

Business and Politics in the Muslim World

Weekly Report on Korea & Japan
Report # 139
From 25 September, 2010 to 02 October 2010
Presentation 6 October, 2010

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Contents ***Page #***

Summary.....2

Politico-Strategic 10

China 'undemocratic': Okada
Captain's release wasn't politically influenced: Kan
Kan makes pitch for Japan seat at UNSC
Kan rejects Beijing's demand for apology
Forensic nuke ID methods in works
DPJ picks execs for Upper House
Russia demand bouncing back: JT
China Releases Three of Four Japanese Detained After Territorial Dispute
Japan Seeks Meeting With China's Defense Minister at Asean, Kyodo Reports

Economic Front.....15

Incubator Bank refund applications reach ¥45 billion
APEC officials focus on free trade zone ahead of Yokohama summit
Sharp unveils multifunction tablet models
Takefuji files for bankruptcy protection
Takefuji investors may lose over 90%
Fujitsu begins shipping first modules for 'K'
Tensions with China show no signs of easing
Kan orders extra budget for deflation-fighting stimulus
'Swift' detainee action urged; China asked to handle Fujita case from 'humanitarian' point of view
DPJ picks execs for Upper House
Japanese Stocks Gain on Hope Bank of Japan Will Boost Economy After Tankan
Murata to Eliminate 3,000 Temporary Jobs in Japan to Combat Yen's Strength
Japanese Firms Plan Initial Public Offerings in South Korea, Chosun Says
Japan Plans to Lend as Much as \$4 Billion for Texas Nuclear Plant Project

Social Front26

Health ministry official held in bribery scandal
APEC to focus on food security
Manichaeism cosmology painting found
Passive smoking kills 6,800 annually
Hospitals need 24,000 doctors to ease manpower shortage, study shows
Abductees' kin see opportunity to ratchet up pressure on North

Korea

Politico-Strategic Front30

S. Korea, US start anti-sub exercise
Lee to attend ASEM in Brussels next week
Debate heats up over 'main enemy' description
USFK ignores \$13.7 mil. in compensation claims
Korea, Russia build future-oriented ties
CIA chief to visit Seoul over North Korea
Kim Puts Family First as Son Appointed to Party Post
Kim Jong Un Made North Korea Military Panel's Vice President, Xinhua Says
Inter-Korean Military Talks End Without Progress, Yonhap Says
Kim Jong Il's Son Appointed General Before North Korea Meeting
North Korea Won't Abandon Nuclear Deterrent, Deputy Foreign Minister Says
North Korea Opens Party Conference to Elect Leaders, Xinhua Says
South Korea, North Korea to Hold Military Talks as U.S. Backs 'Dialogue'

Economic Front44

Honam Petrochemical Said to Plan Sale of \$350 Million of Three-Year Bonds
South Korea Seeks to Reduce Fiscal Deficit as Recovery Boosts Tax Revenue
South Korea's Industrial Production Advanced for the 14th Month in August
LG Electronics May Miss This Year's LED TV Sales Target on Weak Demand
Saudi Electricity Awards Doosan 12.75 Billion-Riyal Contract
South Korea to Spend 17 Billion Won on Increasing Rare Earths Stockpiles
Inflation Quickens 3.6 Percent in South Korea, Fastest Pace in 17 Months

Social Front50

Court rules in favor of change in English on passport

Summary of Report

Japan

Politico-Strategic Front:

China 'undemocratic': Okada

Former Foreign Minister Katsuya Okada criticized Beijing on Saturday for demanding an apology and compensation over the arrest of a Chinese fishing boat captain, saying such a demand clearly showed China's undemocratic nature.

Captain's release wasn't politically influenced: Kan

Prime Minister Naoto Kan said Friday in New York that the "comprehensive judgment" of prosecutors led to the release of a Chinese fishing boat captain involved in ship collisions near the disputed Senkaku Islands, denying political influence affected the investigators' decision.

Kan makes pitch for Japan seat at UNSC

Prime Minister Naoto Kan on Friday made Japan's pitch for permanent membership on the U.N. Security Council, saying the nonnuclear country that has suffered the devastation of atomic bombings deserves a seat on the council in the 21st century. In his speech to the general debate session of the U.N. General Assembly, Kan expressed Japan's resolve to play a more responsible role for the peace and security of the international community.

Kan rejects Beijing's demand for apology

Prime Minister Naoto Kan on Sunday rejected China's demand for an apology and compensation over the detention of a Chinese fishing boat captain the Japan Coast Guard arrested near the disputed Senkaku Islands.

Forensic nuke ID methods in works

Japan will start developing nuclear forensic technologies next fiscal year so it can tell where nuclear materials originated and prevent trafficking and proliferation, government sources said. The science and technology ministry hopes to secure a budget of ¥200 million for fiscal 2011 starting in April.

DPJ picks execs for Upper House

Russian President Dmitry Medvedev said Wednesday that he will soon visit Russian-held islands claimed by Japan, the RIA Novosti news agency and other Russian reports said, a move that would make him the first Russian leader to visit the disputed territories. But Medvedev stopped short of saying that he will visit the islands off Hokkaido, called the Southern Kurils in Russia and the Northern Territories in Japan, during his ongoing visit to the Russian Far East.

Russia demand bouncing back: JT

Japan Tobacco Inc. said demand is recovering in Russia, Ukraine and neighboring countries as the region emerges from the global economic slump. Sales by volume of JT's Winston, LD and other brands in the region rose 0.6 percent in the two months ended Aug. 31 after falling 9.7 percent in the first quarter and 7.3 percent in the second, the company said Tuesday in a presentation to investors.

China Releases Three of Four Japanese Detained After Territorial Dispute

China released three of four Japanese detained last week for allegedly videotaping military targets, a sign tensions sparked by a shipping collision in disputed waters earlier this month may be easing.

Japan Seeks Meeting With China's Defense Minister at Asean, Kyodo Reports

Japan's Defense Minister Toshimi Kitazawa said today he will seek a meeting with his Chinese counterpart at a regional security forum later this month, Kyodo News reported. China hasn't responded to the request, Kitazawa told reporters in Tokyo, Kyodo said. Defense ministers from the Association of Southeast Asian Nations are due to meet with counterparts from Japan, China, the U.S. and several other countries in Hanoi on Oct. 12. Relations between China and Japan deteriorated last month after a collision in disputed waters involving a Chinese fishing boat and two Japanese Coast Guard vessels.

Economic Front:

Incubator Bank refund applications reach ¥45 billion

The failed Incubator Bank of Japan has received applications for refunds totaling ¥45.3 billion from depositors seeking to close their accounts in the 10-day period since the bank resumed operations on Sept. 13, the Deposit Insurance Corp. of Japan said Friday. As the bank held combined deposits of ¥582 billion when it failed on Sept. 10, the amount is equivalent to 7.8 percent of the total, according to the DIC, which has been acting as the failed bank's government-appointed administrator.

APEC officials focus on free trade zone ahead of Yokohama summit

Senior officials from Pacific Rim economies began two days of talks Saturday to deepen discussions on a proposed free trade zone in the Asia-Pacific region that will be high on the agenda at an upcoming summit in November. The officials from the 21-member Asia-Pacific Economic Cooperation forum gathering in Sendai are also hoping to almost finalize an assessment of their past trade liberalization efforts and an envisioned regional economic growth strategy, officials said.

Sharp unveils multifunction tablet models

OSAKA (Kyodo) Sharp Corp. will market two models of its new multifunction touch-screen tablet computers in December in a bid to take on Apple's iPad. Users of the new products, dubbed Galapagos, will be able to subscribe to newspapers and magazines and purchase electronic books, with a total of 30,000 titles available when the services launch, Sharp said Monday.

Takefuji files for bankruptcy protection

Consumer lender Takefuji Corp. filed for bankruptcy protection Tuesday after being forced to refund borrowers for overcharged interest, it said. The failure of the country's third-biggest consumer finance firm came after its board members gave the go-ahead at an emergency meeting. With the filing at the Tokyo District Court, Takefuji will start reconstruction under the Corporate Rehabilitation Law.

Takefuji investors may lose over 90%

Loan company faces overcharged interest claims; Takefuji Corp. bond investors may recover less than 10 percent of the face value of their holdings now that the country's third-largest consumer lender has filed for bankruptcy, according to Nomura Securities Co. "It's hard to see a loss rate lower than 90 percent," Toshihiro Uomoto, chief credit analyst at Nomura, wrote in a note to clients.

Fujitsu begins shipping first modules for 'K'

Fujitsu Ltd. has begun shipping component units for "K," a massive next-generation supercomputer it developed with Riken, the government's top-flight research institution. The company held a ceremony Tuesday at subsidiary Fujitsu IT Products Ltd. in Kahoku, Ishikawa Prefecture, to mark the first shipments of the machine, which the two are hoping will become the world's fastest supercomputer.

Tensions with China show no signs of easing;

Japan demands two boats leave Senkaku area; Japan demanded Monday that China withdraw two fishery patrol boats from near the disputed Senkaku Island chain that is at the center of the worst diplomatic row in years between the two nations. The government also summoned the Chinese ambassador over access to four Japanese nationals who have been detained for the last week for allegedly filming a military facility.

Kan orders extra budget for deflation-fighting stimulus

Prime Minister Naoto Kan on Monday instructed his Cabinet and ruling party members to draw up an extra budget for the current fiscal year to finance a stimulus package aimed at accelerating efforts to fight deflation.

'Swift' detainee action urged; China asked to handle Fujita case from 'humanitarian' point of view

Japan has urged China to ensure the safety of four Japanese nationals detained since last week in Hebei Province and "handle the case swiftly from a humanitarian viewpoint," the Japanese Embassy in Beijing said late Sunday.

DPJ picks execs for Upper House

The Democratic Party of Japan has selected officials for its key posts in the Upper House as it prepares to face off with the opposition bloc in the extraordinary Diet session starting Friday.

Japanese Stocks Gain on Hope Bank of Japan Will Boost Economy After Tankan

Japanese stocks rose on speculation the Bank of Japan will act to boost the economy after a report this morning showed the country's largest manufacturers forecast business will deteriorate.

Murata to Eliminate 3,000 Temporary Jobs in Japan to Combat Yen's Strength

Murata Manufacturing Co., the maker of a third of the world's ceramic capacitors, devices used in flat-panel televisions and smartphones, will eliminate most of its temporary workforce and increase production overseas as the Japanese yen's strength forces it to reduce costs. The company plans to cut its contract workforce to about 1,500 from 4,500 and will move some factory equipment abroad to reach its target of 30 percent overseas production by fiscal 2012, President Tsuneo Murata said yesterday in an interview. The company had 34,000 full-time workers worldwide as of March.

Japanese Firms Plan Initial Public Offerings in South Korea, Chosun Says

About ten Japanese companies are planning initial public offerings in South Korea, the Chosun Ilbo reported, citing an unnamed official at the Korea Exchange. Power Technology, Salvatore Cuomo, and Food Discovery are among the Japanese firms who have hired Korean brokerage firms including Daewoo Securities Co. and Samsung Securities Co., according to the report.

Japan Plans to Lend as Much as \$4 Billion for Texas Nuclear Plant Project Tadashi Maeda, head of corporate planning department at the Japan Bank for International Cooperation, talking at an interview in Tokyo. The Japan Bank for International Cooperation may lend as much as \$4 billion for a nuclear plant project in Texas that would be the country's first state financing for an atomic power station abroad.

Social Front:

Health ministry official held in bribery scandal

A health ministry bureaucrat has been arrested for allegedly taking bribes from a contact lens company in exchange for inspection information, triggering police raids on various places Sunday. Police said they believe Sumitomo received ¥20 million to ¥30 million from Tsukuda and other people over several years.

APEC to focus on food security

The Asia-Pacific Economic Cooperation forum will highlight food security issues ahead of November's leadership meeting as part of efforts to improve the quality of the region's economic growth, a government official said Sunday.

APEC is working to compile a growth strategy that seeks to ensure a "balanced, inclusive, sustainable, innovative and secure" growth, said the official, who chaired a two-day APEC gathering in Sendai that ended Sunday.

Manichaeism cosmology painting found

A Japanese team of researchers has found a painting that appears to describe the cosmology of Manichaeism, a religion that thrived mainly in Eurasia between the third and seventh centuries.

The painting, currently owned by an individual in Japan, measures 137.1 cm long and 56.6 cm wide, and depicts Manichaeism's cosmic view in vivid colors on a silk cloth.

Passive smoking kills 6,800 annually

Roughly 6,800 people in Japan are estimated to die every year from lung cancer or heart disease caused by passive smoking, and more than half — around 3,600 — are exposed to secondhand smoke in their workplace, a research team said Tuesday.

Hospitals need 24,000 doctors to ease manpower shortage, study shows

Hospitals need 24,033 more doctors nationwide to reduce the excessive workload being thrust on the 167,063 physicians already in practice, according to a Health, Labor and Welfare Ministry study.

Abductees' kin see opportunity to ratchet up pressure on North

The families of Japanese abducted by North Korea decades ago increased pressure on the government to achieve a breakthrough Wednesday as leader Kim Jong Il's third son was effectively put on track to succeed his father.

Korea

Politico-Strategic Front:

S. Korea, US start anti-sub exercise

South Korea and the United States engaged in a joint anti-submarine warfare (ASW) exercise Monday in the waters west of the Korean Peninsula, according to the Joint Chiefs of Staff (JCS) and U.S. Forces Korea. The exercise will coincide with a special conference of North Korea's Workers' Party, during which dictator Kim Jong-il is expected to name his youngest son, Jong-un, as his successor. The conference is expected to open Tuesday.

