

Globalized Business and politics: A View from Muslim world

Weekly report on South Korea & Japan

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Summary of Report

Korea

Politico-Strategic Front:

PM-nominee Kim wins parliamentary approval Kim Hwang-sik took office as the new prime minister Friday, immediately after the National Assembly approved his nomination by President Lee Myung-bak. The 62-year-old thus became the first premier appointed from South Jeolla Province.

NK leader makes first public outing after party meeting North Korean leader Kim Jong-il has made his first public appearance after promoting his heir apparent, Kim Jong-un, earlier last

week to powerful ruling party posts by taking in an art performance, Pyongyang's media said Sunday.

Libya releases 2 detained Koreans Libya released two South Koreans who had been detained for months for violating the local religious law, early Sunday morning, (KST), two days after Rep. Lee Sang-deuk met with Libyan leader Muammar al-Qaddafi.

'S. Korean POW sent back to NK from China' An opposition party lawmaker claimed Monday a South Korean prisoner of war (POW) from the Korean War was recently sent back to North Korea, after being captured in China during his asylum attempt in China

National Assembly begins 20-day inspection of state affairs Latest intelligence reports indicate the possibility of North Korea launching some form of military provocation against South Korea next month to hamper the planned G20 Summit meeting in Seoul, South Korea's defense chief said Monday. Such a move could have something to do with the Stalinist country's efforts to solidify its third-generation father-to-son succession, Defense Minister Kim Tae-young said.

Leaders of Korea, Japan to cooperate in tackling NK President Lee Myung-bak and Japanese Prime Minister Naoto Kan agreed Monday to work closely together to resolve the North Korean nuclear issue quickly, based on "forward-looking" ties between the two countries. In their summit held on the sidelines of the Asia-Europe Meeting (ASEM) in Brussels, Lee and Kan exchanged opinions on how to develop Korea-Japan relations and tackle nuclear threats from North Korea and other regional security issues.

United States, Japan, China and Russia are involved in the talks. The Japanese leader asked Lee to make efforts to strengthen forward-looking relations between South Korea and Japan. In response, Lee expressed hope that the two countries will move toward "a century of a bright and future-oriented relationship," Cheong Wa Dae said. Lee and Kan also agreed to work together for the success of the G20 Summit to be held in Seoul from Nov. 11 to 12 and the APEC summit slated from Nov. 13 to 14 in Yokohama.

S. Korea wins 4th term as ICAO council member South Korea was elected Tuesday as a member of the governing council of the International Civil Aviation Organization (ICAO) for a fourth consecutive term, Yonhap News Agency reported. The vote was cast at the 37th session of the ICAO Assembly taking place in Montreal, Canada.

A tug of war over parliamentary probe Around this time every year, legislative aides tend to engage in quarrels with government officials over dossiers containing an alleged "smoking gun" proving that the government had misused taxpayers' money. The aides demand that officials prepare more detailed and specific documents so the National Assembly can conduct a better inspection of ministries and government agencies. Meanwhile, the officials adopt a "benign

neglect” policy to such requests, insisting that they are fully cooperating and that no additional data were available.

S. Korea, US expected to sign new terms of military alliance Defense ministers of South Korea and the United States are expected to forge a new military alliance Friday, focusing on the transfer of wartime control on the Korean Peninsula, Yonhap news agency reported Wednesday, quoting a senior South Korean defense official.

Korea, Japan, China to hold summit talks in Oct. The leaders of South Korea, China and Japan agreed to meet at a tripartite summit to be held in Hanoi, Vietnam later this month, an official from the presidential office said Thursday. The announcement came days after President Lee Myung-bak had proposed the meeting during the summit with Chinese Premier Wen Jiabao held on the sidelines of an Asia-Europe Meeting in Brussels, Tuesday (KST).

'China factor rules out NK disruption of G20' North Korea's deepening ties with China will likely rule out the possibility of provocative behavior from the recalcitrant regime coinciding with the upcoming G20 summit in Seoul, a former U.S. official said Thursday.

Korea, US to hold '2+2' high-level meeting in Dec South Korea and the United States agreed to hold a deputy minister-level 2+2 meeting in December to discuss the alliance, security on the Korean Peninsula and other key issues, Thursday. Kurt Campbell, U.S. assistant secretary of state for East Asian and Pacific Affairs, told reporters at the foreign ministry that he and his South Korean counterpart Kim Jae-shin talked about the next steps associated with the 2+2 meeting held in Seoul in July.

Korea signs nuclear energy agreement with South Africa Korea signed an agreement on the peaceful use of nuclear energy with South Africa Friday, completing the necessary procedure to make Korean firms eligible to access the nuclear energy market there. The announcement came about a month after South Africa announced plans to build more nuclear reactors to cope with soaring demand for electricity.

Opposition party vows to review Korea-EU FTA The main opposition Democratic Party (DP) proposed the creation of a special National Assembly committee to review the country's free trade agreement (FTA) with the European Union, Thursday, saying the government failed to consult with lawmakers before signing the pact.

New foreign minister vows reform, stricter job performance assessment New Minister of Foreign Affairs and Trade Kim Sung-hwan said Friday he would put top priority on strengthening merit-based recruitment and strict job performance assessments in an effort to repair the ministry's tarnished image due to a nepotism scandal. The top diplomat also pledged to introduce the so-called “total diplomacy” approach to better handle the tough foreign policy environment facing the country, which he called "a middle power" state. His areas of expertise include Russia and the United States

China's Hu Says Will Boost Ties With New North Korean Leaders, Xinhua Says Chinese President Hu Jintao said China will work with North Korea's new leadership to expand cooperation in all areas, Xinhua News Agency reported. Hu told a visiting North Korean delegation to Beijing today that China will cooperate with the leadership to enhance communication and coordination in regional and international affairs, Xinhua reported.

Defense Secretary Gates Anticipates Kim Jong Il's Son Will Be New Leader The U.S. has expected that Kim Jong Il's son will eventually succeed him as the leader of North Korea, Defense Secretary Robert Gates said today. North Korea officials have confirmed for the first time that Kim Jong Un, is his father's heir apparent, the Associated Press Television News reported, citing an interview with Politburo member Yang Hyong Sop.

Kepeco, Turkey Are in Final Stage of Talks on Construction of Nuclear Plant Korea Electric Power Corp., which won an \$18.6 billion atomic reactor order from the United Arab Emirates in December, is in the final stage of talks with Turkey for the construction of a nuclear power station. A consortium led by Korea Electric will invest in the project, Chief Executive Officer Kim Ssang Su told lawmakers today in Seoul.

North Korea Official Confirms Kim Jong Un Succession as Leader, APTN Says North Korea confirmed for the first time that Kim Jong Il's son will succeed him as the country's leader, the Associated Press Television News reported, citing an interview with Politburo member Yang Hyong Sop. Kim Jong Un, who South Korean officials say is in his late 20s, was elected to the ruling party's No. 2 military post at a meeting on Sept. 28. His appointment, a day after he was made a four-star general, was the first indication that his father planned to extend his family's rule, which began with North Korea's founder, Kim Il Sung.

South Korea Plans to Lend \$10 Billion for U.A.E. Nuclear Plants South Korea expects to lend about \$10 billion for the United Arab Emirates' first nuclear plants, more than doubling pledges it has already made this year to finance construction projects in the Middle East. The Export-Import Bank of Korea expects to lend most of the money that Korea Electric Power Corp. and contractors will need to borrow to build four 1,400-megawatt atomic power stations in the U.A.E., said the bank's chief representative in Dubai.

U.S. Senior Officials to Visit Seoul to Discuss North Korea, Yonhap Says Kurt Campbell, the U.S. assistant secretary of state for East Asia, will visit South Korea Oct. 7 to discuss North Korea, Yonhap reported today, citing South Korea's foreign ministry.

Economic Front

Indian Farmers Fight Billionaire Mittal, Posco for Water Rights ArcelorMittal and Posco are leading \$80 billion in planned spending in India that would vault the country ahead of Japan as the second-biggest steelmaker. Standing in the way are farmers and their water supply. The

farmers refuse to move from irrigated land in three states that hold more than half of India's reserves of iron ore, a key material to make steel.

EU, South Korea Sign Free-Trade Pact; Bloc Seeks Malaysia Deal The European Union and South Korea signed a free-trade agreement due to take effect next July, expanding their roughly 70 billion-euro (\$97 billion) commercial relationship. The EU-Korea accord is the second-biggest such pact ever, eclipsed only by the \$1 trillion North American Free Trade Agreement among the U.S., Canada and Mexico that began in 1994.

Korea Feed Association Said to Buy 218,000 Tons Corn for Livestock Output The Korea Feed Association, South Korea's biggest grain-buying group, bought 218,000 metric tons of corn for arrival between January and March, according to three industry executives who took part in the bidding today. They asked not to be identified because the results are confidential.

South Korea's Lee Says Currency Issue to be Discussed at G-20 South Korean President Lee Myung Bak said leaders of the Group of 20 nations will need to discuss how to address currency issues when they meet in Seoul in November. Lee's comments were released in a statement by the presidential office.

BNP Leaps Atop Korea Foreign-Currency Bond Rank With Franc Debt BNP Paribas SA leapt eight places to become the top arranger of foreign-currency bond sales in South Korea for the first time as it harnessed borrowers' eagerness to diversify from dollars into yen and Swiss francs. BNP Paribas almost doubled its market share to 10.1 percent so far this year from 5.5 percent in the same period of 2009 after managing \$1.71 billion of transactions, according to data compiled by Bloomberg. It leads Citigroup Inc. for the first time in at least a decade and Deutsche Bank AG for the first time since 2005 with sales including Hyundai Capital Services Inc.'s 200 million Swiss franc (\$205 million) offering of four-year notes, the data show.

Woori Bank, Industrial Bank to Provide Finance for Iran Trade, Korea Says South Korea appointed Woori Bank and Industrial Bank of Korea to finance trade agreements with Iran from Oct. 1, the finance ministry said in an e-mailed statement today.

South Korea to Cut Tariffs on Some Vegetables, Necessities to Cool Prices South Korea will cut tariffs on some vegetables and necessities this year to help stabilize local consumer prices that rose the most in 17 months in September. The government will reduce to zero tariffs on napa cabbages and radishes, the main ingredients of Kimchi, from around Oct. 14 until the end of this year, the Finance Ministry said in a statement today. It will also apply a lower tax on more garlic imports than it does currently.

SK Energy Rises in Seoul After Discovering Oil in Vietnam Offshore Field SK Energy Co. rose the most in more than three weeks in Seoul trading after discovering oil in a field off the coast of Vietnam. South Korea's largest refiner gained 4.5 percent to 150,500 won as of 11:00

a.m. on the Korea Exchange, headed for the biggest advance since Sept. 10. The benchmark Kospi index added 0.5 percent.

Samsung Electronics Third-Quarter Operating Profit Rises 14% Samsung Profit Misses Estimates as Chip Prices Fall, Samsung Electronics Co., Asia's biggest maker of semiconductors, reported a 14 percent increase in third-quarter operating profit to 4.8 trillion won.

Social Front

Suicide numbers rise in 2009 Korea's suicides rose for a third year in 2009, becoming the country's fourth leading cause of death after cancer, cerebral disease and heart-related illnesses, a government report showed Sunday. The report, submitted by the Ministry of Health and Welfare to lawmakers ahead of this week's parliamentary audit, showed suicides accounting for 31 deaths out of every 100,000 people living in the country.

Up to \$7,000 paid for secret S-N reunions South Korea has been financially supporting secret reunions in third countries, a unification official said Friday. The government pays twice the amount to low income earners, family members of prisoners of war or those kidnapped by the North.

Int'l anti-corruption symposium begins Korea's state-run corruption watchdog will hold a two-day international conference starting today to discuss the achievements and failures of past anti-corruption talks and the future role of advanced nations in fighting corruption ahead of the G20 Seoul Summit slated for Nov. 11 and 12.

Japan's massacre of Korean laborers at Marshall Islands confirmed As many as 100 Koreans, who were forcibly mobilized by Japan to build military facilities on the Marshall Islands, were indiscriminately killed in a rebellion that appears to have started after they were forced to eat human flesh, a government report said Tuesday. A government committee, formed to investigate Japan's forced mobilization of Koreans during the 1910-1945 colonial era, said that the results of its three-year probe indicate that the laborers were served the flesh of their colleagues, disguised as "whale meat," after the Japanese forces ran out of food.

'Korea wants to share anti-corruption knowhow' Special Affairs Minister Lee Jae-oh pledged to share the country's experiences in combating corruption with the international community, especially emerging economies, to help them undergo less trial and error at the Symposium on Strengthening Global Leadership and Cooperation against Corruption held in Seoul, Tuesday.

Student rights ordinance declared The education office in Gyeonggi Province announced Tuesday an ordinance to protect students' basic human rights for the first time in the nation, banning physical punishment and lifting restrictions on students' hairstyle and clothing. Under

the ruling, primary and secondary schools in the province will be banned from forcing students to take non-regular, supplementary classes at night.

Smokers in public places face 100,000 won fine The Seoul Metropolitan Council said Tuesday it plans to pass an ordinance this year to slap a fine of up to 100,000 won on those who smoke at bus stops and other public places legally designated as non-smoking areas.

NK defectors in South expected to surpass 20,000 The number North Korean defectors living in South Korea is expected to exceed 20,000 by next month, the Ministry of Unification announced. As of late August, a total of 19,569 North Korean defectors were living in the South, the ministry said. Each month an average of 200 defectors arrives to make a new life in the South, meaning the mark could be breached by as early as later this month.

TOPIK to have speaking section Government plans to introduce Korean version of GRE in 2012. The government plans to add a speaking section to the Test of Proficiency in Korean (TOPIK) which currently consists of four parts — vocabulary and grammar, writing, listening and reading. Foreign students have insisted that the state-run language test have a speaking section.

KTO wins TTG travel award The Korea Tourism Organization (KTO), headed by Lee Charm, has been named the best “National Tourism Organization” in the 2010 TTG Travel Awards held in Centara Grand and Bangkok Conventions Center, Thursday.

Japan

Politico-Strategic Front:

Prosecutors' homes and offices searched The Supreme Public Prosecutor's Office on Saturday began searching the homes and offices of two senior prosecutors suspected of covering up an alleged act of evidence-tampering by a subordinate who was leading a recent postal abuse investigation. Hiromichi Otsubo, 57, and Motoaki Saga, 49, were arrested Friday in connection with evidence-tampering allegations against Tsunehiko Maeda, 43.

Medvedev may visit disputed isles (Kyodo) It would be desirable for President Dmitry Medvedev to visit disputed Russian-held islands off Hokkaido as part of his trip to Japan, a source in the Russian presidential office said Friday, according to Interfax news agency. Medvedev canceled his planned visit to the islands during his trip to the Russian Far East last week, but there is speculation that he will visit the islands when he attends an annual summit of the Asia-Pacific Economic Cooperation forum to be held in Yokohama.

Japan may buy U.S. drones; Spy planes sought amid regional rise in tensions The Defense Ministry is looking to buy three Global Hawk reconnaissance aircraft from the United States to

deal with China's militarization and North Korea's nuclear and ballistic missile programs, Self-Defense Force and ministry sources said Sunday. The ministry hopes to insert the plan for buying the unmanned high-altitude aircraft into its new Mid-Term Defense Program for fiscal 2011-2015. The Global Hawk costs about \$50 million (roughly ¥4.15 billion), including equipment, so the sum for three aircraft would come to more than ¥12 billion.

Kan heads to ASEM with China in mind Prime Minister Naoto Kan headed off Sunday on a three-day trip to Brussels to attend the Asia-Europe Meeting, hoping to mend damaged ties with China and explain Tokyo's stance on the spat to other world leaders. Kan will join the ASEM summit's working dinner session Monday evening to discuss economic issues, including ways to ensure sustainable growth and rebalance the global economy and banking rules.

GSDF copter crash injures crewmen A Ground Self-Defense Force helicopter crashed Sunday at the GSDF's Yao garrison in Yao, Osaka Prefecture, seriously injuring one of the four crew members, police said.

Ozawa's long career over, experts say *DPJ kingpin's exit will help Kan solidify power base* The political career of Democratic Party of Japan heavyweight Ichiro Ozawa, who has been at the center stage of politics for more than 20 years, was effectively crushed Monday when the Tokyo No. 5 Inquest Committee decided to indict him over falsified political funds reports, political observers said.

Kan, Wen hold brief talks seeking thaw *Leaders agree during impromptu chat to improve ties* Prime Minister Naoto Kan said he and Chinese Premier Wen Jiabao agreed Monday to improve bilateral ties by holding high-level talks when appropriate. It was their first meeting since the row broke out last month over an incident near the Senkaku Islands in the East China Sea.

Prosecutor in jail interview vows straight talk A senior prosecutor arrested for alleged involvement in evidence-tampering said during a rare interview at the Osaka Detention House that if he is indicted he will give a thorough explanation in court. Detained suspects who deny guilt are usually only allowed to meet with their lawyers.

Cabinet approval rate falls to 47.6% *Ozawa, leniency over Senkaku draw disfavor* Public support for Prime Minister Naoto Kan's Cabinet plunged to 47.6 percent in the latest Kyodo News poll released Wednesday, reflecting dissatisfaction with the handling of a territorial row with China and a money scandal involving ruling party kingpin Ichiro Ozawa. The approval rating for the Cabinet fell 16.8 percentage points from 64.4 percent in the previous poll, conducted shortly after Kan reshuffled his Cabinet on Sept. 17, while its disapproval rating rose to 36.6 percent from the previous 21.2 percent.

