

Business and politics in Muslim world

Weekly report on South Korea & Japan

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Wajid Hussain

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Summary of Report:

South Korea

Political Front:

U.S. weighing new options over North Korea The United States said on Saturday it was weighing new options beyond the United Nations to punish North Korea, which South Korea blames for the sinking of a warship that has escalated tensions on the peninsula

Kim's reshuffle reflects crisis Ensuring a smooth succession of power amid deteriorating economic conditions was apparently behind North Korea's decision to appoint the brother-in-law of leader Kim Jong Il as vice chairman of the country's most powerful organ.

South Korea's rocket lifts off after setbacks South Korea's space rocket carrying a scientific satellite lifted off on Thursday in what is hoped to be the first successful launch after a series of setbacks to the country's nascent space programme.

South Korea rocket crashes in second straight failure A South Korean space rocket carrying a scientific satellite exploded two minutes into its flight in the second failure in two tries to put a payload in orbit, dealing a major setback to the country's space program.

North Korea seeks to soothe China over border shootings North Korea has told China it will punish those responsible for shooting dead three Chinese nationals near the two countries' border last week, and vowed to prevent any repeat, Chinese state media said on Thursday.

North Korea Threatens to Strike South's Loudspeakers North Korea warned of an "all-out military strike" to destroy South Korean loudspeakers and other propaganda tools along their fortified border, according to the North's state-run Korean Central News Agency.

North Korea Apologizes to China Over Border Deaths, Xinhua Says North Korea apologized to China after its border guards killed three Chinese citizens, saying an initial investigation concluded that the shootings were an "accident," the state-run Xinhua News Agency reported.

China Protests After 3 Killed at North Korean Border China made a formal diplomatic protest to North Korea after border guards shot dead three of its citizens and injured another in the early hours of June 4.

North Korea supplied submarines to Iran Seoul and Washington have confirmed that North Korea supplied Iran with submarines several years ago, showing that military exchanges between the two countries have reached a higher level, military sources said.

North Korean Lawmakers Gather Amid Ship Sinking, Kim Succession North Korea's Supreme People's Assembly is convening a rare meeting today amid tension caused by the sinking of a South Korean warship and speculation about who will succeed leader Kim Jong Il.

U.S., S. Korea Naval Drill May Be Held in Late June, Yonhap Says South Korea and the U.S. may conduct planned joint naval drills in the Yellow Sea sometime in the fourth week of June, Yonhap News reported today, citing a South Korean military official that it didn't identify.

Kim Jong Il Promotes Brother-In-Law; Replaces Premier North Korean leader Kim Jong Il promoted his brother-in-law, Jang Song Thaek, at a rare parliamentary session today, a move that may be aimed at solidifying the transition of power to his youngest son.

Economic Front:

South Korea's Jobless Rate Falls to Lowest Since October 2008 South Korea's unemployment rate declined in May to the lowest level since October 2008 as the nation's strengthening economy prompted companies to hire. The jobless rate fell to 3.2 percent from 3.7 percent in April, after reaching a 10-year high of 4.8 percent in January, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures.

Samsung C&T reviewing \$1.2 bln Abu Dhabi project South Korean builder Samsung C&T Co Ltd (000830.KS) said on Tuesday that it was still reviewing whether to sign a final contract for a 1.47 trillion won (\$1.2 billion) Abu Dhabi project it won jointly with Belgian group Besix.

S. Korea's Daelim wins \$877 mln order from Kuwait South Korean builder Daelim Industrial (000210.KS) said on Friday that Kuwait National Petroleum had awarded it a 1.097 trillion won (\$877.3 million) order to build a gas plant.

S. Korea KOGAS May LNG sales up 52.7 pct y/y South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) said on Friday it sold 1.9 million tonnes of liquefied natural gas (LNG) in May, up 52.7 percent from a year earlier.

S. Korea won edges up, but suffers 4th weekly loss The South Korean won ended local trade slightly higher against the dollar on Friday but posted its fourth consecutive weekly loss as talk of imminent capital controls prompted traders to stay away from the local unit.

