it's time for quality over quantity.

Criminals' DNA samples to be taken, preserved DNA samples of convicted criminals and prime suspects of major felonies will be taken and preserved permanently starting next week, said the National Police Agency (NPA), Wednesday.

Disability pension unwelcome The Ministry of Health and Welfare's ambitious project to give pensions for disabilities is facing resistance from disabled people over its low coverage and high application cost. The National Pension Service (NPS)'s stricter disability assessment is also drawing resistance since one-third of the applicants are highly likely to find themselves demoted, which means less subsidies.

Breakthrough enzyme found to tackle Alzheimer's In a major discovery, a group of local researchers has pinpointed an enzyme capable of decomposing a substance that causes Alzheimer's disease. The finding is expected to open a new era for treatment of the disease.

Japan

Politico-Strategic Front:

DPJ prefectural execs go wobbly on support for Kan High-fives were few and far between and no one uncorked the bubbly when executives of prefectural chapters of the ruling Democratic Party of Japan were asked if they would support Naoto Kan in September's party presidential election.

Ex-Pyongyang agent here, meets kin of abductees Relatives hope '87 jet saboteur can shed light on the missing. Kim Hyon Hui, a former North Korean agent who downed a Korean Air jetliner in 1987, arrived in Japan early Tuesday to meet relatives of Japanese abducted by Pyongyang.

Tokunoshima off the hook for military drills No funding planned to launch feasibility study. The administration probably won't allocate any funds in fiscal 2011 to study the possible transfer of some U.S. military drills from Okinawa to Tokunoshima Island in Kagoshima Prefecture, government sources said Tuesday.

Futenma plan to await poll The government may delay finalizing details of the planned relocation of the Futenma air base within Okinawa, Defense Minister Toshimi Kitazawa indicated Tuesday in reference to the original deadline of August.

Okada-Clinton talks pushed back Foreign Minister Katsuya Okada is expected to hold talks with U.S. Secretary of State Hillary Rodham Clinton on Friday afternoon in Hanoi, instead of Thursday as tentatively scheduled, a senior Foreign Ministry official said Wednesday.

Mayor champions paternity leave Months before a legal change to promote paternity leave takes effect, one local authority stunned the public by taking about two weeks off work in April to look after his newborn son. The move by Hironobu Narisawa, the 44-year-old mayor of Bunkyo Ward, Tokyo, was quite rare in Japan where few mayors, whether female or male, take parental leave.

Japan, Australia to create new disarmament grouping Tokyo and Canberra, seeking a new approach to break the impasse over nuclear disarmament, will form a new grouping of nations this year to jump-start the process. Japan and Australia have called on 11 like-minded countries without nuclear arms, including South Korea, Germany and South Africa, to join the alliance, Japanese government officials said Wednesday.

Diet to convene July 30 to Aug. 6 The ruling and main opposition parties agreed Thursday to hold an extraordinary Diet session from July 30 to Aug. 6, following the July 11 House of Councilors election, lawmakers said

Okada, Yang eye gas field treaty Foreign Minister Katsuya Okada and his Chinese counterpart, Yang Jiechi, agreed Thursday the two countries should strive to conclude at an early date negotiations aimed at signing a treaty over joint gas field development in the East China Sea, a Japanese official said.

Tsuruga reactor's welding in pump not checked for 40 years At a nuclear power plant here, a welded part of a pump within a reactor containment vessel did not undergo any safety check for 40 years, officials said. The Japan Atomic Power Co., the operator of the Tsuruga Power Station, said it didn't inspect the part because it was "not aware there was a welded part" in the pump.

Economic Front:

JAL starts selling off one-third of its fleet Japan Airlines Corp. has started the process of selling 95 midsize and large aircraft, including jumbo jets, as part of its business turnaround program, sources have said.

Beefed-up Okinawa border eyed The Defense Ministry is considering dispatching the Ground Self-Defense Force's border security and coastal monitoring units to islands in Okinawa Prefecture in about five to eight years, senior ministry officials said Monday.

Nissan restarts four assembly plants Nissan Motor Co. resumed operations Monday at four domestic plants after their assembly lines were shut down Wednesday to Friday because of delayed delivery of engine-related auto parts by Hitachi Ltd.

New organ eyed to set budget, tax reforms The Democratic Party of Japan-led government plans to set up a new organization within the Cabinet Secretariat to draft the fiscal 2011 budget and formulate a basic policy on reforming the tax system, according to political sources.

Poll may hit Moody's JGB rating Moody's Investors Service suggested Tuesday that Japan's "indecisiveness" on enhancing fiscal discipline following the Democratic Party of Japan's loss of a majority in the Upper House will have a negative impact on its government bond ratings.

Toyota settles U.S. suit over hybrid patent Toyota has settled a patent-infringement dispute that had threatened U.S. imports of its newest hybrid vehicles, including the Prius.

Toyota Investigation Findings Should Be Disclosed by U.S., Lawmaker Says The U.S. auto-safety regulator should explain whether it has data showing some Toyota Motor Corp. accidents involving unintended acceleration were caused by drivers pressing the wrong pedal, the top Republican on the House Energy and Commerce Committee said.

Economy assessment unchanged The government kept unchanged its monthly economic assessment for July, saying Wednesday the recovery has lost some momentum and downside risks have emerged in the United States on top of Europe, which has been riddled with sovereign debt woes, but one official suggested the nation is in a "lull."

Beijing Auto in Venture Talks With Fuji Heavy's Subaru, Observer Reports Beijing Automotive Industry Holding Co. and Power Diversity Automobile Trade Co. are in talks with Fuji Heavy Industries Ltd.'s Subaru car unit about setting up a production venture in China, the Economic Observer said.

Japan Excludes Toyota Tsusho From Wheat, Rice Import Tenders for 3 Months Japan banned trading company Toyota Tsusho Corp. from participating in government tenders to import wheat, rice and barley for three months because it sold U.S. rice containing mold that was eventually consumed by humans.

Bank of Japan Warns From Experience of Overheating in Emerging Economies Emerging economies are at risk of overheating should they delay tightening monetary policy like Japan did in the 1980s, a central bank research report shows. Robust growth and relatively healthy fiscal management in developing economies is attracting investment even after fiscal concerns about Greece and other European nations erupted in May, according to the paper, which was co-written by six Bank of Japan officials and published today in Tokyo.

Mizuho sets share-trading record Mizuho Financial Group Inc. set a record Thursday for the number of shares traded on the Tokyo Stock Exchange. Almost 1.28 billion shares changed hands Thursday, exceeding the previous high of 1.04 billion set by Japan Airlines Corp. on Jan. 14, according to the bourse.

Nomura `1-Trillion-Yen' Japan Fund Falls Below 100 Billion Yen Asset Value Nomura Asset Management Co.'s once- dubbed "1-Trillion-Yen Fund" fell yesterday to its lowest level since being introduced in 2000 at the height of a bubble in information-technology stocks.

JFE Said to Plan Buying \$1 Billion Stake in JSW Steel JFE Holdings Inc., Japan's second-largest steelmaker, plans to invest about \$1 billion in India's JSW Steel Ltd., said a person with direct knowledge of the deal.

Japan Said to Consider Kazakh Uranium Imports Through East Russian Ports Japan, the third-largest nuclear power producer, plans to ask Russia to allow it to ship uranium from landlocked Kazakhstan through ports along the country's Pacific coast to cut the cost of importing the atomic fuel.

Honda's electric, plug-in entries to intensify eco-car war Honda Motor Co., a global leader in gas-electric hybrids with the Insight, the CR-Z and other models, will add an electric car and a plug-in hybrid to its 2012 lineup in Japan and the United States. Stricter environmental regulations planned around the world have prompted the company to embrace the new technologies.

Social Front:

FIFA team impressed with Japan's 2022 bid A FIFA delegation praised Japan's planning and advanced infrastructure after completing an inspection of the country's bid to host the 2022 World Cup. The FIFA inspection team, headed by Chile Football Federation president Harold Mayne-Nicholls, toured stadium and broadcasting facilities in Osaka and Tokyo from Tuesday to Thursday.

Temperatures shoot past 35 in several cities Numerous cities across the nation recorded temperatures above 35 degrees Sunday, with Tatebayashi, Gunma Prefecture, logging 36.3, the Meteorological Agency said. Tatebayashi's temperature was the first this year in the Kanto region above 35.

Child care leave dips for first time The proportion of women working in the private sector who took child care leave after giving birth in fiscal 2008 came to 85.6 percent, marking the first drop since data began to be compiled in fiscal 1996, according to a welfare ministry survey.

Institute barred from foreign trainees Immigration authorities have taken punitive action to bar the Japan Institute of Management-Labor Science from accepting foreign vocational trainees over the next three years, institute sources said Wednesday.

Miyazato regains world No. 1 rank Ai Miyazato has regained the world No. 1 spot in women's golf, according to the rankings released Monday.

Japanese researchers restoring Bamiyan treasures Japanese researchers have returned to Afghanistan to continue work on preserving centuries-old cave paintings and other Buddhist vestiges that have long been in danger of being erased. The eventual expectation is that the site, where two huge Buddha statues once stood, will become valuable tourism resources to help revive the war-torn country.

Kan's wife in print with book on husband Never the wilting violet, Nobuko Kan, the wife of Prime Minister Naoto Kan, has reinforced her reputation for forthrightness with the title of a new book about her husband's accession to power.

Farm ministry to file criminal complaints against 4 companies over tainted rice The farm ministry said Thursday it will file criminal complaints against four companies suspected of illegally selling 82 tons of tainted rice unfit for human consumption. The ministry cited violations of the Food Sanitation Law and other laws.

Visual foot-and-mouth checks start The Miyazaki Prefectural Government on Thursday started having vets conduct visual checks on most of the roughly 940,000 livestock in the prefecture before it declares an end to a months-long foot-and-mouth epidemic. It plans to have vets visit about 7,700 farms in the prefecture to check the health of livestock by Aug. 11.

South Korea

Detailed News

Politico-Strategic Front

Gates leaves for Seoul to attend 2-plus-2 meeting

U.S. Defense Secretary Robert Gates departed for Seoul Sunday to attend a ministerial meeting to consolidate the decades-old alliance amid heightening tensions in the region after the sinking of a South Korean warship, Yonhap News reported.

While in Seoul, Gates will have a separate meeting with South Korean Defense Minister Kim Tae-young, visit a U.S. military unit, and pay tribute to the American and South Korean soldiers killed in the Korean War. He will also pay respects at the War Memorial in Seoul for the 46 South Korean sailors who died in the sinking of the Cheonan in the Yellow Sea in March.

On Wednesday, Secretary of State Hillary Clinton will join Gates for the inaugural two-plus-two meeting with their South Korean counterparts, where they are expected to announce the schedule of joint military exercises in waters off the South Korean coast.

Clinton left for Islamabad Saturday to meet with Pakistani officials over the war in Afghanistan ahead of an international donors conference in Kabul, before heading to Seoul on Wednesday.

While in South Korea, Clinton will join Gates in the visit to the War Memorial. They will also attend a dinner hosted by South Korean President Lee Myung-bak.

The first-ever two-plus-two meeting, agreed upon in June last year when Lee met with U.S. President Barack Obama here, is to deal with long-term strategic security issues between the allies.

"This is an outgrowth of the Joint Vision statement President Obama and President Lee had promulgated when they met here in Washington D.C. and an outgrowth of our desire and Korea's desire to force a deeper and broader relationship both in the Korean Peninsula, and regionally and globally," a senior U.S. defense official said.

"This involves both the secretary of state and the secretary of defense allowing us to engage in higher-level strategic discussions about the relationship between our two countries cutting across military, diplomatic and political trade issues, the whole range."

The upcoming meeting, however, will likely be dominated by the joint military exercises and follow-up to the extension of U.S. wartime operational control (OPCON) of South Korean troops.

Clinton, Gates to Commemorate Korean War Anniversary With Visit to DMZ

By Nicole Gaouette and Viola Gienger - Jul 20, 2010

Secretary of State Hillary Clinton and Defense Secretary Robert Gates will visit the armed border dividing North and South Korea tomorrow, in a show of U.S. unity with its ally after the sinking of one of the South's warships.

The tour of the so-called Demilitarized Zone is part of commemorations of the 60th anniversary of the Korean War. The visit coincides with the arrival of the 97,000-ton aircraft carrier USS George Washington at the southeastern port of Busan before U.S.-South Korea military exercises that have raised tensions with China.

The exercises are intended as "a strong sign of deterrence" to North Korea, Gates told American troops at Camp Casey in South Korea today. The trip to the Demilitarized Zone will highlight how important operations are there to the security of the Peninsula as well as the region, he said.

Clinton and Gates will conduct talks with their South Korean counterparts in a demonstration of unity after the March sinking of the Cheonan, which both countries have blamed on a North Korean torpedo. The meeting will cover the planned military exercises as well as diplomatic, political and trade issues. Clinton also will dine with South Korean President Lee Myung Bak.

Clinton said the trip was planned long ago to mark the Korean War, in which more than 55,000 Americans died.

Showing Support

“Because of the Cheonan, I think it’s particularly timely to show support,” she told reporters traveling with her in the Afghan capital Kabul today.

Clinton compared the U.S. commitment to South Korea through its years of economic struggle and instability to the Obama administration’s pledge to stick with Afghanistan after it emerges from the war that has raged since 2001. South Korea now ranks as one of the Group of 20 economic powers and a leader in Asia, she said.

“The U.S. has stayed with countries a lot longer than eight years,” Clinton said.

In East Asia, the aircraft carrier arrives tomorrow on its first visit to South Korea since October 2008, the Department of Defense reported on its website. Three destroyers will accompany the carrier.

While the series of exercises isn’t the largest the two nations have conducted, it is unusual in its timing, said Admiral Robert Willard, commander of the U.S. military’s Pacific region.

‘Other Provocations’

“Its significance is the fact that it is in response to what has occurred with Cheonan,” Willard told reporters in Seoul today, according to a transcript. “If we go back in history and look at other provocations that have occurred by North Korea directly toward the South, very often there has not been a military response like this show of force.”

The exercises will involve 10 U.S. ships and eight from South Korea and “a lot of aircraft,” Gates told the troops stationed at Camp Casey, according to a Pentagon transcript.

“There are going to be anti-submarine warfare operations. There’ll be aircraft operations using the Air Force training range,” Gates said. “So it’s going to be a large exercise and a pretty broad-ranged exercise.”

Gates arrived in South Korea yesterday. Clinton will be flying from Afghanistan to Seoul before heading to Hanoi for a meeting with counterparts from the Association of Southeast Asian Nations. The foreign ministers of China and both Koreas will also attend.

Chinese Concerns

Plans to hold the drills in the Yellow Sea off South Korea’s west coast have raised Chinese concerns. The scheduled joint navy drill is “hostile to China,” Li Jie, a researcher at the Chinese

navy's military academy, said earlier this month in a commentary published in the China Daily newspaper.

China opposes foreign planes or vessels conducting activities that undermine China's security interests, Qin Gang, a spokesman for the foreign ministry, said this month in response to questions about the naval drills.

The exercises are being conducted in international waters and are intended as a signal to North Korea, not China, Gates spokesman Geoff Morrell told reporters at the Pentagon last week.

"These exercises are off the coast of Korea, not off the coast of China," Gates told reporters traveling with him, according to a transcript. "There's nothing provocative about them at all."

Beyond Military Issues

The joint talks are an outgrowth of last year's meeting between Lee and President Barack Obama in Washington, when they laid out a plan to extend ties beyond military issues to include areas such as economic development, human rights and counterterrorism.

The Korean War ended in a cease-fire that was never replaced by a peace treaty, and the two nations have remained technically at war ever since. South Korea's 680,000 military personnel face as many as 1.2 million troops across the border in North Korea, which has built atomic bombs and long-range ballistic missiles.

Tensions between the two foes rose following the sinking of the Cheonan on March 26, in which 46 sailors were killed. South Korea, the U.S. and their allies have said a North Korean torpedo fired by a mini-submarine was to blame. The North has denied any involvement, and China has so far refused to fall in line with international condemnation of its ally.

Obama and Lee agreed on June 27 during an economic summit in Toronto that the countries would delay a planned transfer of wartime operational control.

Under the revised timetable, South Korea will assume wartime control of its forces on Dec. 1, 2015, rather than in April 2012. The delay was favored by some officials and former military officers in the East Asian nation who expressed concern that South Korea wasn't ready for the transfer.

North Korea Executes Official Who Negotiated With South, Dong-a Ilbo Says

By Shinhye Kang - Jul 19, 2010

North Korea executed a former Cabinet official who had been responsible for negotiations with South Korea, the Seoul-based Dong-a Ilbo newspaper reported, citing an unidentified person in Beijing.

Kwon Ho Ung, North Korea's chief delegate to ministerial-level talks between the two sides from 2004 to 2007 was killed by firing squad, the paper said.

The Ministry of People's Security and the Ministry of State Security, the North's two main security arms, are rounding up "impure elements" to show their loyalty to Kim Jong Un, the heir apparent to North Korean leader Kim Jong Il, the newspaper said in an editorial July 17.

Last week, brothers in their 20s were publicly executed in Hoeryong, North Hamkyong Province, the paper said without giving details. Former Railway Minister Kim Yong Sam was publicly executed in March last year after about 100 locomotives were scrapped after workers stole and sold components, it said. In March this year, Pak Nam Gi, former finance director of the ruling North Korean Workers' Party who oversaw last year's botched currency revaluation, was also shot, it said.

North Korea Denounces 'Hostile' Sanctions by U.S., Urges Six-Party Talks

By Bomi Lim - Jul 22, 2010

North Korea denounced new U.S. sanctions against its regime and said next week's naval exercises involving South Korean and American forces posed a threat to regional peace.

"The sanctions are a direct expression of intensified hostility," Ri Tong Il, a member of North Korea's delegation to Asia's biggest security forum in Hanoi, said today. "The U.S. should make concrete steps toward engaging in dialogue if it is serious about ridding the Korean peninsula of nuclear weapons."