Kitazawa to visit Vietnam, see Gates Defense Minister Toshimi Kitazawa said Friday he will visit Hanoi for three days from Sunday, where he is scheduled to meet with officials of Vietnam and other countries, including U.S. Secretary of Defense Robert Gates.

Economic Front:

Recovery intact as deflation eases, joblessness falls; Deflation moderated and unemployment fell, indicating Japan's recovery remains intact as policymakers consider new stimulus measures to protect the economy from the strengthening yen. The jobless rate fell to 5.1 percent from 5.2 percent, while the number of people no longer in the labor force increased, it said.

Businesswomen in APEC region gather to foster entrepreneurs Businesswomen and delegates from the Asia-Pacific region gathered Friday in a meeting hosted by Japan and the United States to foster female entrepreneurs and develop their networking. At the one-day Women's Entrepreneurship Summit in the city of Gifu, around 300 participants from Asia-Pacific Economic Cooperation countries tried to find ways to reduce barriers faced by women who want to start businesses, run companies or expand them.

First hybrid passenger train starts up East Japan Railway Co. started operations of a hybrid passenger train with an electric motor and diesel engine Saturday in Nagano Prefecture, the first of its kind designated for tourists.

APEC meet looks to help small, midsize firms Ministers and senior officials in charge of small and medium-size enterprises from Pacific Rim economies gathered in Gifu on Saturday to explore avenues for helping such firms expand globally.

APEC reps take steps to assist small firms Ministers and top executives from small and medium-size companies on the Pacific Rim adopted a statement Sunday in Gifu Prefecture listing steps they will take to help them expand overseas. In a joint statement, ministers and representatives of the Asia-Pacific Economic Cooperation forum signed off on the "Gifu Initiative," a plan built on three pillars of proposals aimed at increasing small-businesses opportunities.

BOJ cuts its key rate to zero The Bank of Japan cut its key interest rate effectively to zero Tuesday, pledging to hold that line until the end of deflation is in sight. Adding to the surprise news, the BOJ also said it will set up a ¥5 trillion fund to buy various financial assets, ranging from long- and short-term government securities, commercial paper, corporate bonds, exchange-traded funds and Japan real estate investment trusts, in an effort to lower long-term interest rates as well as to encourage investors to buy financial products with risks. The BOJ's actions were credited with sparking a Tokyo stock surge and minor rise in the dollar.

DPJ drafts ¥5 trillion stimulus package Prime Minister Naoto Kan's Democratic Party of Japan compiled an additional stimulus package worth nearly ¥5 trillion Wednesday to fight the impact of the yen's appreciation and sustain the country's economic recovery. The package also proposed that the government boost overseas investment to secure energy resources and strategic minerals.

Imported auto sales up 34.7% in fiscal first half Sales of new imported vehicles, including those made by Japanese automakers overseas, climbed 34.7 percent in the April-September first half of fiscal 2010 from a year earlier to 119,053 units, an industry body said Wednesday.

Keidanren chief calls for early Japan-U.S. FTA Hiromasa Yonekura, chief of the Japan Business Federation (Nippon Keidanren), on Thursday called for an early realization of a free-trade agreement with the U.S. in remarks at the outset of the 47th annual Japan-U.S. Business Conference.

Honda low-cost bike to meet China, India threat Honda Motor Co., the world's largest motorcycle maker, plans to introduce a new motorbike that may be its cheapest to raise sales in emerging markets amid rising competition from Chinese and Indian rivals. Honda will build and sell the bike for as little as 4,000 yuan (\$600) in China starting next year and also introduce it in Nigeria and Latin America, Tatsuhiro Oyama, senior managing director in charge of Honda's motorcycle operations, said in Tokyo last week.

Panasonic plans video game return Panasonic Corp. is developing a hand-held video game player, returning to the market after more than a decade to challenge Sony Corp. and Nintendo Co., two company officials said. The Osaka-based company is developing a hand-held player code-named Jungle, the two officials said Wednesday, asking not to be named because the company hasn't made the information public

Reflect emerging economies to up financial stability, IMF urged Finance Minister Yoshihiko Noda on Thursday called on the International Monetary Fund to take on a new role of ensuring global financial stability, proposing the lender reflect more voices from emerging economies in its operations. In a video message released on the occasion of the annual meetings of the IMF and World Bank, Noda also warned that Japan's recovery may be slowed by the yen's recent surge against the dollar and other major currencies.

Social Front;

Japanese man barred at Incheon South Korean immigration authorities on Thursday denied entry to a Japanese man arriving at Incheon International Airport on "security grounds," Yonhap news agency and other sources said.

Record number of children required financial aid for school activities in '09 The number of children who received public financial support for basic school activities such as for school supplies and excursions hit a record high of 1.49 million last fiscal year, education ministry sources said Saturday. According to the ministry, 136,648 children belonged to households living on welfare in fiscal 2009, up 5,616 from the previous year. Meanwhile, another 1.351 million children were in "financial difficulties" in the same period, up 46,366.

4.3-magnitude quake jolts Niigata An earthquake with a preliminary magnitude of 4.3 jolted Niigata, Nagano and Gunma prefectures Saturday afternoon, the Meteorological Agency said.

Earthquake rocks Sea of Japan coast An earthquake with a preliminary magnitude of 4.7 rocked areas along the Sea of Japan coast Sunday morning. It measured lower 5 on the Japanese seismic intensity scale to 7 in the Joetsu region of Niigata Prefecture, the Meteorological Agency said, but no tsunami warning was issued and there were no immediate reports of injuries.

Event raises ¥3.4 million for Pakistan flood victims About 350 people gathered for a charity event last week in Tokyo to raise funds to support victims of Pakistan's devastating floods this summer. Tokyo Helps, a volunteer group founded by people from various countries, raised ¥3.4 million in the Wednesday night event held at the Vanity Lounge club in Roppongi. Half of the proceeds will go to the World Food Program and the other half to the aid group Oxfam, with both organizations planning to spend the money on aid for Pakistan.

GSDF unit to end Pakistan flood relief Japan will end its flood relief work in Pakistan on Sunday and withdraw six helicopters and more than 200 troops of the Ground Self-Defense Force, the Defense and Foreign ministries said. Defense Minister Toshimi Kitazawa, senior ministry officials and uniformed officers from the Self-Defense Forces made the decision Tuesday.

Detained Japanese says he's OK The Fujita Corp. employee still in custody in Hebei Province, China, met Japanese diplomats Tuesday and asked them to tell his family he is "fine and don't worry," the Japanese Embassy said. It was the third meeting between Sadamu Takahashi, an employee of a Shanghai unit of the Tokyo-based construction company, and embassy staff since he and three other employees were detained Sept. 20 in Shijiazhuang, the capital of Hebei.

Yakuza face Hyogo zone bans The Hyogo Prefectural Assembly approved an ordinance Wednesday to ban gangster leaders from setting up offices or buying homes in neighborhoods and near schools. Numerous mob bosses under the umbrella of the Kobe-based Yamaguchi-gumi, the nation's largest underworld syndicate, have set up in the city because they are ordered to pay daily visits to its headquarters. According to police, gangster leaders currently own around 30 second houses in Kobe.

Fewer researchers venturing abroad to study The number of Japanese researchers who spent at least 31 consecutive days overseas studying or conducting research on professional assignments has more than halved in recent years compared with a decade earlier, according to the education ministry. The total number was roughly 3,700 in fiscal 2008 and 2009, down from a peak of more than 7,600 in fiscal 2000, the Education, Culture, Sports, Science and Technology Ministry said, quoting the results of a recent nationwide survey.

Detailed News

Korea

Politico-Strategic Front:

PM-nominee Kim wins parliamentary approval

Kim Hwang-sik took office as the new prime minister Friday, immediately after the National Assembly approved his nomination by President Lee Myung-bak. The 62-year-old thus became the first premier appointed from South Jeolla Province.

In his inauguration ceremony that took place only two hours after parliamentary approval, the former Supreme Court justice, said he would dedicate himself to supporting President Lee's drive to create a fair society.

Of the 244 legislators attending a plenary session, 169 lawmakers voted in favor of Kim, while 71 voted against him, with four abstentions.

Observers say the main opposition Democratic Party (DP), which had vowed to thoroughly examine Kim's qualifications, failed to do so during the two-day hearings that wrapped up Thursday, partly because he is from the southwestern region, the liberal partypolitical home turf.

The DP had hailed Kim's nomination, saying it was positive in the sense that it would help the country battle lingering regionalism, especially among officials.

Critics claim that the DP was clearly more determined to block parliamentary approval of former South Gyeongsang Governor Kim Tae-ho as prime minister because he was from the governing Grand National Party's (GNP) stronghold.

Kim Tae-ho voluntarily withdrew his candidacy on Aug. 29 after failing to answer a host of allegations the DP raised over his ties with a corrupt local businessman and other ethical qualifications.

However, Rep. Park Jie-won, interim leader of the DP, refuted such claims, saying the party failed to throw tough questions at Kim Hwang-sik because of his low-profile career.

"We did not have much information on Kim since he served as a judge for 34 years and then as the head of the Board of Audit and Inspection for two years," Park said.

When they held the hearing on the 48-year-old Kim Tae-ho, he said, they received a barrage of tip-offs from whistle blowers and his political rivals.

On his first day in office, Kim recommended the selection of Kim Sung-han to the President to fill the vacant post of foreign minister. The ex-senior presidential secretary for security and foreign affairs is to replace disgraced Minister Yu Mung-hwan.

Yu stepped down early September over the dubious hiring of his daughter by the ministry, but Lee had not been able to pick a successor as the process requires approval from the prime minister, a position which had been vacant after Chung Un-chan resigned in early August.

He stepped down over his failure to overhaul the previous government's plan to relocate government ministries to Sejong City in South Chungcheong Province.

President Lee named the foreign minister appointee right after the appointment of Kim in consideration that the post is essential in preparing for a successful hosting of the G20 Summit in Seoul on Nov. 11 and 12.

Kim Sung-han will need to undergo a non-binding Assembly confirmation hearing.

NK leader makes first public outing after party meeting

North Korean leader Kim Jong-il has made his first public appearance after promoting his heir apparent, Kim Jong-un, earlier last week to powerful ruling party posts by taking in an art performance, Pyongyang's media said Sunday.

Kim "enjoyed together with service persons of the Korean People's Army a performance given by the art squad of KPA Unit 10125," the Korean Central News Agency (KCNA) said, without elaborating on when and where the event was held. The North's media usually release reports on Kim's outdoor activity belatedly, apparently due to security concerns.

The public appearance came five days after the ruling Workers' Party of Korea (WPK) elected new party members during the party's biggest conference in decades. In a move suggesting preparations for a hereditary succession of power, Kim's third son was named a vice chairman of the Central Military Commission of the WPK headed by his father, and a member of the party's Central Committee.

Libya releases 2 detained Koreans

By Kang Hyun-kyung

Libya released two South Koreans who had been detained for months for violating the local religious law, early Sunday morning, (KST), two days after Rep. Lee Sang-deuk met with Libyan leader Muammar al-Qaddafi.

The release signified that Korea-Libya relations, after having turned sour in June when a Korean agent was deported for collecting intelligence that was off-limits to foreign agencies, were back on track.

Libya is expected to resume consular services in South Korea soon, which were suspended shortly after the spy case.

An official from the Ministry of Foreign Affairs and Trade told reporters that the leader of a Libyan human rights group was present when the local government released the two Korean detainees _ a missionary identified only as his surname Koo and a farm owner identified only as Jeon.

“We were told that the non-profit group leader introduced himself as a secretary-general of the human rights watch, which works under the auspices of a social service organization chaired by the second son of Libyan leader Muammar al-Qaddafi,” the foreign ministry official said on condition of anonymity.

“Given his remarks, I suspect that the Libyan leader played a role behind the decision to set them free.”

The foreign ministry official’s remarks came a day after Rep. Lee returned to Seoul after meeting with al-Qaddafi in his hometown in Libya.

Upon arrival at Incheon International Airport, the senior lawmaker told reporters that the 30-year-old trust-based ties between the two nations helped him to reach a diplomatic breakthrough with the Libyan leader during the meeting.

“There was no backdoor deal,” said Lee, an elder brother of President Lee Myung-bak.

“I confess that the negotiation process was 'painful.' But trust that the reputation of Korean businesses earned from Libya and its people in the past three decades helped a lot.”

Rep. Lee, who was called upon as a special envoy by the Ministry of Foreign Affairs and Trade to resolve the touchy issue concerning the spy case, said the Libyan leader was deeply interested in technology transfer and the training of technology professionals from Korea.

During the conversation with Lee, al-Qaddafi was quoted as saying that he regretted that Korea was not enthusiastic about his country although Libya made earnest efforts to help South Korean firms do business there.

In an effort to help the Libyan leader better understand Korea’s sincerity to restore bilateral relations, Rep. Lee proposed that the two governments form a joint economic committee to discuss their mutual interests.

Their talks went smoothly and the breakthrough came four months after the espionage case and the suspension of consular services by Libya.

Following the spy case, Koo and Jeon were arrested by the Libyan law enforcement authorities for violating the local religion law in June and July, respectively. The two Koreans were in custody since then.

If the espionage case was not resolved and this affected negatively the trade relations between the two countries, industry experts said automakers would suffer a great deal. Automobiles account for approximately 40 percent of South Korean exports to Libya.

Bilateral trade between Korea and Libya reached \$1.2 billion last year.

'S. Korean POW sent back to NK from China'

An opposition party lawmaker claimed Monday a South Korean prisoner of war (POW) from the Korean War was recently sent back to North Korea, after being captured in China during his asylum attempt in China

Rep. Park Sun-young of the Liberty Forward Party disclosed the photo that shows the 81-year-old POW, identified only as Jung, was forcefully taken back to the North in February. The document was purportedly drawn up by the security department of the northeastern Chinese city of Changchun.

It says that Jung had been arrested for illegally entering China, but was released on Feb. 19 from a detention center at the request of North Korea. It also shows that the North agreed to take Jung back to the country where he spent decades after being taken prisoner during the 1950-53 civil war.

"Considering various circumstances, including this document, it is certain that Jung was sent back to the North, but the government keeps saying it has no information," Yonhap News Agency quoted the lawmaker as saying.

The foreign ministry said that it obtained a computer-scanned version of the document in June and had experts verify its authenticity, but the results showed that it was most likely a forgery.

"So far, we don't have any information that Jung has been sent back to the North," a ministry official said on condition of anonymity.

National Assembly begins 20-day inspection of state affairs

Latest intelligence reports indicate the possibility of North Korea launching some form of military provocation against South Korea next month to hamper the planned G20 Summit meeting in Seoul, South Korea's defense chief said Monday.

Such a move could have something to do with the Stalinist country's efforts to solidify its third-generation father-to-son succession, Defense Minister Kim Tae-young said.

Kim made the remarks during a National Assembly inspection of the ministry. The Assembly started its 20-day inspection of government ministries and agencies Monday.

The North appears to be preparing a massive combined exercise of its army, navy and air force ahead of the 65th founding anniversary of its ruling Workers' Party that falls on Oct. 10, he said. The anniversary ceremony would involve a gigantic military parade including 15,000 troops and 200 weapons systems.

"North Korean artillery, troops, fighter jets and naval ships have been preparing to conduct a combined exercise in the waters off Wonsan," Kim said. "The exercise is expected to be held before the Oct. 10 founding anniversary with the attendance of North Korean leader Kim Jong-il."

The minister also revealed that Pyongyang seems to be taking steps to refurbish its nuclear facility in Yongbyon.

Last week, the Washington-based Institute for Science and International Security alleged North Korea has resumed construction of a major nuclear reactor after a cooling tower was destroyed in 2008.

The tower was demolished by North Korea in a dramatic display of its commitment to nuclear disarmament. But construction of two buildings adjacent to the demolished cooling tower has been observed through satellite pictures.

On Sept. 28, North Korean leader Kim Jong-il appointed his youngest son, Jong-un, to the rank of four-star general and made him a vice chairman of the Central Military Commission of the Workers' Party, in an apparent effort to hand over authority.

"Kim Jong-un is expected to start his public activities as a successor," the minister noted. "There is a possibility that North Korea would resort to provocative activities to overcome internal and external difficulties as well as hamper the G20 meeting in Seoul."

Rep. Song Young-sun of the minor opposition Future Alliance Hope said there are several scenarios with regard to this.

Song said North Korea could engage in cyber attacks against Seoul's computer networks, electronic warfare against airport facilities in the South, or fire coastal artillery at South Korean patrol ships near the Northern Limit Line in the West Sea.

A North Korean submarine infiltration into the South is also a potential scenario to destroy Seoul's key facilities and destabilize security on the peninsula ahead of the G20 summit.

Leaders of Korea, Japan to cooperate in tackling NK

By Na Jeong-ju

President Lee Myung-bak and Japanese Prime Minister Naoto Kan agreed Monday to work closely together to resolve the North Korean nuclear issue quickly, based on “forward-looking” ties between the two countries.

In their summit held on the sidelines of the Asia-Europe Meeting (ASEM) in Brussels, Lee and Kan exchanged opinions on how to develop Korea-Japan relations and tackle nuclear threats from North Korea and other regional security issues.

“The leaders agreed to foster future-oriented bilateral ties and cooperate closely for an early resolution to the North Korean nuclear issue,” Cheong Wa Dae said in a press release.

It was their second meeting this year and the first since Kan formed a new Cabinet in September following an election victory.