Lee to attend ASEM in Brussels next week

President Lee Myung-bak will visit Belgium from Oct. 3 to 7 to participate in the 8th Asia-Europe Meeting (ASEM) and to hold a series of bilateral summits with participating leaders, Cheong Wa Dae announced Monday. Lee is among 48 leaders of countries and international organizations who will attend the biennial meeting, scheduled on Oct. 5 and 6 in Brussels.

Debate heats up over 'main enemy' description

The South Korean military has been reinforcing troop information and education to deal with possible North Korean threats since the sinking of the Cheonan ship in March amid

controversy over whether to label the North as the “main enemy” in the country’s defense white paper.

USFK ignores \$13.7 mil. in compensation claims

The U.S. Forces Korea (USFK) is refusing to pay 15.6 billion won (\$13.7 million) that the Korean government demanded for inflicting damages against civilians here, an opposition party lawmaker said Wednesday.

Korea, Russia build future-oriented ties

South Korea’s diplomatic ties with Russia, which celebrates their 20th anniversary Thursday, are unlike its relations with the three other “big powers” surrounding the Korean Peninsula: China, Japan and the United States.

CIA chief to visit Seoul over North Korea

The U.S. spy chief will visit Seoul this weekend to exchange information on a father-to-son power transfer in North Korea, a government source said Thursday. Leon Panetta, director of the Central Intelligence Agency (CIA) is scheduled to arrive at the Incheon International Airport Saturday, the source said. He will meet President Lee Myung-bak and other key Korean security officials, including National Intelligence Service Director Won Sei-hoon and Defense Minister Kim Tae-young, according to the source.

Kim Puts Family First as Son Appointed to Party Post

Kim Jong Il appointed his son to the ruling party’s second-highest military position, indicating North Korea’s ailing leader intends to extend his family’s rule of a totalitarian state that has armed itself with nuclear weapons while relying on donors to feed its 24 million people.

Kim Jong Un Made North Korea Military Panel's Vice President, Xinhua Says

Kim Jong Un was elected as vice president of the military committee of North Korea’s ruling Workers’ Party, Xinhua News Agency said, citing North Korean state media.

Inter-Korean Military Talks End Without Progress, Yonhap Says

Inter-Korean military talks ended without progress, Yonhap News reported, citing a South Korean military official it didn’t identify.

Kim Jong Il's Son Appointed General Before North Korea Meeting

Kim Jong Il’s Son Named General in Succession Signal; Kim Jong Il’s youngest son was named a general, signaling the start of a possible power transfer in North Korea to a man said to be in his late 20s who the regime has never previously mentioned in public.

North Korea Won't Abandon Nuclear Deterrent, Deputy Foreign Minister Says

North Korea won’t give up its nuclear weapons while U.S. aircraft carriers are deployed near the Korean peninsula, the communist nation’s deputy foreign minister told the United Nations General Assembly today.

North Korea Opens Party Conference to Elect Leaders, Xinhua Says

North Korea opened a conference of the ruling Workers' Party of Korea to elect its highest leading body, Xinhua News reported from Pyongyang, citing North Korea's Minju Choson newspaper.

South Korea, North Korea to Hold Military Talks as U.S. Backs 'Dialogue'

South Korea and North Korea will hold military talks today, South Korea's defense ministry said in an e-mailed statement. The announcement came after both countries had proposed resuming talks at the border village of Panmunjom earlier this month.

Economic Front:

Honam Petrochemical Said to Plan Sale of \$350 Million of Three-Year Bonds

Honam Petrochemical Corp., South Korea's second-largest ethylene maker, plans to raise \$350 million from a sale of floating-rate notes, according to three people familiar with the matter. The U.S.-dollar denominated bonds will have a maturity of three years, said two of the people who asked not to be named before a public announcement.

South Korea Seeks to Reduce Fiscal Deficit as Recovery Boosts Tax Revenue

South Korea's government plans to cut the nation's fiscal deficit next year after an economic recovery boosted prospects for tax revenue. Total spending will rise 5.7 percent to 309.6 trillion won (\$269.4 billion) while tax revenue will grow 8.2 percent to 314.6 trillion won, the Ministry of Strategy and Finance said in its budget proposal for 2011 released in Gwacheon today. The fiscal deficit will fall to 2 percent of gross domestic product in 2011 from a projected 2.7 percent this year.

South Korea's Industrial Production Advanced for the 14th Month in August

South Korea's factory output rose for the 14th straight month, signaling economic resilience that may add to the case for higher borrowing costs. Output gained 17.1 percent in August from a year earlier, after rising 15.5 percent in July, the statistics office said in Gwacheon today. The median estimate of 13 economists surveyed by Bloomberg News was for a 17 percent gain. Production decreased 1 percent from July.

LG Electronics May Miss This Year's LED TV Sales Target on Weak Demand

LG Electronics Inc. may miss this year's goal to sell 7 million sets of flat-screen televisions that use light-emitting diodes, or LED, as screen backlights, said company spokeswoman Seye Im today. Demand has remained weaker than expected because of high retail prices, with panel costs staying high, she said by telephone.

Saudi Electricity Awards Doosan 12.75 Billion-Riyal Contract

Saudi Electricity Co. said it awarded a 12.75 billion-riyal contract to Doosan Heavy Industries and Construction Co. for the expansion of a power station, according to a statement to the Saudi bourse today.

South Korea to Spend 17 Billion Won on Increasing Rare Earths Stockpiles

South Korea plans to spend 17 billion won (\$15 million) to increase stockpiles of rare earths, a group of 17 metals used in hybrid vehicles and laptop computers, by 2016 after China curtailed exports of the minerals to Japan.

The nation, which imports almost all its energy and mineral needs, aims to secure 1,200 metric tons in stockpiles by 2016, the Ministry of Knowledge Economy said in an e-mailed statement today without giving the current inventory volume

Inflation Quickens 3.6 Percent in South Korea, Fastest Pace in 17 Months

South Korea's consumer prices increased more than projected, rising at the fastest pace in 17 months, bolstering the case for the central bank to raise borrowing costs. The consumer price index climbed 3.6 percent in September from a year earlier, accelerating from 2.6 percent in the previous month, the statistics office said in Gwacheon today. The median estimate in a Bloomberg News survey of 14 economists was for a 2.9 percent gain. Prices rose 1.1 percent from August, the biggest monthly gain since March 2003.

Social Front:

Court rules in favor of change in English on passport

passport to an individual who wants to change the English spelling of their name. The Seoul Administrative Court said the ministry's refusal to renew the passport with a different English spelling of the name was unlawful.

Detailed News

Japan

Politico Strategic Front:

China 'undemocratic': Okada

Kyodo News

Former Foreign Minister Katsuya Okada criticized Beijing on Saturday for demanding an apology and compensation over the arrest of a Chinese fishing boat captain, saying such a demand clearly showed China's undemocratic nature.

"Everybody knows that China is not a democratic country, but (the latest demand) will make that explicit," Okada, currently secretary general of the ruling Democratic Party of Japan, told reporters in Nara.

China made the demand after prosecutors released the captain of the fishing boat early Saturday following more than two weeks of detention. The captain was alleged to have deliberately rammed Japan Coast Guard patrol boats pursuing his vessel early this month near the disputed Senkaku Islands in the East China Sea.

Okada said he believes many Japanese are "disappointed" by China's hardline stance, adding that the public's reaction will not be "to China's own benefit, either."

Meanwhile, Koichiro Genba, the DPJ's policy chief and also state minister for national policy, said in a speech in Sendai the same day that the incident provided "an opportunity

for the Japanese to reaffirm the importance of the Japan-U.S. security treaty and the need to protect isolated islands."

Captain's release wasn't politically influenced: Kan

NEW YORK (Kyodo) Prime Minister Naoto Kan said Friday in New York that the "comprehensive judgment" of prosecutors led to the release of a Chinese fishing boat captain involved in ship collisions near the disputed Senkaku Islands, denying political influence affected the investigators' decision.

Kan arrived at Tokyo's Haneda airport Saturday night after his three-day trip to New York, where he attended U.N. events and met with President Barack Obama and other foreign leaders.

In a news conference before leaving the U.S., Kan said the Naha District Public Prosecutor's Office in Okinawa Prefecture decided to free the captain "by comprehensively considering the nature of the incident and solemnly following domestic laws."

The release of the skipper triggered an outcry among some Japanese who saw it as a major diplomatic defeat.

The captain was arrested earlier this month on suspicion of deliberately colliding with two Japanese Coast Guard ships near the Japan-administered islands in the East China Sea. The islands are also claimed by China and Taiwan.

Kan makes pitch for Japan seat at UNSC

NEW YORK (Kyodo) Prime Minister Naoto Kan on Friday made Japan's pitch for permanent membership on the U.N. Security Council, saying the nonnuclear country that has suffered the devastation of atomic bombings deserves a seat on the council in the 21st century.

In his speech to the general debate session of the U.N. General Assembly, Kan expressed Japan's resolve to play a more responsible role for the peace and security of the international community.

The prime minister said reform of the most powerful decision-making body at the United Nations is "indispensable" so that it can reflect the realities of today's international community and remain effective and legitimate.

Kan said Japan "has the moral responsibility to take concrete steps to realize a world without nuclear weapons" since it is the only country in the world that has suffered nuclear attacks.

"Japan bears a responsibility to all humankind to hand down to future generations an awareness of the catastrophic nature of nuclear weapons," Kan said.

He vowed that Japan will lead global efforts to promote nuclear disarmament and nonproliferation.

Welcoming the increasing momentum toward a nuclear-free world manifested by the attendance of U.N. Secretary General Ban Ki Moon and U.S. Ambassador to Japan John Roos at a ceremony in Hiroshima marking the 65th anniversary of the atomic bombing of the city, Kan said he will appoint atomic-bomb survivors as special envoys to promote the cause.

He also aired concerns over the nuclear programs of North Korea and Iran and urged all U.N. member states to steadily implement Security Council sanctions resolutions, calling such actions "essential."

Kan said North Korea's nuclear and missile programs "pose a threat to the entire international community" and said settlement of the abductions of Japanese nationals by North Korean agents is "absolutely indispensable" for Tokyo to normalize its ties with Pyongyang.

Kan repeated Japan's pledge to reduce its greenhouse gas emissions by 25 percent by 2020 compared with the 1990 level on condition that all major emitters commit to establishing "a fair and effective international framework" on tackling global warming.

He also said Japan will play an important role as chair of a key U.N. conference on preserving biological diversity scheduled for next month in Nagoya.

Kan said Tokyo attaches great importance to achieving the U.N. Millennium Development Goals on poverty reduction and repeated the nation's pledge to provide a total of \$8.5 billion to help improve health and education services over five years from 2011.

Kan rejects Beijing's demand for apology

Kyodo News

Prime Minister Naoto Kan on Sunday rejected China's demand for an apology and compensation over the detention of a Chinese fishing boat captain the Japan Coast Guard arrested near the disputed Senkaku Islands.

"The Senkakus are an integral part of Japanese territory," Kan told reporters. "I have no intention of accepting (the demand) at all."

At the same time, Kan called for a calm response as relations between Japan and China continue to fray over the incident.

"It is important for both sides to act with a broader point of view," he said.

As for the reasons behind the skipper's release, Kan repeated that the prosecutors' decision was based on domestic law but said he was "thinking about the nature of the incident comprehensively."

In a statement released early Saturday shortly after 41-year-old Zhan Qixiong was taken back to China, the Chinese Foreign Ministry demanded an apology and compensation.

Zhan arrived in Fuzhou, Fujian Province, on a chartered plane after being released a few hours earlier by Japanese prosecutors. He had been detained for over two weeks on suspicion of deliberately causing his vessel to hit a Japanese patrol boat that was pursuing him near the disputed Senkaku Islands in the East China Sea. The islands are administered by Japan but claimed by China and Taiwan.

The Naha District Public Prosecutor's Office in Okinawa Prefecture decided Friday to release Zhan in light of Tokyo's relations with Beijing.

On a Sunday TV program, meanwhile, Nobuteru Ishihara, secretary general of the main opposition Liberal Democratic Party, expressed readiness to ask the Diet to summon prosecutors to testify about the the skipper's release in an extraordinary Diet session to be convened from Friday.

Ishihara criticized the government's response, saying, "It's diplomatically tone-deaf and a historic blunder."

Forensic nuke ID methods in works

Kyodo News

Japan will start developing nuclear forensic technologies next fiscal year so it can tell where nuclear materials originated and prevent trafficking and proliferation, government sources said.

Amid growing international concern over nuclear terrorism, the government is aiming to analyze the composition of uranium fuel and reprocessed plutonium in the country to develop technologies for determining where the uranium originated and when it was produced so it can create a database.

The science and technology ministry hopes to secure a budget of ¥200 million for fiscal 2011 starting in April.

DPJ picks execs for Upper House

Kyodo News

MOSCOW (Kyodo) Russian President Dmitry Medvedev said Wednesday that he will soon visit Russian-held islands claimed by Japan, the RIA Novosti news agency and other Russian reports said, a move that would make him the first Russian leader to visit the disputed territories.

But Medvedev stopped short of saying that he will visit the islands off Hokkaido, called the Southern Kurils in Russia and the Northern Territories in Japan, during his ongoing visit to the Russian Far East.

Speaking in an interview in Tokyo, Foreign Minister Seiji Maehara said he has warned the Russian ambassador there that Medvedev's visit to the islands would seriously hurt bilateral ties.