Ri's comments coincided with Secretary of State Hillary Clinton's arrival in the Vietnamese capital to attend the same Asean Regional Forum. Clinton announced the trade restrictions against North Korea yesterday during a visit to Seoul, where she urged the regime to acknowledge that it sank a South Korean warship in March, killing 46 sailors.

North Korea's criticism follows China's objection to the planned drills involving 20 vessels and 200 aircraft off South Korea's east coast. China's willingness to mediate in North Korean affairs will be diminished by the military maneuvers in waters near its territory, said Paik Hak Soon, director of inter-Korean relations at the Seongnam, South Korea-based Sejong Institute.

"The U.S. is showing no intention of engaging in talks with North Korea," Paik said by telephone. "China will be pushed more toward supporting North Korea in face of the strengthening U.S. alliance with South Korea and Japan."

Six-Party Talks

North Korea remains committed to returning to the six-party talks with China, Japan, Russia, South Korea and the U.S. on its nuclear weapons program, Ri said. All members of that group, which hasn't met since December 2008, will be at tomorrow's conference.

South Korean Foreign Minister Yu Myung Hwan has rejected the offer of talks as a ploy to divert attention from the attack on the corvette Cheonan, which an international panel blamed on Kim Jong Il's regime. The United Nations Security Council adopted a statement this month condemning the attack, without naming North Korea as the culprit.

China hasn't blamed North Korea for the March 26 attack. North Korea denies responsibility and has demanded a joint probe of the incident with South Korea.

Clinton said yesterday the new sanctions will target government officials and the foreign banks that help sustain the country's weapons industry. North Korea's economy has been battered by existing trade restrictions, including those imposed by the UN after nuclear tests in 2006 and last year.

'Grave Threat'

North Korean Foreign Minister Pak Ui Chun arrived in Hanoi last night and held bilateral meetings with his counterparts from China and Thailand today. He declined to comment to reporters.

The U.S. and South Korea, which fought against North Korea during the 1950-53 war, plan to hold more exercises in coming months.

China is "firmly opposed" to any threatening foreign military activities in waters off its shores, the foreign ministry said yesterday in a statement on its website. All parties should refrain from actions that might increase tensions on the Korean peninsula, the statement said.

"The joint military drills are not only a grave threat to peace and stability of the Korean peninsula, but also the region as a whole," Ri said.

Obama's Spy Chief Nominee Clapper Sees Danger Ahead From North Korea

By Tony Capaccio - Jul 20, 2010

The U.S. may be entering "a dangerous new period" with North Korea marked by military provocations designed to advance the Stalinist state's political goals, President Barack Obama's nominee for intelligence chief said.

That threat is the "most important lesson" for the U.S. intelligence community to take from North Korea's sinking of a South Korean warship, James Clapper told the Senate Intelligence Committee in written testimony for his confirmation hearing yesterday. A retired Air Force lieutenant general, Clapper has held the Pentagon's top intelligence job since 2007.

"We may be entering a dangerous new period when North Korea will once again attempt to advance its internal and external political goals through direct attacks on our allies in the

Republic of Korea,” said Clapper, who was head of intelligence for U.S. Forces Korea and the Pacific Command in the mid-1980s.

The March sinking of the Cheonan, which the U.S. and South Korea have blamed on a North Korean torpedo, also highlights a “renewed realization that North Korea’s military forces still pose a threat that cannot be taken lightly,” Clapper told the committee in an 89-page set of answers to policy questions.

Secretary of State Hillary Clinton and Defense Secretary Robert Gates visits the armed border dividing North and South Korea today in a show of U.S. unity with its ally after the sinking.

The tour of the so-called Demilitarized Zone is part of commemorations of the 60th anniversary of the Korean War. The visit coincides with the arrival of the 97,000-ton aircraft carrier USS George Washington at the southeastern port of Busan before U.S.-South Korea military exercises that have raised tensions with China.

South Korea Seeks Accord With U.S. by 2012 to Reprocess Spent Nuclear Fuel

By Christopher Martin and Shinhye Kang - Jul 21, 2010

South Korea aims to reach an accord with the U.S. by 2012 that could allow the Asian nation to recycle spent nuclear fuel for “peaceful” use to produce electricity, Minister of Knowledge Economy Choi Kyung Hwan said.

The two countries are discussing revising an agreement expiring in 2014 that bans South Korea from recycling uranium, which can also be used to make atomic weapons. South Korea, which plans to build more reactors to increase the share of nuclear power generation from about 40 percent, is running out of space to store the spent fuel.

“I hope that we can get recycling spent fuel as part of the agreement,” Choi, whose ministry oversees energy and industrial policies, said yesterday in an interview in Washington where he is attending a meeting of energy officials.

The current agreement was signed in 1956 and revised in 1974, the Munhwa Ilbo newspaper reported April 14. Washington is concerned that allowing South Korea to process the fuel for re-use may discourage North Korea from giving up its weapons program, the New York Times reported July 14.

“South Korea will pursue only peaceful and commercial use of nuclear power and we are against any military use,” Foreign Minister Yu Myung Hwan told reporters in Seoul today.

Asia’s fourth-largest crude oil importer seeks to buy overseas fields to reduce dependence on imports and also plans to increase exports of nuclear reactors, Choi said.

“We are trying to develop alternatives to oil and will continue to pursue acquisitions of promising oil and gas companies,” the economy minister said.

BP Assets

Choi declined to say whether South Korea is interested in buying assets from BP Plc. The London-based company, seeking to sell about \$10 billion in assets to pay for the cleanup of an oil spill in the Gulf of Mexico and related fines, agreed to sell assets in North America and Egypt to Apache Corp. yesterday for \$7 billion.

South Korea, which imports almost all of its energy and minerals needs, is competing with China and India in the search for raw materials after crude oil fell from an all-time high in 2008, making assets cheaper. State-run Chinese companies spent a record \$32 billion last year acquiring energy and resources assets overseas.

The country wants to boost sales of its atomic power reactors after winning an \$18.6 billion order from the United Arab Emirates in December, Choi said.

The nation emerged as a rival in the global nuclear-power plant industry after state-run Korea Electric Power Corp. beat General Electric Co. and Areva SA last year to an order to build four reactors in the U.A.E. South Korea said in June it may reach an agreement by the end of the year to build atomic generators in Turkey.

China Objects to U.S.-South Korea Naval Drills (Update1)

By Bloomberg News - July 21, 2010 07:47 EDT

July 21 (Bloomberg) -- China signaled its opposition to next week's naval drills by the U.S. and South Korea and urged all parties to refrain from actions that might increase tension on the Korean peninsula.

China is “firmly opposed” to any threatening foreign military activities in waters off its shores, the foreign ministry said in a statement posted on its website. The government will monitor the exercises, it said.

U.S. Secretary of State Hillary Clinton and Defense Secretary Robert Gates today visited the armed border that has divided the Korean peninsula for 60 years. The joint exercises come four months after a South Korean warship was sunk by a torpedo, an attack an international panel blamed on North Korea.

Chinese Foreign Minister Yang Jiechi and Clinton are set to attend the Asean Regional Forum tomorrow in Hanoi along with counterparts from North and South Korea. The meeting of 26 countries and the European Union is Asia's biggest forum to discuss security issues.

The military drills and signs of increased collaboration between the U.S., South Korea and Japan will prompt China to reexamine its relationship with North Korea, an Obama administration official traveling with Clinton said, speaking on condition of anonymity.

The United Nations Security Council adopted a statement earlier this month condemning the attack on the Cheonan without explicitly blaming North Korea.

USS George Washington

A U.S. aircraft carrier, the USS George Washington, arrived at the South Korean city of Busan on the east coast today for a five-day port call. Three U.S. destroyers will also visit South Korean ports this week. The joint military exercises will involve 20 vessels and 200 aircraft.

China has refrained from blaming North Korea for the ship attack. The Korean peninsula remains technically at war since the 1950-53 conflict ended in a cease fire that was never replaced by a peace treaty.

The U.S. and South Korea will refrain from using the Yellow Sea for the military drills, scheduled for between July 25 and 28. The South Korean defense ministry has said future exercises would include the Yellow Sea, which lies between the Korean peninsula and China.

China cut off high-level military exchanges with the U.S. in January over arms sales to Taiwan. China also said in January it would punish companies involved in the Taiwan arms deal, including Lockheed Martin Corp., United Technologies Corp. and Boeing Co. The threat has yet to materialize.

Joint Statement of ROK-US Foreign and Defense Ministers' Meeting

On the Occasion of the 60th Anniversary of the Outbreak of the Korean War, Seoul, July 21, 2010

ROK Minister of Foreign Affairs and Trade Yu Myung-hwan and Minister of National Defense Kim Tae-young, and U.S. Secretary of State Hillary Rodham Clinton and Secretary of Defense Robert M. Gates met in Seoul on July 21, 2010, to commemorate the 60th anniversary of the outbreak of the Korean War, which gave birth to the ROK-U.S. Alliance.

The Ministers reflected on the shared sacrifice and dedication to defend freedom and democracy during the Korean War, and acknowledged that the ROK-U.S. Alliance has promoted peace and stability not only on the Korean Peninsula, but also in Northeast Asia, and has evolved into a strong, successful and enduring alliance.

They also noted the historic significance of the Joint Vision for the Alliance of the Republic of Korea and the United States of America adopted by the two leaders in June 2009 and pledged to continue to advance alliance cooperation bilaterally, regionally, and globally.

The Ministers reaffirmed the mutual responsibilities and steadfast commitments of the two countries founded on the ROK-U.S. Mutual Defense Treaty, which has served as the bedrock of the allied partnership. They committed to maintain a robust combined defense posture capable of deterring and defeating any and all North Korean threats, including through recently announced bilateral plans to conduct a series of joint military exercises over the coming months in the ROK and off the east and west coasts of the Korean Peninsula. They also pledged to develop the alliance's vision for future defense cooperation.

In support of their Presidents' recent decision, the Ministers also decided to complete a new plan, Strategic Alliance 2015, by this year's Security Consultative Meeting (SCM), including the transition of wartime Operational Control (OPCON) to the ROK military in December 2015. The transition of wartime OPCON is to proceed through close coordination between the two countries to sustain and enhance the Alliance's combined defense posture and capabilities.

The Ministers welcomed the UN Security Council Presidential Statement (S/PRST/2010/13) on July 9, 2010 condemning the attack by North Korea, which led to the sinking of the Cheonan. They shared the view that such an irresponsible military provocation poses a grave threat to peace and stability not only on the Korean Peninsula but also in the region. The Ministers urged North Korea to take responsibility for the attack. They also called upon North Korea to refrain from further attacks or hostilities against the ROK and underscored that there would be serious consequences for any such irresponsible behavior.

The Ministers urged North Korea to abandon all its nuclear programs and its pursuit of nuclear weapons in a complete and verifiable manner, and to demonstrate its genuine will for denuclearization with concrete actions. They also urged North Korea to improve human rights conditions and living standards for its people in cooperation with the international community.

Building on the June 2009 Joint Vision, the Ministers reaffirmed their commitment to broaden and deepen the scope of Alliance cooperation. They shared the view that growing political, economic, social, scientific, technological, and cultural bilateral cooperation will increase the mutual understanding and respect between our citizens on the basis of common values and trust. They also committed to work together more closely and comprehensively at the regional and global levels.

Reaffirming the utmost importance of the KORUS FTA, they pledged to work towards ratification as discussed by the two Presidents in Toronto last month. They also pledged to work towards a new ROK-U.S. Agreement for Cooperation on Civil Uses of Atomic Energy in a mutually beneficial way in order to meet the challenges of climate change and energy security in the future.

Furthermore, the Ministers welcomed the close mutual cooperation on a wide range of issues within regional frameworks including the ASEAN Regional Forum (ARF) and the Asia-Pacific Economic Cooperation (APEC) and committed to work closely together to further promote

peace, stability and prosperity in the region. They also discussed the Northeast Asia regional security environment and ways the Alliance can evolve to address new challenges in this dynamic region.

Meanwhile, the Ministers exchanged ideas about ways to meet the global challenges of terrorism, proliferation of weapons of mass destruction, financial crisis, transnational crimes, climate change, epidemic disease, energy security, and promotion of green growth, and decided to continue joint efforts in this regard. They also exchanged views about how development assistance can increase stability and security, and decided to increase coordination of development assistance programs around the world to help achieve our shared goals.

The Ministers shared the view that they would draw on the lessons learned through the rebuilding of the ROK in the decades following the devastating Korean War to strengthen cooperative efforts for stability and reconstruction in Afghanistan, and around the world. The U.S. side welcomed the ROK's sending of a Provincial Reconstruction Team (PRT) to Afghanistan, and the ROK side reaffirmed its determination to support security, governance, and development in Afghanistan. They also welcomed ROK-U.S. coordination and cooperation in other areas including the efforts to combat piracy near the Horn of Africa and peacekeeping efforts in Haiti.

The Ministers noted the two countries share mutual views on how to face global challenges, as evidenced by the United States previously hosting the Nuclear Security Summit and the G20 summit, and the ROK hosting these events in the future.

The Ministers concurred that today's Foreign and Defense Ministers' Meeting was very productive and useful, and decided to hold foreign and defense officials' meetings at the deputy minister/assistant secretary level. They also pledged to continue to develop the existing ministerial consultations of Strategic Consultation for Allied Partnership (SCAP) and Security Consultative Meeting (SCM) and to consider holding further Foreign and Defense Ministers' meetings, as necessary.

S. Korea, US to set new alliance vision

South Korea and the United States will establish a new roadmap to outline a broader alliance by the year's end in tandem with a changing security environment around the Korean Peninsula, the Ministry of National Defense said Thursday.

The new plan, "Strategic Alliance 2015," will be a top topic for a meeting of defense ministers from the two governments in October in Washington, D.C., deputy minister for policy Jang Kwang-il said.

The plan will include measures regarding the transfer of wartime operational control (OPCON) in 2015, new operational plans by the South Korean and U.S. militaries, as well as the relocation of U.S. bases to south of the Han River by 2015 to 2016, Jang said.

“The new plan will include various issues to be improved and readjusted in the six-decade-old ROK-U.S. alliance,” he told reporters. “Following a recent decision to delay the OPCON transfer to 2015, there is a need to modify alliance issues and their timelines.”

Last month, President Lee Myung-bak and his U.S. counterpart Barack Obama agreed to postpone the OPCON transition from April 2012 to December 2015, amid growing calls to strengthen the ROK-U.S. combined defense posture against North Korean provocations.

The agreement followed the deadly sinking of one of South Korea’s warships in the West Sea on March 26 that resulted in the loss of 46 sailors. A Seoul-led multinational investigation team determined in May that a torpedo fired from a North Korean submarine had sunk the frigate Cheonan. North Korea denies the accusation.

The ROK-U.S. Combined Forces Command is to be deactivated when the United States hands over wartime command to South Korea. At that time the two sides will run separate theater commands with South Korea leading major combat operations on the peninsula.

The U.S. military will provide naval and air-centric support.

About 28,000 U.S. troops are currently stationed here.

U.S. announces new sanctions against North Korea

REUTERS

SEOUL--The United States on Wednesday announced new sanctions against North Korea, targeted against its leadership, and warned of serious consequences if it again attacked the South.

Relations across the divided peninsula have turned increasingly hostile after South Korea accused the North of sinking one of its warships in March, killings 46 sailors.

U.S. Secretary of State Hillary Clinton said Washington was ready to return to international talks over North Korea's nuclear weapons program if Pyongyang sent a "positive signal", but that there had been none so far.

"We are aiming very specifically, after much intensive research built on what was done before but not limited to that, to target the leadership, to target their assets," Clinton told a news conference in Seoul with U.S. Defense Secretary Robert Gates and their South Korean counterparts.

She insisted the additional sanctions were not aimed at ordinary North Koreans, who make up one of the world's poorest societies and whose stumbling economy is already largely sealed off from the outside world because of previous punishments over nuclear and missile tests.

China, the North's only major ally, expressed "deep concern" after the United States and South Korea said they would start large-scale joint military drills on July 25. State television on Tuesday showed the Chinese navy conducting its own exercises.

"We urge relevant parties to remain calm and exercise restraint and not do anything to exacerbate regional tensions," Chinese Foreign Ministry spokesman Qin Gang said in a statement.

Gates called for a resumption of military-to-military ties with China, suspended earlier this year over planned U.S. arms sales to Taiwan.

North Korea's economy is mainly subsistence in nature with few factories able to operate at even a third their capacity and farms lacking fertilizer and seed to grow crops. A disastrous decision to issue a new currency last year left many without their life savings and many North Koreans conduct illicit business by travelling to China.

"The sanctions announced by the U.S. will not really affect the North Korean economy as all possible sanctions have already been imposed," said Paik Haksoon, a senior fellow at the Sejong Institute. "China is cooperating with North Korea economically because the stability of North Korea is a key national interest of China."

Paik said North Korea's leader, Kim Jong-Il, was unlikely to change his policies or compromise with the United States.

The South Korean and U.S. foreign and defense ministers warned of "serious consequences" if there were any future North Korean attacks against the South.

A South Korean-led investigation team concluded a North Korean submarine fired a torpedo which sank the South Korean corvette Cheonan in March. North Korea denied it had anything to do with the Cheonan's sinking.

The United States and South Korea on July 25 will conduct joint naval and aerial exercises off the east coast of the peninsula. The aircraft carrier the USS George Washington arrived in South Korea's second-biggest city, Busan, Wednesday.

Earlier in the day, Clinton and Gates made an unusual joint visit to the heavily defended demilitarized zone (DMZ) that divides the two Koreas amid a warning the peninsula faced a dangerous new period.

Nearly 2 million troops flank a 4-km (2.5 miles) wide strip of land that has kept the two Koreas apart for nearly 60 years and is one of the last relics of the Cold War.

Clinton said the North could have what it wants -- a peace treaty, normal relations with the United States and an end to sanctions -- if it ended its belligerence and took irreversible steps to end attempts to build atomic weapons.