North Korea is also expected to be a key topic in Lee’s talks with Chinese Premier Wen Jiabao today as the reclusive country appears to be gearing up a power transfer from leader Kim Jong-il to his youngest son, Jong-un.

Pyongyang has said it is willing to return to the stalled six-party talks aimed at dismantling its nuclear program. The two Koreas, the

United States, Japan, China and Russia are involved in the talks.

The Japanese leader asked Lee to make efforts to strengthen forward-looking relations between South Korea and Japan. In response, Lee expressed hope that the two countries will move toward “a century of a bright and future-oriented relationship,” Cheong Wa Dae said.

Lee and Kan also agreed to work together for the success of the G20 Summit to be held in Seoul from Nov. 11 to 12 and the APEC summit slated from Nov. 13 to 14 in Yokohama.

With regard to the Korea-Japan free trade agreement, they called for the need to continue efforts to create a favorable condition for the resumption of talks, according to the presidential office.

Later on Monday, President Lee also had one-on-one meetings with Australian Prime Minister Julia Gillard and British Deputy Prime Minister Nick Clegg and called for their support to ensure Seoul’s successful hosting of the G20 meeting.

S. Korea wins 4th term as ICAO council member

South Korea was elected Tuesday as a member of the governing council of the International Civil Aviation Organization (ICAO) for a fourth consecutive term, Yonhap News Agency reported.

The vote was cast at the 37th session of the ICAO Assembly taking place in Montreal, Canada.

The country, which first joined the ICAO council in 2001, came in fourth place among 15 countries that wanted a seat in the Part III group that can elect 13 regional representatives to a three-year term.

The council deliberates on outstanding issues covering regulations and is charged with setting up new guidelines for the global civil aviation sector, according to Yonhap.

A tug of war over parliamentary probe

Around this time every year, legislative aides tend to engage in quarrels with government officials over dossiers containing an alleged “smoking gun” proving that the government had misused taxpayers’ money.

The aides demand that officials prepare more detailed and specific documents so the National Assembly can conduct a better inspection of ministries and government agencies.

Meanwhile, the officials adopt a “benign neglect” policy to such requests, insisting that they are fully cooperating and that no additional data were available.

As for lawmakers whose job security is determined by public support and media exposure, the parliamentary probe season is considered a golden opportunity to prove themselves as effective representatives.

“For lawmakers, the annual parliamentary inspection is as important as the Korean Series for baseball players,” an aide to Rep. Yoon Sang-hyun of the ruling Grand National Party (GNP) told The Korea Times.

The legislative aide who asked to be identified by only his surname Kim also likened the annual parliamentary probe to the Korean Series.

“Many legislators are feeling the pressure that they need to stand out during the two-week session as the media keenly covers the annual event,” Kim said.

Detailed information about government policies is no doubt the key to expose the effective performances by lawmakers during the probe period.

On the first day of the National Assembly inspection of the Ministry of Foreign Affairs and Trade, Monday, several lawmakers, including Rep. Park Sun-young of the minor Liberty Forward Party, complained about the foreign ministry being uncooperative in sharing detailed information of its policy implementation.

As several lawmakers took the floor one by one to rebuke the ministry, the parliamentary session started an hour later than scheduled. Some were skeptical about holding the probe due to the insufficient data provided by the ministry.

Aspiring to become more prominent through the annual event, lawmakers, supported by their staffers, strive to find alternative sources that could offer them a definitive tip or exclusive intelligence.

During the parliamentary inspection of the Ministry of Unification Tuesday, Rep. Yoon unveiled a satellite photo displaying a bird's eye view of the Pyongyang University of Science and Technology (PUST).

By presenting the exclusive photo that he obtained from a source, the lawmaker urged Minister Hyun In-taek to stop providing financial resources for the university as it lately built an institute that teaches the North's state ideology, dubbed "juche" (self-reliance in English).

"The government is sponsoring the North's propaganda efforts with taxpayers' money," the lawmaker said.

Yoon's aide said the lawmaker obtained the photo through a personal contact.

The pressure that they feel to make an impressive presentation has sometimes led lawmakers to come up with creative ideas in the parliamentary session.

Rep. Jun Byung-hun of the main opposition Democratic Party (DP) asked the finance minister to answer what kinds of measures he had taken to manage inflation during the parliamentary probe of the ministry.

Chinese cabbage and lettuce were placed on his table when he asked that question.

The prices of the two vegetables have skyrocketed lately as the supply has fallen far short of demand, leading their prices to go up approximately four times, compared to those of last year.

Jun's aide said the second-term lawmaker purchased the vegetables himself at farmer's market to remind the finance minister of the serious impact of rising prices.

S. Korea, US expected to sign new terms of military alliance

Defense ministers of South Korea and the United States are expected to forge a new military alliance Friday, focusing on the transfer of wartime control on the Korean Peninsula, Yonhap news agency reported Wednesday, quoting a senior South Korean defense official.

Minister of National Defense Kim Tae-young was en route to Washington for the annual Security Consultative Meeting (SCM) with U.S. Defense Secretary Robert Gates.

The allies alternately host the SCM to review the security situation on the Korean Peninsula and pending issues between the two countries.

Korea, Japan, China to hold summit talks in Oct.

The leaders of South Korea, China and Japan agreed to meet at a tripartite summit to be held in Hanoi, Vietnam later this month, an official from the presidential office said Thursday.

The announcement came days after President Lee Myung-bak had proposed the meeting during the summit with Chinese Premier Wen Jiabao held on the sidelines of an Asia-Europe Meeting in Brussels, Tuesday (KST).

The official told reporters on condition of anonymity that the three governments tentatively agreed to hold the tripartite summit.

If they meet, they will discuss tripartite cooperation projects, Northeast Asian security and other key issue during the summit, he added.

Lee's proposal came at a time when China and Japan are engaged in a spat over disputed waters in the East China Sea.

The Sino-Japan standoff came in early September when a Chinese fishing boat collided with Japanese Coast Guards vessels near a disputed area.

Japan held the captain of the Chinese ship for a day after the maritime incident.

China urged Japan to release him and restricted its exports of rare earth minerals to Japan. Tensions remained high even after Japan released the Chinese captain as China demanded an apology from Japan which the latter refused to do.

Analysts speculated that President Lee may play a role in helping ease tensions.

'China factor rules out NK disruption of G20'

North Korea's deepening ties with China will likely rule out the possibility of provocative behavior from the recalcitrant regime coinciding with the upcoming G20 summit in Seoul, a former U.S. official said Thursday.

Seoul's Defense Minister Kim Tae-young warned Monday that the North, in an attempt to build internal support for a hereditary leadership transition underway there, could act provocatively to disrupt the event slated to open Nov. 11, without elaborating on what actions it might take.

"The North would not gain politically by causing problems at the G20," Charles "Jack" Pritchard, a former top U.S. negotiator with North Korea, said in an email interview with The Korea Times, suggesting that chances for such an occurrence are slim.

Concern arose last month when Radio Free Asia reported that Kim Jong-un, the youngest son of Kim Jong-il and the country's newly-formalized heir apparent, convened a meeting to discuss ways to disrupt the event, citing unnamed sources in the North.

Pritchard said the sinking in March of the South Korean warship Cheonan already has the North on thin ice with China, the last major ally and benefactor of the economically-hobbled state. In July, Beijing helped block a Seoul-led campaign to sanction the North for the sinking, which Pyongyang denies being behind, at the U.N. Security Council (UNSC).

"I believe the Cheonan incident caused the Chinese to reluctantly support Pyongyang at the UNSC for fear that the regime was too vulnerable and any meaningful international sanctions could threaten stability in the North," he said. "That action by the Chinese cost them with regard to their relationship to South Korea and the United States, so I find that Beijing would not tolerate problems caused by North Korea during the G20."

President Hu Jintao's participation at the summit further mitigates the chances of a provocation, said Pritchard, who now heads the Korea Economic Institute think tank in Washington, D.C.

Analysts say that China, which has hosted visits by Kim Jong-il twice this year, continues to support Pyongyang in order to maintain stability in the economically vibrant, but politically volatile Northeast Asia region.

Pritchard, a former top aide to Presidents Bill Clinton and George W. Bush, said that he recently spoke with a Chinese diplomat in Washington who also expressed doubt that North Korea will disrupt the event. He added, however, that he assumes Seoul and Washington have done their due diligence in monitoring any signs from the North and are taking the appropriate diplomatic measures.

"I assume that the foreign ministries of the ROK and United States have already conveyed their concerns, if any, to Beijing to ensure that the Chinese fully understand the potential consequences should Pyongyang initiate any untoward actions," he said.

In the past, the North has acted provocatively ahead of Seoul-hosted international events: a year before the South hosted the 1988 Olympics, it detonated a bomb on a South Korean passenger jet, killing 115 people.

Unification Minister Hyun In-taek, during a parliamentary audit of his ministry Tuesday, told lawmakers that he had not been informed of any intelligence that suggested the North would act belligerently during the upcoming summit.

Korea, US to hold '2+2' high-level meeting in Dec.

South Korea and the United States agreed to hold a deputy minister-level 2+2 meeting in December to discuss the alliance, security on the Korean Peninsula and other key issues, Thursday.

Kurt Campbell, U.S. assistant secretary of state for East Asian and Pacific Affairs, told reporters at the foreign ministry that he and his South Korean counterpart Kim Jae-shin talked about the next steps associated with the 2+2 meeting held in Seoul in July.

“(South Korea’s) deputy minister will be visiting Washington as a guest of Assistant Secretary of Defense Wallace Gregson and myself in December and we look forward to continuing those discussions,” he said.

The two sides held the key meeting displaying the stalwart alliance in July.

The U.S. official also said improved relations between South and North Korea are the “first step” toward any resumption of the stalled six-party talks on the North’s denuclearization.

But whether the communist state must also apologize for the sinking of a South Korean vessel is up to Seoul to decide, Campbell said.

“The first step has to be a reengagement between South and North Korea,” he said. “We are also looking for a clear and demonstrable commitment on the part of the North Koreans to fulfill their commitments that they made on denuclearization in 2005.”

Washington has maintained since last month that Pyongyang must improve relations with the South — tense since the deadly sinking of the Cheonan in March — and prove its genuine intent to denuclearize before resumption of the talks.

Under a six-party deal struck in 2005, the North must shut down its nuclear program in exchange for security guarantees. But the negotiations came to a halt last year when Pyongyang walked away, angry with U.N. sanctions it incurred due to its missile and nuclear tests.

Hopes for their resumption were thrown into limbo by the Cheonan incident, which Seoul and Washington blamed a North Korean torpedo but Pyongyang vehemently denied. Forty-six sailors died in the sinking.

The Lee administration has previously demanded that the North admit its involvement and apologize before it agrees to return to the denuclearization-for-aid talks, a stance backed by the United States.

Asked whether Washington would maintain the apology demand, Campbell said, “I’ll stick with what I said. We need to see a degree of reengagement between North and South Korea. The fundamentals of that are for South Koreans to decide.”

The inter-Korean relations have shown signs of thaw in recent weeks, with the North initiating military dialogue with the South, held on Sept. 30, as well as a fresh round of reunions of families separated by the 1950-53 Korean War slated for later this month.

It also repatriated early last month the crew of a South Korean fishing vessel that it seized near the maritime border.

The first rice delivery sent by the Lee administration since taking office in 2008 is expected to leave for the North on Oct. 25.

Campbell said Washington “encourage(s) the process to continue.”

The envoy met earlier with Seoul officials including Deputy Foreign Minister Kim to discuss issues related to North Korea, including last month’s rare Workers’ Party conference in Pyongyang.

During the gathering, North Korean leader Kim Jong-il elevated his son to ranking general status and key party posts, paving the way for an eventual hereditary power transfer.

“What’s most important in a period of developments in North Korea is to ensure that the United States and South Korea remain in lock step and are extraordinarily closely engaged in our mutual assessments in terms of developments,” Campbell said.

The North’s state-run media has since released images of the younger Kim observing a live-fire military exercise, further consolidating his role as heir apparent.

Meanwhile, Campbell, who was expected to depart later Thursday, relayed Secretary of State Hillary Clinton’s best wishes for foreign minister-nominee Kim Sung-hwan. Clinton is expected to speak with him in the coming days, the envoy said.

Korea signs nuclear energy agreement with South Africa

Korea signed an agreement on the peaceful use of nuclear energy with South Africa Friday, completing the necessary procedure to make Korean firms eligible to access the nuclear energy market there.

The announcement came about a month after South Africa announced plans to build more nuclear reactors to cope with soaring demand for electricity.

Shin Kak-soo, acting minister of foreign affairs and trade, met with South African Energy Minister Dupio Peters at the ministry building Friday to sign the accord.

Shin signed on behalf of Kim Sung-hwan, who had not been appointed as foreign minister at the time.

Korea and South Africa clinched the agreement six years after they began working-level talks, and the latter is now the country's 24th atomic energy partner.

The nations that have signed such an accord with Korea include the United States, Canada, Spain, Australia, Turkey, Jordan and the United Arab Emirates (UAE).

"Governments are required to sign a bilateral agreement on the peaceful use of nuclear energy to enable their firms to access the nuclear energy market in their counterpart nation," a foreign ministry official told The Korea Times on condition of anonymity.

"As the accord was clinched, Korean energy businesses are eligible to take part in bids to build nuclear power plants in South Africa."

Currently, South Africa's nuclear energy accounts for about 5 percent of its entire electricity supply.

The African state plans to increase the nuclear portion to 25 percent by 2025.

In a speech in Johannesburg in September, Minister Peters was quoted as saying that it would be more cost-effective for South Africa to consider a series of nuclear power plants.

Upon taking office in February, 2008, President Lee Myung-bak declared nuclear energy as the country's new engine of growth.

Experts noted the economic effect of nuclear energy exports is enormous, explaining winning a contract to build two nuclear reactors in a foreign nation has the same economic effect of exporting 320,000 automobiles.

Korea can also reap more earnings as the nuclear power plants projects require infrastructure building in areas of construction, as well as banking and mechanical design, they added.

Analysts said the country's nuclear energy industry is considered one of the world's most competitive ones.

The local nuclear energy industry provides nearly 40 percent of the nation's electricity.

The global competitiveness of Korea's nuclear energy technology was recognized last December when a Korea Electric Power Corporation-led consortium won a bid to build 1,400-megawatt nuclear reactors in the UAE over its French rival.

The \$40 billion deal marked the largest overseas project that Seoul had won so far.

Korea is working closely with India on the peaceful use of nuclear energy. A government official told The Korea Times that the two countries will sign an agreement in the near future.

If the accord is signed, local firms can access the Indian nuclear market which could exceed \$150 billion in the coming years. India plans to build 12 nuclear reactors by 2020.

Korea is also seeking to win a contract in Turkey to build a pair of nuclear power plants near the Black Sea. It has agreed to conduct a basic survey for the project there.

This week, the Japanese government and Toshiba Corp. reportedly expressed their interest in taking part in the Turkish project.

Opposition party vows to review Korea-EU FTA

By Na Jeong-ju

The main opposition Democratic Party (DP) proposed the creation of a special National Assembly committee to review the country's free trade agreement (FTA) with the European Union, Thursday, saying the government failed to consult with lawmakers before signing the pact.

"There has been no public debate on the deal," DP floor leader Rep. Park Jie-won said during a party meeting.

"The Assembly needs to form a committee as soon as possible to examine the impact the FTA will have on local industries, as it did when the Korea-U.S. FTA was signed in 2007."

The proposal came one day after top trade negotiators from Korea and the EU signed the historic deal in Brussels with President Lee Myung-bak, EU President Herman Van Rompuy and European Commission President Jose Manuel Barroso in attendance.

Analysts say the deal, if implemented, will largely benefit electronics and automobile manufacturers here, but could deal a blow to dairy and agricultural industries.

Under the agreement, the EU will scrap 99 percent of tariffs within three years, while Korea will remove tariffs for 96 percent of industrial goods from 27 EU member nations.

Following the signing ceremony, Cheong Wa Dae said the deal will take effect on July 1 next year if it is ratified by the legislatures of both sides as scheduled. However, some experts warned that opposition parties here could dispute the agreement.

"The Korea-EU FTA came as a shock to the country's dairy and agricultural firms. They were very disappointed," Rep. Park said.

"The government needs to hold discussions with the Assembly to map out appropriate measures to protect them."

New foreign minister vows reform, stricter job performance assessment

New Minister of Foreign Affairs and Trade Kim Sung-hwan said Friday he would put top priority on strengthening merit-based recruitment and strict job performance assessments in an effort to repair the ministry's tarnished image due to a nepotism scandal.

The top diplomat also pledged to introduce the so-called "total diplomacy" approach to better handle the tough foreign policy environment facing the country, which he called "a middle power" state.

Analysts said Kim is faced with the daunting task of rebuilding the ministry's image and setting up an effective strategy to make sure the nation's interests are met.

In a speech to his staffers, Kim pledged to apply strict standards when assessing the job performance of senior diplomats so that only selectively-chosen people can be called upon to serve as ambassadors to foreign nations.

"I am planning to strengthen educational programs for diplomats to help them sharpen their skills. I will also implement strict guidelines in assessing job performance so that those who are falling behind can be eliminated," he said.

Kim indicated that he would remove discriminatory practices that had impeded equal opportunity in the recruitment and promotion of diplomats.

Under the new foreign policy approach, the new foreign minister noted that people from all sectors, including lawmakers, business leaders and civic group activists, should join hands to keep the national interest intact.