Hyundai Motor's India plant halted by strike Production at Hyundai Motor's (005380.KS) Indian plant was halted by a workers' strike, the Indian unit of the South Korean carmaker said on Monday, adding it was seeking government intervention.

S. Korea 2010 steel demand seen growing 13 pct –POSRI South Korea's steel demand is expected to grow 13 percent in 2010, with recovery in demand set to contract sharply in the second half of the year, POSCO's think tank POSCO Research Institute (POSRI) said on Thursday.

Strike at Hyundai India plant ends A three-day strike at Hyundai Motor's (005380.KS) India plant ended on Wednesday and normal production resumed after an agreement between the car maker and striking workers, a spokesman for the local unit said.

India's Videocon May Sell Stake to Korea's SK Telecom, ET Says India's Videocon Telecommunications Ltd. is in talks with SK Telecom Co., South Korea's largest mobile-phone operator, to sell a 26 percent stake, the Economic Times reported, citing a company official it didn't identify.

Social Front:

Greece and S. Korea aim to be dark horses Greece and South Korea could be first-round failures or dark horses with the result of their meeting on Saturday possibly throwing a spanner in the works for the World Cup's top teams.

S. Korea to send aid for children in North South Korea approved two shipments of baby formula for North Korean infants on Wednesday despite rising tensions between the neighbors after Seoul accused the North of sinking one of its naval vessels.

South Korea Says Cyber Attacks Came From China Sites South Korea said a government website was attacked yesterday from Internet addresses in China. The report comes amid concerns that North Korea is mounting cyber attacks in response to international pressure over the sinking of a South Korean warship in March.

North Korea's Kim turns to family, old guard North Korea's rubber-stamp parliament named leader Kim Jong-il's brother-in-law to the post of vice chairman of the National Defense Commission, possibly making him the second most powerful man in the reclusive state.

Striker breaks North Korea's wall of silence Lifting the veil of secrecy that has cloaked North Korea since their arrival at the World Cup, striker Jong Tae-se has predicted a shock victory over Brazil.

Japan

Political Front:

U.S. appreciates Kan's stand on Futenma A senior White House security official said the United States appreciates the stance of Japan's new prime minister, Naoto Kan, to honor the latest bilateral agreement on the Futenma airfield relocation within Okinawa Prefecture.

Kan Names Ozawa Critic as Japan Ruling Party's No. 2 Japan's Prime Minister-elect Naoto Kan appointed Yukio Edano as his party's No. 2 official, further distancing himself from the political powerbroker whose funding scandals helped bring down the previous administration.

Japan Ruling Party's Support Increases After Kan Named Premier Naoto Kan, Japan's new prime minister, boosted the ruling party's approval ratings less than two months before national elections, according to surveys published in local media on the weekend.

Poll: 55% feel affinity to South Korea Fifty-five percent of Japanese feel close to South Korea, while 42 percent of South Koreans have a sense of affinity to Japan, according to

a joint survey by The Asahi Shimbun and The Dong-A Ilbo. The survey was conducted prior to the 100th anniversary this year of Japan's annexation of the Korean Peninsula. In Japan, The Asahi Shimbun conducted a questionnaire survey from late April to late May, while the South Korean newspaper polled people by telephone on June 3.

Japan, Jordan Plan Treaty to Permit MHI, Areva Nuclear Sales Japan and Jordan will start talks for a nuclear treaty this month, paving the way for Areva SA and Mitsubishi Heavy Industries Ltd. to sell reactors as the Middle Eastern country plans its first atomic power plant.

Economic Front

Kan's Policies Will Boost Japan Stocks, Analysts Say Japan's new Prime Minister Naoto Kan will introduce policies likely to spur economic growth and earnings, boosting stock prices, strategists at JPMorgan Chase & Co. and Deutsche Bank AG said.