A visit to the disputed territories by a Russian leader would serve strong notice to Japan, which maintains that Russia is illegally occupying the islands and demands their return.

If the visit indeed takes place, the Japanese government is expected to react strongly, with potentially harmful consequences for bilateral talks on resolving the dispute.

Russia demand bouncing back: JT

Bloomberg

Japan Tobacco Inc. said demand is recovering in Russia, Ukraine and neighboring countries as the region emerges from the global economic slump.

Sales by volume of JT's Winston, LD and other brands in the region rose 0.6 percent in the two months ended Aug. 31 after falling 9.7 percent in the first quarter and 7.3 percent in the second, the company said Tuesday in a presentation to investors.

JT counts on Russia and other markets in Eastern Europe to spur earnings as it expects domestic sales to fall 16 percent this fiscal year because of a tax increase that takes effect Friday. The region accounts for almost half of JT's overseas cigarette sales by volume, according to the company.

There have been "initial signs of recovery observed, with the return of the historic trend of higher consumption during the summer," the company said in its presentation in St. Petersburg, Russia.

China Releases Three of Four Japanese Detained After Territorial Dispute

China released three of four Japanese detained last week for allegedly videotaping military targets, a sign tensions sparked by a shipping collision in disputed waters earlier this month may be easing.

"Three of the four have been released," Japan's Foreign Minister Seiji Maehara said in parliament today. "It's not clear why these four people were detained. We are calling for an early resolution regarding the remaining person."

The arrests exacerbated a sovereignty dispute between Asia's two biggest economies over uninhabited islands in the East China Sea that threatened bilateral trade. Maehara said yesterday that China could take an important "first step" in repairing ties by releasing the four men, employees of construction company Fujita Corp.

The three men were freed after admitting they violated Chinese law and expressing regret, China's state-run Xinhua News Agency said. The fourth man, Sadamu Takahashi, remains under house arrest in northern Heibei Province, Xinhua said.

Japan last week released the captain of a Chinese fishing trawler it had detained for 17 days after his boat collided with two Coast Guard vessels near the contested islands. His repatriation failed to assuage China, which disrupted exports to Japan and demanded compensation. Japan countered by calling on China to pay for repairs to the patrol boats.

Chemical Weapons Disposal

The Fujita employees were in China preparing for a project to dispose of chemical weapons abandoned by the Japanese military in China during World War II, the company said in a Sept. 24 statement.

Japan's Prime Minister Naoto Kan earlier today in parliament apologized to the public for "causing concern" over the China spat. He reiterated the country's claim over the islands, known as Diaoyu in Chinese and Senkaku in Japanese.

"Territorial problems don't exist between Japan and China," Kan said.

Sovereignty over the area would give the holder rights to undersea gas and oil reserves. China and Japan have yet to implement a 2008 agreement to jointly develop the fields.

Japan Seeks Meeting With China's Defense Minister at Asean, Kyodo Reports

Japan's Defense Minister Toshimi Kitazawa said today he will seek a meeting with his Chinese counterpart at a regional security forum later this month, Kyodo News reported.

China hasn't responded to the request, Kitazawa told reporters in Tokyo, Kyodo said. Defense ministers from the Association of Southeast Asian Nations are due to meet with counterparts from Japan, China, the U.S. and several other countries in Hanoi on Oct. 12. Relations between China and Japan deteriorated last month after a collision in disputed waters involving a Chinese fishing boat and two Japanese Coast Guard vessels.

Economic Front:

Incubator Bank refund applications reach ¥45 billion

The failed Incubator Bank of Japan has received applications for refunds totaling ¥45.3 billion from depositors seeking to close their accounts in the 10-day period since the bank resumed operations on Sept. 13, the Deposit Insurance Corp. of Japan said Friday.

As the bank held combined deposits of ¥582 billion when it failed on Sept. 10, the amount is equivalent to 7.8 percent of the total, according to the DIC, which has been acting as the failed bank's government-appointed administrator.

During the 10-day period through Wednesday, the bank received a total of 12,884 applications from depositors to close accounts by mail or over the counter at 41 of its 101 branches, the DIC said.

The cumulative number of depositors who had visited the branches by 5 p.m. Friday since the bank entered into bankruptcy stood at 7,623.

The number of depositors who visited the branches on Sept. 13 to withdraw or inquire about their funds exceeded 2,000, but the daily average of depositors who went to the branches in recent days has dropped to roughly 650, it said.

Depositors appear to "have gotten their nerve back," a DIC official said, calling attention to the fact that both the daily total of refunds and the number of people applying for refunds have been following a downward path.

In a related development, the bank said it will restart operations at the remaining 60 branches Monday.

The Financial Services Agency said Sept. 10 that the government had decided to invoke the deposit refund limit system for the bank's deposits under the Deposit Insurance Law.

The system guarantees deposits of up to ¥10 million in principal plus interest earned per depositor, while funds above the limit will not be fully refunded in light of the bank's financial condition, which is currently being scrutinized by the DIC.

APEC officials focus on free trade zone ahead of Yokohama summit

SENDAI (Kyodo) Senior officials from Pacific Rim economies began two days of talks Saturday to deepen discussions on a proposed free trade zone in the Asia-Pacific region that will be high on the agenda at an upcoming summit in November.

The officials from the 21-member Asia-Pacific Economic Cooperation forum gathering in Sendai are also hoping to almost finalize an assessment of their past trade liberalization efforts and an envisioned regional economic growth strategy, officials said.

A series of APEC ministerial meetings, including on food security and finance, are set to follow the officials' talks, culminating in the annual leaders' meeting in Yokohama on Nov. 13-14, where they will issue a joint declaration.

Japan assumed the rotating chair of the forum this year for the first time since 1995.

At the outset of the meeting, Shigeru Nakamura, international economic affairs ambassador at the Foreign Ministry who is one of the cochairs of the meeting, sought cooperation from the other participants in making a success of the upcoming gatherings.

Promoting regional economic integration is one of the main areas in which APEC has focused its efforts this year, with members tasked to explore "possible pathways" to achieve a proposed Free Trade Area of the Asia-Pacific.

But approaches to the creation of the free trade area are disparate among the economically diverse members, with China preferring the so-called ASEAN plus three framework which groups Japan, China, South Korea and the 10-member Association of Southeast Asian Nations. Japan favors "ASEAN plus six," which adds Australia, India and New Zealand to the framework.

Meanwhile, a U.S.-backed multilateral Asia-Pacific free trade agreement called the Trans-Pacific Partnership Agreement has raised its profile in recent years as a potential core framework toward creating the free trade area.

Sharp unveils multifunction tablet models

OSAKA (Kyodo) Sharp Corp. will market two models of its new multifunction touch-screen tablet computers in December in a bid to take on Apple's iPad.

Users of the new products, dubbed Galapagos, will be able to subscribe to newspapers and magazines and purchase electronic books, with a total of 30,000 titles available when the services launch, Sharp said Monday.

Two models of the e-book readers have been developed — a mobile model featuring a 5.5-inch liquid crystal display screen and a larger model with a 10.8-inch high-resolution LCD screen that will allow users to read magazines formatted across a two-page spread.

Sharp is also expected to start image and game distribution services for the new products around next spring.

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Takefuji files for bankruptcy protection

Compiled from Bloomberg, Kyodo

Consumer lender Takefuji Corp. filed for bankruptcy protection Tuesday after being forced to refund borrowers for overcharged interest, it said.

The failure of the country's third-biggest consumer finance firm came after its board members gave the go-ahead at an emergency meeting.

With the filing at the Tokyo District Court, Takefuji will start reconstruction under the Corporate Rehabilitation Law.

President Akira Kiyokawa and Executive Vice President Taketeru Takei resigned and board member Junichi Yoshida was appointed the new president, the company said.

The lender, founded in 1966, aims to restructure its business as it doesn't have enough cash to repay borrower claims of overpaid interest that have saddled domestic consumer lenders with ¥4.4 trillion in costs.

Rivals Aiful Corp., Promise Co. and Acom Co. may face an increase in claims as borrowers try to beat Takefuji bankruptcy court deadlines.

"Debtors request refunds not only from Takefuji, but from all their lenders," Takehito Yamanaka, an analyst at MF Global Equity in Tokyo, said in a report. "Claims may increase temporarily in the next couple of months as lawyers gather debtors."

With its bankruptcy filing, Takefuji has become the biggest casualty of Japan's four-year crackdown on coercive lending practices by consumer finance companies. The lender said Monday in a statement to the Tokyo Stock Exchange that it was considering "various measures" to revitalize its business.

Takefuji said it had liabilities of ¥433.6 billion as of June. But the amount is likely to balloon even more because 2 million Takefuji borrowers have yet to claim their overcharged interest, industry sources said.

Under a law that took effect June 18, consumer lenders are prohibited from extending loans that exceed a third of a borrower's annual income, and interest is capped at 20 percent.

The companies' customers typically take out loans to cover living expenses, with refinancing existing debt cited as the second-most common reason, according to a survey by the Japan Financial Services Association in December.

"The fall of Takefuji, while having minimal impact on Japan's financial system, would be gloomy news for consumers on the street and fuel bleak prospects for Japan's economy," said Yasuhide Yajima, an economist at NLI Research Institute in Tokyo.

Takefuji investors may lose over 90%

Loan company faces overcharged interest claims

Bloomberg

Takefuji Corp. bond investors may recover less than 10 percent of the face value of their holdings now that the country's third-largest consumer lender has filed for bankruptcy, according to Nomura Securities Co.

"It's hard to see a loss rate lower than 90 percent," Toshihiro Uomoto, chief credit analyst at Nomura, wrote in a note to clients.

Takefuji may have to pay as much to settle claims for overcharged interest as it owes on unsecured bonds and loans, he said.

Tokyo-based Takefuji filed for bankruptcy protection Tuesday afternoon because of rising refunds to borrowers for overcharged interest.

Consumer lenders are battling to survive after a 2006 crackdown on coercive lending practices and tighter borrowing laws saddled them with ¥4.4 trillion in costs.

Traders in so-called recovery locks forecast an 18 percent recovery rate Monday, which is "a bit too high," according to Uomoto.

Recovery locks are bought as insurance by sellers of credit-default swaps, such as banks, hedge funds and insurers. Holders of recovery locks agree to exchange a preset fixed rate for the actual amount received by bondholders after a default.

Credit-default swaps protecting Takefuji debt for five years were quoted at 8,853 basis points Monday compared with 4,408 basis points Sept. 13, according to CMA prices in New York.

A basis point, or 0.01 percentage point, equals \$1,000 annually on a swap protecting \$10 million of debt.

The swaps pay the buyer face value if a borrower fails to meet its debt obligations less the value of the defaulted debt.

Meanwhile, financial services minister Shozaburo Jimi said the Financial Services Agency will examine the burden on consumer lenders stemming from their repayment of overcharged interest.

"Consumer lenders' business environment is in general very severe, and at the same time they play a vital role with about 15 million healthy borrowers," Jimi said.

Fujitsu begins shipping first modules for 'K'

Kyodo News

Fujitsu Ltd. has begun shipping component units for "K," a massive next-generation supercomputer it developed with Riken, the government's top-flight research institution.

The company held a ceremony Tuesday at subsidiary Fujitsu IT Products Ltd. in Kahoku, Ishikawa Prefecture, to mark the first shipments of the machine, which the two are hoping will become the world's fastest supercomputer.

The system was designed under the High-Performance Computing Infrastructure initiative led by the Education, Culture, Sports, Science and Technology Ministry.

"K" draws on the Japanese word "kei," which means 10 to the 16th power, to describe the system's performance goal of achieving 10 petaflops. One petaflop is the equivalent of 1 quadrillion operations per second.

The Government Revitalization Unit, a panel of lawmakers and business leaders tasked with assessing public works projects to see if they deserve funding, demanded an effective freeze on the project last November but later reauthorized it with a reduced budget.

Fujitsu said the supercomputer system will comprise more than 800 computer units, with each boasting its own ultrafast central processing units, in a massively interconnected network.

At Tuesday's ceremony, Fujitsu loaded eight computer units, each the size of a refrigerator, on a truck that departed for the Riken research facility on Kobe's Port Island. Fujitsu plans to ship eight units a week and bring the supercomputing system to more than 800 units by fall 2012.

The system will become operational at that time, Fujitsu said.

Tensions with China show no signs of easing Japan demands two boats leave Senkaku area

Compiled from Kyodo, AP

Japan demanded Monday that China withdraw two fishery patrol boats from near the disputed Senkaku Island chain that is at the center of the worst diplomatic row in years between the two nations.

The government also summoned the Chinese ambassador over access to four Japanese nationals who have been detained for the last week for allegedly filming a military facility.

The latest developments came days after Japan freed a Chinese fishing boat captain, who Okinawa prosecutors had been holding, in a move that failed to ease the escalating conflict and drew only demands for an apology from Beijing.

According to Japanese company officials, Chinese authorities have tightened customs procedures for trade between China and Japan amid the deterioration in bilateral relations.

Chinese customs authorities told Japanese logistics companies last week they will carry out X-ray inspections on 100 percent of air cargo exports to Japan and unpacking checks on 50 percent of such products, the officials said Monday. The rates are sharply higher than usual.

The companies are undergoing similar inconveniences for imports from Japan, they said. Meanwhile, Chief Cabinet Secretary Yoshito Sengoku said Japan will ask China to pay for the damage caused to two Japan Coast Guard vessels by the Chinese captain's fishing boat earlier this month.

Amid safety concerns around the disputed islands, Okinawa Gov. Hirokazu Nakaima said he will ask the central government to beef up security.