"I and my colleagues in the foreign ministry will fully support their activities," Kim said.

His remarks come as the United States, China and Japan _ all of which are critical to South Korea _ have become engaged in diplomatic spats.

Tensions between China and Japan over disputed waters show few signs of relenting even after Japan freed a Chinese ship's captain in September.

The United States and China hardened their stances over China's foreign exchange policy.

As a top diplomat, Kim is also responsible for making the upcoming G20 Seoul Summit next month run smoothly.

On his first day as foreign minister, he had "interactive talks" with his staffers, instead of reading through a lengthy manuscript prepared for him, in an attempt to listen to their frank opinions.

Since joining the foreign ministry in 1977 as an entry-level diplomat, Kim worked at the Korean Embassy in Russia, headed the North American bureau, and served as ambassador to Austria.

Prior to rejoining the foreign ministry as minister, he served as senior presidential secretary on security and foreign affairs for two years.

His areas of expertise include Russia and the United States.

China's Hu Says Will Boost Ties With New North Korean Leaders, Xinhua Says

By Wenxin Fan - Sat Oct 02 08:12:25 GMT 2010

Chinese President Hu Jintao said China will work with North Korea's new leadership to expand cooperation in all areas, Xinhua News Agency reported.

Hu told a visiting North Korean delegation to Beijing today that China will cooperate with the leadership to enhance communication and coordination in regional and international affairs, Xinhua reported.

The trip by the delegation, led by Choe Thae Bok, member of the political bureau and secretariat of the ruling Workers' Party of Korea's Central Committee, comes after North Korean leader Kim Jong Il installed new leaders earlier this week.

Defense Secretary Gates Anticipates Kim Jong Il's Son Will Be New Leader

By Tony Capaccio - ri Oct 08 16:38:19 GMT 2010

The U.S. has expected that Kim Jong Il's son will eventually succeed him as the leader of North Korea, Defense Secretary Robert Gates said today.

North Korea officials have confirmed for the first time that Kim Jong Un, is his father's heir apparent, the Associated Press Television News reported, citing an interview with Politburo member Yang Hyong Sop.

Kim Jong Un, who South Korean officials say is in his late 20s, was elected to the ruling party's No. 2 military post at a meeting on Sept. 28. His appointment, a day after he was made a four-star general, was an indication his father planned to extend his family's rule, which began with North Korea's founder, Kim Il Sung.

"We've been seeing signs for quite a long time that the succession was moving in this direction," Gates said at a joint press conference with South Korean Minister of National Defense Kim Tae-young at the Pentagon. The minister is participating in annual defense talks.

"There clearly were some steps taken at the party meeting, in terms of new appointments for him," said Gates, referring to the younger Kim. "I'm not aware there has been any further formal indication that he will be the successor but, frankly, that's the assumption we are all working under -- that he will in fact take on that leadership role," Gates said.

Kepeco, Turkey Are in Final Stage of Talks on Construction of Nuclear Plant

By Shinhye Kang - Thu Oct 07 04:18:11 GMT 2010

Korea Electric Power Corp., which won an \$18.6 billion atomic reactor order from the United Arab Emirates in December, is in the final stage of talks with Turkey for the construction of a nuclear power station.

A consortium led by Korea Electric will invest in the project, Chief Executive Officer Kim Ssang Su told lawmakers today in Seoul.

The Turkish government may take a stake of 60 percent in the company that will build the country's second nuclear power station, Sabah newspaper reported on Oct. 4, without saying how it got the information.

Korea Electric is proposing to take the remaining share and will raise 70 percent of the estimated \$20 billion cost through loans, the Istanbul-based newspaper reported.

Korea Electric is also seeking to build nuclear power plants in India and Malaysia and considers South Africa, Thailand, Kuwait and Saudi Arabia as potential markets, the Seoul-based company said in a report to lawmakers today.

State-run Korea Electric beat General Electric Co. and Areva SA to win an order to build four reactors in the U.A.E. The company signed an agreement in March with the Turkish government to study construction of a plant in Sinop, northeast of Ankara.

North Korea Official Confirms Kim Jong Un Succession as Leader, APTN Says

By Bomi Lim - Fri Oct 08 10:20:39 GMT 2010

North Korea confirmed for the first time that Kim Jong Il's son will succeed him as the country's leader, the Associated Press Television News reported, citing an interview with Politburo member Yang Hyong Sop.

Kim Jong Un, who South Korean officials say is in his late 20s, was elected to the ruling party's No. 2 military post at a meeting on Sept. 28. His appointment, a day after he was made a four-star general, was the first indication that his father planned to extend his family's rule, which began with North Korea's founder, Kim Il Sung.

"Our people are honored to be led by the great President Kim Il Sung and the great general Kim Jong Il," Yang said in the interview today in Pyongyang. "Now we also have the honor of being led by General Kim Jong Un."

Yang, 85, is vice president of North Korea's Supreme People's Assembly and one of 17 permanent members of the Politburo. He was one of several octogenarians retained by Kim Jong Il in what analysts said was an attempt to safeguard the succession.

"Our people take pride in the fact that they are blessed with great leaders from generation to generation," Yang told APTN. "What I can tell you is that the great general Kim Jong Il and general Kim Jong Un will lead us to victory with their wise guidance."

South Korea Plans to Lend \$10 Billion for U.A.E. Nuclear Plants

By Ayesha Daya - Thu Oct 07 06:53:02 GMT 2010

South Korea expects to lend about \$10 billion for the United Arab Emirates' first nuclear plants, more than doubling pledges it has already made this year to finance construction projects in the Middle East.

The Export-Import Bank of Korea expects to lend most of the money that Korea Electric Power Corp. and contractors will need to borrow to build four 1,400-megawatt atomic power stations in the U.A.E., said the bank's chief representative in Dubai.

The state-owned bank, known also as Kexim, provides credit for Korean companies overseas and has already committed this year to lend \$9.4 billion for energy projects and other infrastructure work in the Middle East. Loans for the construction in Saudi Arabia of the Yanbu oil refinery and two power plants may be among its next big deals.

"The U.A.E. nuclear project will be the bank's first for such a huge amount," Heung-Sik Min said in a Sept. 30 interview. "Once they have chosen the financial advisers, they can outline the financing." Korea Electric has so far selected one adviser, Credit Suisse Group AG.

South Korea is Asia's fourth-largest oil importer, and a doubling of credit commitments by the government would mirror the push Korean construction companies have been making in the energy-rich Middle East. Korean builders may win record overseas orders this year of more than \$60 billion, thanks largely to a growing demand in the region for power plants and refineries, South Korea's Ministry of Knowledge Economy said on Oct. 3.

Doubling of Deals

Korean companies signed \$50.7 billion in international contracts during the first nine months of this year, more than twice the value of deals done in the same period of 2009, the ministry said. Of this year's total, 72 percent has come from the Middle East.

Korean builders have adopted "a strategy to go international because there is lots of competition domestically," said Kwang-Soo Lee, an equities analyst at Hanwha Securities in Seoul.

Middle Eastern projects account for more than 20 percent of Kexim's outstanding loans, up from 18 percent in each of the past two years. The bank is now preparing financing for at least nine additional projects in the U.A.E., Saudi Arabia and the Arabian Peninsula country of Oman. Among them is the 400,000 barrel-a-day Yanbu refinery, for which Daelim Industrial Co. and SK Engineering & Construction Co. secured contracts this year.

Beating GE, Areva

Korea Electric, the country's biggest electricity provider, beat General Electric Co. and Areva SA of France for rights to build the U.A.E.'s first nuclear reactors. The plants, scheduled for construction in the emirate of Abu Dhabi between 2017 and 2020, are budgeted to cost \$18.6 billion.

The power company is in the final stage of talks with Turkey for the construction of a nuclear power station, Chief Executive Officer Kim Ssang Su told lawmakers today in Seoul. It is also seeking to build plants in India and Malaysia, and is seeking to win an order for a 314-megawatt gas-fired power plant in the U.A.E., it said in a report to lawmakers.

The U.A.E.'s nuclear ambitions are part of a broader trend in the Persian Gulf, where several governments are looking for ways to satisfy a soaring demand for electricity. Kuwait plans to build four reactors by 2022, and Saudi Arabia is planning its first nuclear and renewable energy city. Iran opened its first nuclear plant in August and expects it to begin generating power in December.

International Project

The U.A.E. deal is Korea Electric's first international nuclear project. The company has sub-contracted the work to Hyundai Engineering & Construction Co., Samsung C&T Corp., and Doosan Heavy Industries & Construction Co.

Areva Chief Executive Anne Lauvergeon said in January that her company lost the nuclear bid because Abu Dhabi chose a cheaper solution with reduced safety standards.

Korean Electric's Kim said in a statement after winning the order that the reactors to be delivered to the U.A.E. are the "world's safest, most reliable and cost-efficient nuclear power plants." Emirates Nuclear Energy Corp. Chief Executive Officer Mohammed al-Hammadi said in the same statement that the team was picked in part for its "world-class safety performance."

The main challenge for Korea Electric may be its lack of a track record for building nuclear plants outside its homeland.

'Small Margin'

Korea Electric and others have "a high level of technology and are very competitive, but they don't have much experience abroad," said In-Kyu Cho, deputy director at Kexim's Dubai office.

The nuclear contract gives Korean exporters only a “small margin, but there will be many more opportunities in the future if they do a successful job in the U.A.E.,” he said.

The U.A.E. is also tendering several railway projects this year, including a mass-transit metro system for Abu Dhabi. Hyundai Rotem Co., the railroad unit of South Korea’s biggest automaker Hyundai Motor Co., is evaluating the metro project and awaiting bid details, a Hyundai Rotem spokesman said on Oct. 4.

“This is the period of Korean contractors,” said Wayne Lee, an analyst at Woori Investment & Securities Co. in Seoul. “If you look at the history of engineering and construction contractors, the U.S. and Europe dominated 20 years ago, then Japan followed, but from 2000 the Koreans have caught up.”

U.S. Senior Officials to Visit Seoul to Discuss North Korea, Yonhap Says

By Jun Yang - Sat Oct 02 05:16:57 GMT 2010

Kurt Campbell, the U.S. assistant secretary of state for East Asia, will visit South Korea Oct. 7 to discuss North Korea, Yonhap reported today, citing South Korea’s foreign ministry.

Leon Panetta, director of the U.S. Central Intelligence Agency, will visit Seoul this weekend to meet with President Lee Myung Bak and share information about North Korea, the report said, without saying where it got the information.

Economic Front

Indian Farmers Fight Billionaire Mittal, Posco for Water Rights

By Abhishek Shanker - Mon Oct 04 15:01:00 GMT 2010

ArcelorMittal and Posco are leading \$80 billion in planned spending in India that would vault the country ahead of Japan as the second-biggest steelmaker. Standing in the way are farmers and their water supply.

The farmers refuse to move from irrigated land in three states that hold more than half of India’s reserves of iron ore, a key material to make steel. That’s stymied Prime Minister Manmohan Singh’s ambitions to more than triple India’s steel capacity to 232 million metric tons.

“We’re not going to allow the government to take the land and water and give them to Posco,” said Prasanth Paikare, a spokesman for opposition group Posco Prathirodh Sangram Samiti that says it represents 25,000 farmers. “The government has promised us land at a new location but there is no good land available in the state now and there won’t be enough water for agriculture,” he said in Bhubaneswar, the capital of Orissa state.

The farmers' concern about water for crops has delayed plans by ArcelorMittal, Posco and at least five rivals to benefit from a steel market that has expanded more than 55 percent since 2005 as Indian imports of the metal tripled in the same period. Posco's proposal to build a \$12 billion steel plant in Orissa has stalled for five years as the South Korean company failed to persuade farmers to move.

"Repeated delays have left investors concerned about whether Posco can make it," said Im Jeong Jae, who helps manage \$26.3 billion of assets, including shares of the world's third-biggest steelmaker, at Shinhan BNP Paribas Asset Management Co. "India is very important because it has the best growth potential after China for steel demand and Posco can also source iron ore and raw materials there."

Lagging Behind

The latest hurdle is an environment ministry report due this month on the impact of the Posco project. Chief Executive Officer Chung Joon Yang has since announced investment plans in Indonesia and Vietnam, as it lagged behind Chinese steelmaker Baosteel Group Corp.

The 160 million tons of steel capacity planned in India would consume 640 billion gallons of water a year, based on average consumption of U.S. steel mills in a U.S. Department of Energy paper. That's enough to provide enough water for drinking and cooking for 133 million people in India for a year, according to figures from the government.

That level of water consumption would yield 1 million tons of rice a year, which at today's price of \$299 a ton would fetch 0.3 percent of the value of the steel produced and be enough to feed 9 million people in India for a year, based on the United Nations Food and Agriculture Organization consumption estimates.

Land and Water

"Posco wants our land, it wants our water," said Makar Kandi, 75, who sustains a family of eight from a one-acre plot on which he grows betel leaves in Orissa's Dinkia village. "Agriculture is our only means. We'll have no livelihood."

India increased annual steel output by 34 million tons since 2005, compared with 219 million tons by China, the biggest-producing nation.

A ton of hot-rolled coil, a benchmark steel product, sells for about \$685, compared with \$299 a ton for a common variety of rice in India.

ArcelorMittal, the world's largest steelmaker, faces delays for a \$10 billion mill in Orissa and in Jharkhand state. Projects by Tata Steel Ltd., India's biggest maker of the metal, are faring no better in the two states and in Chhattisgarh.

Iron Ore Attraction

According to an agreement with Jharkhand, Luxembourg- based ArcelorMittal would have access to 20 million tons of iron ore annually for 30 years. That's enough to raise its self-sufficiency in the raw material by 33 percent. Iron ore prices have gained in two out of three quarters this year.

“Securing iron ore assets has become very important for the steel companies as prices both in the contractual as well as spot markets have been very volatile,” Elora Sahoo, an analyst at Dhanlaxmi Bank Ltd., said in Mumbai. “Having their own iron ore assets will help companies hedge against market price movements and control the cost of production.”

ArcelorMittal is now seeking to secure land at a new location in Jharkhand, said spokeswoman Mandakini Sud. There has been “good” progress in convincing locals, mostly people engaged in non-agricultural activities, to give up land, she said.

“With over 60 percent of India’s population dependent on the monsoons for livelihood, there’s population concentration and serious competition in areas with water,” Rahul Jain, an analyst at RBS Equities India Ltd. said in Mumbai.

Less Rainfall

What’s making the case worse for Posco is the declining rainfall in the Jagatsinghpur district where it’s planning its mill. Rain during the June-September monsoon period, needed for agriculture, has fallen 26 percent from 2007 to 2009, according to data from the country’s weather department.

That forced farmers to compete with manufacturers including Vedanta Resources Plc and Hindalco Industries Ltd. for water from the Mahanadi river. Posco plans to secure water through pipes from the Jobra dam on the river.

“Opposition to the project is unfounded,” Posco India Ltd. General Manager Simanta Mohanty said. “We will not use local water. There’s enough water available from Jobra.”

The steelmakers in June begun exploring sites in the southern state of Karnataka, which has the country’s second- biggest iron ore deposit. The catch? Lack of water.

“The state has decided to acquire dry and barren land, which gives little or no returns to the farmers,” said V.P. Baligar, industry secretary of Karnataka state. “On such land, water is an issue and we are trying to address it.”

General Electric Signs \$700 Million in Contracts for New Saudi Power Plant

General Electric Co. signed agreements to supply gas turbines and services valued at \$700 million for a new Saudi Arabian power plant as well as a broad wastewater treatment accord for the country.

GE, whose equipment generates one-third of the world's electricity, will supply seven 7FA-model natural-gas turbines as well as service and parts over 20 years for the Riyadh PP11 at Dhuruma, about 80 kilometers (50 miles) west of the Saudi capital of Riyadh, the company said in a statement today. Shipments start next year for operation in mid-2012.

Chief Executive Officer Jeffrey Immelt is tapping faster-growing emerging-market regions like the Middle East, where energy products and service agreements have totaled \$11 billion in the past two years. Saudi demand for electricity is rising 8 percent a year, according to Saudi Electricity Co., and GE equipment generates 20,000 megawatts there.

Dhuruma Electricity Co. was formed by Saudi Electricity and a consortium of GDF Suez of France, Aljomaiah Group of Saudi Arabia and Sojitz Corp. of Japan. Hyundai Heavy Industries Co. of South Korea is overseeing plant design and construction.

GE also signed an agreement with Miahona, a unit of the Arabian Company for Water and Power Development Ltd., for sustaining a reliable water supply and treating wastewater, a market the company estimates will reach \$3.4 billion in the seven years ending in 2016.

GE Energy is based in Atlanta and is the world's biggest provider of power-generation equipment. It accounted for \$37 billion of the parent company's \$156.8 billion in sales last year.

EU, South Korea Sign Free-Trade Pact; Bloc Seeks Malaysia Deal

By Jonathan Stearns and William Sim - Wed Oct 06 08:50:50 GMT 2010

The European Union and South Korea signed a free-trade agreement due to take effect next July, expanding their roughly 70 billion-euro (\$97 billion) commercial relationship.

The signature today in Brussels of the accord, which will make 99 percent of EU-South Korea commerce duty-free within five years, comes a day after the 27-nation bloc started talks with Malaysia on a free-trade deal. The EU-Korea accord is the second-biggest such pact ever, eclipsed only by the \$1 trillion North American Free Trade Agreement among the U.S., Canada and Mexico that began in 1994.