Hitachi Falls Most in Four Months on Report of Order Cancellation Hitachi Ltd. fell the most in more than four months after the Asahi newspaper reported the company may lose a 1 trillion yen (\$11 billion) train contract as the U.K. will overhaul plans to renew railway carriages.

Gloomy economic data casts shadow over Kan's debt pledge The green shoots of recovery that have boosted hopes for Japan's economy in recent months appear to be wilting, raising serious doubts about new Prime Minister Naoto Kan's ability to rebuild the country's fiscal health.

Kan Pledges Grassroots Approach to Tackle Fiscal Woes Naoto Kan, Japan's first leader in 15 years with no family connection to politics, pledged to draw from his common upbringing to help revive an economy hamstrung by persistent deflation and the world's biggest public debt.

Japan's Bond Futures Hit 2-Year High on Europe's Debt Crisis Japanese bond futures advanced to the highest level in more than two years on concern Europe's spreading debt crisis will slow the global economic recovery, boosting demand for the refuge of government debt.

Striking Workers at China Honda Plant Demand Own Union Striking workers at a Honda Motor Co. auto parts factory in southern China are planning to march today to demand the right to set up their own labor union independent of the government-controlled union, the New York Times reported, citing employees who declined to be identified for fear of retaliation.

Japanese Corporate Bankruptcies Fall 15.1% as Economy Expands Japanese corporate bankruptcies fell for a 10th month in May, extending the longest streak of declines in five years, as the nation's economic recovery helped more firms stay afloat.

Kan on Day 1 pledges to rebuild state finances Naoto Kan formally took over as prime minister on Tuesday and said his administration would seek to rebuild the economy, state finances and social welfare. He pledged to undertake the task from a unified perspective.

Samsung, Flash Memory Makers Fend Off Group Lawsuit Samsung Electronics Co., Toshiba Corp. and other makers of flash-memory chips won a court ruling that bars a collective price-fixing lawsuit against them on behalf of U.S. consumers who purchased computer memory cards and drives and digital media players.

BOJ to Detail Loan Plan That May Fail to Spur Growth The Bank of Japan is set to detail a plan to stimulate credit for private companies that may prove insufficient to spur economic growth and defeat deflation.

Kamei Resigns After Delay Passing Japan Post Bill Shizuka Kamei resigned as Japan's Financial Services Minister after Prime Minister Naoto Kan declined to extend the parliamentary session to pass changes to banking and postal laws.

Jimi Replaces Kamei as Japan's Financial Services Minister Shozaburo Jimi was named as Japanese Financial Services Minister, replacing Shizuka Kamei who quit after new Prime Minister Naoto Kan declined to extend the parliamentary session to pass changes to banking and postal laws.

Japan Wins Cut in Aluminum Fee as Supply Increases Aluminum buyers in Japan, Asia's largest importer, won a reduction in the fee charged by producers for a second straight quarter as Asian supplies increased on shipments from China and the Middle East.

Social Sector:

Japan, U.S. start joint clinical testing Japan and the United States are starting a joint clinical testing program of medical apparatus, which it is hoped will cut lengthy delays in getting new equipment into hospitals in Japan. A survey in 2005 found that it took one year and seven months longer to get devices to doctors in Japan, compared with the United States.

Full child allowance plan dropped Health minister Akira Nagatsuma has dropped the idea of increasing the child allowance to 26,000 yen (about \$280) per month in fiscal 2011. The total cost at that rate would be about 5.4 trillion yen a year

Foot-and-mouth starting to spread Just as authorities thought foot-and-mouth disease was under control in eastern Miyazaki Prefecture, infections were found elsewhere in the prefecture. On Thursday, three cattle at a farm in Miyakonojo, in the southwest of the prefecture, were confirmed sick, Miyazaki city officials said.

Ozawa keeps it brief Despite his reputation as one of the most adept political operators in Japan, Ichiro Ozawa apparently had very little to pass on to his successor during a meeting on Wednesday. The former Democratic Party of Japan secretary-general met

with Yukio Edano, who succeeded him in the post, but the discussion was over within 2 minutes.