"North Korea can cease its provocative behavior, halt its threat and belligerence towards its neighbors, take irreversible steps to fulfill its denuclearization commitments and comply with international law," Clinton said.

"If North Korea chooses that path, sanctions will be lifted, energy and other economic assistance will be provided, its relations with the U.S. will be normalized."

The retired general nominated by U.S. President Barack Obama to be his intelligence chief said on Tuesday that the sinking of the Cheonan may herald a "dangerous new period" of direct attacks by Pyongyang on the South.

The warning by James Clapper at his Senate confirmation hearing for director of national intelligence put a spotlight on growing concern within the U.S. intelligence community and the Pentagon about what they see as the North's increasingly unpredictable behavior.

The concerns coincide with worries about the health of iron ruler Kim Jong-Il, who appears to be trying to engineer the succession for his youngest son as leader of one of the world's most isolated countries, which has been pressing ahead with efforts to develop a nuclear arsenal.

North Korea has repeatedly argued that it has no choice but to build a nuclear deterrent in the face of U.S. aggression. Analysts say Kim uses the constant threat of war as justification to focus on maintaining one of the world's largest standing armies while the economy falls into near ruin.

"In the 20 years since I last climbed that observation tower and looked out across the DMZ, it's stunning how little has changed up there and yet how much South Korea continues to grow and prosper," said Gates. "The North, by contrast, stagnates in isolation and deprivation."

North Korea Considers `Physical Response' to Planned U.S. Naval Maneuvers

By Bomi Lim and Daniel Ten Kate - Jul 23, 2010

North Korea threatened a physical response to naval drills off the Korean peninsula that will start this weekend, accusing the U.S. of conducting 19th century style "gunboat diplomacy."

"There will be physical response against the steps imposed by the United States militarily," Ri Tong Il, an official with North Korea's delegation to the Asean Security Forum, told reporters in Hanoi today. The maneuvers, which involve 20 vessels and 200 aircraft from the U.S. and South Korea, pose a threat to the country's sovereignty and security, Ri said.

Ri's comments came after North Korean Foreign Minister Pak Ui Chun sat in the same room with Secretary of State Hillary Clinton today in Hanoi for a security meeting of Asia's largest

powers. Clinton condemned North Korea for being “on a campaign of provocative, dangerous behavior,” urging Kim Jong Il’s regime to change.

Still, the “door remains open for North Korea,” Clinton later told reporters. “We are willing to meet with them, willing to negotiate, to move toward normal relations” if North Korea commits itself to giving up its nuclear weapons program, she said.

The U.S. said this week it will intensify sanctions against North Korea and conduct military exercises with South Korea in waters surrounding the peninsula. The USS George Washington, a nuclear-powered carrier, and three destroyers called into South Korean ports this week in a show of force.

‘Gunboat Diplomacy’

“North Korea may very well go ahead with missile launches or even a third nuclear test to show it won’t bend to U.S. pressure,” said Yang Moo Jin, a professor at the University of North Korean Studies in Seoul. “North Korea must have sensed that the U.S. and South Korea are after its regime’s collapse.”

Ri said the George Washington’s presence threatened security on the peninsula, which has been divided for more than half a century. Pak maintained the need for a peace treaty to replace a cease-fire, signed in 1953, to guarantee the peninsula’s security, Ri said.

“It’s no longer the 19th century with gunboat diplomacy,” Ri said. “It is a new century and the Asian countries are in need of peace and development.”

Cheonan Sinking

An international panel concluded that the March 26 sinking of the corvette Cheonan was caused by a torpedo fired from a North Korean mini-submarine. The United Nations Security Council condemned the attack, which killed 46 sailors, without naming a culprit.

The investigation’s results have been “fabricated,” Ri said, adding that North Korea would not apologize for the incident as demanded by South Korea.

“If anyone should apologize, it should be South Korea, responsible for driving the situation on the Korean peninsula to the brink of an explosion,” Ri said. “We won’t tolerate any attempt to put the blame on us.”

North Korea’s economy has been battered by UN sanctions limiting cross-border financial transactions, imposed after its nuclear tests in 2006 and last year. North Korea is willing to return to the so-called six-party talks on its nuclear weapons program “on an equal footing,” Ri said, repeating demand the sanctions be removed.

Japan Role

The disarmament talks, also involving China, Japan, Russia, South Korea and the U.S., haven't convened since December 2008. All members of that forum attended this week's security forum in Vietnam.

Japan will dispatch four naval officers to the drills next week, the government's top spokesman said today.

Four officers of Japan's Maritime Self-Defense Force will board a U.S. ship as observers for the joint military exercise from tomorrow to July 28 in the sea between South Korea and Japan, said Yoshito Sengoku, Chief Cabinet Secretary.

"It's important to promote coordination among Japan, U.S. and South Korea," Sengoku told reporters in Tokyo.

Probe into illegal surveillance widens

The prosecutors' investigation of the Prime Minister's Office (PMO)'s illegal surveillance of a businessman is zooming in on a former presidential secretary for labor affairs.

Investigators are expected to summon Lee Young-ho, a former presidential secretary, next week for questioning over whether he was directly reported to by officials from the premier's office regarding the result of the unlawful surveillance, officials from the prosecution office said Friday.

They said that the investigation team of the Seoul Central District Prosecutors' Office has secured testimony that the former secretary "intervened" in the unauthorized surveillance of a businessman who posted a video clip ridiculing President Lee Myung-bak.

The secretary allegedly received direct reports from Lee In-kyu, the former PMO official suspected of having led the illegal surveillance of the businessman, Kim Jong-ik.

The prosecution's move to summon the presidential secretary comes as three lawmakers of the ruling Grand National Party (GNP) were alleged to be the newest victims of the monitoring.

Rep. Jeong Tae-keun and Rep. Chung Doo-un were among the list of those monitored by PMO staff alongside Rep. Nam Kyung-pil and his wife. Nam told a radio talk show that "I heard Jeong and Chung were watched over like I was."

Nam demanded that the prosecution carry out a thorough investigation to reveal who was behind the unauthorized monitoring.

The three have been opposing what some called the cronyism of President Lee's elder brother Lee Sang-deuk.

Speculators suspect the unjustifiable surveillance was due to the trio's public boycott waged against Lee Sang-deuk. In 2008, Nam and Chung as well as 53 young lawmaker-hopefuls of the GNP urged Lee to withdraw his candidacy from the general election to stem possible cronyism allegations. Lee rejected and became a sixth-term lawmaker.

Last year, Jeong and several others again asked Lee to step away from his brother's business, calling for innovation and restructuring of the conservative party. The older brother vowed to do so. The alleged monitoring started in July last year, a month after his announcement.

A ruling party insider told a local newspaper that "Those who tried to drag down Lee became the main target. It was all about the 'brother.'"

Meanwhile, the court is considering issuing an arrest warrant for Lee In-kyu. He was questioned by the prosecutors earlier this week over whether he monitored Kim Jong-ik after he posted the video clip critical of President Lee.

The latest revelation is expected to deal Lee a major blow and the three PMO staffers who assisted him. They are also suspected of observing some opposition party lawmakers and others, though their mission is to monitor civil servants only. The opposition Democratic Party asked for the National Assembly probe as well as a special prosecutor to handle the issue.

Education ministry sits on fence over corporal punishment

The education ministry remains ambivalent about disputes over corporal punishment at schools, adding confusion to the sensitive issue.

The Seoul Metropolitan Office of Education, headed by liberal superintendent Kwak No-hyun, has made it clear that it will ban physical discipline and establish a task force to come up with a detailed action plan. The team, comprising of 20 teachers, parents and students, will devise specific guidelines on how to eliminate physical punishment at schools.

However, the Ministry of Education, Science and Technology is sitting on the fence. It has not disclosed any official position in response to the recent incident. Ministry officials are just saying that the Seoul education office's move to ban physical punishment is a breach of the current Education Law which allows corporate punishment on condition that it is "necessary for educational purposes."

The ban also conflicts with the law as it guarantees the autonomy of school principals and teachers in managing students, according to ministry officials.

The National Human Rights Commission of Korea said Friday that the ministry has been sitting for eight years on its proposal that it should revise the education law as corporal punishment violates the human rights of students.

“We recommended that the education ministry revise the law in September 2002. In July, 2008, we also reiterated that schools educate students without using whips,” a human rights agency official said.

The Korean Teachers & Education Workers’ Union also called for the government to come up with measures. “Disputes over corporal punishment are becoming a war of attrition. Government-level steps should be prepared,” it said in a statement.

The Korean Federation of Teacher’s Association, the nation’s largest conservative teachers’ group, is opposing the ban on corporal punishment, claiming the ban will weaken teachers’ authority to curb unethical and problematic students.

Many foreign teachers here said they are “very uncomfortable” with corporal punishment.

Gregory C.F. Dolezal, president of Association for Teachers of English in Korea (ATEK) said, “ATEK has heard from many of its members that they feel uncomfortable and helpless when they see a child being hit with a stick or publicly humiliated which can be psychologically abusive. Both Korean and native instructors indicate that there is no way to report such behavior without risking their career or that of another.”

Dolezal, also an English instructor at Tongmyung University, Busan, said that in the case of public schools, there is both a legal and contractual requirement to have two teachers in the classroom at all times. “This system not only improves the quality of education but also makes it much less likely that children can be abused,” he said.

Gavin Farrell, a Canadian English teacher, also said that schools should not use any type of corporal punishment. “Of course, it’s terrible, so backward unlike the rest of the progress evident in Korea,” Farrell said.

Dolezal said that ATEK members are willing to discuss ways to prevent students being abused inside classrooms.

“Currently there is no system in place to accurately identify and report abuse such as corporal punishment or sexual abuse. All teachers and administrators should be trained properly and have a basic understanding of the law, which is not the case at present,” he said. “We would be very keen to connect with related ministries to share the burden of carrying out this important effort.”

UNC-NK talks fail to produce results

The U.S.-led U.N. Command (UNC) and North Korea’s military ended their third round of working-level talks Friday without tangible results, the command said, as tension has heightened further following the U.S. announcement to impose tougher financial sanctions on the North over the sinking of a South Korean warship in March in the West Sea.

A UNC official said the two sides may have to hold another round of meetings to arrange general-level military talks.

Friday's colonel-level meeting at the border village of Panmunjeom was aimed mostly at setting up details for the high-level talks, including a date and protocol, the official said.

The general-level talks have been used as a means to ease tensions across the border since they were first held in 1998.

U.S. Secretary of State Hillary Clinton announced Wednesday a set of new financial sanctions against the North to punish it for the March sinking of the South Korean frigate, Cheonan, which killed 46 sailors.

In a show of force against a North Korean provocation, South Korea and the U.S. will kick off four days of major maritime and air readiness drills Sunday in waters off the country's eastern coast.

North Korea, which denies any involvement in the sinking, warned that the moves pose "grave" threats to the Korean Peninsula and the region.

At the previous colonel-level meeting last week, the North renewed its demand that its own investigators should be allowed to come to the South to verify the results of a Seoul-led multinational probe that concluded in May that the communist regime was responsible for the attack.

South Korea has rejected the North's request, saying the issue should be handled under the framework of the UNC because the attack was a violation of the armistice agreement that ended the 1950-53 Korean War.

The UNC is led by the commander of the 28,500-strong U.S. Forces Korea stationed in South Korea to help deter North Korea.

'US troops in Korea to be deployed to conflict areas'

The United States will deploy some of its troops stationed in Korea to other conflict regions in the coming years as part of its strategic deployment stance, the top U.S. military officer said this week in Seoul.

"Part of the discussion we are having with the Republic of Korea, with the leadership, and what we will be able to do in the next several years is support for deployments, literally, off the peninsula," Adm. Mike Mullen, chairman of the Joint Chiefs of Staff, told an audience of U.S. soldiers at Camp Red Cloud, north of Seoul, Tuesday. "But we're not there yet. We haven't got to that point in time."

Mullen was in town to attend the "2+2" meeting of foreign and defense ministers of the two allies Wednesday, held as a show of solidarity after North Korea torpedoed a South Korean warship earlier this year, killing 46 sailors.

The top diplomats announced that joint military exercises will be held from Sunday as a deterrent against further provocation, despite protests from the North, as well as its major ally, China. The war games will take place in the West Sea, near where the Cheonan went down on March 26, as well as in the East Sea, over the next month.

Strategic flexibility changes the focus of American forces abroad from stationary missions to defend host nations to a rapid deployment scheme under which they can be swiftly dispatched to other parts of the world where the United States is in need.

The U.S. maintains 28,500 troops in South Korea as a deterrent against the North, part of the over 400,000 American forces stationed abroad, including on the battlefields of Iraq and Afghanistan.

"We have longstanding relations not just with the ROK, but also with Japan," Mullen said. "We have emerging relationships with other countries in the area... so the forces we have here are very much in support of all that. We haven't worked any of the details out on how that might happen in the future, and whether it would include a deployment to Iraq or Afghanistan or somewhere else. So we're just not there, yet."

Mullen reiterated, however, the U.S. pledge to maintain the current level of troops here for the time being. Regarding the troop level of 28,500, he said: "That's the commitment and that's where we are."

Mullen's comments back up those he made in December, when he characterized the strategic flexibility stance "one we are addressing with the South Korean leadership," which is "very important part of a strategic concept for security both for the region and globally."

South Korean officials have been mum on the posture, saying it should be seen as a routine rotation of troops without a reduction of troops stationed here.

North Korea threatens nuclear response to U.S.-South Korea military exercises

HANOI -- North Korea raised the stakes in its face-off with the United States and South Korea on Saturday, threatening to use nuclear weapons if Washington and Seoul go ahead with military exercises planned for regional waters this summer.

As a U.S. aircraft carrier arrived in South Korea for the air and sea maneuvers, the North told participants in an Asian regional security conference in Hanoi that the move was a threat to its sovereignty and security.

"This is not defensive training," North Korean spokesman Ri Tong Il told reporters.

Hours later, North Korea's powerful National Defense Commission said that "the DPRK will legitimately counter [the drills] with their powerful nuclear deterrence," its state-run news agency reported.

North Korea has conducted two nuclear tests within the past four years and has repeatedly said it will not abandon its nuclear weapons program, despite international efforts.

The exercises were planned in response to the torpedo sinking in March of the South Korean naval ship Cheonan, in which 46 sailors died. An international investigation said North Korea was to blame. Pyongyang has denied responsibility.

After Secretary of State Hillary Rodham Clinton told participants in the forum here that "an isolated and belligerent North Korea has embarked on a campaign of provocative, dangerous behavior," according to prepared remarks, Ri left the meeting to read a statement. He said the North's "position is clear: There will be a physical response to the threat imposed by the United States military."

U.S. officials said afterward that North Korean acts of aggression usually come in a series and that they expected further provocation.

The Obama administration also announced this week a toughening of its economic sanctions against the North.

"Peaceful resolution of the issues on the Korean Peninsula will be possible only if North Korea fundamentally changes its behavior," Clinton said.

Clinton's visit to Asia this week was her fifth as secretary of state as the Obama administration seeks to improve its standing in the region.

The U.S. and South Korean delegations urged the 27-nation Asian Regional Forum to adopt a strong statement condemning the North, but officials from several delegations said that was unlikely. An earlier U.N. Security Council statement was watered down -- to condemn the act but not specifically blame North Korea -- after China said it would withhold its vote.

Clinton also used the conference to buttress Vietnam's position in a dispute with Beijing over the South China Sea, declaring a peaceful resolution of the issue to be in the "national interest" of the United States.

She also lobbied for a multilateral diplomatic solution to the question -- an approach Hanoi has been seeking for years. China, which claims most of the sea as its territory, has demanded all disputes be settled bilaterally.

"We oppose the use or threat of force by any claimant," Clinton said in prepared remarks. She later called the conversation "very productive."

Vietnam and the United States were not alone in confronting China on this issue. At least 10 other participants in the meeting raised concerns about maritime security issues, including the sensitive territorial claims in the South China Sea.

Beijing, meanwhile, opposed any effort to "internationalize" the issue.

Clinton has made four stops on her week-long Asian trip, all marking U.S. overseas conflicts. In South Korea, she and Defense Secretary Robert M. Gates marked the 60th anniversary of the start of the Korean conflict with a pledge of nearly unlimited support. She was warmly received in Vietnam, where her visit marked the 15th anniversary of the normalization of relations. The war in [Afghanistan](#), where she stopped for a day after visiting [Pakistan](#), has now become the longest in U.S. history.

Clinton expressed hope that the aftermath of the first two wars would prove an example to the third. "The extraordinary economic progress and strengthening of institutions that we've seen over the last 60 years in South Korea and the last 35 years in Vietnam are encouraging to anyone who hopes for the best in Afghanistan," she said.

Economic Front:

South Korean Bidders to Offer Low Fares to Win Brazil Bullet Train Deal

By Carla Simoes and Katia Cortes - Jul 19, 2010

A group of 25 South Korean companies, including Samsung SDS Co., Hyundai Rotem Co. and LG CNS Co Ltd., will offer low ticket prices in a bid to build and operate a 511-kilometer (318-mile) high-speed train project in Brazil, a South Korean government official said.

The group plans to offer economy-class tickets for less than the maximum price of 199 reais (\$112) set by the government for the \$18.4 billion bullet train that will link the cities of Rio de Janeiro and Campinas via Sao Paulo, South Korean Ambassador to Brazil Kyonglin Choi said in an interview at his office in Brasilia on July 15.

The government scheduled the auction for Dec. 16 and will award the contract to the firm that offers the lowest ceiling for economy-class tickets.

"We're confident we've made a lot of preparation and we're ready to win," Choi said. "Our companies will come to a proposal below 199 reais." Choi declined to say how much lower a price the group will offer.

South Korean companies are interested in investing in Brazil as they bet on rising economic growth in Latin America's biggest economy, Choi said. Korean executives have had talks with

Brazilian government officials for four years and opened an office in Sao Paulo seeking to attract Brazilian construction companies to raise their chances of winning, Choi said.

“There are many more companies joining our group and we now need Brazilian construction companies to join too,” he said.