Companies that may benefit include pharmaceutical producers such as London-based GlaxoSmithKline Plc, chemical makers including BASF SE, based in Ludwigshafen, Germany, and consumer-electronics manufacturers like Amsterdam-based Royal Philips Electronics NV, as well as farm exporters. Shipping and the financial- and legal-services industries also stand to gain.

European carmakers opposed the agreement, saying it will give an unfair edge to companies such as Hyundai Motor Co. and Kia Motors Corp. because of a disparity in auto trade. The EU imported about 450,000 Korean cars into its market of 15 million in 2008 while exporting 33,000 autos to Korea, where 1 million new cars are sold annually.

The accord will eliminate Korean import duties worth 1.6 billion euros annually and European levies of 1.1 billion euros, according to the EU. The pact could increase Korea's gross domestic product by as much as 5.6 percentage points over 10 years and create as many as 253,000 jobs in Asia's fourth-largest economy, according to a joint report by the country's state research institutes.

A U.S.-Korea free-trade agreement from 2007 is on hold while the administration of President Barack Obama seeks to tackle an alleged imbalance in car trade.

Korea Feed Association Said to Buy 218,000 Tons Corn for Livestock Output

By Sungwoo Park - Tue Oct 05 10:42:47 GMT 2010

The Korea Feed Association, South Korea's biggest grain-buying group, bought 218,000 metric tons of corn for arrival between January and March, according to three industry executives who took part in the bidding today. They asked not to be identified because the results are confidential.

South Korea's Lee Says Currency Issue to be Discussed at G-20

By Bomi Lim - October 7, 2010 00:59 EDT

Oct. 7 (Bloomberg) -- South Korean President Lee Myung Bak said leaders of the Group of 20 nations will need to discuss how to address currency issues when they meet in Seoul in November. Lee's comments were released in a statement by the presidential office.

BNP Leaps Atop Korea Foreign-Currency Bond Rank With Franc Debt

By Jungmin Hong - Wed Oct 06 08:38:01 GMT 2010

BNP Paribas SA leapt eight places to become the top arranger of foreign-currency bond sales in South Korea for the first time as it harnessed borrowers' eagerness to diversify from dollars into yen and Swiss francs.

BNP Paribas almost doubled its market share to 10.1 percent so far this year from 5.5 percent in the same period of 2009 after managing \$1.71 billion of transactions, according to data compiled by Bloomberg. It leads Citigroup Inc. for the first time in at least a decade and Deutsche Bank AG for the first time since 2005 with sales including Hyundai Capital Services Inc.'s 200 million Swiss franc (\$205 million) offering of four-year notes, the data show.

"We've been benefitting from the fact there's been a move away from the U.S. dollar, which has traditionally been a strength of Wall Street," said Henri Foch, the Paris-based lender's head of Asia-Pacific fixed income. "Diversification movement toward European currencies like the Swiss franc and Asian currencies such as the yen has been helping us."

Dollar bond sales by South Korean borrowers plunged to \$12.8 billion this year from \$21.5 billion, shrinking the greenback's share of foreign-currency issuance to 76 percent from 90 percent, Bloomberg data show. Yen offerings rose to the equivalent of \$1.3 billion from \$324 million as benchmark five- year Japanese government bonds yielded an average 99 basis points less than U.S. Treasuries, while franc sales jumped 71 percent on an average 40 basis-point gap in sovereign yields.

Relative Yields

The extra yield investors demand to own Japanese corporate bonds instead of government debt fell to 30 basis points from 38 basis points this year, according to Nomura Securities Co. index data.

“Non-dollar funding markets are improving after lagging behind, with credit spreads tightening and government bond yields falling,” said Yum Sang Hoon, a fixed-income analyst at SK Securities Co. in Seoul. “Borrowers are getting an opportunity to fund at a lower cost than they would by selling dollar bonds.”

Korea Development Bank raised 200 million Swiss francs from 1.75 percent notes maturing in Oct. 2014 in an August transaction arranged by BNP Paribas' Swiss unit and Credit Suisse Group AG. The notes' spread has since narrowed to 130 basis points from 140, according to Zuercher Kantonalbank prices.

Diversification

State-owned Korea Development raised \$900 million from 3.25 percent, 5.5-year notes last month priced at a 185 basis-point spread, Bloomberg data show.

BNP Paribas has helped Korean borrowers arrange 550 million Swiss francs of bonds this year, according to Bloomberg data. It also brought bonds to market in the U.S. currency, Japanese yen, Australian dollars and Brazilian reais.

Korea Gas Corp. on Sept. 23 paid a 2.25 percent coupon when it sold 100 million Swiss franc-denominated bonds due to mature in October 2015, according to data compiled by Bloomberg. Korea Electric Power Corp., which like Korea Gas has the sixth-highest investment grade rating of A by Standard & Poor's, on Sept. 27 paid a 3 percent coupon when it sold \$700 million of similar- maturity notes, the data shows.

“Companies are trying to diversify the investor pool and markets they borrow from in the wake of the financial crisis to avoid another squeeze,” said Choi Seok Won, head of fixed- income research at Samsung Securities Co. Ltd. in Seoul “Borrowers in need of dollars can lower their total funding costs in some non-dollar markets even after swapping the proceeds into dollars.”

Ex-Im Bank

The implied volatility on one-month dollar-won options surged to 33.25 on May 25, the highest since April 3, 2009, before declining to 12.96 yesterday, according to Bloomberg data.

Export-Import Bank of Korea, the nation's largest issuer of non-dollar foreign currency bonds this year, sold notes denominated in currencies including the ringgit, baht and Singapore dollar as well as the greenback.

"We're seeking to tap diversified markets and investors while many South Korean issuers are still actively selling dollar bonds," said Yoon Hee-Sung, a director of Kexim's international finance department.

"Non-dollar markets will continue to grow on diversification and borrowing costs," said Frank Kwong, BNP Paribas' head of Asia syndicate in Hong Kong. "Asian markets like Chinese yuan, Malaysian ringgit and Thai baht, as well as Latin American markets including the Brazilian real and Colombian peso, are also likely to grow."

BNP Paribas boosted its Asia debt capital markets team to 18 from 10 this year, with two of the hires in Seoul, and may add another five to 10 people next year, according to Hong Kong-based Foch.

"BNP Paribas added staff for the South Korean business late last year and early this year, which has paid off," Louis Shin, a credit analyst at Woori Investment & Securities Co., said.

Woori Bank, Industrial Bank to Provide Finance for Iran Trade, Korea Says

By Shinye Kang - Fri Oct 08 06:33:49 GMT 2010

South Korea appointed Woori Bank and Industrial Bank of Korea to finance trade agreements with Iran from Oct. 1, the finance ministry said in an e-mailed statement today.

South Korea to Cut Tariffs on Some Vegetables, Necessities to Cool Prices

By William Sim - Tue Oct 05 01:00:00 GMT 2010

South Korea will cut tariffs on some vegetables and necessities this year to help stabilize local consumer prices that rose the most in 17 months in September.

The government will reduce to zero tariffs on napa cabbages and radishes, the main ingredients of Kimchi, from around Oct. 14 until the end of this year, the Finance Ministry said in a statement today. It will also apply a lower tax on more garlic imports than it does currently.

Inflation accelerated to 3.6 percent last month, the fastest pace since March 2009, bolstering the case for the central bank to raise borrowing costs further. The Bank of Korea joined counterparts from Australia to New Zealand last month in keeping interest rates unchanged to assess the strength of the global economic recovery, after raising them earlier.

The country will also reduce tariffs on tires, detergents, multivitamins, hair and bath products, toilet soaps, cosmetics and perfumes, according to the statement.

The Bank of Korea aims to keep inflation at between 2 percent and 4 percent on average through 2012. It left the benchmark interest 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.

SK Energy Rises in Seoul After Discovering Oil in Vietnam Offshore Field

By Saeromi Shin and Shinhye Kang - Mon Oct 04 02:12:14 GMT 2010

SK Energy Co. rose the most in more than three weeks in Seoul trading after discovering oil in a field off the coast of Vietnam.

South Korea's largest refiner gained 4.5 percent to 150,500 won as of 11:00 a.m. on the Korea Exchange, headed for the biggest advance since Sept. 10. The benchmark Kосpi index added 0.5 percent.

"Investors are responding to the discovery news," said Park Dae Yong, a Seoul-based analyst at Hyundai Securities Co. "It's still at the exploration stage. Exact reserves need to be seen though."

A group of companies that SK Energy is a part of found oil at the second well of the 15-1/05 block, the Seoul-based refiner said in a statement yesterday. SK Energy bought a 25 percent stake in the project in 2007. Total SA owns 35 percent and PetroVietnam Exploration and Production Corp. the rest.

SK Energy, which is participating in 31 projects in 16 countries to secure 500 million barrels of oil, produces 60,000 barrels of crude a day, according to the company.

Samsung Electronics Third-Quarter Operating Profit Rises 14%

Samsung Profit Misses Estimates as Chip Prices Fall

Oct. 7 (Bloomberg) -- Samsung Electronics Co., Asia's biggest maker of semiconductors, reported a 14 percent increase in third-quarter operating profit to 4.8 trillion won.

The average of 11 analysts' estimates compiled by Bloomberg was for earnings of 5.03 trillion won.

Social Front

Suicide numbers rise in 2009

Korea's suicides rose for a third year in 2009, becoming the country's fourth leading cause of death after cancer, cerebral disease and heart-related illnesses, a government report showed Sunday.

The report, submitted by the Ministry of Health and Welfare to lawmakers ahead of this week's parliamentary audit, showed suicides accounting for 31 deaths out of every 100,000 people living in the country.

Suicide has been on the rise in the country, reaching 26.1 deaths per 100,000 people in 2005. It fell to 23 deaths per year in 2006, but started to rise again from the following year to reach 26 deaths per 100,000 people in 2008.

According to the report, cancer, which had been the single largest killer of people since 2002, accounted for 140.5 deaths out of 100,000 people counted last year.

Cerebral and heart disease killed 52 people and 45 people per year, respectively, with diabetes ranking fifth by causing 19.6 deaths during the year for every 100,000 people.

The report, meanwhile, showed heart-related deaths increasing in 2009 compared to the year before, while deaths caused by cerebral disease and diabetes going down.

Up to \$7,000 paid for secret S-N reunions

South Korea has been financially supporting secret reunions in third countries, a unification official said Friday.

“The Unification Ministry offers privately arranged reunions for up to 4 million won (\$3,500) and provides an additional half million won to help the reunited families keep in contact,” Lee Sang-ho, an official of the Separated Families and Humanitarian Cooperation Division at the Unification Ministry, told The Korea Times.

Of the 4 million won, one million won covers the cost to locate displaced family members in the North and the remaining three million won is spent on travel expenses and payments to brokers in arranging the clandestine family reunions.

The government pays twice the amount to low income earners, family members of prisoners of war or those kidnapped by the North.

Despite the subsidies, which have been available since 2000, the number of applicants has significantly decreased, partly due to heightened military tensions in the Korean Peninsula after the Lee Myung-bak administration took office in early 2008.

The number of recipients of the fund has dropped to 25 last year from 136 in 2005, according to an analysis of data Rep. Hong Jung-wook of the governing Grand National Party (GNP) obtained from the Unification Ministry.

The 40-year-old lawmaker agrees that the decline in the private reunions is linked to higher brokerage fees reflecting the current inter-Korean situation.

Nearly all private reunions take place outside the communist North, without receiving approval from Pyongyang, and the average brokerage fee nowadays is twice or more than the government subsidies, according to sources.

“It costs roughly 2 million won to bribe North Korean border guards and related officials so they overlook a North Korean crossing the border into China, but five times more if the person is a prisoner of war or is on the government watch list,” a head of a North Korean aide group headquartered in Seoul said.

He asked not to be named as he fears possible abduction or his organization may be prevented from entering the North for humanitarian assistance or cultural performances.

“Some South Koreans have gone missing while arranging secret reunions,” the official said, adding that he has arranged more than 100 reunions since 1992.

The government has been supportive of the secret reunions because of difficulties in arranging formal reunions. Also more than 90 percent of the displaced family members are aged 60 or older.

Of the 128,129 people who have applied for formal reunions with their families in the North, more than 44,444 have died as of Aug. 31.

Since 1985 only 1,780 of the applicants have been able to meet their families through official family reunions, which usually cost 100,000 won or less.

The Unification Ministry estimates that there are some 700,000 people who have family members left in the North, an official said.

Int'l anti-corruption symposium begins

Korea's state-run corruption watchdog will hold a two-day international conference starting today to discuss the achievements and failures of past anti-corruption talks and the future role of advanced nations in fighting corruption ahead of the G20 Seoul Summit slated for Nov. 11 and 12.

The Anti-Corruption and Civil Rights Commission (ACRC) will bring together some 200 anti-corruption practitioners and international experts, including Patrick Moulette, head of the OECD

Anti-Corruption Division, to attend the “Symposium on Strengthening Global Leadership and Cooperation against Corruption.”

The symposium aims to ensure the effective implementation of anti-corruption policies in countries around the world, as well as raise awareness of the importance of adopting strong and effective anti-corruption measures in the “G20 Seoul Statement.”

At the last G20 Summit in Toronto in June this year, the G20 leaders agreed to establish a working group to make comprehensive recommendations for consideration by “Leaders in Korea on how the G-20 could continue to make practical and valuable contributions to international efforts to combat corruption.”

On the first day, following a keynote speech by Special Affairs Minister Lee Jae-oh, Giovanni Gallo, a corruption crime expert at the U.N. Office of Drugs and Crime, will deliver a lecture on the achievements of major anti-corruption rounds.

Kevin Davis, professor at the New York University School of Law, will then address the limits of existing anti-corruption rounds, and Moch Jasin, vice chairman of the Corruption Eradication Commission in Indonesia will introduce his country’s achievements and the challenges of the anti-corruption policy.

Other panelists include Yu Xiancheng, director general on Corruption Prevention at the Ministry of Supervision in China, and Paul Lachal Roberts, adviser to the director-general at European Anti-Fraud Office, who will shed light on the role of leading countries in anti-corruption efforts.

The second day will focus on issues concerning anti-corruption cooperation mechanisms between central and local governments.

It will also be an opportunity to meet Korea’s top anti-corruption experts and hear about Korea’s efforts in fighting corruption and its contribution to doing so in the international community.

The conference will take place at the Sheraton Walkerhill hotel in northeastern Seoul on Oct. 5 and the Alpensia Resort in PyeongChang, Gangwon Province on Oct. 6.

Japan's massacre of Korean laborers at Marshall Islands confirmed

As many as 100 Koreans, who were forcibly mobilized by Japan to build military facilities on the Marshall Islands, were indiscriminately killed in a rebellion that appears to have started after they were forced to eat human flesh, a government report said Tuesday.

A government committee, formed to investigate Japan's forced mobilization of Koreans during the 1910-1945 colonial era, said that the results of its three-year probe indicate that the laborers were served the flesh of their colleagues, disguised as "whale meat," after the Japanese forces ran out of food.

Koreans who survived the 1945 incident have given testimony of cannibalism, but the report is the first from the government supporting them.

According to the report, the incident began in February 1945 when the Koreans, taken to Mili Atoll to build an airstrip and other military facilities for Japanese troops, killed seven Japanese officials supervising them.

Records show there were about 800 to 1,000 forced Korean laborers on the islands, which served as the eastern defensive perimeter for the Japanese military forces in the Central Pacific during the war. After taking control of the Marshalls from Germany in 1914, the Japanese steadily increased their military presence there.

'Korea wants to share anti-corruption knowhow'

Special Affairs Minister Lee Jae-oh pledged to share the country's experiences in combating corruption with the international community, especially emerging economies, to help them undergo less trial and error at the Symposium on Strengthening Global Leadership and Cooperation against Corruption held in Seoul, Tuesday.

"I promise that Korea will continue to share knowhow and experiences that it acquired through its own mistakes and successes with the international community to help developing countries to focus on economic and social development," Lee said in his key note speech.

He said Korea will also ask advanced nations with high integrity to join hands in supporting the initiative.

"Korea will strive to become a ray of hope to other nations not only in the economy, but also in the field of anti-corruption," Lee said.

Citing a recent remark made by U.N. Secretary General Ban Ki-moon, he said more than \$1 trillion is stolen or lost every year due to corruption.

He added that corruption undermines democratic institutions, subverts the rule of law and emboldens terrorists and other criminals.

Lee noted that the poor and vulnerable suffer most due to corruption.

"The international community has been seeking to tackle corruption as its harmful consequences are transnational," he said.

The minister also pointed out that Korea will not join the ranks of advanced countries unless it becomes a fair and transparent society.

"It is true that a certain degree of corruption was tolerated in Korea during its industrialization process," he said.

“However, if the country does not eradicate corruption throughout society, further development will not be attained.”

Lee said Korea will only be able to leap toward becoming a first-class nation, when it becomes a role model of integrity in the international community.

“In order for Korea, the first nation to recover from the global economic crisis, to be truly an advanced, first-class nation, politics should be first clean. Then, officialdom should be clean,” he said.

“By doing so, it will naturally bring in transparency among corporations.”

He defined a fair society, a place where equal opportunities are given to individuals at the start and during the process and where they take full responsibility for the outcomes.

Minister Lee served as the head of the Anti-Corruption and Civil Rights Commission from Sept. 2009 through June this year.

He is known as one of the most trusted associates of President Lee Myung-bak.

Lee also served as secretary general of the governing Grand National Party in 2003, floor leader in 2006, and special presidential envoy to Russia in 2008.

He was appointed as special affairs minister in August.