Grappling for ways to ease the tension, Prime Minister Naoto Kan said late Monday he is considering attending a meeting of Asian and European leaders next week in Belgium.

Kan expressed his desire to attend the summit of the Asia-Europe Meeting slated for Oct. 4 to 5 in Brussels as an opportunity to meet with Chinese Premier Wen Jiabao on the sidelines and defuse the situation.

China said Monday that Wen will attend the summit.

"From now on, I believe Japan will begin a process of enriching its mutually beneficial and strategic relationship with China," Sengoku said. "At the moment, the ball is in China's court.

"I suppose China has much to think about" concerning its future ties with Japan and its role in the international community, the top government spokesman said.

The government of China, where the incident has sparked a strong nationalistic response, has called the skipper's arrest invalid and illegal, arguing that the islands have been part of China since ancient times.

The islets, known as Diaoyu in China, lie in an area in the East China Sea between Okinawa Island and Taiwan with rich fishing grounds and are believed to contain significant oil and gas reserves.

Sengoku's remarks on seeking damages came a day after Kan rejected China's demand for an apology and compensation over the detention of the captain, who is suspected of intentionally ramming his vessel into one of the Japan Coast Guard patrol boats.

Sengoku said Japan will ask China to cover repair costs for both patrol boats through diplomatic channels. But asked when the request will be made, Sengoku did not specify, saying only that it might be now or after the two countries' current tense relations "cool down."

He also said Japan and China need to engage in negotiations again to clarify how fishing should be conducted around the islets.

Following the arrest of the captain, Beijing intensified pressure on Tokyo, such as restricting exports of rare earth minerals and suspending ministerial-level talks.

"If Japan clings to its mistake, China will take further actions and the Japanese side shall bear all the consequences that arise," Wen said last week in New York.

When the prosecutors in Okinawa released the captain, they said they were taking into account the future relations of the two countries.

Hopes the captain's release would end tensions were dashed when Beijing demanded an apology and compensation — a demand that Kan rejected Sunday.

"I have no intention of accepting (the demand) at all," Kan said. "It is important for both sides to act with a broader point of view."

A demand by Tokyo for compensation may be an attempt to blunt criticism that the government caved in to Chinese pressure by freeing the captain.

Kan orders extra budget for deflation-fighting stimulus

Kyodo News

Prime Minister Naoto Kan on Monday instructed his Cabinet and ruling party members to draw up an extra budget for the current fiscal year to finance a stimulus package aimed at accelerating efforts to fight deflation.

The instruction came at an executive meeting between the government and the Democratic Party of Japan, with Kan eyeing further steps to improve employment conditions and promote other measures under the nation's growth strategy, Deputy Chief Cabinet Secretary Tetsuro Fukuyama said.

Government sources said the supplementary budget for the year through March could amount to more than ¥4 trillion, while Kan is expected to refrain from issuing any new government bonds to fund the fiscal 2010 extra budget as part of his efforts to restore the nation's fiscal health, the worst among major developed countries.

Kan's Cabinet officially approved a ¥917 billion stimulus package last week. Emergency spending backed by the extra budget, subject to Diet deliberations, will come as the second in a series.

The economy has been suffering chronic deflation with high unemployment and sluggish consumer and business spending. The government also needs to address the negative impact from the recent sharp rise of the yen against other major currencies, which has hurt Japanese exporters.

The formation of the supplementary budget is associated with growing calls from opposition parties as well as from some in the ruling camp for the government to do more to stimulate the economy.

The DPJ-led coalition has said it will listen carefully to voices from the opposition camp, which controls the Upper House while Kan's ruling bloc holds a majority in the more powerful Lower House.

Kan also said at the Monday meeting he wants to promote talks between the ruling camp and opposition parties on how to compile the extra budget, Fukuyama said.

Without issuing new bonds, the government could finance the supplementary budget from such sources as tax revenues and the previous fiscal year's budget surplus.

Chief Cabinet Secretary Yoshito Sengoku added to the view that Kan is not considering issuing new bonds.

'Swift' detainee action urged

China asked to handle Fujita case from 'humanitarian' point of view

BEIJING (Kyodo) Japan has urged China to ensure the safety of four Japanese nationals detained since last week in Hebei Province and "handle the case swiftly from a humanitarian viewpoint," the Japanese Embassy in Beijing said late Sunday.

Hidehisa Horinouchi, a minister at the embassy, filed the request with Qiu Xuejun, deputy director general in the Chinese Foreign Ministry's Department of Consular Affairs, by telephone Sunday night, the embassy said in a news release.

Horinouchi asked for continued access to the men, such as visits by the local Japanese consul and interviews with lawyers.

All four are employees of construction company Fujita Corp. They were detained Sept. 20 for allegedly entering a military zone in the outskirts of Shijiazhuang, Hebei Province, without permission and videotaping facilities there.

Qiu reassured Horinouchi about their well-being, but he did not say when China would release them, only that the case will be handled in accordance with Chinese law, according to the embassy.

He said he would inform senior officials of the Chinese Foreign Ministry that the Japanese authorities are monitoring the situation with serious concern.

Qiu reportedly told Horiuchi that the Japanese side should directly convey its requests to officials in Hebei Province.

The four have been identified as Yoshiro Sasaki of Fujita's international business department, Hiroki Hashimoto from its sales division, and Sadamu Takahashi and Junichi Iguchi, both from a local subsidiary.

They visited the area to inspect a potential construction site for a plant that would process chemical weapons abandoned in China by the Japanese military at the end of World War II.

China strictly controls visitors in military-related areas. While it is not uncommon for visitors who inadvertently take photos or video to be detained, they are usually fined and freed the same day.

Some observers suspect the Chinese action may be in retaliation for Japan's detention of the Chinese fishing boat captain.

DPJ picks execs for Upper House

The Democratic Party of Japan has selected officials for its key posts in the Upper House as it prepares to face off with the opposition bloc in the extraordinary Diet session starting Friday.

Kenji Hirata, previously a DPJ Diet affairs chief, was picked as secretary general of the party's Upper House caucus, with the DPJ banking on his extensive experience in dealing with the opposition, which now dominates the upper chamber.

Japanese Stocks Gain on Hope Bank of Japan Will Boost Economy After Tankan

Japanese stocks rose on speculation the Bank of Japan will act to boost the economy after a report this morning showed the country's largest manufacturers forecast business will deteriorate.

Canon Inc., the world's largest camera maker, climbed 1.7 percent. Nissan Motor Co., Japan's third-largest carmaker, jumped 2.6 percent. Mitsubishi Corp., which gets about half its sales from commodities, gained 1.8 percent on higher metal and oil prices. Shinsei Bank Ltd., a lender, surged 6.9 percent after the company raised its profit target. While the Bank of Japan's quarterly Tankan survey showed business sentiment rose in September, pessimists will outnumber optimists by yearend.

“The Tankan survey showed the current situation is not bad, but there are still uncertainties about the outlook,” said Naoki Fujiwara, a fund manager in Tokyo who helps oversee \$6 billion at Shinkin Asset Management Co. “That increased expectations for additional monetary-easing measures and they’re supporting the market. People expect the economy will improve if some measures are taken.”

The Nikkei 225 Stock Average rose 0.7 percent to 9,559.38 at the 3 p.m. close of trading in Tokyo, paring a gain of 1.1 percent. The broader Topix index climbed 0.5 percent to 846.97, with almost five times as many shares advancing as declining.

The Topix has fallen 6.7 percent this year, compared with gains of 2.9 percent for the Standard & Poor’s 500 Index in the U.S. and 3.3 percent for the Stoxx Europe 600 Index. Equities in the Japanese benchmark are valued at 15.1 times estimated earnings on average, compared with 13.8 times for the S&P 500 and 12 times for the Stoxx 600.

Yen, Tankan

Stocks fluctuated earlier as swings in the yen influenced the outlook for export earnings. The Tankan index climbed 7 points in September to 8, the Bank of Japan said today. Confidence will fall to minus 1 in December, the report said, as a strengthening currency threatens the nation’s recovery.

Goldman Sachs Group Inc. “expects the BOJ to ease further because of deterioration in the real economy,” even though corporate-financing conditions aren’t tight, the brokerage said in a report by Chiwoong Lee, a senior economist.

Canon climbed 1.7 percent to 3,945 yen and Sony Corp., an electronics maker, gained 2 percent to 2,645 yen. Nissan jumped 2.6 percent to 744 yen. More than half of their revenue derives from overseas. They were the biggest supports for the Topix, followed by Mitsubishi.

The yen is headed for the strongest annual average level against the dollar since currencies began trading freely in 1971, according to data compiled by Bloomberg and based on each day’s close. That has eroded the value of overseas income at Japanese companies when converted into their home currency.

‘Worsened Outlook’

“People expect the worsened outlook for large manufacturers will encourage the Bank of Japan to take additional monetary-easing measures,” said Takashi Ushio, head of investment at Marusan Securities Co. in Tokyo. “Additional measures should reduce pressure on the yen, and that’s positive for Japanese stocks.”

Mitsubishi climbed 1.8 percent to 2,018 yen. JX Holdings Inc., Japan’s largest copper producer, jumped 3.4 percent to 486 yen. Nippon Yusen K.K., the country’s biggest shipping line by sales, rallied 2.1 percent to 346 yen.

The London Metal Exchange Index of prices for six industrial metals including copper and aluminum advanced 0.6 percent yesterday. Crude oil for November delivery rose as much as 0.6 percent to \$76.62 a barrel in electronic trading in New York today. The Baltic Dry Index of commodity-shipping rates jumped 2.2 percent yesterday.

Tokyo Electric Plunges

“Expectations that monetary easing will help improve the economy led to gains in commodity-related stocks,” said Junichi Misawa, head of equity investment at Tokyo-based STB Asset Management Co., which oversees about \$14 billion.

Shinsei Bank climbed the most in the Nikkei 225 after the company raised its net income target for the year ending March 2012 to 51 billion yen (\$611 million) from 32 billion yen. The stock surged 6.9 percent to 62 yen.

Elpida Memory Inc., Japan's sole maker of computer-memory chips, soared 8.1 percent to 985 yen. The company said it will start mass producing a new dynamic-random-access-memory chip in December, confirming a report in the Nikkei newspaper.

Tokyo Electric Power Co., Asia's biggest power company, tumbled 7.8 percent to 2,105 yen, the largest drop in the Nikkei 225. The company may sell as much as 600 billion yen in new shares to raise funds to build nuclear power plants and expand overseas, the Nikkei newspaper reported, without citing anyone. Tokyo Electric said after the market closed that it plans to raise as much as 555 billion yen.

"It was unexpected that the company is in need of such a large-scale capital investment," Shinkin's Fujiwara said. "People are getting worried other companies will follow."

Power and gas utilities fell the most among the Topix's 33 industry groups. Tokyo Electric was the most-active stock by value in Japan.

Murata to Eliminate 3,000 Temporary Jobs in Japan to Combat Yen's Strength

Murata Manufacturing Co., the maker of a third of the world's ceramic capacitors, devices used in flat-panel televisions and smartphones, will eliminate most of its temporary workforce and increase production overseas as the Japanese yen's strength forces it to reduce costs.

The company plans to cut its contract workforce to about 1,500 from 4,500 and will move some factory equipment abroad to reach its target of 30 percent overseas production by fiscal 2012, President Tsuneo Murata said yesterday in an interview. The company had 34,000 full-time workers worldwide as of March.

Companies such as Toyota Motor Corp. and Panasonic Electric Works Co. are increasing production abroad to stay competitive as the strong yen erodes profits. Japan this month intervened for the first time since 2004 to weaken the yen after it rose to a 15-year high against the U.S. dollar.

"Manufacturers in South Korea and other parts of Asia are catching up technologically," said Akiko Yamaga, an analyst at Mizuho Investors Securities Co. in Tokyo who has a "neutral plus" rating on Murata. "If you stick too much to Japan, you lose your competitive edge."

The yen has gained almost 10 percent against the dollar this year and traded at 83.81 as of 12:33 p.m. in Tokyo. A stronger yen hurts overseas income at Japanese companies when converted into their home currency.

Capacitor Leader

"We have to reduce the number of temporary workers in Japan," said Murata, whose grandfather started the company in Kyoto in 1944 as a manufacturer of radio parts. "We never thought the yen would become this strong."

The company is now the world's biggest maker of ceramic capacitors, devices that regulate electrical current, and employed as many as 5,000 temporary workers before the 2008 financial crisis sapped demand for electronic parts.

In Japan, temporary employees are workers sent by agencies to fill positions and don't have the same rights as regular company employees. The cuts would bring the number of

domestic temporary workers back to the same level as immediately after the collapse of Lehman Brothers Holdings Inc., according to Murata, 59.

Murata said there was “no choice” but to move the company’s automated production machines to plants in China and Thailand, where operating and personnel costs are lower. “We want to expand overseas production in line with the targets in our three-year plan,” he said.

The company manufactures about 15 percent of its products overseas and will begin production at a new Chinese plant for capacitors in Wuxi, Jiangsu Province, from April next year, according to Harumi Sekiguchi, a spokeswoman for the company.

Return to Profit

Murata in July reported net income of 15.5 billion yen (\$184 million) for the three months ended June 30, compared with a loss of 3.67 billion yen a year earlier, as sales surged 31 percent. It raised its profit forecast for the year ending March by 18 percent to 52 billion yen.

The stock rose 1.4 percent to 4,410 yen as of 12:51 p.m. on the Osaka Securities Exchange. It has gained 7.3 percent in the past 12 months, compared with a 5.3 percent decrease in Japan’s Nikkei 225 Stock Average.