The group has already committed to Grupo Bertin in Brazil and state-run companies Korea Railroad Corp., Korea Railroad Research Institute and Korea Rail Network Authority, he said.

Other Countries

South Korea, Japan, China, Germany, Spain, France and Italy are also interested in participating in the auction, Transportation Minister Paulo Sergio Passos said at a July 13 news conference.

Grupo Bertin’s press office confirmed in a July 16 e-mail that its Sao Paulo-based Contern construction unit is working with a group of Korean companies to present a proposal.

Spokesmen for Samsung SDS Co. and Hyundai Rotem Co. confirmed in telephone interviews from Seoul, South Korea, that the companies are participating in the consortium. They declined to be identified in accordance with their companies’ policies.

Korea Railroad Corp. spokesman Lim Seok Gyu and LG CNS Co Ltd.’s public relations officer in Brazil, Hyo Tin Lee, also confirmed in telephone interviews those companies are participating.

Korean Bullet Train

Under the government parameters announced by President Luiz Inacio Lula da Silva on July 13, the train will cost 33.1 billion reais and will carry around 17.8 million passengers a year. The government will allocate up to a ceiling of 19.9 billion reais from public funds for the project. Construction will start in 2011 and should be completed in 2016.

“The project is in excellent shape and our companies are sure to make a profit with these rules,” Choi said.

In South Korea, a bullet train linking Seoul and Busan, a distance of 412 kilometers -- about 80 percent of the total route planned for Brazil -- charges 75 reais for economy-class, less than half of the project’s cap price.

If the group wins, it may be able to build the train before the 2016 deadline as long as they don’t face problems with environmental licenses, labor rules or a lack of skilled workers, Choi said.

The group will count on financing from the Eximbank of Korea and Brazil’s national development bank for the project. They will also propose building malls and commercial

buildings in the main train stations, as it was done in Korea, he said. The group will present the malls proposal after the auction concludes, he added.

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.

Korea Electric to Buy 20% of Indonesia's Bayan Resources for \$515 Million

By Shinhye Kang - Jul 21, 2010

Korea Electric Power Corp., South Korea's largest utility, will buy a 20 percent stake in PT Bayan Resources for about \$515 million to add supplies of coal used to generate half the electricity in Asia's fourth-biggest economy.

The Seoul-based utility will purchase 667 million shares of the Indonesian coal producer for 7,000 rupiah each, Korea Electric said in a regulatory filing today. That's a 2.8 percent discount to Bayan's close yesterday. The stock rose 0.7 percent to 7,250 rupiah in Jakarta.

South Korea's biggest coal acquisition this year follows the utility's July 5 decision to buy a mine in Australia from Anglo American Plc for A\$403 million (\$357 million). The country imports almost all its energy needs and the government has said state-run companies may work with the nation's \$30 billion sovereign wealth fund to buy overseas energy assets.

"Korea Electric will continue to step up overseas acquisitions before global economic recovery boosts global energy and mineral prices," said Shin Ji Yoon, an analyst at KTB Securities Co. in Seoul. "These assets will help shield them from future price volatility and, in the long-term, make the company's earnings more stable."

Coal at Australia's Newcastle port, an Asian benchmark, has climbed 12 percent to \$96.20 a metric ton this year, according to data compiled by the McCloskey Group. Prices reached a record \$192.50 a ton in July 2008.

Coal Reserves

Korea Electric posted its second annual loss last year in its 26-year history because of higher fuel import costs. The company reported a deficit of 77.7 billion won in 2009 after a 2.95 trillion-won loss in 2008.

Bayan has about 1 billion tons of coal reserves in eight mines, and Korea Electric will share management control of the company, the utility said today.

Korea Electric said the stake will give the utility 2 million tons of coal a year from 2012 and 7 million tons from 2015. After the purchase the company will source 34 percent of its coal needs from its own assets compared with 24 percent now, according to the statement.

Korea Electric's investments in Australia and Indonesia currently help supply 24 million tons of coal each year, according to the company.

Shares of Korea Electric dropped 0.6 percent to close at 31,900 won, compared with the 0.7 percent gain in the benchmark Kospi index. The deal was announced after market close.

Korea Gas May Need More Australian LNG After Chevron Deal, Citigroup Says

By James Paton - Jul 20, 2010

Korea Gas Corp., the world's biggest importer of liquefied natural gas, may need more Australian LNG after signing an initial accord to buy supplies from Chevron Corp.'s proposed Wheatstone project, Citigroup Inc. said.

"I don't think this precludes other LNG projects signing up with Kogas," Mark Greenwood, a Sydney-based analyst at Citigroup, said by phone today. "We think Kogas is short gas in the 2015, 2016 time frame. I wouldn't be surprised if they signed up with another one or two Australian LNG projects," to acquire a further 4 million metric tons a year.

Santos Ltd.'s Gladstone LNG project and Inpex Corp.'s Ichthys development, among more than a dozen proposed LNG projects in Australia seeking to tap rising Asian demand for cleaner-burning fuel, are possible sellers, Greenwood said.

Korea Gas expects to purchase 1.5 million tons of LNG annually from Wheatstone for as long as 20 years and agreed to acquire a 5 percent stake in the gas venture, Chevron's local unit said today. The state-run utility in 2009 signed a pact to buy 1.5 million tons of LNG a year from Chevron's A\$43 billion (\$37 billion) Gorgon project off northwest Australia.

Chevron, the second-largest U.S. oil company, targets a final decision in 2011 on whether to proceed with Wheatstone. The Korea Gas deal "adds further momentum" to the development, John Gass, president of Chevron Global Gas, said in a statement.

Competing for Labor

The agreement with Korea Gas may be worth about A\$33 billion, based on Western Australian Premier Colin Barnett's estimate of a previous sales deal. Chevron's contract announced in December to supply Tokyo Electric Power Co. with 4.1 million tons of LNG a year was valued at A\$90 billion by Barnett.

Korea Gas said in May that it had started discussions to buy a stake in the Gladstone gas project in Queensland led by Santos, Australia's third-largest oil and gas producer.

The Australian LNG ventures are competing to obtain customers and find workers. Australia's resources industry faces a shortage of 36,000 tradespeople by 2015, according to a July 15 report by a labor taskforce set up by the government.

The taskforce recommended introducing new labor agreements designed specifically for "mega" resources projects to make hiring of labor outside Australia more efficient and proposed five-day deadlines for completing visa applications.

Chevron's decision to approve the Gorgon project was the "initial impetus" for the taskforce, the document showed. Australia has 75 advanced resources projects worth about A\$110 billion in the development pipeline, the committee said.

Wheatstone may generate 6,500 jobs during construction, with first LNG shipments planned for 2016, Chevron Australia said in a publication posted on its website. The project is "hot on the heels" of Gorgon, Wheatstone General Manager Geoff Strong said in May at a petroleum conference in Brisbane.

Chevron's progress may add to pressure on competitors to attract workers, Greenwood said. "With an impressive lineup of projects -- Gorgon being the largest resource project Australia has ever seen -- and then Wheatstone, they are in a good position to manage their workforce," he said.

Hyundai Motor, Workers Union Reach Tentative Agreement on Wage Increases

By Seonjin Cha - Jul 22, 2010

Hyundai Motor Co., South Korea's largest automaker, and its workers union reached a tentative agreement on a wage increase for this year, averting a strike.

Workers' monthly base salary will be increased by 4.9 percent, or 79,000 won (\$66), Hyundai and the union said in separate statements late yesterday. They also agreed on a bonus equal to three months' pay plus 5 million won in cash and a distribution of 30 shares for each worker. The pay deal needs union members' approval in a vote, which is planned for tomorrow.

If the agreement is approved, Seoul-based Hyundai would avoid a strike for the second straight year, the first time that has happened since the union's foundation in 1987. Union leader Lee Kyung Hoon, elected last year, is considered more moderate than his predecessors.

"Avoiding a strike for two straight years may pave the way for a stable management-labor relationship," said Ahn Sang Jun, an analyst at Tong Yang Securities Inc. in Seoul.

Hyundai fell 2.6 percent to close at 133,500 won in Seoul trading, while the benchmark Kospi index declined 0.8 percent.

Hyundai's union, the country's largest by membership with about 45,000 employees, staged a strike every year except two until last year, costing the automaker a combined 11.6 trillion won from 1987 to 2008 because of lost production, according to a company estimate.

The agreement with South Korean workers follows declining sales and share in Hyundai's domestic market. The carmaker's sales in the nation fell 35 percent in June, reducing its market share to 40 percent from 52 percent a year earlier.

"The company and union could reach a win-win agreement through concessions amid an adverse business environment such as falling local market share and southern Europe's debt crisis," Hyundai said in its statement.

LG Chem Second-Quarter Record Profit Beats Estimates on Demand From China

By Shinhye Kang - Jul 20, 2010

LG Chem Ltd., South Korea's biggest maker of chemicals, posted a record profit in the second quarter, beating estimates, as Chinese demand for materials used to make plastics and synthetic rubber increased.

Net income jumped 36 percent from a year earlier to 645.7 billion won (\$535 million) in the three months ended June 30, the Seoul-based company said in a regulatory filing today. The median estimate of nine analysts in a Bloomberg News survey was for a profit of 541.5 billion won.

Demand from carmakers and chemical plants for raw materials including ethylene and polyvinyl chloride, or PVC, used in water-resistant fabrics and window frames, increased as the global economy recovered. Returns from processing naphtha into ethylene jumped 77 percent in the second quarter from a year earlier, according to NH Investment & Securities Co.

"Government stimulus packages boosted demand for consumer goods, particularly from China, which uses lots of chemical products," Cho Seung Yeon, an analyst at HMC Investment Securities Co. in Seoul, said before the earnings were released.

LG Chem also increased the capacity of a naphtha cracker at Yeosu to 1 million metric tons from 900,000 tons in March. Sales, including those of overseas affiliates, gained 31 percent to 5.03 trillion won. The year-earlier figure was revised according to International Financial Reporting Standards, which LG Chem adopted this year.

Annual sales may more than double to 30 trillion won by 2015, Chief Executive Officer Kim Bahn Suk said at a media briefing in Seoul. Last year, the company posted revenue of 13.7 trillion won.

Battery-Making

The shares dropped 1.2 percent to close at 321,500 won in Seoul trading before the earnings announcement. The benchmark Kospi stock index rose 0.3 percent. The stock has advanced 41 percent this year, making LG Chem the sixth-largest by market capitalization on the benchmark Kospi index.

The company's electronics division, which makes batteries for notebooks, cell phones and electric cars, may drive earnings next year, Cho said. LG Chem signed supply contracts with carmakers including Ford Motor Co., General Motors Co., China-based Chongqing Changan Automobile Co. and Eaton Corp.

"We will win electric-car battery orders from Europe and Japan in the second half of this year," CEO Kim said. LG Chem is considering building plants to make batteries in China and Europe, according to Kim.

U.S. President Barack Obama last week attended the groundbreaking ceremony of a Holland, Michigan, factory for Compact Power Inc., a unit of LG Chem that received a \$151 million stimulus grant to make electric-vehicle batteries.

South Korea plans to invest as much as 15 trillion won in rechargeable battery technology by 2020, the Ministry of Knowledge Economy said in a July 11 statement.

Won May Fall 4.7% on Export-Growth Risk, Credit Agricole Says

By Frances Yoon - July 22, 2010 01:22 EDT

July 22 (Bloomberg) -- South Korea's won may fall 4.7 percent against the dollar by the end of this quarter on concern demand for the nation's exports will wane should the global economy deteriorate, Credit Agricole CIB said.

The won is vulnerable to risk aversion as seen by its 7.3 percent decline since the start of May, driven by the debt crisis in Europe, according to a research report from Credit Agricole published yesterday. That highlights the currency's "high dependence" on sentiment in world markets, while strength in the won largely revolves around the current-account surplus, the note said.

"Investors' views on the Korean exports outlook and funding ability can be gauged by flows of portfolio capital to and from the country's equity markets," wrote Mitul Kotecha, global head of foreign-exchange strategy, one of the authors of the report. "The won has been highly correlated to these flows."

The currency, which traded at 1,205.86 per dollar in Seoul as of 2:09 p.m., according to data compiled by Bloomberg, will drop to 1,265 per dollar, the report said. That would be the lowest level for the won since June 10.

South Korea's currency dropped 0.1 percent today after the Federal Reserve said the economic outlook for the U.S., the nation's second-largest export market after China, remains "unusually

uncertain.” The Kospi Index of shares declined 0.6 percent even as overseas investors bought more stocks than they sold for a second day.

“Weaker U.S. data would raise investor fears of a double- dip recession” and put “downward pressure on the won,” according to the report.

The surplus in Korea’s current account, the broadest measure of trade because it tracks investment flows across borders, climbed to \$3.8 billion in May from \$1.4 billion a month earlier, according to official data issued on June 29.

Samsung Planning to Grow African Market Share to as Much as 33%, COO Says

Samsung Electronics Co. Ltd.’s sub- Saharan African unit plans to increase its share of the electronics market on the continent to as much as 33 percent by 2015 from 20 percent now, Chief Operations Officer George Ferreira said.

The company estimates that demand for electronic products will grow to as much as \$50 billion in 2015 from \$10 billion now, Ferreira said in an interview in Johannesburg today.

Samsung Total Petrochemicals Shuts Naphtha Cracker After Power Disruption

By Shinhye Kang - Jul 22, 2010

Samsung Total Petrochemicals Co. shut its naphtha cracker today at Daesan complex in South Korea after a thunderstorm disrupted power supply, a company official said. The 850,000 metric ton-a-year plant was shut around 10 a.m. local time today and may resume operation in about one or two days, said the official, who declined to be identified because he isn’t authorized to speak to the media.

Shipyards May Gain on Hyundai Heavy Profit, Daewoo Container-Vessel Orders

South Korean shipyards may rise after Hyundai Heavy Industries Co. reported better-than-expected profit and Daewoo Shipbuilding & Marine Engineering Co. won its first container-ship order in two years.

Hyundai Heavy, the world’s largest shipyard, more than doubled second-quarter net income to 910.5 billion won (\$757 million) after completing more offshore units and paying less for raw materials, it said late yesterday. Daewoo, the second- biggest yard, announced a contract for 10 container ships worth \$975 million from an unidentified customer.

The Daewoo order, following a similar-sized deal for third- ranked Samsung Heavy Industries Co., may spur optimism among investors about the outlook for ship contracts, said J.D. Yang, an analyst at Korea Investment & Securities Co. in Seoul. Shipping lines slashed orders for new vessels last year as the global recession hammered trade.

“Orders in the second half could be higher than what people are expecting,” Yang said. “This year is also going to be Hyundai Heavy’s best ever for earnings given the size of its orderbook.”

Hyundai Heavy secured \$9.99 billion of orders in the first half, about triple the tally a year earlier, as economic growth and depleting reserves spurred oil companies to order new offshore drilling and production platforms. The Ulsan, South Korea-based shipyard expects full-year offshore orders to surpass ship contracts for the first time in nine years.

First-half orders for offshore structures jumped to \$2.66 billion from \$179 million a year earlier. Ship orders rose to \$1.64 billion from \$4 million, the company said yesterday.

Steel Costs

Operating margin, or operating profit income as a percentage of sales, widened to 14 percent from 10 percent. The company paid less for steel plate after mills including Posco, South Korea’s largest steelmaker, cut prices because of slowing demand amid the global recession.

The shipyard gained 3.9 percent to close at 256,500 won in Seoul yesterday, before the earnings announcement. The stock has advanced 48 percent this year, the second-best performer among 50 top companies traded on South Korea’s benchmark Kospi index.

Daewoo rose 1.6 percent to close at 19,700 won in Seoul trading before its order announcement. The stock has advanced 13 percent this year.

Daewoo will deliver the ships, each able to carry as many as 8,400 20-foot containers, by the first quarter of 2014, it said yesterday. The shipyard has won orders for vessels and offshore projects worth \$4.9 billion this year, achieving 70 percent of its \$7 billion target.

Samsung Heavy announced a \$1 billion order for 10 container ships from Taiwan-based Evergreen Group earlier this month.

Hyundai Heavy aims to win \$17.7 billion of contracts this year, compared with \$10.7 billion in 2009. That includes boosting ship orders to \$4.03 billion from \$444 million, according to a company forecast in December. Orders for offshore projects may increase 79 percent to \$4.2 billion, it said.

S. Korea Growth Likely 'Outperformed,' Adding Pressure on Rates

By William Sim and Michael Munoz - Jul 23, 2010

South Korea’s economy probably grew for a sixth straight quarter in the three months to June, adding to evidence that Asia’s fourth-largest economy is withstanding risks to the global recovery.

Gross domestic product grew 1.3 percent in the second quarter from the prior three months, when it gained 2.1 percent, according to the median of seven estimates in a Bloomberg News survey. The release is due at 8 a.m. on July 26 in Seoul.

The expansion came as Korean companies from Samsung Electronics Co. to Hynix Semiconductor Inc. reported record earnings, and as a drop in the won enhanced the nation's export competitiveness. While Europe's debt crisis and elevated U.S. unemployment cloud prospects for overseas demand, rising inflationary pressures will prompt the Bank of Korea to keep raising interest rates, according to economist Chang Jae Chul.

"The economy outperformed in the first half, and the key is whether it can keep its growth momentum to support more rate rises," said Chang Jae Chul, an economist at Citigroup Global Markets Korea Securities Ltd. in Seoul. Chang said the central bank is set to increase its benchmark rate by half a percentage point by December, beginning with a 25 basis-point move late in the third quarter.

The Bank of Korea on July 9 joined Asian nations from Thailand to Taiwan, Malaysia, and India in raising interest rates to curb price pressures. The bank later raised its 2010 growth and inflation forecasts on export gains and local demand.

Reduced Slack

South Korea's \$929 billion economy grew more than 1 percent in the second quarter from the previous period, approaching "its potential output level," Central Bank Governor Kim Choong Soo said this month. He spoke after the bank raised the benchmark rate to 2.25 percent from a record-low 2 percent, the first increase since the financial crisis.