Student rights ordinance declared

The education office in Gyeonggi Province announced Tuesday an ordinance to protect students’ basic human rights for the first time in the nation, banning physical punishment and lifting restrictions on students’ hairstyle and clothing.

Under the ruling, primary and secondary schools in the province will be banned from forcing students to take non-regular, supplementary classes at night.

Students will also not be forced to take part in religious classes or activities, and teachers’ random searches of students’ belongings will no longer be allowed.

“A new chapter has been opened for the nation’s education history with the proclamation of the students’ human rights ordinance,” said Kim Sang-gon, liberal superintendent of the Gyeonggi Provincial Office of Education. “We should scrap the prejudice that the protection of students’ rights will undermine teachers’ authority.”

Kim expressed hopes that the declaration of the ordinance will provide a momentum for the whole of society to reflect on the nation’s education problems and discuss ways to tackle them.

The proclamation came amid strong protest from most school principals who are concerned that the removal of corporal punishment and other steps to protect students' rights will leave teachers no tool to keep unruly students under control in classrooms.

Kim, 60, said the education office will instruct schools to revise their internal articles and rules in line with the new rules, effective from next year.

The move is likely to affect other educational offices led by liberal chiefs, such as Seoul education chief Kwak No-hyun, who are moving to protect students' rights and ban corporal punishment.

Smokers in public places face 100,000 won fine

The Seoul Metropolitan Council said Tuesday it plans to pass an ordinance this year to slap a fine of up to 100,000 won on those who smoke at bus stops and other public places legally designated as non-smoking areas.

Cho Kyu-young, chief of a welfare committee of the council, said that the city's plan to fine those who smoke at non-smoking zones has not been implemented due to a lack of legal grounds.

He said the law is needed to counter the increasing discomfort to non-smokers from the indirect smoke from cigarettes at public places.

"We are going to submit a bill containing details of the steps to reduce damage from second-hand smoke to an irregular session of the council that started today," Cho said.

The bill is expected to get approval by the end of the year, council officials said.

The council's move to institute the ordinance follows the National Assembly's passage of a revised bill on the promotion of people's health in April.

Among the public places designated as non-smoking areas are bus stops, urban parks, school zones, children's playgrounds and gas stations.

"If the ordinance is passed, it will be effective from next year. We will also draw details of follow-up rules to specify, for example, how far the non-smoking zone should extend from a nearby school," a council official said.

NK defectors in South expected to surpass 20,000

By Kim Young-jin

The number North Korean defectors living in South Korea is expected to exceed 20,000 by next month, the Ministry of Unification announced.

As of late August, a total of 19,569 North Korean defectors were living in the South, the ministry said. Each month an average of 200 defectors arrives to make a new life in the South, meaning the mark could be breached by as early as later this month.

Defections have been on the steady rise since the mid-1990s, when the North was hit by famine, and the number spiked in the 2000s.

Most defect by crossing the border with China, then escaping to a third country. China, a close ally of the communist North, repatriates defectors in spite of the harsh punishment they are said to receive upon their return.

Some 100,000 are said to be hiding in China, the ministry estimates.

Women take up the lion's share of the defections representing 77 percent between 2007 and 2009. In the 1990s, most defectors were single men.

Those in their 30s represented the largest number of defections at 32.5 percent. Twenty-something's followed at 27.4 percent, and then those in their 40s at 15.2 percent.

Over 65 percent of the defectors settle in the Seoul area. All defectors in the South are required to spend their first months at Hanawon, a government-run resettlement center in Anseong, Gyeonggi Province.

According to the ministry, over half of the defectors were unemployed before making their escape to the South.

TOPIK to have speaking section

Government plans to introduce Korean version of GRE in 2012

The government plans to add a speaking section to the Test of Proficiency in Korean (TOPIK) which currently consists of four parts — vocabulary and grammar, writing, listening and reading.

Foreign students have insisted that the state-run language test have a speaking section.

The Ministry of Education Science and Technology said it and the National Institute for International Education Development (NIIED) are considering developing a speaking test for TOPIK, though they have yet to come up with a detailed timeline.

In addition, the ministry also plans to create a Korean version of the GRE or TOEFL for foreign students seeking to study at Korean universities.

“As many foreign students are coming to Korea, there has been a growing call for a new test to screen applicants,” said an official of NIIED, the ministry's subordinate agency, dealing with foreign students and the test.

The new test, to be called ATOPIK will be introduced as early as 2012. The government plans to run a pilot test in the second half of next year.

Currently, the Korean proficiency test comes in two formats — the Standard Test of Proficiency in Korean (S-TOPIK), for Korean language learners, and the Test of Proficiency for Business in Korea (B-TOPIK) for jobseekers hoping to work in domestic and overseas Korean companies and public institutes.

TOPIK consists of 30 questions in the vocabulary and grammar part, 15 questions on writing, and 30 questions each for listening and reading. Depending on the average score and minimum marks in each section, test takers can obtain either grade 1 or 2 for beginner, grade 3 or 4 for intermediate and 5 to 6 for advanced levels.

In the meantime, the number of non-native Korean speakers applying to take the TOPIK tests have continued to rise over the past decade and topped 180,000 last year.

The test was first introduced in October, 1997 and test venues as well as the number of countries hosting the exams have steadily increased.

KTO wins TTG travel award

The Korea Tourism Organization (KTO), headed by Lee Charm, has been named the best “National Tourism Organization” in the 2010 TTG Travel Awards held in Centara Grand and Bangkok Conventions Center, Thursday.

The tour agency said the award is in recognition of its contribution to boosting Korea’s image as a travel destination with aggressive marketing in the Asia-Pacific region and other active tour promotion activities, citing TTG Asia Media.

Singapore-based TTG Asia Media hosts the annual TTG Travel Awards to recognize toptier airlines, hotels, tour agencies and other tourrelated enterprises and institutes. It is one of the most prestigious awards in the travel industry.

“We take pride in the award and also feel great responsibility. We will strengthen marketing to attract more tourists from Indonesia, Vietnam and other Southeast Asian nations,” the KTO said in a statement

Japan

Politico-Strategic Front:

Prosecutors' homes and offices searched

OSAKA (Kyodo) The Supreme Public Prosecutor's Office on Saturday began searching the homes and offices of two senior prosecutors suspected of covering up an alleged act of evidence-tampering by a subordinate who was leading a recent postal abuse investigation.

Hiromichi Otsubo, 57, and Motoaki Saga, 49, were arrested Friday in connection with evidence-tampering allegations against Tsunehiko Maeda, 43.

Otsubo was deputy chief prosecutor at the Kyoto District Public Prosecutor's Office and Saga was head of an investigative department at the Kobe District Public Prosecutor's Office. Both men have been relieved of their posts.

According to sources close to the prosecutors, Saga wrote a memo in a notebook to create a record of a fake interview with Maeda. The memo says Maeda told Saga he didn't realize the data of a floppy disk file had been overwritten because he "could not hear mechanical sounds from the disk drive" of his computer, the sources said.

The Supreme Public Prosecutor's Office suspects Saga made up the memo to cover up Maeda's intentional tampering with the data.

Saga and Otsubo also ordered Maeda to write a detailed report on how the data was overwritten "by mistake," the sources said.

Maeda was arrested Sept. 21 on suspicion of tampering with a confiscated floppy disk to improve the chances of convicting a health ministry bureaucrat who was accused of taking part in the postal abuse scandal. The health bureaucrat was acquitted Sept. 10.

The case against the bureaucrat was handled by the Special Investigation Department of the Osaka District Public Prosecutor's Office. Otsubo was chief and Saga deputy chief of the department at the time. They are suspected of hindering the probe into Maeda, prosecution sources said earlier.

Maeda told investigators that he told his bosses he intentionally altered data on a floppy disk seized as evidence during a probe into a bogus organization suspected of abusing a mail discount system for handicapped people, the sources said earlier.

Otsubo and Saga are suspected of neglecting to correctly report Maeda's remark to the head and deputy head of the Osaka Prosecutor's Office, the sources said.

On Jan. 30, one of Maeda's colleagues told Saga the floppy disk might have been altered, prosecution sources said. Saga later telephoned Maeda to confirm he intentionally altered the data, and Maeda is believed to have admitted it, the sources said.

Medvedev may visit disputed isles

MOSCOW (Kyodo) It would be desirable for President Dmitry Medvedev to visit disputed Russian-held islands off Hokkaido as part of his trip to Japan, a source in the Russian presidential office said Friday, according to Interfax news agency.

Medvedev canceled his planned visit to the islands during his trip to the Russian Far East last week, but there is speculation that he will visit the islands when he attends an annual summit of the Asia-Pacific Economic Cooperation forum to be held in Yokohama.

If he goes ahead with the plan, Medvedev will become the first Russian leader to visit the islands.

Foreign Minister Seiji Maehara warned that a visit by Medvedev to the islands would seriously hurt bilateral ties.

But Russian Foreign Ministry spokesman Andrei Nesterenko countered that Moscow considered Tokyo's warning unacceptable.

Japan may buy U.S. drones

Spy planes sought amid regional rise in tensions

Kyodo News

The Defense Ministry is looking to buy three Global Hawk reconnaissance aircraft from the United States to deal with China's militarization and North Korea's nuclear and ballistic missile programs, Self-Defense Force and ministry sources said Sunday.

The ministry hopes to insert the plan for buying the unmanned high-altitude aircraft into its new Mid-Term Defense Program for fiscal 2011-2015. The program will be based on a new National Defense Program Outline the government is poised to adopt at the end of this year.

Equipped with sophisticated cameras and highly sensitive communications-receiving abilities, the Global Hawk can fly at an altitude of roughly 18,000 meters — about twice as high as commercial aircraft can — for just over 30 hours on autopilot.

The data it gathers can be sent almost simultaneously to command facilities on the ground. Its ability to fly at high altitudes also allows it to peer more deeply into the territory of such prickly adversaries as North Korea and China.

The plan is expected to get a boost from the diplomatic friction triggered last month when a Chinese trawler and Japan Coast Guard cutters bumped each other near disputed islands in the East China Sea, the sources said.

The Global Hawk costs about \$50 million (roughly ¥4.15 billion), including equipment, so the sum for three aircraft would come to more than ¥12 billion. The ministry estimates it would cost tens of billions of yen more to build ground facilities to control the drones, the sources said.

The ministry has been researching unmanned surveillance aircraft since fiscal 2003 and was even thinking of producing a Japan-made aircraft. Given the Global Hawk's advantages in performance and costs, however, the ministry is now looking to import them, the sources said.

The U.S. government has been sounding out Japan about acquisition possibilities through multiple channels, they said.

Together with its ability to fly longer than its manned counterparts, the Global Hawk is likely to boost Japan's ability to gather intelligence and monitor its neighbors. The ministry hopes to use the aircraft, which does not have offensive capability, to help defend remote islands and counter suspicious ships in or near Japanese waters. It is also looking at the possibility of using them as part of its missile defense shield, the sources said.

The ministry has yet to decide which section should be put in charge of unmanned reconnaissance aircraft, partly because officials are concerned that money will be cut from existing programs if the new program comes under their authority, they said.

The midterm defense buildup plan says, that from the standpoint of strengthening Japan's intelligence-gathering capabilities, the ministry will take "necessary measures after considering" acquiring unmanned reconnaissance aircraft.

If the ministry has trouble sorting out which section will be in charge, there is a possibility that any plans for unmanned reconnaissance aircraft will remain hazy in the new midterm defense buildup plan, the sources said.

Kan heads to ASEM with China in mind

Kyodo News

Prime Minister Naoto Kan headed off Sunday on a three-day trip to Brussels to attend the Asia-Europe Meeting, hoping to mend damaged ties with China and explain Tokyo's stance on the spat to other world leaders.

Kan will join the ASEM summit's working dinner session Monday evening to discuss economic issues, including ways to ensure sustainable growth and rebalance the global economy and banking rules.

Before the opening of the two-day summit, Kan is expected to hold talks Monday with several leaders, including South Korean President Lee Myung Bak, Japanese officials said.

Kan is expected to seek support in bilateral meetings for Tokyo's position in its row with Beijing over the arrest of a Chinese trawler captain who was accused of causing his boat to collide with Japan Coast Guard vessels early last month near the Senkaku Islands in the East China Sea. The uninhabited islets are controlled by Japan but also claimed by China and Taiwan.

Although no bilateral talks between Kan and Chinese Premier Wen Jiabao are set to be held on the sidelines of the ASEM summit, Kan is expected to explore the possibility of making brief contact with Wen in an attempt to calm bilateral tensions.

Kan plans to refer to the high seas incident in his speech at the summit as well as in his meetings with Lee and French President Nicolas Sarkozy.

Just before leaving for Brussels, Kan said he would brief world leaders about Japan's stance on the diplomatic row and said he had no talks scheduled with Wen.

"It is necessary to thoroughly explain the stance of our country," in bilateral talks with other leaders at the meeting, he told reporters.

'Bad neighbor' talk

SAITAMA (Kyodo) The recent dispute between Japan and China provided an opportunity for the people to think anew about how they should associate with the country's "bad neighbor," said Yukio Edano, deputy secretary general of the ruling Democratic Party of Japan.

In a Saturday speech in the city of Saitama, the DPJ exec said it would be "wrong" for Japan to expect the two countries can build "relations of trust" in light of Beijing's attitudes toward "the principle of the rule of law and human rights."

Edano was referring to China's retaliation over Japan's arrest of a Chinese trawler skipper last month near the Senkaku islets.

GSDF copter crash injures crewmen

OSAKA (Kyodo) A Ground Self-Defense Force helicopter crashed Sunday at the GSDF's Yao garrison in Yao, Osaka Prefecture, seriously injuring one of the four crew members, police said.

The other three were also hurt, but the injuries are not life-threatening, the GSDF said. The four — two pilots and two mechanics — were taken to a nearby hospital, a local fire station said.

The UH-1 helicopter belonged to the Middle Army Aviation Group. It was taking a test flight after a regular maintenance check and was hovering when it crashed, the GSDF said.

According to the police, there were no immediate reports of civilians being injured by the crash.

The GSDF is investigating the cause of the accident.

Ozawa's long career over, experts say

DPJ kingpin's exit will help Kan solidify power base

The political career of Democratic Party of Japan heavyweight Ichiro Ozawa, who has been at the center stage of politics for more than 20 years, was effectively crushed Monday when the Tokyo No. 5 Inquest Committee decided to indict him over falsified political funds reports, political observers said.

The indictment of the disgraced party don, however, could help solidify Prime Minister Naoto Kan's political base in the DPJ and improve his opinion poll ratings if he manages to force Ozawa out of the ruling party or weaken his clout within, they said.

"Ozawa is now a defendant in a criminal trial. His political career is effectively over," political commentator Hirotada Asakawa said.

Asakawa said Ozawa is likely to leave on his own or be forced by a DPJ-issued recommendation to leave in the near future.

Ozawa said in the runup to the Sept. 14 DPJ presidential race that he will neither leave nor resign as a Lower House lawmaker, even if indicted. But voices in the party are already urging him to do just that.

"He should voluntarily leave," said Seishu Makino, the DPJ's deputy chief of Diet affairs. "If he can't do that, the party is likely to issue a recommendation to leave the party or even expel him."

Asakawa said, Kan's Cabinet lacks the energy to protect Ozawa from the opposition's constant attacks.

"Kan's administration already has its hands full with Diet deliberations, such as the Senkaku issue and the economic stimulus package," he said. "It doesn't have the energy for anything else."

The public support rate for Kan's Cabinet has been damaged by his handling of the fishing boat spat with China in the East China Sea.

Many in the public blasted the administration for caving in to Chinese pressure to release the skipper, who had been arrested.

What normally happens when a DPJ member is prosecuted is that the lawmaker either voluntarily leaves the party or is issued a recommendation to do so.

Tomohiro Ishikawa, a former Ozawa secretary, resigned from the DPJ in February after he was arrested and indicted over his alleged mishandling of political funds.

If Ozawa's exit is inevitable, the next question for the DPJ is whether his followers will go with him.

Tomoaki Iwai, professor of political science at Nihon University, said that even though Ozawa has about 20 loyal followers, it is unlikely they will depart with Ozawa, let alone trigger a political realignment.

"He is 68 years old facing a long criminal trial," Iwai said. "Nobody is going to leave with him."

Although the prosecution of Ozawa may deal a blow to Kan's administration in the short term, it will allow Kan to secure his political base in the long run, Iwai said.

"It means a total defeat for the Ozawa group," he said. "If Kan had appointed many of Ozawa's close aides to his Cabinet, it would trigger criticism. But it only proved that Kan's decision to exclude Ozawa's supporters from his Cabinet was right."

Some pundits are concerned that taking a strong stance against Ozawa will only lead to more internal squabbling.

"If he is forced out of the party, it will only lead to a power struggle," said Fusao Ushiro, professor of politics at Nagoya University. "That would only cause confusion in a divided Diet."

Kan, Wen hold brief talks seeking thaw

Leaders agree during impromptu chat to improve ties

BRUSSELS (Kyodo) Prime Minister Naoto Kan said he and Chinese Premier Wen Jiabao agreed Monday to improve bilateral ties by holding high-level talks when appropriate.

It was their first meeting since the row broke out last month over an incident near the Senkaku Islands in the East China Sea.

Shortly before leaving Brussels for Tokyo, Kan told reporters he talked with Wen for about 25 minutes on the sidelines of the Asia-Europe Meeting in the Belgian capital.

The two leaders met in a corridor outside the conference venue after a working dinner, Kan said.