Japanese Firms Plan Initial Public Offerings in South Korea, Chosun Says

About ten Japanese companies are planning initial public offerings in South Korea, the Chosun Ilbo reported, citing an unnamed official at the Korea Exchange. Power Technology, Salvatore Cuomo, and Food Discovery are among the Japanese firms who have hired Korean brokerage firms including Daewoo Securities Co. and Samsung Securities Co., according to the report.

Japan Plans to Lend as Much as \$4 Billion for Texas Nuclear Plant Project

Tadashi Maeda, head of corporate planning department at the Japan Bank for International Cooperation, talking at an interview in Tokyo.

The Japan Bank for International Cooperation may lend as much as \$4 billion for a nuclear plant project in Texas that would be the country’s first state financing for an atomic power station abroad.

Government-run JBIC will probably offer a loan provided that the project is guaranteed by the U.S. government, Tadashi Maeda, head of the bank’s corporate planning department, said in an interview yesterday in Tokyo. The loan may be as large as \$4 billion, said Toshiro Kudama, an official at Tokyo Electric Power Co., which has an accord to invest in the initiative.

The \$10 billion program led by NRG Energy Co. will use reactors made by Toshiba Corp., the Japanese company that bought U.S. nuclear equipment maker Westinghouse Electric Co. in 2006. A loan deal would encourage utilities to boost investment in nuclear projects abroad, in line with Prime Minister Naoto Kan’s goal of exporting infrastructure technology to spur the economy.

“Japan has sought to lead the nuclear industry through investment, training and reactor sales to Asia,” said Daniel Aldrich, a political science professor at Purdue University in Indiana. “Expansion into the U.S. is only a continuation of this trend.”

JBIC expanded overseas lending during the past three years, moving beyond its previous focus on developing countries. In 2008, it allowed itself to finance nuclear-plant initiatives in industrialized nations. The bank is prepared to lend funds for a high-speed rail project in California that Japan is bidding for, then-Transport Minister Seiji Maehara said last month.

Tokyo Electric

Tokyo Electric is holding talks with JBIC on a loan for the Texas project, aiming to sign a preliminary financing agreement in 2012, Kudama, executive general manager of the utility's international affairs department, said in an interview yesterday.

Nuclear Innovation North America LLC, a joint venture between Princeton, New Jersey-based NRG Energy and Tokyo-based Toshiba, plans to add two 1,350 megawatt reactors in Texas at a cost of \$10 billion or less, with commercial operations slated to begin in 2016 and 2017. Nuclear Innovation Chief Executive Officer Steve Winn has said the partners applied for about \$7 billion in U.S. federal loan guarantees and as much as \$4 billion of Japanese aid.

The project "has significance for Japan," said Maeda, 52, who is an adviser to Kan's Cabinet. "Jordan and other Middle Eastern nations, Turkey, Vietnam, Indonesia and Malaysia will be the growing markets for nuclear plants, in addition to the U.S., which is a huge and well-developed market."

Help From Banks

Maeda said JBIC may team up with commercial lenders to offer a loan covering about half the Texas project cost, without elaborating. The venture's cost estimate is preliminary, he said.

NRG Energy Chief Executive Officer David Crane said on Aug. 2 that the partners have opened formal discussions with Japanese government financial institutions to finance the project.

Tokyo Electric, the operator of the world's biggest nuclear power station, in May clinched a \$125 million deal to buy a 9.2 percent stake in the project from Nuclear Innovation. The agreement will close after U.S. loan guarantees are announced, NRG Energy said in May. The Japanese utility also agreed to pay \$30 million for an option to double its stake.

A total of 149 new reactors are planned worldwide by 2030, with nine of them to be built in the U.S., where a further 22 are proposed as of Aug. 1, according to data compiled by the World Nuclear Association. The U.S., which hasn't licensed any new reactors since the 1979 accident at Three Mile Island in Pennsylvania, is trying to revive nuclear-power construction to meet power demand without increasing greenhouse-gas emissions.

Nuclear Renaissance

"Despite claims about a nuclear renaissance, the overall picture of the U.S. nuclear industry is mixed," said Aldrich of Purdue University. The Obama administration is offering financial incentives to adopt nuclear power as an alternative to coal, while at the same time stopping funding for a planned national repository for nuclear waste in Nevada, he said.

Under the Energy Policy Act of 2005, the federal government guarantees loans in exchange for a fee paid by the borrower once the reactor operation is profitable. The government would repay the banks if the borrower defaults.

Japan is facing increasing competition for energy and infrastructure projects. It lost to South Korea last December on a \$20 billion atomic plant contract with the United Arab Emirates, and Russia was selected this year to build the first of as many as 13 nuclear power plants planned in Vietnam by 2030.

“Japan can’t be a big fish in a small pond,” Maeda said. “The country needs to break out of the pond by globalizing and standardizing its technologies.”

Social Front:

Health ministry official held in bribery scandal

OSAKA (Kyodo) A health ministry bureaucrat has been arrested for allegedly taking bribes from a contact lens company in exchange for inspection information, triggering police raids on various places Sunday.

Katsutoshi Sumitomo, 50, assistant division chief at the Health, Labor and Welfare Ministry's international annual pension division, was arrested Saturday for accepting ¥1.5 million in cash from Shinwa Medical Inc. executive Akinori Tsukuda, 55, and another person in February 2008 for tips on how to evade inspections of eye clinics it had set up at its contact lens shops.

Tsukuda and another person have been arrested on suspicion of bribing Sumitomo, they said, adding that the three have basically owned up to the allegations, the police, said.

Police said they believe Sumitomo received ¥20 million to ¥30 million from Tsukuda and other people over several years.

APEC to focus on food security

SENDAI (Kyodo) The Asia-Pacific Economic Cooperation forum will highlight food security issues ahead of November's leadership meeting as part of efforts to improve the quality of the region's economic growth, a government official said Sunday.

APEC is working to compile a growth strategy that seeks to ensure a "balanced, inclusive, sustainable, innovative and secure" growth, said the official, who chaired a two-day APEC gathering in Sendai that ended Sunday.

Efforts to ensure food security and counter the spread of disease or terrorism must contribute to enable "secure" growth, he said.

The remarks were made after senior officials from APEC nations ended a preliminary series of meetings in Sendai that were held to establish the agenda for the annual summit.

Manichaeism cosmology painting found

Kyodo News

A Japanese team of researchers has found a painting that appears to describe the cosmology of Manichaeism, a religion that thrived mainly in Eurasia between the third and seventh centuries.

The painting, currently owned by an individual in Japan, measures 137.1 cm long and 56.6 cm wide, and depicts Manichaeism's cosmic view in vivid colors on a silk cloth.

The researchers, led by Yutaka Yoshida, a linguist and Kyoto University professor, said Sunday it is probably the only painting currently known that covers Manichaeism's cosmologic view in complete form.

The finding was praised as epoch-making at a recent international academic meeting, the team said.

Yoshida said he expects the painting to shed some light on Manichaeism, about which much remains unknown.

The painting was probably produced by a painter in China's Zhejiang and Fujian provinces around the time of the Yuan dynasty, which ruled China and Mongolia from 1271 to 1368.

How and when the painting arrived in Japan is a mystery, the team said.

The researchers concluded that the painting is Manichaean because it includes a priest wearing a white shawl with red piping that is characteristic of Manichaean priests.

The team said the conclusion is supported by Manichaean materials found earlier in China's Xinjiang autonomous region.

Under the Manichaean view of the universe, the world is formed by 10 layers of heaven and eight layers of the Earth.

The painting depicts paradise in its uppermost part, the sun and moon below it, and then the 10 layers of heaven, the Earth and hell in the lowermost part. Angels, demons and 12 constellations, such as Scorpio and Pisces, are also included.

A mushroom-shaped mountain, called Mount Meru, is shown on the ground where humans live.

Manichaeism was founded in the third century by the prophet Mani of Mesopotamia in present-day Iraq.

Incorporating thoughts from Zoroastrianism, Christianity and Buddhism, it developed into a global religion.

It thrived between the third and seventh centuries in Europe, northern Africa, central Asia and China. It fell into decline around the 11th century before dying out.

Passive smoking kills 6,800 annually

Kyodo News

Roughly 6,800 people in Japan are estimated to die every year from lung cancer or heart disease caused by passive smoking, and more than half — around 3,600 — are exposed to secondhand smoke in their workplace, a research team said Tuesday.

About 4,600 of the victims are women, according to the team, which operates under the Health, Labor and Welfare Ministry.

"Huge harm is done," said Yumiko Mochizuki, a senior researcher at the National Cancer Center. "The government and employers need to recognize it is their responsibility to protect the health of working people."

Studies by the team and international organizations have shown passive smoking increases the risk of lung cancer and heart disease by 20 to 30 percent. The team's findings are based on this increased risk.

Based on a 2005 survey, the research team estimates that among 76 million nonsmoking adults — 48 million women and 28 million men — 30 percent of the women and 6 percent of the men are exposed to passive smoking in their homes, and 20 percent of the women and 30 percent of the men in their workplaces. The figures include those exposed to secondhand smoke both at home and in the workplace.

The team found in another study that passive smoking caused some 8 percent of 18,000 female deaths and 1 percent of 49,000 male deaths from lung cancer, as well as 9 percent of 34,000 female deaths and 4 percent of 42,000 male deaths from ischemic heart disease, which reduces blood supply to the heart.

The total number of victims in this study came to 4,600 women and 2,200 men, of whom 1,800 women and the same number of men were exposed to secondhand smoke in their workplaces, according to the team.

Hospitals need 24,000 doctors to ease manpower shortage, study shows

By [NATSUKO FUKUE](#)

Staff writer

Hospitals need 24,033 more doctors nationwide to reduce the excessive workload being thrust on the 167,063 physicians already in practice, according to a Health, Labor and Welfare Ministry study.

The shortage is particularly severe in rural areas, such as Iwate, Aomori and Yamanashi prefectures. Those prefectures need 29 to 40 percent more doctors than they currently employ, the study released Tuesday shows.

The study is the first of its kind. The ministry sent questionnaires to 10,262 hospitals, including 1,579 small obstetric hospitals. The ministry conducted the research to ascertain the number of doctors needed, given that working conditions for medical staff have deteriorated and an increasing number of emergency patients are being turned away, ministry officials said.

The shortage is less acute in such metropolitan areas as Tokyo, Fukuoka and Osaka. Tokyo hospitals need 8 percent more doctors than they have now, while those in Osaka need 9 percent more.

The survey also shows that doctors tend to avoid going to hospital departments where working conditions are generally considered poor, such as rehabilitation, emergency medicine and obstetrics. These departments need about 30 percent more doctors.

Experts said medical students nowadays have become particularly picky in charting their careers, a development partly attributed to a clinical training system introduced in 2004. Since the system took effect, students have been required to go through a two-year training course in different departments before becoming a doctor. After acquiring clinical experience, students are likely to avoid departments with harsh working conditions, experts say.

Makio Shozu, a professor of reproductive medicine at Chiba University, wrote on the university's website that the shortage of manpower, the tough working environment and lawsuits have exacerbated the decline in doctors.

Abductees' kin see opportunity to ratchet up pressure on North

Kyodo News

The families of Japanese abducted by North Korea decades ago increased pressure on the government to achieve a breakthrough Wednesday as leader Kim Jong Il's third son was effectively put on track to succeed his father.

"The current North Korean move offers a chance to get the abductees back," said Kayoko Arimoto, whose daughter, Keiko, was kidnapped in 1983 at age 23.

Pyongyang says she died in an accident.

"If we miss this opportunity, the situation may go on forever," Arimoto, 84, said. "I hope the government will rack its brain and encourage North Korea" to act.

Shigeo Iizuka, the 72-year-old brother of abductee Yaeko Taguchi and head of an association of abductees' families, said time is of the essence even though it may take a while for Kim Jong Un to assume power.

Toru Hasuike, 55, the older brother of Kaoru Hasuike, who was abducted with his girlfriend in 1978 and returned to Japan in 2002, called for action.

"The government should move proactively after promptly analyzing what impact (the dynastic move) will have on diplomacy, including the abduction issue," he said. "Taking a wait-and-see stance in the belief that North Korea will eventually move toward reform and openness won't solve anything."

Meanwhile, Kazuhiro Araki, head of a private organization investigating the abduction issue, said he assumes Jong Un won't be able to exert much leadership even if he eventually succeeds his father.

"Information about the abductees may emerge from confusion in North Korea, not from negotiations between states," he said. "Amid the confusion, there could be a case in which the abductees themselves could escape from the country."

The abduction issue has been the biggest impediment to normalizing relations between Japan and North Korea.

North Korea in September 2002 admitted for the first time that its agents abducted 13 Japanese nationals and offered an official apology. Five of the victims have since returned to Japan, but Pyongyang says the rest are dead.

Tokyo counts a total of 17 Japanese men and women as having been abducted.

Korea

Politico-Strategic Front:

S. Korea, US start anti-sub exercise

By Jung Sung-ki

South Korea and the United States engaged in a joint anti-submarine warfare (ASW) exercise Monday in the waters west of the Korean Peninsula, according to the Joint Chiefs of Staff (JCS) and U.S. Forces Korea.

This is the second in a series of security exercises designed to send a message of deterrence to North Korea, which has been blamed for torpedoing the Cheonan in March near the disputed in the western sea.

North Korea has denied any involvement in the ship sinking that killed 46 South Korean sailors.

The exercise will coincide with a special conference of North Korea's Workers' Party, during which dictator Kim Jong-il is expected to name his youngest son, Jong-un, as his successor. The conference is expected to open Tuesday.