The country's economy will grow 5.9 percent in 2010, more than the 5.2 percent predicted in April, the Bank of Korea said on July 12. The Finance Ministry said on June 24 that the nation needs to normalize fiscal and monetary policies.

The central bank forecast this month that consumer prices will rise by 2.8 percent this year, compared with the previous estimate of 2.6 percent, and 3.4 percent in 2011. The bank is targeting inflation of between 2 percent and 4 percent on average through 2012.

The won fell 0.6 percent to 1,196.85 per dollar as of 12:52 p.m. in Seoul today, according to data compiled by Bloomberg. The currency has dropped 7.3% in the past three months, Asia's worst performance. The benchmark Kospi stock index advanced 1.1 percent to 1,755.30.

Annual Rate

From a year earlier, South Korean GDP rose 6.9 percent in the second quarter, slowing from an 8.1 percent jump in the first quarter that was the biggest gain since 2002, according to the median estimate of 11 economists.

Sales at South Korea's major department stores increased in June for a 16th month. Overseas shipments, which make up about half of the nation's GDP, jumped 32.4 percent in June from a year earlier, an eighth straight monthly increase.

Samsung, Asia's biggest maker of semiconductors, flat screens and mobile phones, this month reported record earnings for the second quarter, as a recovery in demand for computer- memory chips drove up prices.

Hynix, the world's second-largest computer-memory chipmaker, reported record operating profit for the same quarter as sales beat analysts' estimates, buoyed by demand for personal computers.

Election Loss

The administration of South Korean President Lee Myung Bak, who suffered an unexpected reversal at local elections on June 2, had pressed the central bank ahead of the polls to hold down rates in a bid to support growth.

Asian policy makers continue to grapple with the implications of Europe's debt crisis, subdued U.S. growth and a slowdown in the Chinese economy as they mull further rate increases.

Finance Minister Yoon Jeung Hyun said July 13 that the U.S. and China may see a temporary slowdown as government stimulus is withdrawn and growth relies more on the private sector.

"South Korea's second-half growth depends on how much a global slowdown will hurt its exports," said Kwon Young Sun, a Hong Kong-based economist at Nomura Holdings Inc.

Policy makers have to gauge the impact of any economic slowdown abroad on the nation's export-led economy before making any further rate moves, Kwon said.

The Federal Reserve last month cut its forecasts for economic growth this year and next in the U.S., where the jobless rate has been 9.5 percent or higher since August.

Europe stress-tested its 91 largest banks this month to restore confidence following the region's sovereign-debt crisis. China's economic expansion eased to 10.3 percent in the second quarter from 11.9 percent in January-March, the country's statistics bureau said last week.

U.S. Starts Freezing North Korean Bank Accounts, JoongAng Ilbo Reports

By Seonjin Cha - Jul 22, 2010

The U.S. began freezing about 100 North Korean bank accounts around June at about 10 banks around the world, the JoongAng Ilbo newspaper reported, citing an unidentified diplomatic official.

Police Raid Woori Bank in Korea on Construction Loans

By Seonjin Cha - Jul 23, 2010

Police raided Woori Bank, the lending unit of South Korea's third-largest financial company, to investigate the role of employees in construction loans that may turn sour.

The police began searching Woori Bank's headquarters in Seoul at 10 a.m. today after the lender asked authorities to examine real estate project financing loans, spokesman Jung Hee Kyung said today by telephone.

South Korea plans to spend 2.8 trillion won (\$2.3 billion) to acquire impaired construction loans from small savings banks and lenders have been told to set aside an additional 2.2 trillion won in reserves to help construction, shipbuilding and shipping companies restructure debt. The police probe comes as the government prepares a plan on how to privatize Woori Finance Holdings Co., the bank's parent company.

"The morale and reputation of some Woori Bank employees will be hurt by this, but I don't see it affecting earnings," said Han Jeong Tae, an analyst at Hana Daetoo Securities Co. in Seoul. "This is a case of corruption by individuals and I don't think it reflects wider risk at Woori Bank or its parent."

Woori Finance shares rose 3.9 percent to 14,650 won in Seoul today, compared with a 1.3 percent gain in the benchmark Kospi stock index.

Privatization Plan

The Financial Services Commission said last week it would complete discussions by the end of this month on plans to privatize Woori Finance. The government holds a 57 percent stake in the company.

The police investigation today coincides with the Financial Supervisory Service's examination of Woori Finance's Kyongnam Bank unit after learning that employees in the structured finance division used the lender's seal inappropriately for debt guarantees. The company said in June it was monitoring the Kyongnam case probe and would take appropriate action after the regulator makes its conclusion. Jung declined to comment on this case today.

Woori Finance holds 99.9 percent stake in Kyongnam and owns all of Woori Bank.

Social Front:

Seoul City in bad shape financially

Outstanding debt jumps 75%; per citizen debt 310,000 won

The financial soundness of the Seoul Metropolitan Government has been deteriorating over the past few years as it outspends its revenue, and borrows more money to finance a number of development schemes, including the “Design Seoul” and “Han River Renaissance” projects.

It has also been expanding a range of social welfare-related programs in a bid to boost popularity, mostly with senior citizens despite financial constraints.

Civic groups blame Mayor Oh Se-hoon for Seoul’s worsening fiscal state over the past few years, arguing that the lawyer-turned politician is obsessed with raising his standing with the public. They urge Oh to discontinue what they call an array of “pork barrel” projects, and slash labor and other operating expenses to bolster its financial health.

The city said Monday that its outstanding debt jumped 75 percent to 3.24 trillion won as of the end of 2009 from 1.85 trillion won a year earlier, with its per-capita liability jumping to 310,000 won from the previous 177,000 won.

In late 2006, six months after Oh was elected mayor, the city government’s debt stood at 1.15 trillion won. But in three and a half years, its liability surged by nearly three-fold.

A senior Seoul city official said the size of Seoul’s debt has increased at a faster pace over the past two years in the wake of the global economic slowdown in late 2008.

“We had to raise funds by issuing bonds to help companies and citizens cope with worsening business conditions. We had to create jobs in the public sector and provide public housing for low-income-families,” the official said. “But our tax revenues have fallen sharply because of the sluggish real estate market, forcing us to outspend earnings.”

The city issued municipal bonds worth 1.12 trillion won in 2009.

However, civic groups insist that Seoul’s declining financial health is not because of the expansion of social welfare programs, but because of Oh’s populism-oriented development projects, which have nothing to do with actually improving the livelihood of Seoul citizens.

“Since Oh became Seoul mayor, he has initiated a series of development projects in the name of improving the city’s business and residential infrastructure, such as the Han River Renaissance project and Design Seoul policies,” said Ko Kye-hyun, director of policy department at Citizens’ Coalition for Economic Justice. “Additionally, the city has been building new roads and expanding subway lines, spending trillions of won.”

Ko said Seoul has been unable to increase its earnings and meet its growing expenditures because of falling tax revenues and deteriorating business conditions amid the global economic crisis, adding the city resorted to issuing bonds in a reckless manner to raise funds, which has aggravated its financial health.

“Seoul’s financial standing was far better than many other municipal administrations, thanks to its broad tax base. Given this, there is no question that Mayor Oh is responsible for the depletion of municipal coffers,” he said. “Oh should immediately stop pursuing unproductive pork barrel projects, as well as downsize the workforce and cut operating costs,” he added.

Actual marital status matters for naturalization

A court ruled Monday that an immigrant wife should have the right to naturalization if she assumes the role of wife and daughter-in-law in the wake of the death of her Korean husband.

Overtuning a lower court’s rejection to grant naturalization to an ethnic Korean woman from China, the Seoul High Court handed down a verdict enabling her to apply for naturalization. It ruled that she had been married for more than the legal minimum period of time.

The ethnic Korean woman, only identified as Lee, tied the knot with her Korean husband in 2001 and has lived in Korea since.

But the couple began to live at different places just one month after her arrival here to make a living — the husband stayed in his rural hometown, while she moved to Seoul to work at a restaurant.

In October 2005, the Korean husband died of a lung disease. Following his death, Lee applied for naturalization to the Ministry of Justice twice, saying her marriage had lasted more than three years.

But the ministry rejected her claims, saying her time living apart from her husband cannot be seen as a part of the marriage time. In response, Lee filed a suit against the decision.

Under the Nationality Act, immigrants who stay on Korean territory with their Korean spouse for more than two years or who live here for more than one year with their marriage spanning for three years are eligible to apply for naturalization.

The high court recognized their marriage life was different from typical interracial couples.

They lived together for one month under the same roof, and lived at different places for three years and eight months before the husband’s death.

“Though they lived at different places, Lee frequently visited her husband’s workplace in Jecheon, North Chungcheong Province, and attended to the ailing spouse,” Presiding Judge Park

Byeong-dae said. “She actively participated in family events and his relatives recognized her presence, meaning she has been seen as a family member. They should be taken as a couple.”

Heat wave warnings issued

A heat wave is expected to continue Tuesday across the nation with the level of discomfort forecast very high.

The Korea Meteorological Administration forecast that the daily high will soar far above 30 degrees Celsius in most major areas, such as Seoul, Chuncheon, Gangneung and Busan.

The agency has issued heat wave alerts and warnings across the nation, excluding the southern coast.

The daily high is expected to be 34 degrees in Gangneung, Daegu and Cheongju, 33 degrees in Seoul, Suwon, Chuncheon, Daejeon, Jeonju, Gwangju and Ulsan, 32 degrees in Jeju and 31 in Changwon.

The heat wave warnings have been issued for Samcheok in Gangwon Province and five cities in North Gyeongsang Province.

“Avoid outdoor activity as much as possible. It’s better to stay indoors when heat wave warnings are issued,” said a KMA representative. “Drink plenty of water, frequently. Sunlight should be blocked even indoors, with good ventilation.”

The discomfort index is expected to exceed 80 in most of the nation, the level that all people feel negatively affected by the high temperatures.

The KMA representative predicts that the tropical weather at night will affect many areas on Tuesday night and early Wednesday morning, following the previous day of hot weather.

'Steps needed to woo more diverse foreign students'

A growing number of foreign students choose Korea as their destination to study. The number has already topped 75,000 but not all education experts here take the upward spiral of incoming students from overseas as positive with more than half of them coming from a single country — China. They say that Korea needs to put more efforts into attracting students from more diverse countries — it’s time for quality over quantity.

Mindful of this concern, the nation’s top educator stressed the importance of changing the direction of policies so that Korea can diversify their nationalities and attract quality students from overseas.

“It is time for Korea to overhaul its policies on studying in Korea with the goal of attracting more excellent foreign students and diversifying nationalities of those coming to Korea,” Education

Minister Ahn Byung-man said in a written interview. “The government plans to achieve this goal by creating a milieu favorable for foreign students to study here, which will help further enhance the status of Korea in the global community.”

He noted the increasing number can bring positive effects including the cultivation of excellent human resources overseas, the creation of economic added value and the nurturing of Korea-friendly leaders in those countries.

“Compared to Japan or Australia that has gone through trial and error in their investment in programs for foreign students over the past 20 years, Korea has enacted policies for foreign students over a shorter period of time,” he said. “However, Korea has seen remarkable achievements in less than 10 years.”

According to the Ministry of Education, Science and Technology, the number of foreign students attending Korean universities topped 75,000 as of 2009, a four-fold increase from 17,000 in 2004 when the government began to collect data.

The government initially sought to attract 50,000 by 2010 but it achieved this goal three years earlier thanks to the “Study Korea Project.”

Now the plan has been adjusted to attract up to 100,000 foreign students by 2012. In this regard, the government will provide more dormitories for foreign students and extend medical insurance support as well as help them locate employment opportunities.

Ahn said that the Global Korea Scholarship (GKS), the Korean version of the Fulbright Grant Program in the United States, marks a shift of focus in national policies on foreign students from quantitative expansion to qualitative improvement.

Criminals' DNA samples to be taken, preserved

DNA samples of convicted criminals and prime suspects of major felonies will be taken and preserved permanently starting next week, said the National Police Agency (NPA), Wednesday.

The agency said a law enabling police to collect the genetic information will go into effect Monday, raising hopes that the up-to-date profiling method will make it easier for the authorities to investigate, catch and identify those behind brutal crimes.

“This DNA database will provide a boost to our investigation to catch criminals more effectively,” an NPA officer said.

The measure came amid growing public outrage over a series of child rape cases that have pushed the government and lawmakers to come up with tougher punishments for them.

Under the rules, those suspected of committing one of 11 crimes with higher recidivism rates will be obliged to have their DNA samples taken, police said. The 11 offenses include homicide, rape, arson, organized crime, drug offenses and robbery.

To prevent data leakage, managed information will be encrypted in a mixture of numbers and specific marks.

Suspects' DNA will be, in principle, collected by mutual consent. In the case that a suspect keeps refusing to provide a sample, police can take it forcibly after earning a court's approval.

Police estimate more than 40 people's DNA information will be added to their database, the so-called "DNA Bank," each day.

To run the program efficiently, the National Institute of Scientific Investigation (NISI) recently opened a center for storing DNA samples and profiling them in southwestern Seoul. It also plans to recruit DNA specialists and upgrade its equipment

Disability pension unwelcome

The Ministry of Health and Welfare's ambitious project to give pensions for disabilities is facing resistance from disabled people over its low coverage and high application cost.

The National Pension Service (NPS)'s stricter disability assessment is also drawing resistance since one-third of the applicants are highly likely to find themselves demoted, which means less subsidies.

Before the launch of the "pension for persons with disabilities," on July 1, a fixed allowance was given to the disabled in addition to their national pension. Now, those qualified for the new pension will receive 90,000 won to 151,000 won a month according to the severity of their disabilities.

The health ministry explained the new pension is much better since the amount reflects inflation. About 200,000 people who have received allowances automatically qualify for the pension subscription while an additional 120,000 people are expected to apply.

The reality was not as rosy as the ministry had thought. Only 77,624 have applied for the pension so far while the rest are expected to be no-shows.

Insiders blamed the intricacy of the application procedure. In order to become a beneficiary, one needs to hand in doctors' diagnoses as well as medical record and a local administrator's guarantee to the NPS.

"To get the local administrators' certification, he or she needs a CT, MRI and other state-of-the-art examination records, which cost around 300,000 to 500,000 won per session," said an official for the Korea Association of Persons with Physical Disabilities. The government does not support the fees.

"Many people are reluctant to and are incapable of making such a lump sum investment. Very few people will get 151,000 won, which is still not enough to make any kind of living," he said.

The official also said that the disabled groups are planning rallies against the pension after the welfare ministry discloses its initial progress later this month.

The NPS is singing a different tune.

An official at the NPS Disability Center, told reporters last month at a press briefing that a substantial number of people might have the severity of their disability rated lower during the reassessment process.

“There are times when symptoms for mentally-retarded people improve. Sometimes, people exaggerate their symptoms to get better grades. The NPS is determined to set the records straight by studying an average of 80 documents per individual applicant. The tougher screening procedures will weed out those who have benefited from loopholes or those who have recovered,” he said.

Still, Professor Kim Yun-tae of the Catholic University told a local daily that: “It’s never easy to assess disabilities. Examination results for some may differ according to the examiner, facilities and other environments.”

Breakthrough enzyme found to tackle Alzheimer’s

In a major discovery, a group of local researchers has pinpointed an enzyme capable of decomposing a substance that causes Alzheimer’s disease. The finding is expected to open a new era for treatment of the disease.

Dr. Ahn Sang-mi of the Korean Centers for Disease Control and Prevention and her team said they found that “Glutamate carboxypeptidase-II (GCPII)” is effective in decomposing amyloid-beta peptide, a toxic substance known to cause Alzheimer’s disease, one of the most diagnosed forms of dementia here. It prevails when amyloid-beta peptide accumulates in the brain. It causes difficulties in basic acts of memorizing, speaking and thinking and as it gets worse, patients have a hard time eating, dressing and carrying out other activities independently. Complications associated with the condition are frequent.

Though Alzheimer’s accounts for about 70 percent of dementia cases here, nothing has been verified to be effective in its treatment thus far. Doctors tell patients that the best countermeasure is to control its symptoms through medication and other mental exercises.

Koreans spent 326.8 billion won in 2007 on dementia treatment and its socioeconomic cost is expected to be two to three times higher in the future.

GCPII decomposes the substance into small peptides and prevents cranial nerve damage, the researchers said. The team said GCPII dissolves both monomers as well as oligomer types of amyloids. The latter is said to be much more destructive and damaging to the brain.

The finding proved effective after a month of clinical testing.

“For a long time, GCPII was known to be involved in the formation of glutamate and absorbance of folic acid. Now we can use it to prevent the prevalence of Alzheimer’s disease or contain it to a very low level,” the team said in a statement.

The new use of GCPII has earned a patent from the Patent Cooperation Treaty and is waiting for authorization from the American patent authorities.

Experts agreed that the latest finding is a “meaningful” step in the fight against the disease. However, they added that it will take considerable time before the finding will be commercialized, saying it’s too early to be too optimistic as they have yet to finish clinical tests.

Kim Sung-yun, a doctor at Seoul Asan Medical Center, told a daily newspaper that the finding is “very meaningful,” but expressed the need for patience as there is a lengthy period before a new enzyme can be used for treatment.

Japan

Politico-Strategic Front:

DPJ prefectural execs go wobbly on support for Kan

THE ASAHI SHIMBUN

High-fives were few and far between and no one uncorked the bubbly when executives of prefectural chapters of the ruling Democratic Party of Japan were asked if they would support Naoto Kan in September’s party presidential election.

While 83 percent of prefectural chapters supported Kan’s decision to remain as prime minister, less than half of the 47 chapters expressed unequivocal support for Kan in the upcoming election.

The Asahi Shimbun interviewed the secretaries-general of the 47 prefectural chapters between Friday and Monday. In cases where the secretary-general was unavailable, an executive of similar standing was questioned.