He said he told Wen that the Senkaku Islands are an integral part of Japanese territory, while the Chinese premier reiterated Beijing's position that the islets belong to China, where they are known as Diaoyu.

The Japanese-administered Senkakus are also claimed by Taiwan, where they are known as Tiaoyutai.

Kan told reporters that the two leaders agreed it is "not desirable" for bilateral ties to deteriorate and that private and government exchanges should resume.

They also shared the view that the two countries should once again aim at promoting a strategic, mutually beneficial relationship, Kan said.

The meeting could lead to a turnaround in bilateral ties ahead of the Asia-Pacific Economic Cooperation forum summit in Yokohama on Nov. 13 and 14.

Japan's ties with China have been strained since a Chinese fishing boat collided with Japan Coast Guard cutters near the disputed islets in early September.

Tokyo arrested the Chinese captain for allegedly intentionally ramming the coast guard ships, prompting China to take a flurry of retaliatory steps, including freezing ministerial-level exchanges and restricting Chinese exports of rare earth elements.

The face-to-face meeting between Kan and Wen came as a surprise, as a senior Japanese government official had denied there was contact between them during the first day of the biennial ASEM summit.

Kan said the encounter took place spontaneously as he and Wen happened to be walking in the same direction in a corridor of the conference venue.

On Monday, Kan separately met the leaders of Australia, France, South Korea and Vietnam to gain their understanding over Tokyo's handling of the dispute.

Kan told reporters he was able to convey to ASEM leaders that Japan acted properly during the diplomatic conflict.

While no bilateral talks between Kan and Wen were officially set to take place on the sidelines of the ASEM gathering, speculation was rife that the prime minister might try to make contact with Wen to calm the frayed tensions.

Kan was due to skip the whole second-day schedule of the ASEM summit due to a tight Diet schedule.

Prosecutor in jail interview vows straight talk

OSAKA (Kyodo) A senior prosecutor arrested for alleged involvement in evidence-tampering said during a rare interview at the Osaka Detention House that if he is indicted he will give a thorough explanation in court.

Detained suspects who deny guilt are usually only allowed to meet with their lawyers.

Motoaki Saga, 49, former deputy chief of the special investigation squad of the Osaka District Public Prosecutor's Office, was arrested Friday on suspicion of covering up destruction of evidence by a subordinate during an investigation into alleged abuse of postal discounts for disabled people.

His former supervisor, Hiromichi Otsubo, 57, was also arrested over the alleged tampering.

The case broke when Tsunehiko Maeda, 43, was arrested last month for allegedly altering data on a confiscated floppy disk to improve the chances of a guilty verdict against health ministry bureaucrat Atsuko Muraki, who was indicted and then cleared in the postal abuse scandal.

The Supreme Public Prosecutor's Office demanded that Saga and Otsubo only be allowed interviews with their lawyers, but the Osaka District Court ruled otherwise and let Saga meet with a reporter.

During the interview, Saga indicated he is resigned to being indicted, saying it is "unlikely" prosecutors will not bring charges against someone they have arrested. "I know it as I have done it," he said.

Asked if he will continue to maintain his innocence in court, Saga said, "I will explain what I know in a straightforward manner, although I have been questioned about what I don't know in one way or another."

He also said he will wait and see how his explanations are judged in court.

Saga said he is not denying guilt just to protect Otsubo, his former supervisor in the Osaka special investigation squad.

On being behind bars, Saga said: "I don't know what time it is as I don't have a watch here. I don't read newspapers, either."

The reporter applied for the interview and Saga accepted his request. The interview lasted about 10 minutes.

Saga was heading an investigative department at the Kobe District Public Prosecutor's Office and Otsubo was deputy chief prosecutor at the Kyoto District Public Prosecutor's Office before their arrests.

Cabinet approval rate falls to 47.6%

Ozawa, leniency over Senkaku draw disfavor

Kyodo News

Public support for Prime Minister Naoto Kan's Cabinet plunged to 47.6 percent in the latest Kyodo News poll released Wednesday, reflecting dissatisfaction with the handling of a territorial row with China and a money scandal involving ruling party kingpin Ichiro Ozawa.

The approval rating for the Cabinet fell 16.8 percentage points from 64.4 percent in the previous poll, conducted shortly after Kan reshuffled his Cabinet on Sept. 17, while its disapproval rating rose to 36.6 percent from the previous 21.2 percent.

In the latest survey conducted Tuesday and Wednesday, 54.3 percent of respondents answered that Ozawa, former chief and secretary general of the Democratic Party of Japan, should resign from the Diet after a citizens panel said Monday he should be indicted over accounting irregularities.

But more respondents — 63.8 percent — said the political heavyweight, who unsuccessfully challenged Kan in the DPJ's presidential election Sept. 14, should leave the party.

The vast majority — 86.4 percent — said they are not satisfied with Ozawa's denial of wrongdoing despite the indictment of three of his former aides over a land deal in Tokyo.

A total of 1,006 valid responses were obtained from 1,447 households randomly contacted by phone on Tuesday and Wednesday.

The survey also showed that 72.3 percent opposed the release of a Chinese trawler captain who had been detained after his ship collided with Japan Coast Guard patrol ships near the disputed Senkaku Islands in the East China Sea on Sept. 7.

Fully 82.0 percent answered that they are not satisfied with the government's claim that it did not influence the prosecutors' decision to free the skipper.

In announcing the release, the Naha District Public Prosecutor's Office said Sept. 24 that it reached the decision in consideration of future Japan-China relations.

Concerning Ozawa, 36.2 percent want him to keep his Diet seat, while 26.4 percent see no reason for him to leave the DPJ.

Kitazawa to visit Vietnam, see Gates

Kyodo News

Defense Minister Toshimi Kitazawa said Friday he will visit Hanoi for three days from Sunday, where he is scheduled to meet with officials of Vietnam and other countries, including U.S. Secretary of Defense Robert Gates.

During the meetings, Kitazawa is expected to discuss the "recent enhancement" of the Chinese navy's activities in the East China Sea and the South China Sea, where territorial disputes involving China have taken place.

Ties between Japan and China have dipped to their lowest point in years since a Chinese fishing boat and Japan Coast Guard cutters were involved in collisions near the disputed Senkaku Islands in the East China Sea.

Economic Front:

Recovery intact as deflation eases, joblessness falls

Deflation moderated and unemployment fell, indicating Japan's recovery remains intact as policymakers consider new stimulus measures to protect the economy from the strengthening yen.

Consumer prices excluding fresh food slid 1 percent in August from a year earlier after falling 1.1 percent in July, the government said Friday. The jobless rate fell to 5.1 percent from 5.2 percent, while the number of people no longer in the labor force increased, it said.

Friday's reports show little sign that the yen's climb to a 15-year high against the dollar has hurt the economy so far, a contrast with data Thursday showing industrial production unexpectedly slid. The Bank of Japan Policy Board meets next week to consider whether to expand a credit program and Prime Minister Naoto Kan is compiling stimulus to shore up growth.

"Employment lags behind the current state of the economy, so today's improvement in the jobless rate reflects the firmness in the economy in the first half of this year," said Mika Ikeda, an economist at Nomura Securities Co. Even so, "deflation still persists in Japan."

Underscoring the government's concern about the appreciating currency, Finance Minister Yoshihiko Noda reiterated that authorities are ready to keep intervening after selling yen last month for the first time in six years.

The stronger yen prompted Nintendo Co. earlier this week to cut its annual net profit forecast by 55 percent to ¥90 billion. Murata Manufacturing Co., an electronics components maker, will eliminate 3,000 temporary positions and increase production overseas as the yen's strength forces it to reduce costs, President Tsuneo Murata said this week.

The 1 percent decline in August's consumer price index, the 18th straight drop, matched the median estimate of 24 economists in a survey.

A stronger yen has lowered import costs and the nation's biggest retailers have cut prices, increasing deflationary pressure, economist Mari Iwashita said.

The BOJ will likely respond to the rising yen by expanding its ¥30 trillion lending facility on Tuesday, 14 of 17 economists surveyed by Bloomberg News said.

"Moves by retailers to take advantage of the yen's gain are spreading, putting renewed downward pressure on consumer prices," Iwashita, chief market economist at Nikko Cordial Securities, said before the report was released. "The pace of core prices declines have eased in recent months, but their drops may resume worsening."

Retailers including supermarket operator Daiei Inc. and Ryohin Keikaku Co., which operates Mujirushi Ryohin stores, have announced plans to cut prices.

The yen's strength has weighed on Japan's export-reliant economy, which expanded at less than half the pace in the April- June period compared with the previous quarter. Reports this week showed overseas shipments grew at the slowest pace this year in August, industrial production unexpectedly declined for a third month and gains in retail sales were smaller than economists forecast.

A slowdown in economic growth may threaten the BOJ's forecast that core prices will stop falling in the year starting next April. The Policy Board predicted core prices will rise 0.1 percent in the next fiscal year after falling 0.4 percent this year. It will update forecasts at an Oct. 28 meeting.

"It's unlikely the consumer price index is going to turn positive this fiscal year or next in an environment like this," said Yoshimasa Maruyama, a senior economist at Itochu Corp. "Households are looking for cheaper products, and companies have little pricing power, resulting in a pricing war."

The U.S. economy is also threatened by falling prices. The Federal Reserve last month said for the first time that too-low inflation, in addition to sluggish growth, would warrant its taking action as it moved closer to a second wave of unconventional monetary easing.

Depending on whether the yen continues appreciating and the economy keeps weakening, BOJ Gov. Masaaki Shirakawa and his Policy Board colleagues might have to consider more loosening of credit even after possibly increasing the ¥30 trillion credit program for lenders next week, economist Hiroaki Muto said.

"With global growth slowing, an end of deflation is being put off further and further, and that means pressure on the BOJ to do more will linger," said Muto, a senior economist at Sumitomo Mitsui Asset and Management Co.

In a sign that decelerating economic growth is discouraging people from looking for work, the number of people no longer in the labor force increased by 90,000 in August from July, the employment report showed.

Businesswomen in APEC region gather to foster entrepreneurs

GIFU (Kyodo) Businesswomen and delegates from the Asia-Pacific region gathered Friday in a meeting hosted by Japan and the United States to foster female entrepreneurs and develop their networking.

At the one-day Women's Entrepreneurship Summit in the city of Gifu, around 300 participants from Asia-Pacific Economic Cooperation countries tried to find ways to reduce barriers faced by women who want to start businesses, run companies or expand them.

At the gathering, the first government-sponsored meeting within the APEC framework to focus on women's economic activity, businesswomen shared their experiences and knowledge of launching and expanding businesses.

"We cannot achieve peace, prosperity, security or any of our other shared goals without the full partnership and participation of women around the world," U.S. Secretary of State Hillary Rodham Clinton said in a video message at the opening of the meeting.

"President (Barack) Obama is committed to promoting entrepreneurship to see broader economic progress especially for women, because enhancing women's economic opportunity spreads the benefits of growth more widely," she said.

Foreign Minister Seiji Maehara said in his own video message that the economic and social advancement of women will help to achieve inclusive growth, one of the most important elements of APEC's growth strategy.

"Without the active contribution of women, there are no organizations or even societies that can truly claim to be achieving progress," he said.

Japan and the United States concluded the meeting by calling on APEC leaders to promote female entrepreneurship in the region. The proposal will be forwarded to an APEC meeting of ministers in charge of small and medium-size businesses slated for Saturday and Sunday in Gifu.

By having the policy proposals reflect the APEC agenda, the meeting was aimed at enabling more women to participate in economic activities and eventually to inclusive growth in the region following the global recession.

Participants discussed topics such as fostering entrepreneurship in the region, cooperation between public and private sectors for gender equality, as well as innovation for business growth and networking.

First hybrid passenger train starts up

NAGANO (Kyodo) East Japan Railway Co. started operations of a hybrid passenger train with an electric motor and diesel engine Saturday in Nagano Prefecture, the first of its kind designated for tourists.

The Resort View Furusato train will run between the city of Nagano and Minami-Otari stations once a day until Dec. 26. All 78 seats of the two cars are occupied by passengers, JR East said. The train features large windows so that passengers can enjoy the scenic views, and the front

carriage is an observation car. Starting Dec. 4, similar trains will be operated on the Tsugaru, Ominato and Goto lines in Aomori and Akita prefectures.

On Saturday, a launching ceremony was held at JR Nagano Station, attended by the prefecture's governor, Shuichi Abe.

APEC meet looks to help small, midsize firms

GIFU (Kyodo) Ministers and senior officials in charge of small and medium-size enterprises from Pacific Rim economies gathered in Gifu on Saturday to explore avenues for helping such firms expand globally.

"Small and medium-size companies are the engine of development. They account for 99.7 percent of companies in Japan and are supporting 70 percent of employment," said trade minister Akihiro Ohata, who chaired the meeting.

"I would like participants (of the meeting) to express opinions and hold discussions actively on ways to seek the growth of small and medium-size companies," Ohata said.

At the end of a two-day meeting, representatives from the Asia-Pacific Economic Cooperation forum planned to release a joint statement on their discussions. Representatives from 20 of the 21-member APEC forum attended the meeting.

The annual meeting came ahead of the November APEC summit in Yokohama, and the discussions will be used to help develop a growth strategy.

In the meeting Saturday, the APEC economies were expected to discuss effects of the global financial crisis on small and medium-size companies in their respective countries, as well as measures they have implemented to counter it.

They also planned to discuss steps APEC economies should take as a whole in the next two to three years as many countries begin to seek exits from emergency measures.

Participants from each country also planned to express their views on longer-term policies for small and medium-size companies.

The chair of the meeting's working group was expected to report on the progress of a four-year strategic plan on small and medium-size enterprises through 2012. The plan places emphasis on six fields, including improving business environments and promoting innovation.

APEC reps take steps to assist small firms

GIFU (Kyodo) Ministers and top executives from small and medium-size companies on the Pacific Rim adopted a statement Sunday in Gifu Prefecture listing steps they will take to help them expand overseas.

In a joint statement, ministers and representatives of the Asia-Pacific Economic Cooperation forum signed off on the "Gifu Initiative," a plan built on three pillars of proposals aimed at increasing small-businesses opportunities.

"We believe that the achievements made in this meeting have become a significant input to APEC's growth strategy to be compiled in the November APEC summit," said Economy, Trade and Industry Minister Akihiro Ohata, who chaired the two-day meeting in the city of Gifu.

Smaller companies are growth engines and major sources of prosperity and employment in their economies, as well as key contributors to innovation, the participants declared.

The meeting was one of several preliminary APEC gatherings taking place before the larger APEC summit in Yokohama in November.

To ensure growth for small businesses, the participants pledged to start promoting their participation in high-growth sectors, such as environmental technologies, and increase access to global markets, it said.

Ohata said increasing the role of women in the business world will also be a major topic at the upcoming APEC summit.

"I believe that supporting female entrepreneurs will be a major pillar for economic growth in the APEC region," Ohata said.

The three pillars spelled out in the Gifu Initiative are:

- To help smaller firms sell local products overseas.
- To facilitate their participation in international industrial exhibitions.
- To promote exchanges between the managers of smaller firms in Asia.

The meeting will give APEC input for compiling its growth strategy in November, which is expected to include five aspects of growth it plans to achieve, namely growth that is "balanced, inclusive, sustainable, innovative and secure."

The members also talked about how the global financial crisis was impacting their economies.

BOJ cuts its key rate to zero

The Bank of Japan cut its key interest rate effectively to zero Tuesday, pledging to hold that line until the end of deflation is in sight.

Adding to the surprise news, the BOJ also said it will set up a ¥5 trillion fund to buy various financial assets, ranging from long- and short-term government securities, commercial paper, corporate bonds, exchange-traded funds and Japan real estate investment trusts, in an effort to

lower long-term interest rates as well as to encourage investors to buy financial products with risks.

The BOJ's actions were credited with sparking a Tokyo stock surge and minor rise in the dollar.

"The BOJ decided on the comprehensive easing to strongly promote the monetary easing," BOJ Gov. Masaaki Shirakawa told a news conference after a two-day Policy Board meeting ended earlier in the day.

The central bank lowered the benchmark interest rate to between zero and 0.1 percent, from the previous 0.1 percent target. The BOJ hadn't changed the benchmark overnight call rate since December 2008.

The BOJ also said it kept the loan program for banks at ¥30 trillion.

Although the market had been expecting the BOJ to further ease its monetary grip, possibly by expanding the lending program for banks to more than ¥30 trillion, the actual rate cut and establishment of a fund came as a surprise.

In a statement, the BOJ clarified that it is pursuing a "virtually zero interest rate policy" and said the rate will be maintained until the bank can foresee price stability.

"Although Japan's economy still shows signs of a moderate recovery, the pace of recovery is slowing down partly due to the slowdown in overseas economies and the effects of the yen's appreciation on business sentiment," the statement said.

Shirakawa stressed it was important to take the new steps together because of the looming risk of a worsening economy and delayed return to a solid growth path.

"We hope the effect of the monetary easing will be maximized by showing these steps as a package," the BOJ chief said.

DPJ drafts ¥5 trillion stimulus package

Kyodo News

Prime Minister Naoto Kan's Democratic Party of Japan compiled an additional stimulus package worth nearly ¥5 trillion Wednesday to fight the impact of the yen's appreciation and sustain the country's economic recovery.

The package also proposed that the government boost overseas investment to secure energy resources and strategic minerals.

The ruling party said the country could benefit from the recent strength of the yen to achieve the goals.

The DPJ also called on the government to accelerate its efforts to export Japanese technology for infrastructure construction.