"The exercise started around 7 a.m., and everything is going well in accordance with our maneuver plans," a JCS spokesman told reporters.

The ASW exercise was originally scheduled for Sept. 5 to 9, but it was postponed due to an approaching typhoon at that time.

During the five-day exercise, which will run through Friday, scores of ships from the South Korean and U.S. Navies will conduct joint ASW maneuvers, the spokesman said.

Participating units from the U.S. Navy include guided-missile destroyers USS John S. McCain and USS Fitzgerald, both forward deployed to Yokosuka, Japan; the ocean surveillance ship USNS Victorious (T-AGOS 19); a fast-attack submarine; and P-3C Orion aircraft from Patrol Squadron NINE (VP-9), home-port at Kaneohe Marine Corps Base in Hawaii.

South Korea will deploy two destroyers, a fast frigate, a patrol craft, P-3C aircraft from Carrier Air Wing-Six and an attack submarine.

The focus is on anti-submarine warfare tactics, techniques and procedures, the JCS said in a press release earlier.

The first exercise in this series, combined naval and air readiness exercise "Invincible Spirit," was conducted in the waters east of the Korean Peninsula from July 25-28. An F-22 Raptor aircraft and the USS George Washington nuclear-powered aircraft carrier participated.

Lee to attend ASEM in Brussels next week

By Na Jeong-ju

President Lee Myung-bak will visit Belgium from Oct. 3 to 7 to participate in the 8th Asia-Europe Meeting (ASEM) and to hold a series of bilateral summits with participating leaders, Cheong Wa Dae announced Monday.

Lee is among 48 leaders of countries and international organizations who will attend the biennial meeting, scheduled on Oct. 5 and 6 in Brussels.

They will discuss ways to boost cooperation on the global economy, security challenges and sustainable development issues, according to organizers.

The presidential office said Lee will engage in active diplomacy to garner support for Seoul's efforts to promote peace and stability on the Korean Peninsula. He will also call for a broader international support to ensure the success of the upcoming G20 summit in Seoul.

On Oct. 5, Lee will meet with Belgian Prime Minister Yves Leterme to discuss measures to expand bilateral economic cooperation and exchange views on major global issues.

The following day, he will also hold talks with EU President Herman Van Rompuy and European Commission President Jose Manuel Barroso to talk about South Korea-EU relations. They will then attend the signing ceremony of the South Korea-EU free trade agreement slated to take effect next year.

Under the theme of "Quality of Life: Achieving Greater Well-being and More Dignity for all Citizens," this year's session will draw leaders from the 27 EU member states, the 10-member Association of Southeast Asian Nations (ASEAN) as well as South Korea, China, Japan, Mongolia, Pakistan, India, Australia and New Zealand. Russia will also take part in the meeting as a fresh member.

The leaders will issue a statement to summarize the results of their talks and adopt a declaration on the global economic crisis, Cheong Wa Dae said.

Debate heats up over 'main enemy' description

Field military units strengthen education on NK threat since ship sinking

By Jung Sung-ki

The South Korean military has been reinforcing troop information and education to deal with possible North Korean threats since the sinking of the Cheonan ship in March amid controversy over whether to label the North as the “main enemy” in the country’s defense white paper.

In the last few years, the Seoul government has gone back and forth over whether to continue to designate North Korea as the main enemy.

The country’s Defense White Paper first referred to North Korea as the main enemy in 1995 after the communist regime threatened to turn Seoul into “a sea of fire” in a 1994 inter-Korean military meeting.

A decade later, in 2004 under the Kim Dae-jung administration which advocated the “Sunshine Policy” of engaging the communist neighbor, the description was no longer applied. It was a symbolic change aimed to reduce tension between the decades-old archrivals.

Nevertheless, debate on the main enemy reference has continued, as military threats posed by North Korea’s nuclear and missile programs have ever increased, destabilizing the security of the peninsula.

Following the deadly Cheonan sinking, which Seoul believes was caused by a North Korean torpedo attack, President Lee Myung-bak hinted at re-designating the North as South Korea’s main enemy in the Defense White Paper 2010 to be published later this year.

A draft version of this year’s white paper, however, is still missing the main enemy expression, according to the Ministry of National Defense.

“The concept of the main enemy has already existed in our military, so the words could be immaterial,” a ministry spokesman told The Korea Times. “It’s obvious whose army is lined up on the other side of the Demilitarized Zone.”

Baek Seung-joo, a senior researcher at the state-funded Korea Institute for Defense Analyses, said the clarification of North Korea as the main enemy should be reviewed from a long-term perspective, in a careful and measured way. It should not be swayed by political and military situations each and every time, he said.

“The defense white paper is frequently cited by foreign journals and serves as an important diplomatic document,” Baek said. “Against that backdrop, we should review carefully whether the description of a main enemy in the defense paper would be a burden for the country’s diplomatic and inter-Korean affairs or not.”

Critics say, however, calling the North the main enemy would serve as a helpful clarification in developing policies toward one of the world's most provocative yet secretive regimes.

“Most South Korean people think the North is the main enemy. We should stop being engaged in a consumptive debate over the clarification of North Korea as the main enemy,” Rep. Kim Sung-jo, a chief policy maker of the ruling Grand National Party.

“Far from improving inter-Korean relations since 2003, North Korea invaded the Northern Limit Line (NLL) in the West Sea several times, conducted two rounds of nuclear tests, killed a South Korean tourist at the Mountain Geumgang resort and engaged in other provocations,” the lawmaker said. “These are clear incidents that indicate North Korea is our main enemy. There is no reason to hesitate to call the North the main enemy.”

Troop education

Aside from the politically-charged debate, field military units have actually been strengthening troop information and education on the potential threat of North Korea since the Cheonan incident, which claimed the lives of 46 sailors.

A Seoul-led multinational team of investigators determined in May that the frigate was sunk by a torpedo fired from a North Korean submarine. North Korea has denied any involvement in the incident.

“The amount of troop information and education on North Korea's threat has almost doubled since the Cheonan sinking,” an Army troop information and education officer said in a telephone interview. “Distrust of the results of the Cheonan investigation has apparently grown among enlisted soldiers, so we needed to increase and strengthen weekly education on the concept of the northern enemy.”

The expression, however, of “main enemy” may not be necessary as long as the concept of enemy is clear to the troops, the officer said.

“I believe clarifying the main enemy in the defense white paper is a separate issue,” he added.

But the Army's latest policy report expresses that “North Korea is our main enemy.” Showing the results of a survey on the views of new conscripts on security affairs, the report said the perception of North Korea as the main enemy has increased from 49 to 94 percent in recent years.

The Army said the expression was used just for the survey, not to clarify the North as the main enemy officially.

Skepticism about ship sinking probe

Despite pan-governmental efforts to confirm that North Korea was behind the sinking of Cheonan, skepticism among the public remains high about the investigation results.

A poll conducted by Realmeter earlier this month revealed that 40 percent of South Koreans have doubts about the investigation. Skepticism was highest among the young. Only 27.3 percent of those in their 20s said they believe the results of the investigation.

Of those 50 and older, nearly 60 percent said they trust the report, according to the poll, which had a 3.7 percent margin of error.

In a poll conducted in July, Seoul National University's Institute for Peace and Unification Studies found that South Koreans are split in their opinions.

Results showed 32.5 percent of respondents had at least some confidence in the findings; 35.7 percent said they "completely distrust" or "tend to distrust" them; and the remaining 31.8 percent said they did not know.

To counter skepticism, the defense ministry released hard-bound copies of its investigation report both in English and Korean on Sept. 13 for sale in book stores.

It also published the content in a comic book form that outlines the government's case against North Korea. The comic book — pages of which are interlaced with real Cheonan wreckage photos — is being distributed for free to schools, libraries and public offices.

There are still unanswered questions, such as how a blue marking on the recovered torpedo fragment that read "No. 1" in Korean was able to survive the blast and remain submerged in water.

There is also doubt about several government errors ranging from knowingly presenting the diagram of the wrong torpedo during a May press conference held to announce the investigation results, to not fully briefing opposition party members on the progress of the investigation at the time following the attack.

USFK ignores \$13.7 mil. in compensation claims

By Lee Tae-hoon

The U.S. Forces Korea (USFK) is refusing to pay 15.6 billion won (\$13.7 million) that the Korean government demanded for inflicting damages against civilians here, an opposition party lawmaker said Wednesday.

Rep. Lee Chun-seok of the main opposition Democratic Party said the USFK has yet to pay the total amount from a combined 19 civil suits filed with the government.

Under the Status of Forces Agreement (SOFA), which governs the legal status of U.S. troops stationed in Korea, the United States is only responsible to pay 75 percent of court-ordered compensation even if it is found solely culpable.

The Korean government has to shoulder the remaining 25 percent.

The compensation that the USFK owes includes noise damage of 9.1 billion won in 2001 for residents living near a U.S. firing range, 3.4 billion won awarded to villagers near U.S. airfields in 2005, and 298 million won for two oil leakage cases in 2006.

SOFA states that the Korean government should pay the compensation to the victims in advance and afterwards charge the U.S. military, a senior justice ministry official said.

He said the government has paid all of the court-ordered compensation to the plaintiffs and asked the USFK to pay back the three quarters of the indemnity.

The U.S. military, however, has yet to pay, denying its responsibility and citing a clause in SOFA, the official noted.

Article 5 of SOFA stipulates that Korea assures the use of facilities and areas to the United States and will hold the U.S. government, “as well as its agencies and employees harmless from any third party claims which may be advanced in connection with such use.”

Lawmaker Lee argues that the government should consider reviewing some of the clauses in SOFA.

The figures that Lee obtained from the Supreme Court and Ministry of Justice also listed 1,595 crimes committed by U.S. soldiers in Korea from 2005 to the first half of this year, of which 416 were tried in local courts.

Korea, Russia build future-oriented ties

By Kim Se-jeong

South Korea’s diplomatic ties with Russia, which celebrates their 20th anniversary Thursday, are unlike its relations with the three other “big powers” surrounding the Korean Peninsula: China, Japan and the United States.

Geographically, Russia was not too far. But it was never close like Japan or China. Nor has it surfaced like the United States as a closest ally.

One of the earliest incidents between Korea and Russia took place in 1896 when Korean Emperor Gojong took refuge in the Imperial Russia’s legation in Seoul. The emperor lived there for two years to escape the Japanese.

The Soviet Union was one of the leading actors in the Cold War and the 1950-53 Korean

War.

Until the fall of communism in the Soviet Union, South Korea under Western influence aligned itself with the United States, keeping its distance from the Soviet Union and other communist states.

In 1990, as the mood of detente spread worldwide, Russia and South Korea shook hands, laying the foundation for what the two accomplished over the next 20 years.

“The two have come a long way,” said former Korean Ambassador to Russia Lee Kyu-hyung, in an interview with The Korea Times.

The ambassador, who spent approximately three years in Russia, said Korea has made its name more known through commerce.

Automobiles from Kia and Hyundai, Samsung TVs, LG air conditioners and Yakult noodles are what 140 million Russians know Korea for.

Looking at the opening of Hyundai’s new car factory in St. Petersburg last week, and the Lotte Group opening a hotel in downtown Moscow, it’s clear that acclimatization is still ongoing.

According to the Korea Trade-Investment Promotion Agency, 74 Korean companies are currently operating in Russia. According to Lee, Russia is still very much untouched and therefore poses an invaluable opportunity for Korea.

Energy

No other sector has as much potential as energy.

As the world’s second largest oil producer, the largest natural gas producer, and fifth largest coal producer, Russia also has abundant nickel and iron ore scattered through its vast land that is at least 80 times bigger than the entire Korean Peninsula.

These are also the main source of revenue for the country.

Natural resources in Russia’s Far East have long been ignored by Moscow located several thousand kilometers away, the ambassador said. But with the change of economic situation, Russia has begun to shift its eyes toward the Far East.

The biggest challenge for Russia is commercialization.

“Russia exports many raw materials, but it’s a country that imports lots of goods,” Lee said, which was attributed to the economic difficulties in the aftermath of the collapse of the Soviet Union and economic crises.

The Russian economy relies a lot on foreign goods, which presents a big opportunity for Korea.

Korea's commercialization and marketing have earned it a global reputation, which is coveted by Russia.

A bilateral committee dealing with economic and science and technology cooperation has already met 10 times — the 10th meeting took place on Sept. 20 in St. Petersburg. At that meeting, the two parties agreed to hold another separate seminar in October.

Russia has interest in diversifying its energy market to Asia where it has a reduced level of concern for political confrontation and delivery costs are a lot less.

It is also good news for South Korea, which relies heavily on the Middle East and other neighboring countries for its energy needs. Russia could be a more stable and closer supplier.

Currently, Korea imports 1.5 million tons of natural gas from Russia — from the Sakhalin area — and the government plans to increase this amount to three million tons, to meet 30 percent of domestic demand.

Railway

The Trans Siberia Railway and Trans Korea Railway that can link Korea to the European continent are much anticipated by both Russia and South Korea.

However, without the agreement of North Korea the project can't be completed. Efforts are being made to convince the North, said Lee, which isn't an easy task.

Lee urged North Korea to accept the offers from Russia and South Korea to take part in the project.

“All they have to do is to allow the railways to run through the land and collect fees,” he said.

North Korea has been reluctant to the idea, fearful that the railway would expose its people to the outside world.

Science and technology

The ambassador said, “I sincerely wished the space rocket Naro would have succeeded.”

Yet, he thinks, the two collaborations have demonstrated a wide-open potential for future cooperation.