One reason for the lack of support was Kan’s reference to raising the consumption tax rate to 10 percent. Twenty-five prefectural chapters said that was why the DPJ lost the July 11 Upper House election.

Seven chapters blamed the money scandals involving Yukio Hatoyama, Kan’s predecessor as DPJ president and prime minister, and Ichiro Ozawa, the former party secretary-general.

Fourteen chapters gave other reasons for the defeat, such as Akita, which pointed to "the complex effect of a number of factors," while Kagoshima said, "the appraisal of the DPJ's 10 months in control of government."

The nature of September's election was another reason many chapter executives were not taking a stand on Kan. Party members and local assembly members will have an opportunity to cast votes, the first such presidential election in eight years.

The DPJ presidential election distributes points to various voting sectors, and local chapters combined will have about one-third of all the votes to determine who becomes the party president.

While 23 prefectural chapters expressed support for Kan in the presidential election, seven chapters named other politicians.

Three chapters mentioned several individuals as a possible president, while 14 chapters did not name anyone.

In total, 24 chapters did not support Kan's re-election as party president.

When asked if party executives should take responsibility for the DPJ's poor showing in the Upper House election, 16 chapters said yes, while 18 said there was no need.

In total, 39 chapters supported Kan's decision to soldier on as prime minister while only Iwate expressed opposition. Iwate is Ozawa's home base.

Asked if Yukio Edano should remain as party secretary-general, 27 chapters expressed support, while six opposed the move. When asked if Ozawa should return to a party position of influence, nine chapters said yes, while nine expressed opposition.

Ex-Pyongyang agent here, meets kin of abductees

Relatives hope '87 jet saboteur can shed light on the missing

Compiled from Kyodo, Staff report

Kim Hyon Hui, a former North Korean agent who downed a Korean Air jetliner in 1987, arrived in Japan early Tuesday to meet relatives of Japanese abducted by Pyongyang.

This is Kim's first trip outside South Korea, where she now lives, since she was sentenced to death for the bombing and later given a 1990 presidential pardon.

Kim, 48, met with relatives of abductee Yaeko Taguchi later Tuesday and will meet the parents of abductee Megumi Yokota on Wednesday, sources said. Kim has said she met or knew both of the abductees.

"Now I can feel we have established a close relationship" with Kim, Shigeo Iizuka, Taguchi's elder brother, said at a news conference after meeting with her. Iizuka said he didn't obtain any new information on the abduction.

Still, Kim repeatedly said Taguchi "is absolutely alive" and "will come back for sure," according to Iizuka.

After arriving at Tokyo's Haneda airport on a government-chartered flight from South Korea, she was taken by car to a cottage in Karuizawa, a summer retreat in Nagano Prefecture.

Iizuka and Taguchi's 33-year-old son, Koichiro Iizuka, went to the vacation house in the afternoon.

Police have kept Kim under heavy guard and her itinerary secret at the request of the South Korean government due to security concerns. Top government officials also refused to give details about her stay in Japan. Chief Cabinet Secretary Yoshito Sengoku only said Kim arrived in Tokyo at 4 a.m. and was staying in a "quiet environment."

While relatives of the abductees hope Kim can shed fresh light on their loved ones, criticism has grown that the government, by bringing her to Japan, is merely trying to gloss over its failure to make progress in learning the true fate of the abductees still unaccounted for and repatriating any who may still be alive. Sengoku only expressed hope that the visit will help resolve the stalemate with Pyongyang over the abductions.

"This is the ultimate violation of human rights, infringing the sovereignty of our nation," Sengoku told reporters. The visit "will hopefully be a break in bringing out the facts regarding the abduction issue."

According to her autobiography and other sources, Kim, whose father was a North Korean diplomat, was picked to be an agent while in college and was taught Japanese language and culture by Taguchi in the early 1980s.

Kim and a fellow Pyongyang agent, traveling with Japanese passports, were apprehended in Bahrain after planting the bomb on the KAL jet. The crash claimed all 115 people aboard. The two took poison, but authorities managed to keep her from dying. She was later sent to South Korea, where she was sentenced to death in 1989, only to be freed later by presidential pardon.

Kim married in South Korea and has two children.

She met with Taguchi's 33-year-old son, Koichiro, in March 2009 in Busan, South Korea, and has been telling Japanese government officials since May last year that she had met with Yokota during her training before the airliner sabotage.

Yokota was kidnapped by North Korean agents in 1977 at age 13 on her way home from school in Niigata Prefecture. Pyongyang has claimed she later died, but her family doesn't believe this.

Kim's visit came after Yokota's parents — Shigeru, 77, and Sakie, 74 — said they wanted to meet face to face to hear about their daughter.

Hiroshi Nakai, state minister in charge of the abduction issue, played a leading role in arranging Kim's visit. Justice Minister Keiko Chiba issued a special permit for her.

Tokunoshima off the hook for military drills

No funding planned to launch feasibility study

Kyodo News

The administration probably won't allocate any funds in fiscal 2011 to study the possible transfer of some U.S. military drills from Okinawa to Tokunoshima Island in Kagoshima Prefecture, government sources said Tuesday.

A new Japan-U.S. agreement on the relocation of U.S. Marine Corps Air Station Futenma in Okinawa, reached in May, states that more drills will be transferred out of the prefecture, naming Tokunoshima, Self-Defense Forces bases in mainland Japan and the U.S. territory of Guam as possible host sites.

With the latest development, however, the government is now more likely to drop any plan to move drills to Tokunoshima, about 200 km from Okinawa. But "that isn't something definitively decided," Chief Cabinet Secretary Yoshito Sengoku told reporters.

Defense Minister Toshimi Kitazawa said the government is not yet at the stage where it can decide "whether we should give up" moving the drills to Tokunoshima.

Postponing funds from the fiscal year starting next April reflects concerns over the considerable costs likely to arise in building supply and maintenance facilities and barracks on Tokunoshima, and the islanders' strong opposition to any drills, the sources said.

Kitazawa has said detailed plans on transferring drills would be compiled by the end of next month. For now, the Defense Ministry will consider moving the drills to SDF facilities where U.S. forces have already carried out exercises, they said.

Before Yukio Hatoyama stepped down last month as prime minister, he had spent months trying to find an alternative relocation site for Futenma outside Okinawa.

Tokunoshima emerged as a possible site, but the plan went nowhere as the U.S. expressed reservations and locals vehemently opposed the potential relocation to their island. The fresh bilateral accord, issued May 28, basically endorsed a 2006 pact to move Futenma from the crowded city of Ginowan to the Henoko coast of Camp Schwab farther north on Okinawa Island.

It states that "utilization" of Tokunoshima will be considered "subject to development of appropriate facilities" in expanding the relocation of U.S. military training from Okinawa.

Futenma plan to await poll

Kitazawa: November governor election should precede details

The government may delay finalizing details of the planned relocation of the Futenma air base within Okinawa, Defense Minister Toshimi Kitazawa indicated Tuesday in reference to the original deadline of August.

Toshimi Kitazawa

Kitazawa, speaking to reporters after a Cabinet meeting, said the government must pay attention to the result of the Okinawa gubernatorial election in November. "We must place importance" on the election to choose the governor, "who has the heaviest responsibility for Okinawa," he said.

Japan and the U.S. agreed in May to move the Futenma base within the prefecture despite strong opposition from local residents.

The two countries then decided to work out by late next month details of the specific relocation site and construction methods for the facility after a series of talks.

Kitazawa said the government hopes it can avoid forcing the people of Okinawa to accept finalized details without argument, adding, "I think it is likely we can't tell anything for sure until after the election."

His comments signal the government may not aim for a conclusion during the ongoing talks between Japanese and U.S. officials and experts and will instead narrow the possible options available.

Tokyo's delay may cause a U.S. backlash. But Kitazawa said, "I believe the U.S. side understands the political situation in Okinawa well."

The May bilateral accord said more U.S. military drills in Okinawa will be transferred out of the prefecture, with candidate alternate sites including Tokunoshima Island in Kagoshima Prefecture, mainland Self-Defense Forces bases and Guam.

Kitazawa has said a clear transfer plan would be compiled by the end of next month. For now, the Defense Ministry will consider moving the drills to SDF facilities where the U.S. forces have already conducted exercises, they said.

Host-cost talks

WASHINGTON (Kyodo) Japan and the United States will hold talks this week on the bilateral accord dealing with Tokyo's base-hosting expenses, the State Department said.

Andrew Shapiro, assistant secretary of state for political-military affairs, will be in Tokyo from Thursday to Saturday to lead the U.S. delegation on the negotiations.

Japan's host-nation support is one of the hot diplomatic issues between the two countries, as Tokyo hopes to trim expenses following the recommendation by the Government Revitalization Unit last year that part of the support be reviewed amid the strained fiscal situation.

On the other hand, the U.S. government has sought an increase in the funding and warned against a reduction, with Defense Secretary Robert Gates noting in talks with Foreign Minister Katsuya Okada in late March that host-nation support is strategically important to the Japan-U.S. security alliance.

The talks will be the first on the matter since the Democratic Party of Japan took power last fall. The current accord on host-nation support expires next spring. According to the State Department, such support is estimated at \$4.3 billion per year. The department said in a statement, "Host-nation support is an important measure of Japan's commitment to promoting regional security in partnership with the U.S."

"These funds also represent significant investment in Japan's economy in the form of rents, salaries and services," it added.

Shapiro is also scheduled to meet with U.S. Forces Japan Commander Lt. Gen. Edward Rice. He will travel to South Korea to meet government officials and the head of the U.S. forces in that country before visiting Japan.

Okada-Clinton talks pushed back

Kyodo News

Foreign Minister Katsuya Okada is expected to hold talks with U.S. Secretary of State Hillary Rodham Clinton on Friday afternoon in Hanoi, instead of Thursday as tentatively scheduled, a senior Foreign Ministry official said Wednesday.

The bilateral talks, to be held on the sidelines of Friday's ministerial meeting of the Association of South-East Asian Nations Regional Forum, have been pushed back due to a scheduling conflict, the official said.

During the talks, the two are expected to discuss tensions on the Korean Peninsula following the deadly sinking of a South Korean warship in March that Seoul blames on Pyongyang, as well as cooperation in rebuilding Afghanistan.

Mayor champions paternity leave

Months before a legal change to promote paternity leave takes effect, one local authority stunned the public by taking about two weeks off work in April to look after his newborn son.

The move by Hironobu Narisawa, the 44-year-old mayor of Bunkyo Ward, Tokyo, was quite rare in Japan where few mayors, whether female or male, take parental leave.

In a recent interview, Narisawa said: "I wanted to devote all my love to my child, who is such a precious blessing. I also took leave because no male staff of Bunkyo had ever taken paternity. . . . I wanted to encourage them to do so through my gesture."

The mayor said the experience opened his eyes to many things, including the problem of negotiating raised curbs when walking with his child. "I also met mothers who did not look happy at a child care facility," he said, which made him wonder if they lacked confidence about their mothering skills.

"I wouldn't have noticed them if I were inspecting the facility in my capacity as mayor," he said.

Narisawa also stressed that his paternity leave provided an occasion for personal fulfillment, saying, "While I was away from work, I didn't miss even the slightest change in my son and I realized I could become a more mature father.

"Both the fun and hard aspects of child-rearing are something you should not miss out on by getting your wife to do all the work," he said.

Narisawa's decision drew flak from some quarters, however.

The ward office said it received slightly more negative than positive responses from the public on the mayor's temporary absence from work, partly because he would not be present and in command in the event of an emergency.

A woman, who claimed to be a "traditional Japanese mother," described the mayor's action as "effeminate."

"She believes that a man should work outside and a woman should remain a homemaker," he said. "But if she falls ill and her son takes time off work to help around the house, she would never call her son 'effeminate.' "

"It doesn't change the fact that a man is taking care of his family whether he takes leave for the sake of a parent or a child," Narisawa added. He said the public tends to lack understanding for men who go to extra lengths to care for their children by taking leave from work.

After the mayor made his move, one of the ward's male employees decided to follow suit. Narisawa said men balk at taking paternity leave for financial reasons and also because they think taking time off might be detrimental to their careers.

But he said the biggest factor inhibiting men is the fear of how they will be viewed by bosses and colleagues if they take paternity leave, which is still rather novel in the Japanese workplace.

"It would help young men if we promote the idea that child-rearing is a cool thing for them to do," the mayor said.

Japan, Australia to create new disarmament grouping

By JUNKO TAKAHASHI THE ASAHI SHIMBUN

Tokyo and Canberra, seeking a new approach to break the impasse over nuclear disarmament, will form a new grouping of nations this year to jump-start the process.

Japan and Australia have called on 11 like-minded countries without nuclear arms, including South Korea, Germany and South Africa, to join the alliance, Japanese government officials said Wednesday.

They said they hope the group will be formed by late September when their foreign ministers gather for the next U.N. General Assembly session in New York. They hope to issue a joint statement then.

The Netherlands, Poland, Turkey, the United Arab Emirates, Canada, Mexico, Chile and Indonesia have also been invited to join. Officials said they have received positive responses from some countries.

A senior Foreign Ministry official said Tokyo notified Washington of the development on Tuesday during trilateral talks on strategic affairs. The talks involved the United States, Japan and Australia.

The group is expected to start out with all 13 countries as core members. After it is established, other countries that do not possess nuclear weapons will be invited to join.

Disarmament talks bogged down over calls by the nuclear powers to achieve nonproliferation and demands by countries of the Non-Aligned Movement for reductions in nuclear stockpiles and assurances they will have the right to develop nuclear power for peaceful use.

The impasse stopped short of causing the Nuclear Nonproliferation Treaty review conference in New York to break down in May. However, participants at that meeting failed to produce new or substantial measures for achieving disarmament in their final statement.

Japanese officials expressed their hope that the new group will be able to bridge the differences.

Diet to convene July 30 to Aug. 6

Kyodo News

The ruling and main opposition parties agreed Thursday to hold an extraordinary Diet session from July 30 to Aug. 6, following the July 11 House of Councilors election, lawmakers said.

As the ruling coalition lost its Upper House majority in the election, Prime Minister Naoto Kan will likely face difficulty in passing legislation, although his Democratic Party of Japan retains its dominance in the more powerful House of Representatives.

The upcoming Diet schedule was finalized between the DPJ and the Liberal Democratic Party, the main opposition force.

Key debates are expected on Aug. 2 and 3 in the Lower House and Aug. 4 and 5 in the upper chamber.

Meanwhile, DPJ lawmakers said the party is considering postponing its party presidential election for about a week from the initially planned date of Sept. 5.

The ruling party is now eyeing holding the leadership election on Sept. 11 or 12, the lawmakers said.

With the delay, the start of an extraordinary Diet session will also be postponed until late September from the originally planned Sept. 13, they said.

Okada, Yang eye gas field treaty

HANOI (Kyodo) Foreign Minister Katsuya Okada and his Chinese counterpart, Yang Jiechi, agreed Thursday the two countries should strive to conclude at an early date negotiations aimed at signing a treaty over joint gas field development in the East China Sea, a Japanese official said.

Okada and Yang, who met in Hanoi on the sidelines of meetings of the Association of Southeast Asian Nations, officially agreed that Japan and China will hold the first round of talks on sealing the gas pact Tuesday in Tokyo, the official said.

Yukio Hatoyama, Prime Minister Naoto Kan's predecessor, and Chinese Premier Wen Jiabao had agreed in Tokyo in May to launch talks on the gas exploration treaty at an early date.

Akitaka Saiki, director general of the Foreign Ministry's Asian and Oceanian Affairs Bureau, and Ning Fukui, director general of the Chinese Foreign Ministry's Boundary and Ocean Affairs Department, are scheduled to attend Tuesday's meeting, sources close to bilateral relations said.

The envisaged treaty will reflect the details of an accord reached by Japan and China in 2008 over the disputed gas exploration in the area that stems from the unsettled demarcation of the East China Sea where the exclusive economic zones claimed by the two countries overlap.

Yang also expressed hope that Kan, who assumed his post in June, will visit China "at an early date," the official said.

Okada and Yang also exchanged views on whether to reopen the six-party talks on North Korea's nuclear arms program in the wake of the deadly sinking of a South Korean warship in March that Seoul blames on Pyongyang, the official said.

Okada said it is important for the North to clearly confirm its intention to fulfill its commitment stipulated in a 2005 joint statement issued by the six countries party to the North-denuclearization talks before reopening discussions.

Tsuruga reactor's welding in pump not checked for 40 years

By KOJI TAKAHASHI THE ASAHI SHIMBUN

TSURUGA, Fukui Prefecture--At a nuclear power plant here, a welded part of a pump within a reactor containment vessel did not undergo any safety check for 40 years, officials said.

The Japan Atomic Power Co., the operator of the Tsuruga Power Station, said it didn't inspect the part because it was "not aware there was a welded part" in the pump.

The part had not been examined since the facility's Unit 1 reactor went into operation in March 1970. It is the nation's oldest light-water reactor in commercial use.

Because welded parts are generally prone to degradation, they must be checked regularly for cracks and other problems under government rules formulated in 1974. The part in question is in the recirculation pump that funnels radioactive coolant water into the reactor core.

Japan Atomic Power discovered it had failed to test the part when it obtained design charts and other papers for the pump from the United States in March ahead of a planned replacement of the piping in January 2011.

It then found there was a welded part that officials had been unaware of.

Economic Front:

JAL starts selling off one-third of its fleet

Japan Airlines Corp. has started the process of selling 95 midsize and large aircraft, including jumbo jets, as part of its business turnaround program, sources have said.

The figure is equivalent to one-third of all the planes in the fleet of JAL, which is undergoing a court-supervised restructuring. The airline hopes to complete the aircraft sale by the end of this year, along with the sale of 18 spare engines, the sources said.

JAL and its bankruptcy administrator, state-backed Enterprise Turnaround Initiative Corp. of Japan, have submitted the sale plan to the Tokyo District Court, the sources said.

The sale will include 41 Boeing 747-400 jumbo jets, 16 units of the McDonnell Douglas MD-90 and 18 units of the Airbus A300-600.