Kan's Cabinet is expected to agree on a draft of the fresh stimulus measures, based on the proposals by the DPJ, on Friday.

It aims to win Diet approval during the ongoing session for a supplementary budget for the current fiscal year that would finance the stimulus package.

However, it is uncertain whether opposition parties, which control the House of Councilors, will approve the budget bill.

The planned stimulus comes as the second in a series of emergency steps to keep the economy on track, following the currently implemented stimulus valued at ¥917 billion.

The latest steps also involve increasing public works projects to create jobs as well as offering financial support to small and medium-size firms struggling under the impact of the yen's surge versus the dollar and other currencies that has reduced the earnings of Japanese exporters.

Imported auto sales up 34.7% in fiscal first half

Kyodo News

Sales of new imported vehicles, including those made by Japanese automakers overseas, climbed 34.7 percent in the April-September first half of fiscal 2010 from a year earlier to 119,053 units, an industry body said Wednesday.

Of the total, sales of Japanese-brand cars, trucks and buses surged 187.0 percent to 23,652 units, while those of foreign-brand vehicles rose 19.0 percent to 95,401 units, the Japan Automobile Importers Association said.

By vehicle category, sales of cars rose 37.2 percent to 113,904 units, those of trucks fell 5.2 percent to 5,094, and bus sales jumped to 55 units from 11, the association said.

By brand, Volkswagen ranked as the best-selling maker in the six-month period, selling 25,399 units, followed by Nissan Motor Co. with sales of 16,869 units, and BMW at 16,734.

In September alone, overall sales of new imported vehicles including Japanese brands rose 45.1 percent to 30,004 units for the 11th month of increase.

Keidanren chief calls for early Japan-U.S. FTA

Hiromasa Yonekura, chief of the Japan Business Federation (Nippon Keidanren), on Thursday called for an early realization of a free-trade agreement with the U.S. in remarks at the outset of the 47th annual Japan-U.S. Business Conference.

Yonekura, chairman of Keidanren, Japan's biggest business lobby, is chairing the two-day Tokyo conference, where domestic and U.S. business leaders will adopt a joint statement urging Japan to take part in the existing four-nation trans-Pacific free-trade agreement.

The U.S. has already offered to join the Trans-Pacific Strategic Economic Partnership Agreement with Chile, Singapore, New Zealand and Brunei.

Honda low-cost bike to meet China, India threat

Honda Motor Co., the world's largest motorcycle maker, plans to introduce a new motorbike that may be its cheapest to raise sales in emerging markets amid rising competition from Chinese and Indian rivals.

Honda will build and sell the bike for as little as 4,000 yuan (\$600) in China starting next year and also introduce it in Nigeria and Latin America, Tatsuhiro Oyama, senior managing director in charge of Honda's motorcycle operations, said in Tokyo last week.

Emerging-market rivals "will really push into this area," he said. "Honda needs to be right there with them so we won't get bypassed." The company will compete with Chinese and Indian motorcycle makers, targeting low-income customers in other developing "next markets," Oyama said.

The new model may boost Honda's revenue as demand for motorcycles weakens in Japan, Europe and the U.S. Higher emerging-market sales may also offset potentially lower profits repatriated from the company's Indian unit Hero Honda Motors Ltd. as KKR & Co., TPG Capital, Carlyle Group and Bain Capital LLC compete to acquire a part of Honda's 26 percent stake, according to five people with direct knowledge of the situation.

Currently, the company's cheapest motorcycle in China is the 100cc Wave that retails for 4,600 yuan (\$690), while in India the 36,350 rupee (\$820) 97cc CD-Dawn is its lowest-priced model. Honda's most expensive offering is the 1,800cc Gold Wing, which sells for ¥3.68 million in Japan.

Mahindra & Mahindra Ltd., based in Mumbai, last week unveiled two motorcycles for sale in India, Africa, Southeast Asia and Latin America. Bajaj Auto Ltd., India's second-largest two-wheeler maker, aims to roughly triple its global market share to 30 percent by boosting overseas sales.

China's motorcycle makers are benefiting from low-cost suppliers and support from the government, Oyama said.

Two of the buyout funds interested in Honda's stake in Hero Honda may jointly buy about 15 percent, valued at \$1.1 billion, three of the people said, declining to be named before an official announcement, Bloomberg News reported Sept. 17. Another 5 percent may be sold to the Hero

Group's Munjal family, which holds a 26 percent stake in the New Delhi-based firm, two of the sources said.

Panasonic plans video game return

Panasonic Corp. is developing a hand-held video game player, returning to the market after more than a decade to challenge Sony Corp. and Nintendo Co., two company officials said.

The Osaka-based company is developing a hand-held player code-named Jungle, the two officials said Wednesday, asking not to be named because the company hasn't made the information public. They declined to provide details, such as when the device will be unveiled and the price.

The electronics maker, which together with Sega Sammy Holdings Inc. and Atari SA ceded the console market to Sony and Nintendo, is looking to return to the game industry, which is estimated to reach \$20 billion in sales in the U.S. this year. Besides its traditional rivals, Panasonic also faces competition from games played using smart phones and tablet computers, including Apple Inc.'s iPhone and iPad.

"A full-scale effort to come back to the games business would be highly risky," said Jay Defibaugh, a games analyst at MF Global FXA Securities Ltd. in Tokyo.

Panasonic's clamshell device will feature a touch pad and keyboard, TechCrunch reported Monday. The player will specialize in online gaming, the blog reported.

"Jungle is an ongoing project that Panasonic is pursuing," Kyoko Ishii, a Panasonic spokeswoman, said Wednesday, without elaborating. Ishii declined to confirm or deny that the website cited by TechCrunch is the official home page for the product.

Panasonic entered the video game market in October 1993 with the 3DO console, a month before Atari Corp.'s Jaguar player. The last 3DO model went on sale in autumn 1994, after which the business was discontinued, Naoto Kishihara, a Panasonic spokesman, said Wednesday.

Reflect emerging economies to up financial stability, IMF urged

WASHINGTON (Kyodo) Finance Minister Yoshihiko Noda on Thursday called on the International Monetary Fund to take on a new role of ensuring global financial stability, proposing the lender reflect more voices from emerging economies in its operations.

In a video message released on the occasion of the annual meetings of the IMF and World Bank, Noda also warned that Japan's recovery may be slowed by the yen's recent surge against the dollar and other major currencies.

"The fund needs to review its missions in light of the recent (financial) crisis," he said. While the IMF has already introduced new precautionary lending schemes as well as stricter financial sector surveillance, "its missions need to be reviewed to include 'financial stability.' "

To secure credibility, the IMF "must ensure that each member's voice is commensurate with its economic weight," the minister said in reference to ongoing debate over reforms of the fund's governing board. Chief among them are proposals for changes that would reduce European influence over the institution and shift power to emerging economies.

Expressing concerns about the domestic economy, Noda said, "The rapid appreciation of the yen (to the dollar), which has reached its highest level in 15 years, quashes expectations for economic recovery and casts a shadow over sentiment at both firms and households."

Social Front;

Japanese man barred at Incheon

SEOUL (Kyodo) South Korean immigration authorities on Thursday denied entry to a Japanese man arriving at Incheon International Airport on "security grounds," Yonhap news agency and other sources said.

Hajime Matsumoto, 35, who runs a secondhand shop in Sugunami Ward, Tokyo, flew to South Korea because he was invited to attend an event in Seoul. He is expected to be deported as soon as Friday, sources close to Matsumoto said.

Matsumoto was reportedly on the Incheon immigration office's "black list." The decision to bar him could be related to security arrangements for the upcoming summit of the Group of 20 advanced and emerging economies in November in Seoul.

Matsumoto, who works in a Sugunami shopping arcade, heads a youth group seeking to live freely.

Record number of children required financial aid for school activities in '09

The number of children who received public financial support for basic school activities such as for school supplies and excursions hit a record high of 1.49 million last fiscal year, education ministry sources said Saturday.

The financial support for elementary and junior high school students is provided by local governments to households living on welfare and other families in similar "financial difficulties."

According to the ministry, 136,648 children belonged to households living on welfare in fiscal 2009, up 5,616 from the previous year.

Meanwhile, another 1.351 million children were in "financial difficulties" in the same period, up 46,366.

The total number, which has nearly doubled in the past 15 years, reflects growing poverty amid the economic slump, ministry officials said.

"The economic situation has not started picking up yet, so we are concerned that the number (of applicants) will increase further," a ministry official said.

At public schools, 15 percent of children received support. By prefecture, the ratio was highest in Osaka with 27 percent, followed by Yamaguchi with 24 percent, Tokyo with 23 percent, and Hokkaido and Kochi with 22 percent each.

4.3-magnitude quake jolts Niigata

An earthquake with a preliminary magnitude of 4.3 jolted Niigata, Nagano and Gunma prefectures Saturday afternoon, the Meteorological Agency said.

The 12:35 p.m. quake measured 4 on the Japanese seismic intensity scale of 7 in the Joetsu region of Niigata Prefecture.

No tsunami warning was issued, and there were no immediate reports of injuries. The focus of the quake in the Joetsu region was at a depth of about 20 km.

Earthquake rocks Sea of Japan coast

An earthquake with a preliminary magnitude of 4.7 rocked areas along the Sea of Japan coast Sunday morning.

It measured lower 5 on the Japanese seismic intensity scale to 7 in the Joetsu region of Niigata Prefecture, the Meteorological Agency said, but no tsunami warning was issued and there were no immediate reports of injuries.

Residents should be wary of strong aftershocks in the next week or so because a series of tremors rattled the region earlier in the morning. The area was also shaken by a string of quakes measuring 4 to 5 in December 1990, it added.

The 9:26 a.m. quake registered lower 5 in Joetsu, 4 in Itoigawa, also in Niigata Prefecture, and 3 in the town of Toyono in Nagano Prefecture. The temblor was also felt in wide areas of central and eastern Japan.

Event raises ¥3.4 million for Pakistan flood victims

About 350 people gathered for a charity event last week in Tokyo to raise funds to support victims of Pakistan's devastating floods this summer.

Tokyo Helps, a volunteer group founded by people from various countries, raised ¥3.4 million in the Wednesday night event held at the Vanity Lounge club in Roppongi. Half of the proceeds will go to the World Food Program and the other half to the aid group Oxfam, with both organizations planning to spend the money on aid for Pakistan.

"Your gracious assistance will be immense support for people in Pakistan," Pakistani Ambassador Noor Muhammad Jadmani told the participants. "I want to thank you all for showing international solidarity."

Despite the vast number of flood victims, "the disaster received much less attention and donation" than it deserves, Tokyo Helps President Samar Shaheryar said. The group continues to accept donations for Pakistan.

More than 20 million Pakistanis, or 12 percent of the country's population, were injured or displaced as a result of monsoon rains in July and August, making the floods the worst humanitarian disaster of our lifetime, Tokyo Helps said. The floods have affected more people than the Haiti earthquake in January, the Asian tsunami in December 2004 and the 2005 Pakistan earthquake combined, the group said.

The four-hour charity event included live music and a raffle. Sponsors, including Robert Walters Japan, Peninsula Hotel Tokyo, Shangri-La Hotel Tokyo and Global Dining Inc., donated prizes such as a free hotel stay, dinner tickets and gift certificates. Musicians and a DJ performed for free.

"I came here because it's for charity, and it's a night out," said an Australian woman in her 20s sipping a cocktail. The woman, who declined to be named, said she received her invitation via Facebook and is interested in attending similar events in the future.

After Jadmani's speech, Tokyo Helps staff drew raffle tickets to announce prizewinners.

The prizes included four VIP passes to the Super GT car race, ¥60,000 gift certificates to French restaurant Beige Alain Ducasse, two brunches for two at the Ritz Carlton Hotel and a certificate for a "Japanese experience," including two traditional dance classes, a kimono dressing lesson and dinner for two at the sushi restaurant Fukuzushi.

Then Tokyo Helps staff held a live auction for a five-night stay in a luxurious four-bedroom villa in Phuket, Thailand. Bids started with ¥10,000 and an American businesswoman working in Tokyo won it for ¥490,000.

"I believe passionately in giving back and appreciate people who donate time and hours to help flood victims in Pakistan," said the woman, who declined to be named.

While food and medicine were initially needed for the flood victims, Pakistan now is in dire need of infrastructure aid, including shelters and electricity, Jadmani said.

Parts of southern Pakistan remain inundated with water, and the agricultural damage is believed to have affected as much as 2 million hectares of farmland, he said.

Tokyo Helps was created in January in the wake of the Haiti quake by a multinational group of Tokyo residents to organize fundraising events to help victims of natural disasters worldwide. Its first charity event was held to raise aid money for Haiti.

"We will continue to hold similar events in the future and raise awareness for victims of natural disasters as we did after the devastating earthquake in Haiti, and this time for the 20 million victims left displaced after the flooding in Pakistan. Going forward, we will continue helping the ones in need," said Denisa Kobayashi, head of the external relations at Tokyo Helps.

GSDF unit to end Pakistan flood relief

Japan will end its flood relief work in Pakistan on Sunday and withdraw six helicopters and more than 200 troops of the Ground Self-Defense Force, the Defense and Foreign ministries said.

Defense Minister Toshimi Kitazawa, senior ministry officials and uniformed officers from the Self-Defense Forces made the decision Tuesday.

Kitazawa told the meeting that Islamabad asked Japan on Friday to end its mission to transport relief materials in central Pakistan because the situation has improved.

Foreign Minister Seiji Maehara told a news conference later in the day that the GSDF's helicopter operations has been appreciated not only by Pakistan but also by the United Nations and United States.

"We plan to continue our support for rehabilitation efforts in Pakistan as a member of the international community," he said.

The GSDF sent UH-1 and CH-47 transport helicopters and about 210 troops to Pakistan after Kitazawa issued an order Aug. 20 for the SDF to launch the flood relief work.

The troops transported relief materials in an area within a 200-km radius of Multan, central Pakistan.

Between Aug. 31 and Monday, the unit had transported about 172 tons of relief materials, including water, food and medical supplies, and some 40 personnel, including U.N. officials and medical workers, the officials said.

It was the first time Japan dispatched a GSDF helicopter unit overseas as part of natural disaster relief since 2005.

Detained Japanese says he's OK

BEIJING (Kyodo) The Fujita Corp. employee still in custody in Hebei Province, China, met Japanese diplomats Tuesday and asked them to tell his family he is "fine and don't worry," the Japanese Embassy said.

It was the third meeting between Sadamu Takahashi, an employee of a Shanghai unit of the Tokyo-based construction company, and embassy staff since he and three other employees were detained Sept. 20 in Shijiazhuang, the capital of Hebei.

Chinese authorities have yet to say when they will free Takahashi, according to an embassy official.

During talks Monday with Premier Wen Jiabao in Brussels, Prime Minister Naoto Kan is believed to have called for Takahashi's release.

The diplomats met Takahashi at a Shijiazhuang hotel for 20 minutes, the embassy said in a news release.

China on Sept. 30 freed the other three men who had been detained with Takahashi for allegedly entering a military zone outside Shijiazhuang without permission and videotaping facilities there.

Yakuza face Hyogo zone bans

KOBE (Kyodo) The Hyogo Prefectural Assembly approved an ordinance Wednesday to ban gangster leaders from setting up offices or buying homes in neighborhoods and near schools.

Numerous mob bosses under the umbrella of the Kobe-based Yamaguchi-gumi, the nation's largest underworld syndicate, have set up in the city because they are ordered to pay daily visits to its headquarters.

According to police, gangster leaders currently own around 30 second houses in Kobe.

Under the ordinance to be enacted April 1, establishment of offices or homes in a residential area or within 200 meters of an educational facility is prohibited. Violations can draw as much as one year in prison or a fine of up to ¥500,000.

The ordinance also prohibits real estate and construction agents from signing housing contracts with gangsters.

Similar ordinances have been introduced in Ehime, Fukuoka, Saga, Nagasaki and Kagoshima prefectures.

Fewer researchers venturing abroad to study

The number of Japanese researchers who spent at least 31 consecutive days overseas studying or conducting research on professional assignments has more than halved in recent years compared with a decade earlier, according to the education ministry.

The total number was roughly 3,700 in fiscal 2008 and 2009, down from a peak of more than 7,600 in fiscal 2000, the Education, Culture, Sports, Science and Technology Ministry said, quoting the results of a recent nationwide survey.

The survey covered researchers belonging to domestic research institutes such as universities or government-backed corporations who were dispatched to foreign universities or research institutes.

The survey results were released a day after Eiichi Negishi, a Purdue University professor who was selected as one of three cowinners of the 2010 Nobel Prize in chemistry, encouraged young researchers and students to go abroad to study.

A ministry official said, "It is necessary to analyze the causes" of the plunge in the number of researchers going abroad.

The survey showed that the annual number of researchers who stayed overseas for 31 days or more in a row generally followed an upward path from the first half of the 1990s until peaking in fiscal 2000. However, the figure has been declining ever since.

Meanwhile, the number of foreign researchers who come to Japan to conduct research or studies for similar durations has been hovering at around 13,000 over the past decade, the ministry said.

Kan pledges support

Prime Minister Naoto Kan on Thursday promised Eiichi Negishi, one of the recipients of this year's Nobel Prize in chemistry, that the government will support young scientists and may possibly allocate part of the state budget to foster future Nobelists.

Kan said he told U.S.-based Negishi during their phone conversation that he hoped the Nobel Prize would be a "great opportunity to stimulate more drive among young people in science and technology."