Korea's first astronaut Yi So-yeon was taken to the International Space Station aboard a

Russian spaceship, and carried out experiments there. In June this year, the rocket Naro, built with assistance of Russia, exploded in midair less than five minutes after its launch in Goheung, SouthJeolla Province, SouthKorea.

Agriculture

Cooperation in the agricultural sector is actively sought by the Korean government. During a presidential visit two years ago, President Lee Myung-bak proclaimed the sector to be one of his priorities.

Hyundai Heavy Industries last year rented a piece of land near Vladivostok nearly 420 square kilometers in size — equivalent to 50 Yeouido, the island on the Han River in Seoul — leasing it to those who grow crops.

Politics

The priority for Korea and Russia has been and will be North Korea. Both share a border with the regime.

Federal Russia gradually lost attachment to the communist regime, yet still shows interest and willingness to play a constructive role in bringing peace and stability to the Korean Peninsula, the former ambassador said.

Regarding the recent crisis over the sinking of the SouthKorean ship Cheonan, Lee said Russia's approach could have come as disappointment to Korea, but silence shouldn't necessarily be coupled with the investigation results being flawed.

“We don't know what Russian experts found out,” Lee said, and “Russia could choose to keep it quiet” even though the results were identical to the international investigation. The reason is, as he said, is its own bilateral relations with the North.

The frigate Cheonan sank on March 26 with the loss of 46 sailors. An international investigation team concluded it was a torpedo attack by North Korea, which denies the allegation.

In an attempt to convince rising skepticism, South Korea allowed Russian experts to run their own investigation into the cause of the explosion.

However, Russia has remained quiet about its findings, which has stirred speculations on why it has done so.

The ambassador advised skeptics to take note of the G8 statement from Canada early this year where Russia joined other countries in condemning North Korea for the Cheonan incident.

CIA chief to visit Seoul over North Korea

The U.S. spy chief will visit Seoul this weekend to exchange information on a father-to-son power transfer in North Korea, a government source said Thursday.

Leon Panetta, director of the Central Intelligence Agency (CIA) is scheduled to arrive at the Incheon International Airport Saturday, the source said. He will meet President Lee Myung-bak and other key Korean security officials, including National Intelligence Service Director Won Sei-hoon and Defense Minister Kim Tae-young, according to the source.

"Director Panetta's visit had been set earlier, but it comes right after the third son of North Korean leader Kim Jong-il was given the No. 2 post in the North Korean regime, so various information would be shared," the source said on condition of anonymity.

Kim Puts Family First as Son Named to North Korea Party Post

By Bomi Lim - Sep 29, 2010 5:31 AM GMT+0500

Sept. 28 (Bloomberg) -- Kim Jong Il appointed his son to the ruling party's second-highest military position, indicating North Korea's ailing leader intends to extend his family's rule of a totalitarian state that has armed itself with nuclear weapons while relying on donors to feed its 24 million people.

Kim Jong Un was elected one of two Central Military Commission vice chairmen at a Worker's Party of Korea meeting yesterday, a day after he was made a four-star general, the official Korean Central News Agency said. He also joined the party's Central Committee, though not the more elite Politburo, at a meeting yesterday. His father's sister, Kim Kyong Hui, was given several high-ranking posts, including politburo membership, KCNA reported.

The Kim family's tightening grip on the military and party hierarchy underscores the challenge of transferring power to a son who had never before been mentioned in a KCNA dispatch. Kim Jong Un faces an increasingly disgruntled public in an economy squeezed by United Nations sanctions targeted at its weapons programs and a bungled currency revaluation.

"Even Kim Jong Il must be wary of public criticism should his son fail to improve economic conditions," Paik Hak Soon, director of inter-Korean relations at the Seongnam, South Korea-based Sejong Institute, said before the commission appointment. "Domestic political stability will be Kim Jong Un's key focus."

Kim Jong Il, 68, was re-elected as party chief, general secretary and chairman of the military commission, KCNA said.

China's Congratulation

China's President Hu Jintao congratulated Kim Jong Il on his re-election, pledging to strengthen ties with his country's communist neighbor "to a higher level," the state-run Xinhua News Agency reported today, without mentioning the son. Kim Jong Il made an unprecedented two trips to China this year, prompting speculation he was seeking endorsement of the power transfer from his nation's main political and economic ally.

North Korea's economy is faltering after floods wiped out crops and damaged houses. There have been sporadic public protests since food shortages worsened following a government decision to devalue the currency and confiscate savings, according to reports by Seoul-based rights groups, including Good Friends.

The economy shrank 0.9 percent to 24.7 trillion won (\$20 billion) in 2009 after the UN toughened sanctions against the country of 24 million people over its second nuclear test in May last year, according to the Bank of Korea in Seoul.

Swiss Schooling

Kim Jong Un, said by South Korea's Unification Ministry to be in his late 20s, attended the International School of Berne in Switzerland, according to media, including the Seoul-based Dong-A Ilbo newspaper. The school declined to comment.

A North Korean student named Pak Un, though, attended a nearby school called Liebefeld Steinhölzli, near where North Korean embassy employees lived, school head Peter Burri said in an interview last year. The Washington Post reported in July 2009 that that student was Kim Jong Un.

Pak Un was "interested in sports, open-minded, and intelligent," said town councilor Ueli Studer. Joao Micaelo, a then-student who was reported by the Post to have been friends with Kim Jong Un, said in an interview that his friend went by Pak Un, without commenting on any other identity.

Kim Jong Un's public debut supports speculation that his father has been preparing to hand over power since reportedly suffering a stroke in 2008. The latest published picture of Kim Jong Il from a meeting with Chinese President Hu Jintao in August showed his hair was thinner than when he was last seen in May. He was shown then limping and dragging his left foot.

Father's Favorite

The father favored Kim Jong Un over the other sons, Kenji Fujimoto, a Japanese sushi chef who worked for the dictator for 13 years, wrote in a 2004 book, "Kim Jong-Il: North Korea's Dear Leader."

"Jong Un is very similar to his father, even his physical shape," he wrote.

Kim Jong Un and his older brother, Kim Jong Chol, were born to Kim Jong Il's companion, Ko Young Hee. The eldest son, Kim Jong Nam, who had a different mother, fell out of favor after he was caught trying to enter Japan in 2001 on a fake passport, Yonhap News reported yesterday. Kim Jong Chol was too unhealthy and mentally weak to be picked, Yonhap said.

The orders promoting Kim Jong Un and his aunt, Kim Kyong Hui, to four-star general were issued by Kim Jong Il, who called on military commanders to "remain true to the party's leadership in the future," KCNA said, without mentioning the family ties.

'Hasty'

"It seems a little hasty for Kim Jong Il to be revealing his son at such a young age, but he must have felt time is running out," said Kim Yong Hyun, professor of North Korean studies at Seoul-based Dongguk University. "He may have his sister and brother-in-law act as his son's shield until Kim Jong Un proves his leadership."

Kim Kyong Hui, 64, is a member of the central committee of the Workers' Party in charge of light industry, according to South Korea's Unification Ministry. Her husband, Jang Song Thaek, was named vice chairman of the National Defense Commission in June, making him North Korea's second-most powerful official.

'Symbolic Step'

"The promotions are a significant symbolic step to legitimatizing Kim Jong Un as successor, as gaining military support is crucial to becoming a leader in North Korea," said Baek Seung Joo, a senior research fellow at the Korea Institute of Defense Analyses in Seoul. "This will pave the way for Kim Jong Un to assume key party posts, which will allow him to exert greater powers."

Kim Jong Il's position as heir to his father, North Korean founder Kim Il Sung, was cemented at the last party congress in 1980. It wasn't until his father's death 14 years later that he took power.

"Kim Jong Un has to prove his worth and has to do it fast," Baek said. "He may still be a better leader than Kim Jong Il having been educated abroad and we can only hope he will to opening up the country."

Kim Jong Un Made North Korea Military Panel's Vice President, Xinhua Says

Kim Jong Un was elected as vice president of the military committee of North Korea's ruling Workers' Party, Xinhua News Agency said, citing North Korean state media.

Inter-Korean Military Talks End Without Progress, Yonhap Says

Sept. 30 (Bloomberg) -- Inter-Korean military talks ended without progress, Yonhap News reported, citing a South Korean military official it didn't identify.

Kim Jong Il's Son Appointed General Before North Korea Meeting

Kim Jong Il's youngest son was named a general, signaling the start of a possible power transfer in North Korea to a man said to be in his late 20s who the regime has never previously mentioned in public.

Kim Jong Un was one of six people given the rank ahead of the biggest meeting of North Korea ruling Workers' Party in 30 years, which starts today, the official Korean Central News Agency reported. The orders were issued yesterday by Kim Jong Il, who called on military commanders to "remain true to the party's leadership in the future," the state media said, without mentioning the family link.

The junior Kim's debut supports speculation of a leadership handover that has been growing since the 68-year-old Kim Jong Il reportedly suffered a stroke in 2008. Kim Jong Il's sister, Kim Kyong Hui, was also promoted to the rank of general, KCNA said, in what may be part of "contingency plans" should Kim Jong Un prove unsuitable, said Donald Gregg, a former U.S. ambassador to South Korea.

"It's the first step forward in what will be a step-by-step process," Gregg said in an interview with Bloomberg Television. "It would be almost impossible to give Kim Jong Un full powers since he is untested."

Kim Kyong Hui, 64, is a member of the central committee of the ruling Workers' Party of Korea in charge of light industry, according to South Korea's Unification Ministry. Her husband, Jang Song Thaek, 68, was named vice chairman of the National Defense Commission in June, making him North Korea's second-most powerful official.

'Watching Developments'

Kim Jong Il is the chairman of the National Defense Commission, North Korea's highest government agency, and the Supreme Commander of the Korean People's Army.

"The United States is watching developments in North Korea carefully," Kurt Campbell, assistant secretary of state for East Asia, said yesterday in a conference call from New York after the KCNA announcement. "But frankly, it's too early to tell, in terms of next steps, what's going on inside the country's leadership."

The Worker's Party convenes today in Pyongyang to choose its "supreme leadership body," KCNA has said. The last such gathering in 1980 solidified Kim Jong Il's position as heir to his father, North Korean founder Kim Il Sung.

The congress is being held behind schedule after North Korea said in June it will open in "early September." The delay has sparked speculation Kim Jong Il's health may be worsening.

Hasty

“It seems a little hasty for Kim Jong Il to be revealing his son at such a young age, but he must have felt time is running out,” said Kim Yong Hyun, professor of North Korean studies at Seoul-based Dongguk University. “He may have his sister and brother-in-law act as his son’s shield until Kim Jong Un proves his leadership.”

Little is known about Kim Jong Un. He attended the International School of Berne in Switzerland, according to media including the Seoul-based Dong-A Ilbo newspaper.

Kim Jong Il made his second trip this year to China in late August in what analysts said was an effort to win the endorsement of his closest ally for a power transfer to his son. Chinese Premier Wen Jiabao lauded the party congress as “a political event of great significance,” KCNA said Sept. 2.

North Korea may also use the party gathering to announce new policies to reinvigorate the country’s faltering economy, which was dealt a further blow this year after floods wiped out crops and damaged houses.

Economy Shrank

North Korea’s economy shrank 0.9 percent to 24.7 trillion won in 2009 after the United Nations toughened sanctions against the country for its second nuclear test in May last year, according to the Bank of Korea in Seoul. The country, which relies on outside handouts to feed its 24 million people, saw its shortages of goods worsen after a botched currency revaluation late last year.

Kim’s regime also faces stricter U.S. financial sanctions after it was accused of torpedoing a South Korean warship in March. South Korea, the North’s No. 2 trading partner, cut off most trade after the March 26 sinking of the warship Cheonan that killed 46 sailors.

North Korea Won't Abandon Nuclear Deterrent, Deputy Foreign Minister Says

North Korea won’t give up its nuclear weapons while U.S. aircraft carriers are deployed near the Korean peninsula, the communist nation’s deputy foreign minister told the United Nations General Assembly today.

“As long as U.S. nuclear aircraft carriers sail around the seas of our country, our nuclear deterrent can never be abandoned but should be strengthened further,” Vice Foreign Minister Pak Kil Yon said. “This is the lesson we have drawn.”

North Korea detonated nuclear weapons in May 2009 and in July 2006.

The Korean peninsula “would have already been turned into a war field scores of times,” Pak said, “had it not been for the powerful war deterrent built.”

“It is not surprising that we are hearing strident statements during its high-level meeting,” State Department spokesman Philip J. Crowley said. “Our actions in the region are geared towards peace and stability. If North Korea takes action to de-nuclearize and build constructive relationships with other countries, including the United States, it has nothing to fear from the United States.”

North Korea Opens Party Conference to Elect Leaders, Xinhua Says

Sept. 28 (Bloomberg) -- North Korea opened a conference of the ruling Workers' Party of Korea to elect its highest leading body, Xinhua News reported from Pyongyang, citing North Korea's Minju Choson newspaper.

South Korea, North Korea to Hold Military Talks as U.S. Backs 'Dialogue'

South Korea and North Korea will hold military talks today, South Korea's defense ministry said in an e-mailed statement.

The announcement came after both countries had proposed resuming talks at the border village of Panmunjom earlier this month.

South Korea wants to discuss issues including the sinking of one of its warships, the Cheonan, in March, its defense ministry said in a statement on Sept. 19. An international inquiry blamed North Korea for the sinking, an accusation the North has denied.

North Korea on Sept. 11 proposed discussions on holding reunions of families separated since the 1950-53 war.