In a turnaround program JAL plans to submit to the court by the end of August, the carrier will lower the value of the aircraft by around 80 percent from the level estimated in its reconstruction plan compiled in January, in an effort to avoid additional losses stemming from the sale.

The company is believed to be aiming to raise more than ¥80 billion from the sale of the planes and spare engines.

JAL has already started negotiations with airlines, parts suppliers and financial institutions in Asia and the Middle East, the sources said. Terms have apparently been reached on the sale of some 30 percent of the targeted aircraft.

The airline is set to withdraw from 45 domestic and international routes by the end of the current fiscal year.

Beefed-up Okinawa border eyed

Kyodo News

The Defense Ministry is considering dispatching the Ground Self-Defense Force's border security and coastal monitoring units to islands in Okinawa Prefecture in about five to eight years, senior ministry officials said Monday.

In response to such factors as activity by Chinese naval vessels, the ministry is eyeing reinforcing surveillance along Japan's western border.

The Self-Defense Forces have only a sparse presence in areas to the west of Okinawa's main island, but the move is likely to draw protests from China and Taiwan because the units would be stationed close to islands disputed by the three sides.

The plan involves deploying in stages several hundred GSDF members in charge of border security to Miyako and Ishigaki islands and about 100 troops for coastal monitoring to Yonaguni Island, the officials said.

Defense Minister Toshimi Kitazawa has already expressed his intention to seek funding in fiscal 2011 for conducting preliminary surveys for deploying the GSDF in the Sakishima island chain in Okinawa Prefecture.

The Sakishima islands include the Miyako chain and the Yaeyama chain, including Ishigaki and Yonaguni islands.

In the new versions of the national defense program outline and the midterm defense buildup program from fiscal 2011, the ministry intends to call for beefing up defense of smaller islands to cope with disasters and conduct warning and surveillance activities.

According to the ministry officials, the border security units considered for dispatch to Miyako and Ishigaki islands are envisioned to be similar to the 300-strong GSDF Tsushima Area Security Force in Nagasaki Prefecture, whose main duties include coastal monitoring and initial response to invasion by armed guerrillas.

The coastal monitoring unit to be sent to Yonaguni Island, Japan's westernmost territory, will be modeled on the GSDF's 301st Coast Observation Unit, made up of about 100 personnel, in Wakkanai, Hokkaido.

Nissan restarts four assembly plants

Nissan Motor Co. resumed operations Monday at four domestic plants after their assembly lines were shut down Wednesday to Friday because of delayed delivery of engine-related auto parts by Hitachi Ltd.

Nissan officials said the automaker plans to conduct normal operations at its plants in Tochigi, Kanagawa and Fukuoka prefectures as well as a plant in Fukuoka Prefecture operated by Nissan Shatai Kyushu Co. until the start of the summer vacation season Aug. 7, the officials said.

Hitachi and Nissan are in negotiations with a Swiss-based company that supplies semiconductors to Hitachi so the electronics maker will be able to provide the parts to Nissan in a stable manner after the summer holidays, they said.

New organ eyed to set budget, tax reforms

The Democratic Party of Japan-led government plans to set up a new organization within the Cabinet Secretariat to draft the fiscal 2011 budget and formulate a basic policy on reforming the tax system, according to political sources.

The body, under Chief Cabinet Secretary Yoshito Sengoku, is expected to compile the budget for the year starting next April and will effectively replace the National Policy Unit, whose role is set to be redefined.

That body, set up after the change of power last year in an attempt by the DPJ-led government to strengthen its policymaking functions and lay out a broad vision for spending and other key national policies, has limited power.

The government has determined that a new organization is necessary to achieve political leadership in compiling the fiscal 2011 budget amid the continuing deterioration of the fiscal situation, the sources said. The new body is also likely to consider raising the 5 percent consumption tax, according to the sources.

Prime Minister Naoto Kan called for discussing the tax hike to reduce the deficit during the campaign for the July 11 Upper House election, a proposal widely blamed for contributing to the DPJ's defeat.

Despite hopes for the new body to allow the DPJ-led bloc to exert stronger political leadership, it is unclear how effective it will be because it won't be backed by law, one reason the National Policy Unit has lacked teeth.

Finance Minister Yoshihiko Noda and DPJ policy chief Koichiro Gamba, who is also state minister in charge of civil service reform, are expected to take part in the new organization, the sources said.

Poll may hit Moody's JGB rating

Kyodo News

Moody's Investors Service suggested Tuesday that Japan's "indecisiveness" on enhancing fiscal discipline following the Democratic Party of Japan's loss of a majority in the Upper House will have a negative impact on its government bond ratings.

"Renewed leadership indecisiveness or instability would be credit negative," Senior Vice President Tom Byrne said in a report titled "DPJ's Election Loss Adds Uncertainty to Japan's Fiscal Outlook."

Byrne blamed the DPJ's setback "in large part" to Prime Minister Naoto Kan raising the possibility of a hike in the consumption tax as a central election issue.

Consequently, legislative initiatives, including those related to a tax hike, can be blocked by opposition parties because the DPJ doesn't have the two-thirds majority it needs in the Lower House to override Upper House votes.

Noting that the JGB market had reacted favorably to the government's announcement June 22 of a plan to cut bond issuance by pushing its benchmark 10-year bond yield to a seven-year low of 1.14 percent, Byrne suggested the market now may move to put upward pressure on the yield.

"There is a limit to the amount of debt that the market will willingly finance at a very affordable cost to the government," he said.

Meanwhile, Fitch Ratings sovereign analyst Andrew Colquhoun said the election result may make it harder for the government to draw up a more concrete fiscal consolidation plan.

Toyota settles U.S. suit over hybrid patent

WASHINGTON (Bloomberg) Toyota has settled a patent-infringement dispute that had threatened U.S. imports of its newest hybrid vehicles, including the Prius.

The agreement with Paice, ending six years of litigation, was announced Monday as a hearing was to begin on a claim against Toyota before the International Trade Commission in Washington. Terms weren't disclosed and suits pending in Texas and at a U.S. appeals court will be dismissed.

Paice founder Alex Severinsky, a Soviet emigrant who began his career developing antitank-warfare instrumentation, had said his 1994 patented system for a high-voltage method to power gas-electric hybrid cars was used by Toyota without permission. Severinsky, 65, has sought royalties from the automaker.

"Finally people understand the merits of what I invented and give it the proper value," Severinsky said. "Toyota is the leading technology company and finally appreciates the value of the invention."

Ford, maker of the Fusion hybrid, agreed to license Paice's technology, the firms said Friday.

The Paice patent covers a way to supply torque to a car's wheels from both an electric motor and internal combustion engine using a combination of high voltage and low current.

Toyota, which was found to have infringed on the patent in an earlier case, had said its hybrid vehicles are the result of its own research and asked the trade commission to deny Severinsky's latest claims.

"The parties agree that, although certain Toyota vehicles have been found to be equivalent to a Paice patent, Toyota invented, designed and developed the Prius and Toyota's hybrid technology independent of any inventions of Dr. Severinsky and Paice as part of Toyota's long history of innovation," both companies said in separate statements.

The ITC is an independent agency set up to protect U.S. markets from unfair trade practices. When a violation is found, it has the power to block imports of products and typically sides with patent owners unless there are health or public policy issues.

The issue in the trial that was to begin Monday hinged on what is more important: Severinsky's right to protect the millions of dollars invested in his invention or the potential economic harm of banning Toyota's hybrid imports.

Toyota Investigation Findings Should Be Disclosed by U.S., Lawmaker Says

By Angela Greiling Keane - Jul 21, 2010

The U.S. auto-safety regulator should explain whether it has data showing some Toyota Motor Corp. accidents involving unintended acceleration were caused by drivers pressing the wrong pedal, the top Republican on the House Energy and Commerce Committee said.

Representative Joe Barton of Texas sent a letter to the National Highway Traffic Safety Administration today asking for information on its investigation of Toyota accidents linked to unintended acceleration. The company said last week that the vehicles' event-data recorders showed that "virtually all" of the accidents in which motorists said they pressed the brake had pushed the accelerator instead.

"Given these murky facts, it is important for us to know whether NHTSA has EDR data showing that some incidents of reported unintended acceleration were the result of pedal misapplication," Barton wrote in the letter to NHTSA Administrator David Strickland.

"The committee recently passed, and the House of Representatives may soon consider, a sweeping \$800 million reauthorization of NHTSA that includes provisions aimed at unintended acceleration," Barton said in the letter.

Mike Michels, a spokesman for Toyota's U.S. sales unit, said the company has no comment on the matter. Spokeswomen for NHTSA didn't immediately respond to a request for comment.

Toyota, the world's largest automaker, and U.S. auto-safety regulators are looking into causes of unintended acceleration in the company's cars and trucks. The Toyota City, Japan-based automaker has recalled more than 8 million vehicles worldwide in the past year for defects such as pedals that stuck or snagged on floor mats.

Supporters of the auto-safety bill, including family members of two people who died while driving Toyotas that were said to accelerate suddenly, today called on the House to approve the measure, which would pay for increased regulation with a \$9 fee on new cars.

Economy assessment unchanged

Kyodo News

The government kept unchanged its monthly economic assessment for July, saying Wednesday the recovery has lost some momentum and downside risks have emerged in the United States on top of Europe, which has been riddled with sovereign debt woes, but one official suggested the nation is in a "lull."

In the monthly report, the Cabinet Office said, "Although the economy has been picking up steadily and the foundation for a self-sustaining recovery is being laid, difficult situations remain, including a high unemployment rate."

The government retained the assessment for the second month in a row, after a modest upgrade the previous month when the word "recovery" was used for the first time in two years.

While acknowledging that some recent economic data in Japan have shown signs of a slowdown, Cabinet Office Parliamentary Secretary Keisuke Tsumura said the figures can be almost flat

when converted into a quarterly basis, leading the government to leave the overall assessment unchanged.

Speaking at a news briefing, however, Tsumura warned: "It has been one step before the recovery enters a self-sustaining phase and no progress has been made from there. That is, there is a possibility that the economy is temporarily at a standstill, or I could say there is a possibility that the economy may have hit a lull."

On the heels of weak economic data in the U.S., the July report added that "attention should be given to the risks that the (Japanese) economy is depressed by a possible slowdown in overseas economies, especially in Europe."

"We need to closely watch the impact of the U.S. economic developments as possible downside risks," Tsumura said.

Among specific components, the government revised its assessment on business sentiment for the first time in three months, saying, "Firms' judgment on current business conditions is improving. However, firms, especially small and medium-size enterprises, are cautious about the immediate future," although the previous report said only small and medium-size firms were cautious.

Tsumura said the revision has come as some data indicated business confidence at certain major firms, including automakers, is also seen deteriorating in the months ahead.

Assessments on all the other components were kept unchanged.

Exports are "increasing moderately," while industrial production is "picking up." Labor conditions remain "severe" but "movements of an incipient recovery can be seen recently," it said. Consumption is also "picking up," the report said.

The government last used "recovery" in its July 2008 report, saying, "While the economic recovery appears to be pausing, weak movements have been seen recently."

Beijing Auto in Venture Talks With Fuji Heavy's Subaru, Observer Reports

By Bloomberg News - Jul 22, 2010

Beijing Automotive Industry Holding Co. and Power Diversity Automobile Trade Co. are in talks with Fuji Heavy Industries Ltd.'s Subaru car unit about setting up a production venture in China, the Economic Observer said.

Beijing Auto and Power Diversity plan to each hold 25 percent stakes in the venture, while Fuji Heavy will own a 50 percent share, the Chinese newspaper reported today, citing unidentified people.

The partnership, with an annual production capacity of 50,000 vehicles, will be based in Beijing, and its first model will be a Subaru sport-utility vehicle, the report said. The companies will later add local production of Subaru sedans, the report said.

Kenta Matsumoto, a spokesman for Fuji Heavy in Tokyo, couldn't immediately comment on the details of Chinese report. Fuji Heavy is also talking to two other Chinese automakers about forming a venture, according to the report.

Beijing Auto also has partnerships with Hyundai Motor Co. and Daimler AG in China. Power Diversity, an auto dealer, sells vehicles including Audi, Mercedes-Benz and Subaru models.

Japan Excludes Toyota Tsusho From Wheat, Rice Import Tenders for 3 Months

By Aya Takada - Jul 22, 2010

Japan banned trading company Toyota Tsusho Corp. from participating in government tenders to import wheat, rice and barley for three months because it sold U.S. rice containing mold that was eventually consumed by humans.

The company imported the grain three years ago, which upon inspection was found to contain some mold, the Ministry of Agriculture, Forestry and Fisheries said today in a statement. Toyota Tsusho was allowed to keep the rice for feed or industrial use, and sold it to a grain distributor, according to the statement. The rice was used for human consumption after it was again sold to a grain marketer, the statement said.

Illegal sales of tainted foreign rice rocked Japan two years ago, leading to the resignation of then Agriculture Minister Seiichi Ota and his deputy. The government has since banned imports of contaminated grains, requiring trading companies to destroy or ship them back to exporting countries.

The company "had an obligation to confirm the imported rice was used as livestock feed in Japan," Masachika Murai, director at the ministry's rice policy planning division, told reporters today. The ban is effective today, he said. Toyota Tsusho fell 1.3 percent to 1,259 yen on the Tokyo Stock Exchange at 1:21 p.m.

'Very Regrettable'

"It is very regrettable" that the rice was used for human consumption, as "we sold it on the condition that it would be used for feed," the company said in a statement faxed to Bloomberg News today.

The ministry will hold a regular tender today to buy 142,719 metric tons of U.S. milling wheat. Japan has so far purchased 1.29 million tons of foreign milling wheat this fiscal year, which began on April 1.

The government controls overseas purchases and domestic sales of wheat, rice and barley to ensure supply stability and protect local growers.

Toyota Tsusho, based in Nagoya city in central Japan, imported the U.S. rice through a government tender designed for the nation to comply with trade agreements. Japan's quarantine office in Yokohama port, near Tokyo, found the cargo was contaminated with mold in June 2007.

Japan, self-sufficient in rice, is required to buy 770,000 tons of the grain annually under an accord with the World Trade Organization as the nation agreed to give minimum market access to exporting countries at the Uruguay Round of trade talks that ended in December 1993.

Bank of Japan Warns From Experience of Overheating in Emerging Economies

By Mayumi Otsuna - Jul 23, 2010

Emerging economies are at risk of overheating should they delay tightening monetary policy like Japan did in the 1980s, a central bank research report shows.

Robust growth and relatively healthy fiscal management in developing economies is attracting investment even after fiscal concerns about Greece and other European nations erupted in May, according to the paper, which was co-written by six Bank of Japan officials and published today in Tokyo.

“Should central banks of emerging countries put too much focus on the global market volatility” resulting from Europe's problems, “their accommodative monetary policy for an extended period may fuel the risk of overheating asset prices and cause big economic swings that would require adjustment,” it said.

The Bank of Japan began to guide short-term interest rates higher in August 1987, only to abort the effort two months later after the worldwide Black Monday stock-market crash. The postponement of monetary tightening helped fuel an asset bubble that burst in the early 1990s, the report said, leading to deflation and economic stagnation that continues today.

Central bank Deputy Governor Hirohide Yamaguchi said this week that emerging economies are “facing a critical turning point” amid signs of overheating and inflation. A hard landing poses as much threat to the Japanese economy as Europe's sovereign debt woes, the deputy governor said.

Policy makers in Asia have moved to withdraw monetary stimulus, with central banks from Thailand to Taiwan, Malaysia and South Korea boosting interest rates in recent weeks.

Laying the Ground

When the BOJ started to guide short-term rates higher in August 1987 it was laying the ground for an increase of its discount rate, which lends overnight cash to commercial banks, to cool the

economic expansion, the researchers said. Short-term rates resumed falling after the bank abandoned the effort.

“Once the financial-market turmoil subsided, market participants turned bullish amid expectations that the Bank of Japan would maintain low interest rates, which had fueled bubbles in Japan,” the report said.

The paper was jointly written by Risa Okawa, Yoshihiro Takada, Eiichi Tamura, Satoe Aoki, Masato Higashi and Yasunari Inamura of the BOJ’s international department.

Mizuho sets share-trading record

Bloomberg

Mizuho Financial Group Inc. set a record Thursday for the number of shares traded on the Tokyo Stock Exchange. Almost 1.28 billion shares changed hands Thursday, exceeding the previous high of 1.04 billion set by Japan Airlines Corp. on Jan. 14, according to the bourse.

Thursday was the first day that investors could sell the shares they bought in a public offering this month. The shares rose 0.75 percent to ¥134.

Nomura `1-Trillion-Yen' Japan Fund Falls Below 100 Billion Yen Asset Value

By Makiko Asai and Monami Yui - Jul 23, 2010

Nomura Asset Management Co.’s once-dubbed “1-Trillion-Yen Fund” fell yesterday to its lowest level since being introduced in 2000 at the height of a bubble in information-technology stocks.

The “Nomura Japan Stock Strategy Fund” saw its net asset value fall to 99.7 billion yen (\$1.15 billion) as of July 22 as individual investors shifted their cash into foreign equities, said Chiho Shimada, chief editor of Toshi Shintaku Jijo, an investment magazine. Dividend yields for Australia’s S&P/ASX 200 Index and Euro STOXX 50 Index are more than 4 percent compared with about 1.7 percent for the Nikkei 225 Stock Average. The Nikkei has declined 10.6 percent this year.

“The poor performance of Japan’s stocks is one of the reasons for the unpopularity of the fund,” said Shimada. “Another is that Japanese stocks have low distribution rates because of low dividend yields. People are investing for monthly returns.”

The fund started in February 2000, just before the information technology bubble burst. It attracted 792.4 billion yen from investors before it began operation.

Sales of Japanese stocks funds have been falling, according to the Investment Trust Association, Japan. Domestic equity funds at open-end investment trusts posted 13 consecutive months of net

asset outflow as of June as redemptions and cancellations exceeded sales, the association's data show.