State Department spokesman Philip J. Crowley said yesterday the U.S. welcomed the development. “We endorse dialogue between North and South Korea as an important element to reducing tensions on the peninsula,” Crowley said in a telephone interview.

The new talks arose as the North's ruling Workers' Party dealt with issues of leadership succession. Kim Jong Un, the son of ailing ruler Kim Jong Il, was named to the party's second-highest military position Sept. 28, one day after he was made a four-star general.

North Korea and South Korea remain technically at war since their conflict ended in a cease-fire that was never replaced by a peace treaty. The countries are separated by one of the world's most fortified borders.

Economic Front:

Honam Petrochemical Said to Plan Sale of \$350 Million of Three-Year Bonds

Honam Petrochemical Corp., South Korea's second-largest ethylene maker, plans to raise \$350 million from a sale of floating-rate notes, according to three people familiar with the matter.

The U.S.-dollar denominated bonds will have a maturity of three years, said two of the people who asked not to be named before a public announcement.

Seoul-based Honam also priced 300 billion won (\$261 million) of five-year local currency bonds to yield 49 basis points more than similar-maturity government debt, said two of the people.

The ethylene producer plans to buy Malaysia's Titan Chemicals Corp. in an all-cash deal valued at \$1.25 billion, both companies said in July. While Honam has enough cash reserves to finance the Titan acquisition, it may raise some funds in the market, Roger Lee, a company spokesman, said by telephone at the time, without specifying whether it would be through debt or equity.

Officials at the company's finance team were out of the office when Bloomberg News called for comment today.

South Korea Seeks to Reduce Fiscal Deficit as Recovery Boosts Tax Revenue

South Korea's government plans to cut the nation's fiscal deficit next year after an economic recovery boosted prospects for tax revenue.

Total spending will rise 5.7 percent to 309.6 trillion won (\$269.4 billion) while tax revenue will grow 8.2 percent to 314.6 trillion won, the Ministry of Strategy and Finance said in its budget proposal for 2011 released in Gwacheon today. The fiscal deficit will fall to 2 percent of gross domestic product in 2011 from a projected 2.7 percent this year.

"Our fiscal health is improving at a faster-than-expected pace due to the strong economic recovery," Vice Finance Minister Yoo Sung Kull told reporters yesterday ahead of the release. "Our spending focus for next year is welfare and future growth engines."

Export growth helped South Korea achieve the fastest first-half economic expansion in a decade, boosting the government's scope to pare a fiscal deficit run up to counter the impact of the global financial crisis. Still, the projected increase in spending next year after a decline in 2010 may signal concern the economy will need other props if trade gains ebb as the world recovery slows.

The falling deficit is "very good news for the local bond market" as it signals less government debt issuance, said Jeong Sung Min, a fixed-income analyst at Eugene Futures Co. in Seoul. "It's unlikely to move the market much right now as it's not surprising, but it will do so over time in the long run."

Bond Yield

South Korea's three-year bonds were little changed after the announcement. The yield on the 3.75 percent debt due June 2013 rose one basis point to 3.4 percent as of 2:21 p.m. in Seoul, according to Korea Stock Exchange. A basis point is 0.01 percentage point.

The government plans to eliminate the fiscal deficit and post a surplus equivalent to 0.2 percent of GDP as early as 2014. Tax revenue will increase faster than government spending amid annual economic growth of about 5 percent between 2011 and 2014, the finance ministry said. The calculation of the fiscal deficit excludes state social security funds.

Moody's Investors Service maintained South Korea's A1 local and foreign currency bond ratings in July partly because of "high government financial strength," saying there has been "little" debt accumulation since the global financial crisis.

National debt will be 35.2 percent of GDP next year, compared with an estimated 36.1 percent this year, and fall to 31.8 percent in 2014, today's report showed.

Spending Breakdown

Government spending on research and development to support future economic growth will rise 8.6 percent next year, while spending on health and social welfare will increase 6.2 percent, the finance ministry said. Defense spending will advance 5.8 percent, while expenditure on diplomacy will expand 9 percent.

The ministry said on Sept. 16 that it will boost childcare and education spending for the poor by 33 percent to 3.7 trillion won in 2011. Today's budget proposal is due to be submitted to the National Assembly by Oct. 1.

The Bank of Korea left borrowing costs unchanged on Sept. 9, joining counterparts from Malaysia to Australia in pausing interest-rate increases to assess risks from slower U.S. growth and European austerity. It will take some time to normalize the current rate of 2.25 percent as the bank must be certain of the world recovery, Governor Kim Choong Soo said after the decision.

Recent data showed sales at the nation's major department stores rose at the slowest pace in three months in August, while consumer confidence declined to a 14-month low in September. The economy grew 7.6 percent in the first half and is projected to expand 5.9 percent this year, according to the central bank.

South Korea's Industrial Production Advanced for the 14th Month in August

South Korea's factory output rose for the 14th straight month, signaling economic resilience that may add to the case for higher borrowing costs.

Output gained 17.1 percent in August from a year earlier, after rising 15.5 percent in July, the statistics office said in Gwacheon today. The median estimate of 13 economists

surveyed by Bloomberg News was for a 17 percent gain. Production decreased 1 percent from July.

Reviving overseas demand has boosted factory output and fueled the economy this year, threatening price pressures. Bank of Korea Governor Kim Choong Soo has indicated policy makers may add to July's benchmark interest-rate increase from a record-low level, while saying the process of normalizing borrowing costs will take time as the bank must be sure of the world recovery.

"The economic growth pace and inflation pressures call for another rate increase as early as next month," said June Park, an economist at Woori Investment & Securities Co. in Seoul. "But I doubt the central bank has the will to move the rate amid a sluggish property market and slowdowns in major economies."

Kim left the benchmark unchanged at 2.25 percent in August and September, following a 0.25 percentage point increase in July from 2 percent. That move was the first advance since the global financial crisis. The economy expanded 7.6 percent in the first half, the fastest pace in a decade.

Won's Role

The won was little changed at 1,142 per dollar as of 9:00 a.m. in Seoul, according to data compiled by Bloomberg. The Kospi share index rose 0.2 percent to 1,870.55.

Overseas shipments account for about half the economy, and the won's 1.9% increase this year, the second-worst performance in Asia, has supported export competitiveness at companies including Samsung Electronics Co., Asia's biggest maker of semiconductors, flat screens and mobile phones.

"Korea's manufacturing sector should not underperform the regional peers, taking into account a competitive exchange rate and persistently strong productivity growth," analysts at DBS Bank Ltd. said in a note yesterday. Seasonal factors stemming from the nation's holidays over August and September require "careful" interpretation of data reports over the period, DBS said.

The won's advance has accelerated recently, including a 4.4 percent jump in the past month. Its level is a "critical factor" in the nation's trade outlook, Cho Hwan Eik, president of Korea Trade-Investment Promotion Agency, said in an interview in Seoul on Aug. 31.

A leading index of economic indicators, which forecasts business activity, rose 5.9 percent in August from a year earlier, compared with a 6.7 percent gain in July, today's report showed.

Sales of consumer goods slipped 0.7 percent last month from July and advanced 9.3 percent from a year earlier. Investment in factories increased 39.8 percent from a year earlier.

The Bank of Korea's policy board next meets to review borrowing costs on Oct. 14.

LG Electronics May Miss This Year's LED TV Sales Target on Weak Demand

LG Electronics Inc. may miss this year's goal to sell 7 million sets of flat-screen televisions that use light-emitting diodes, or LED, as screen backlights, said company spokeswoman Seye Im today. Demand has remained weaker than expected because of high retail prices, with panel costs staying high, she said by telephone.

Saudi Electricity Awards Doosan 12.75 Billion-Riyal Contract

Saudi Electricity Co. said it awarded a 12.75 billion-riyal contract to Doosan Heavy Industries and Construction Co. for the expansion of a power station, according to a statement to the Saudi bourse today.

The company will finance the project in Rabigh using a 15 billion-riyal loan obtained earlier from the government according to the statement.

South Korea to Spend 17 Billion Won on Increasing Rare Earths Stockpiles

South Korea plans to spend 17 billion won (\$15 million) to increase stockpiles of rare earths, a group of 17 metals used in hybrid vehicles and laptop computers, by 2016 after China curtailed exports of the minerals to Japan.

The nation, which imports almost all its energy and mineral needs, aims to secure 1,200 metric tons in stockpiles by 2016, the Ministry of Knowledge Economy said in an e-mailed statement today without giving the current inventory volume.

Japan's Economy Minister Banri Kaieda Tuesday said China's "de facto" export ban on rare earths will hurt its economy after media reports said China was restricting shipments. Ties between China and Japan soured this month over the detention of a Chinese boat captain whose ship collided with two Japanese Coast Guard vessels in disputed waters.

South Korea will encourage companies to use rare-earth substitutes to reduce imports, the ministry said. The nation imported 2,600 tons of rare earths last year mainly from China, according to the ministry. China is the world's largest supplier.

Asia's fourth-largest energy consumer, Korea Electric Power Corp., will also seek to buy stakes in a coal mine in North America and a uranium project in Western Europe by the end of this year to secure stable supply of minerals used for power generation, the ministry said.

State-run Korea National Oil Corp. plans to drill three more blocks in Iraq after it discovered oil and gas in the Bazian field in August in northern Iraq, while Korea Gas Corp. is seeking offshore gas project opportunities in East Timor and Mozambique, according to the statement.

Korea Resources Corp. will seek to buy a stake in the NX Uno lithium project in Chile and purchase a copper mining company in the nation.

Inflation Quickens 3.6 Percent in South Korea, Fastest Pace in 17 Months

South Korea's consumer prices increased more than projected, rising at the fastest pace in 17 months, bolstering the case for the central bank to raise borrowing costs.

The consumer price index climbed 3.6 percent in September from a year earlier, accelerating from 2.6 percent in the previous month, the statistics office said in Gwacheon today. The median estimate in a Bloomberg News survey of 14 economists was for a 2.9 percent gain. Prices rose 1.1 percent from August, the biggest monthly gain since March 2003.

Inflation is expected to ease to the low end of the 3 percent range in the fourth quarter, Finance Ministry Director General Yoon Jong Won told reporters today. Governor Kim Choong Soo has signaled the policy board may add to July's interest-rate increase from a record-low level, while saying normalizing the benchmark will take some time as the bank must be sure of the world recovery.

"The big jump in inflation is temporary and will likely ease in October," said Lee Sang Jae, an economist at Hyundai Securities Co. in Seoul. "Still, price pressures are building up as the economy continues to recover with a rise in public utility charges." He expects the central bank to raise borrowing costs this month.

Won Gains

The won advanced 0.4 percent to 1,135.45 per dollar as of 10:22 a.m. in Seoul, the strongest level since May. It capped a monthly advance of 4.6 percent yesterday, the biggest in a year. The benchmark KOSPI stock index climbed 0.4 percent to 1,879.92.

The policy board aims to keep inflation at between 2 percent and 4 percent on average through 2012. Kim left the benchmark rate at 2.25 percent in August and September, following a 0.25 percentage point increase in July from 2 percent. That move was the first advance since the global financial crisis.

A separate report today showed that South Korea's exports grew 17.2 percent from a year earlier in September, the slowest gain in 11 months. The nation's holiday season shuttered some factories during the period.

President Lee Myung Bak's government increased power and gas tariffs over August and September due to elevated commodity costs. That may add about 0.1 percentage point to inflation, the finance ministry said in July.

Volatile Prices

Inflation is set to exceed 3 percent in the fourth quarter, boosted by an increase in utility and commodity costs, the Bank of Korea said in a report released to lawmakers yesterday.

Prices in October will still be volatile due to a poor vegetable crop amid bad weather conditions, Yoon said today.

The expected inflation rate over the next year was 3.2 percent in September, unchanged from the previous month, according to a recent central bank survey.

Core prices, which exclude oil and food, rose 1.9 percent in September from a year earlier after a 1.8 percent gain in August. Prices for agricultural, dairy and fisheries goods surged 21.1 percent, and oil products climbed 3.4 percent, today's report showed.

Prices for services, which account for 60 percent of the consumer price index, gained 2 percent from a year earlier.

The economy expanded 7.6 percent in the first half, the fastest pace in a decade, as reviving overseas demand buoyed earnings at companies including Hyundai Motor Co., South Korea's largest automaker.

The Bank of Korea forecasts Asia's fourth-largest economy will expand 5.9 percent over 2010, before growth cools to a 4.5 percent pace in 2011. The policy board next meets to review borrowing costs on Oct. 14.

Social Front:

Court rules in favor of change in English on passport

By Lee Hyo-sik

A court ruled Wednesday that the Ministry of Foreign Affairs and Trade should reissue a passport to an individual who wants to change the English spelling of their name.

The Seoul Administrative Court said the ministry's refusal to renew the passport with a different English spelling of the name was unlawful.

"The ministry said it did nothing wrong in refusing to reissue the passport, citing a range of restrictions on the reissuance. But when the individual's passport expires, it is not subject to such regulations," it said.

It then said the ministry enforces a wide array of restrictions toward the reissuance of a passport to prevent misuse. "But when an individual needs to renew his or her passport after it expires, their application should not be rejected just because they seek to change the spelling of the name in English," the court said, stressing it constitutes a violation of one's human rights.

When the passport expired in June last year, a Korean national applied for reissuance, requesting a change in the English spelling to "Yeon" from "Youn."

But the foreign ministry turned down the request, arguing changes to ones' English name are strictly controlled under the law.

The individual then filed a complaint with the court, claiming the ministry's denial to reissue a passport for changes to the spelling of an English name violates the law because there was no possibility of its misuse.