JFE Said to Plan Buying \$1 Billion Stake in JSW Steel

By George Smith Alexander - Jul 23, 2010

JFE Holdings Inc., Japan's second-largest steelmaker, plans to invest about \$1 billion in India's JSW Steel Ltd., said a person with direct knowledge of the deal.

The Tokyo-based company intends to acquire securities convertible into shares at a minimum price of 1,300 rupees (\$27.69) each, the person said, declining to be identified before a public announcement. JFE may own a little less than 15 percent of JSW Steel after the conversion, the person said.

JFE, which agreed to cooperate with JSW Steel on automobile steel production in November last year, joins Nippon Steel Corp. in forging relationships with Indian steelmakers as demand increases. Sales of passenger cars in India in the first five months of this year grew 31.6 percent from a year earlier, the second-fastest in the world after China, according to the Society of Indian Automobile Manufacturers.

"India is an attractive market as it has growth potential and steelmaking raw materials," said Yuji Matsumoto, an analyst at Nomura Securities Co. in Tokyo, who has a "buy" rating for JFE Holdings shares. "Gaining a foothold in the market is a positive move."

JFE jumped as much as 5.6 percent to 2,713 yen and traded at 2,711 yen as of 2:18 p.m. in Tokyo. Shares of JSW Steel gained as much as 2.5 percent to 1,231 rupees and traded at 1,210.10 rupees, up 0.8 percent, as of 11:02 a.m. in Mumbai. JSW Steel has climbed 19.6 percent this year, compared with a 3.7 percent advance in India's benchmark Sensitive Index.

Strategic Investment

JSW Steel yesterday said its board will consider raising funds, including a share sale to a strategic investor, on July 27. JFE Holdings may buy 5 percent to 15 percent of JSW Steel, Sajjan Jindal, vice chairman of the India's third-largest steelmaker, had said last month.

"JSW's policy is that it does not comment on speculation," the Indian steelmaker said in an e-mailed response. JSW Steel Chief Financial Officer Seshagiri Rao didn't respond to three calls made to his mobile phone.

JFE "hasn't decided anything" on the matter, said a spokesman for the Tokyo-based company, who declined to be identified because of company policy.

Other options JSW Steel will consider include selling shares or bonds in India or overseas, according to a statement to the Bombay Stock Exchange yesterday.

JSW Steel last month allotted warrants, or the rights to buy shares, to the controlling shareholders. Swapping those securities for equity would increase the controlling holders' stake to 49.71 percent, from 45 percent as of May 28.

Nippon Steel, Japan's largest steelmaker, and Tata Steel Ltd. will spend as much as 35 billion yen (\$403 million) to form a venture to produce automobile steel in India, the Tokyo-based company said Jan. 28. The venture will be located at Tata Steel's Jamshedpur factory complex in eastern India, will start operations by March 2013.

Japan Said to Consider Kazakh Uranium Imports Through East Russian Ports

By Tsuyoshi Inajima and Shigeru Sato - Jul 23, 2010

Japan, the third-largest nuclear power producer, plans to ask Russia to allow it to ship uranium from landlocked Kazakhstan through ports along the country's Pacific coast to cut the cost of importing the atomic fuel.

A six-month study to assess the viability of shipments from Kazakhstan, the world's largest uranium producer, via ports near Vladivostok will begin in August and be funded by the Japanese trade ministry, said two government officials in Tokyo with direct knowledge of the plan, who declined to be named before an official announcement due this month.

The fuel is currently shipped to Japan through western Russia and the proposed eastern route could help reduce costs for companies including Marubeni Corp., Tokyo Electric Power Co. and Sumitomo Corp. that have invested in uranium ventures in Kazakhstan. Supplies from the Central Asian country will help reduce dependence on Canada and Australia, which provide more than half of Japan's requirements.

"Russia can play a key role and make a big change to Japan's uranium supply chain in years ahead as Japan is increasing purchases from Kazakhstan," said Tomoko Murakami, a nuclear analyst at the Institute of Energy Economics, Japan.

Almost all Kazakh uranium destined for Japan is currently shipped through St. Petersburg in western Russia for enrichment in the U.S., Canada and France before it reaches Japan's utilities, said Koji Furui, a spokesman for Sumitomo, which holds a stake in Kazakh producer Appak Ltd. Some ore is also enriched in Russia, he said.

Under the Japanese proposal, the Kazakh uranium would be enriched in Russia, according to the government officials.

The new shipment route would benefit Japanese buyers as ventures ramp up production, Sumitomo's Furui said. The Appak venture, in which Kansai Electric Power Co. is also a stakeholder, is in the testing phase of production and expects to extract 1,000 tons next year, he said.

Daisaku Saito, a spokesman for Japan's trade ministry, declined to comment on the proposed shipment route and study. The study will assess the safety, capacity and viability of using railways, roads and storage terminals in Kazakhstan and Russia and ports in eastern Russia, one of the officials said.

The 9,300-kilometer (5,780-mile) Trans-Siberian Railway could be used to transport the ore to enrichment facilities in the Russian city of Angarsk, the Japanese official said. The enriched uranium will likely be shipped out from ports near Vladivostok, the official said.

Trans-Siberian Railway

Soviet-era rail networks linking Kazakhstan and Russia may be used to connect with the Trans-Siberian Railway and using trucks is also an option, the official said.

Kazakhstan supplied 14 percent of Japan's uranium needs in 2008, compared with 1 percent in 2006, according to data compiled by the trade ministry and the Federation of Electric Power Companies of Japan. The country imported 9,800 tons of uranium in 2008, more than half of it from Australia and Canada, the data showed.

Sumitomo and Kansai Electric agreed with Kazakhstan's state-run Kazatomprom in 2006 to jointly invest \$100 million to develop a uranium mine in Kazakhstan. Sumitomo took a 25 percent stake in Appak, a company founded by Kazatomprom, and Kansai Electric a 10 percent share.

Japanese companies led by Marubeni and Tokyo Electric bought a Kazakhstan uranium venture in April 2007 and have the right to purchase about 2,000 tons of uranium a year.

Marubeni rose 3.4 percent to close at 460 yen in Tokyo trading. Sumitomo gained 2.5 percent to 913 yen, while Tokyo Electric fell 0.5 percent and Kansai dropped 0.1 percent. The benchmark Topix index rose 1.9 percent.

Honda's electric, plug-in entries to intensify eco-car war

Honda Motor Co., a global leader in gas-electric hybrids with the Insight, the CR-Z and other models, will add an electric car and a plug-in hybrid to its 2012 lineup in Japan and the United States.

Stricter environmental regulations planned around the world have prompted the company to embrace the new technologies.

In California, for example, automakers are obliged to market a certain percentage of zero-emission vehicles. The state government is expected to tighten the regulations in 2012.

The stakes are high for Honda, which relies on the North American market for about 40 percent of its sales revenue. Honda's rivals appear to be running ahead in plug-in hybrid and electric vehicles, however.

Toyota Motor Corp. has already announced plans to introduce an electric vehicle in the United States in 2012. The advantage of a plug-in hybrid, designed to be charged from a household socket, over a fully electric vehicle is a longer traveling distance on a single charge.

After it runs short of electricity, the vehicle shifts to a combination of combustion and electricity, much the same as a conventional hybrid car.

Toyota began leasing plug-in hybrids to central and local governments, electric power companies and other organizations in December. It plans to start general sales to consumers at the end of 2011, with a goal of moving about 1,000 units a month. In developing plug-in hybrids, the company capitalized on its lead in the conventional hybrid market.

Despite recent massive recall problems, Toyota's Prius hybrid was Japan's best-selling car in the first half of 2010. Nissan Motor Co., which has trailed Toyota and Honda in the hybrid market, will start sales of its Leaf electric car at the end of this year in Japan, the United States and Europe.

Nissan, which sells about the same number of vehicles in Japan as Honda, also plans to introduce its first hybrid model, a version of the Fuga luxury sedan, this autumn.

Mitsubishi Motors Corp. is already selling the i-MiEV electric, a small vehicle based on the 660cc minicar standard. But it is not expected to come up with larger electric models for the time being.

Mitsubishi is counting on plug-in hybrid technology for a sport-utility vehicle it is planning to debut in 2013 at the earliest. A senior official at a major automaker admitted that it is a heavy burden for automakers to embrace multiple environment-friendly technologies.

"It is a two-fold challenge. We have to compete in developing viable models as well as in lowering product prices," the official said.

Social Front:

FIFA team impressed with Japan's 2022 bid

The Associated Press

A FIFA delegation praised Japan's planning and advanced infrastructure after completing an inspection of the country's bid to host the 2022 World Cup.

The FIFA inspection team, headed by Chile Football Federation president Harold Mayne-Nicholls, toured stadium and broadcasting facilities in Osaka and Tokyo from Tuesday to Thursday.

"We must say that it is a very balanced product," Mayne-Nicholls said at a news conference on Thursday. "It mixes football traditions with modern stadiums, new technology and environmental projects integrated with the world."

Japan, which cohosted the 2002 World Cup with South Korea, is competing with Australia, Qatar, South Korea and the United States to host the 2022 World Cup.

"We got them to see an environment in which you could play fantastic football," said Motoaki Inukai, president of the Japan Football Association.

Japan's government has endorsed the nation's bid to host the 2022 World Cup, vowing to cooperate in bringing the showcase tournament back to the country. Japanese Prime Minister Naoto Kan hosted the FIFA inspection team at a dinner on Wednesday.

"The Japanese government has given its official backing and approval for the 2022 bid," Kan said. "We are supporting the bid with the full resources of the nation. Should we win the bid, the Japanese government will take all measures that FIFA deems necessary for the successful hosting of the event." The host will be chosen on Dec. 2.

'Football' at Fenway

BOSTON (AP) Paul McGowan converted the winning penalty as Scottish club Celtic beat Sporting Lisbon in a shootout after a 1-1 draw in their friendly Wednesday — the first soccer match at the Fenway Park baseball stadium in 42 years.

Sporting striker Liedson shot over the crossbar, leaving McGowan to slot home the winner before an announced crowd of 32,162, enjoying the first game at the home of the Boston Red Sox since Pele played there in 1968.

Temperatures shoot past 35 in several cities

Numerous cities across the nation recorded temperatures above 35 degrees Sunday, with Tatebayashi, Gunma Prefecture, logging 36.3, the Meteorological Agency said. Tatebayashi's temperature was the first this year in the Kanto region above 35.

Other cities with warm temperatures included Masuda, Shimane Prefecture, at 35.7, followed by 35.6 in the cities of Saga and Fukushima, the agency said. Kurume, Fukuoka Prefecture, and Toyooka, Hyogo Prefecture, logged 35.3, while central Tokyo recorded 31.7.

The agency said it expected high temperatures Monday as well and advised people to take precautions against heat stroke.

Child care leave dips for first time

Kyodo News

The proportion of women working in the private sector who took child care leave after giving birth in fiscal 2008 came to 85.6 percent, marking the first drop since data began to be compiled in fiscal 1996, according to a welfare ministry survey.

An official of the Health, Labor and Welfare Ministry attributed the 5.0 percentage point drop from the previous fiscal year to the stagnant economic conditions, noting that women employed in small businesses tend not to take the leave.

On the other hand, the survey found that the percentage of men who took child care leave rose 0.49 point to a record 1.72 percent, although it remained much lower than the government's target of 10 percent by fiscal 2017. Businesses that have introduced child care leave for their employees accounted for 68.0 percent, up 1.6 points from the previous year.

The ratio came to 89.4 percent among businesses with 30 or more regular workers, suggesting that the leave is more widely introduced among larger firms.

Of the businesses surveyed, 85.6 percent allowed their employees to take child care leave until their children reached 18 months of age, in accordance with the child care law, followed by 9.2 percent that allowed the leave until the infants are 2 years old or older. None of the companies allowed child care leave for children more than 3 years old. The survey was taken in October 2009 on about 5,800 businesses with five or more regular workers, with responses obtained from about 4,500 of them.

The child care law was introduced in 1992.

Institute barred from foreign trainees

Immigration authorities have taken punitive action to bar the Japan Institute of Management-Labor Science from accepting foreign vocational trainees over the next three years, institute sources said Wednesday.

A sewing factory in Aichi Prefecture was found to have made three Chinese trainees, introduced by the institute last year, work extended hours beyond their prescribed limit, and the institute has admitted to inadequate supervision, they said.

The institute, which is required to monitor and report on private firms that have foreign trainees, failed to prevent three Chinese trainees from working overtime at a sewing plant in Aichi Prefecture, they said. It has accepted too many trainees and failed to monitor them adequately, they said.

The institute is under the control of the Health, Labor and Welfare Ministry and is now headed by a former chief of the Tokyo Immigration Bureau.

Miyazato regains world No. 1 rank

Ai Miyazato has regained the world No. 1 spot in women's golf, according to the rankings released Monday. Miyazato was second for about one month after she claimed the top spot on June 21 for the first time and was replaced by Cristie Kerr the following week.

Kerr has dropped to second place in the latest rankings. Neither Miyazato nor Kerr played a tournament in the past week.

The Rolex Rankings evaluates a player's performance over a rolling two-year period weighted in favor of the current year with even more importance placed on the most recent 13 weeks.

Among other Japanese players, Sakura Yokomine is 15th, Chie Arimura 18th and Yuri Fudo 22nd, all of them unchanged from the previous week.

Japanese researchers restoring Bamiyan treasures

BAMIYAN, Afghanistan--Japanese researchers have returned to Afghanistan to continue work on preserving centuries-old cave paintings and other Buddhist vestiges that have long been in danger of being erased. The mission to Bamiyan in central Afghanistan is part of an annual undertaking by the group since 2003. The members work closely with Afghan researchers to restore the paintings and other cultural properties.

The eventual expectation is that the site, where two huge Buddha statues once stood, will become valuable tourism resources to help revive the war-torn country.

The seven-member Japanese team includes Kazuya Yamauchi, who heads the Regional Environment Section of the National Research Institute for Cultural Properties, Tokyo, which is part of the National Institute for Cultural Heritage. Another member is Kosaku Maeda, professor emeritus at Wako University and a specialist in Asian cultural history.

The two Buddha statues--one 55 meters tall and the other 38 meters--that were carved centuries ago were blown up in March 2001 by Taliban forces. In nearby caves, wall paintings have either been removed and smuggled out of the country or damaged. There are hundreds of caves with murals in the area. The restoration work has focused on sites that have been popular with tourists.

The Buddhist remains in Bamiyan drew attention in Japan after the late Ikuo Hirayama (1930-2009), a celebrated painter in the "Nihonga" Japanese style famed for his Silk Road landscapes, began calling for their preservation.

Although the site has been popular among tourists in Japan and elsewhere, few foreigners have ventured to the area since conflict flared in Afghanistan and security deteriorated.

"We want to preserve what's left of the paintings and restore them to a state where they can be viewed by tourists in a safe environment," Yamauchi said. "That will help with economic reconstruction of the region." The researchers are expected to remain in Afghanistan until the end of this month.

Kan's wife in print with book on husband

THE ASAHI SHIMBUN

Never the wilting violet, Nobuko Kan, the wife of Prime Minister Naoto Kan, has reinforced her reputation for forthrightness with the title of a new book about her husband's accession to power.

The front cover of the book, published on Tuesday by Gentosha Inc., asks tartly: "Anata ga sori ni natte ittai nihon no nani ga kawaruno" (Now you are prime minister, how on earth is Japan going to change?)

Nobuko Kan, whom the prime minister has called "my most powerful supporter and most critical voter," says the title was inspired by the sorts of questions she poses to her husband on a daily basis.

The book reveals that she does not think her husband wanted to become a prime minister at any cost. She also appeals to readers to understand Kan's relationship with Ichiro Ozawa, the former secretary-general of the Democratic Party of Japan, which she casts as a political alliance necessary to increasing the DPJ's support and achieving a transfer of power. She says Kan's reshuffle of the Cabinet and party posts after coming to power was aimed at fostering a new generation of political talent, rather than reducing Ozawa's influence.

It is rare for the wife of an incumbent prime minister to express her thoughts on current political issues in writing. Nobuko Kan dictated the book for her publisher after her husband took office in June.

Farm ministry to file criminal complaints against 4 companies over tainted rice

THE ASAHI SHIMBUN

The farm ministry said Thursday it will file criminal complaints against four companies suspected of illegally selling 82 tons of tainted rice unfit for human consumption. The ministry cited violations of the Food Sanitation Law and other laws.

The four companies are Amakasu Songai Kamotsu, Kyowa Seibaku and Ishida Bussan in Kanagawa Prefecture, as well as Kyoshin Shoji in Aichi Prefecture.

The Ministry of Agriculture, Forestry and Fisheries said the four companies sold 82 tons of moldy imported rice to food manufacturers without informing the buyers that the grain was not edible.

Apparently all the substandard rice was consumed in food products, the ministry said. However, it is unlikely that health problems resulted because tests on samples did not turn up residual pesticides or poisonous molds.

The ministry's announcement Thursday, made after a fresh investigation into the tainted rice debacle, contradicts an initial finding in November 2008. At that time, the ministry said it had confirmed that 5,251 tons of tainted rice, including the 82 tons in question, had been sold as animal feed.

In September that year, the ministry announced that some companies had sold tainted rice as edible in order to fetch higher prices. The rice had been imported under the "minimum access" requirement for rice imports.

The government allowed companies to sell the tainted rice on the condition it was used as animal feed. The ministry's latest investigation found that the four companies had falsely claimed the tainted rice was processed into animal feed at Kyowa Seibaku.

Visual foot-and-mouth checks start

MIYAZAKI (Kyodo) The Miyazaki Prefectural Government on Thursday started having vets conduct visual checks on most of the roughly 940,000 livestock in the prefecture before it declares an end to a months-long foot-and-mouth epidemic.

It plans to have vets visit about 7,700 farms in the prefecture to check the health of livestock by Aug. 11.

After concluding the blanket visual testing, the prefecture plans to issue a declaration of safety on Aug. 27. It is due to lift its final ban on transfers of animals in the city of Miyazaki on Tuesday, as previously planned.