South Korea

Detailed News:

Political Front:

U.S. weighing new options over North Korea

SINGAPORE (Reuters) - The United States said on Saturday it was weighing new options beyond the United Nations to punish North Korea, which South Korea blames for the sinking of a warship that has escalated tensions on the peninsula.

Seoul has complained to the U.N. Security Council over the sinking of the corvette Cheonan in March, which killed 46 sailors. South Korea and its main ally, the United States, accuse the reclusive North of torpedoing the ship, although it is unclear what concrete action, if any, the U.N. will take.

U.S. Defense Secretary Robert Gates told a security conference in Singapore it was the "collective responsibility" of Asian states to address North Korean "provocations," increasing pressure on a reluctant China to rebuke its ally.

"To do nothing would set the wrong precedent," Gates said at a meeting with his South Korean and Japanese counterparts.

"One has to wonder what they (the North Koreans) were thinking," he told the BBC in an interview, "and whether there are other provocations to come."

Gates said Washington would conduct more joint exercises with South Korea and support "action" by the Security Council.

"At the same time, we are assessing additional options to hold North Korea accountable," he said, suggesting the United States and its allies could act unilaterally or in concert.

Officials said Washington was looking at options including tightening economic sanctions, expanding searches of North Korean vessels and holding more large-scale shows of military force to try to deter future attacks.

North Korea denies responsibility for sinking the Cheonan and accuses South Korean President Lee Myung-bak of staging the incident to help his chances in local elections this week.

In increasingly shrill rhetoric, the North has warned several times that "war could break out at any moment."

Lee pledged to clamp down on any action deemed threatening but dismissed the likelihood of open conflict.

"There is no possibility of a war. There has been occasionally and locally peace-threatening behavior but we will strongly suppress it," Lee's spokesman, contacted by telephone, quoted him as telling businessmen at the Singapore summit.

"UNPREDICTABLE"

U.S. military officials, including Admiral Robert Willard, head of the U.S. Pacific Command, have also played down the risk of a major conflict, saying there were no signs North Korea was preparing a nuclear test or moving troops toward the South.

But officials said another attack could not be ruled out. "When you're dealing with a regime as unpredictable as (North Korea), that is always a concern," Morrell said.

Diplomats said that in talks with Asian leaders, Gates and other officials had made it very clear their goal is to avoid an escalation.

The United States and South Korea face a difficult balancing act -- finding a way to punish the North without provoking another attack. Gates raised the possibility that Seoul would stop short of seeking a full-blown Security Council resolution.

Planned U.S.-South Korea military drills might also be put off, at least until it becomes clear what action the United Nations is prepared to take, officials said.

The big question facing the United States, South Korea and Japan is how to gain leverage over a regime that appears to be indifferent to international pressure and responds in such seemingly erratic ways.

China, North Korea's only major ally and benefactor, may be the central player, although some U.S. intelligence officials have questioned how much sway it really has.

As a permanent member of the Security Council, China can veto any U.N. resolution or statement chastising the North.

Without referring to China by name, Gates pointedly told Asian leaders in Singapore that all the nations in the region "share the task of addressing these dangerous provocations."

"Inaction would amount to an abdication of our collective responsibility to protect the peace and reinforce stability in Asia," he said.

Beijing has so far declined publicly to join international condemnation of Pyongyang, saying it is assessing the evidence.

FRICTION

U.S. officials acknowledge that China appears reluctant to embrace tough measures at the United Nations.

Likewise, Russia has yet to fully sign on to South Korea's version of events about the sinking, they cautioned.

Beijing broke off military ties with Washington after it told Congress in January of a plan to sell up to \$6.4 billion of arms to Taiwan, which Beijing regards as a renegade state.

At the annual conference, known as the Shangri-La Dialogue, Gates urged Beijing to accept the "reality" that Washington is committed to arming Taiwan, like it or not.

That drew a sharp challenge from Major General Zhu Chenghu of China's National Defense University. He said continued arms sales to Taiwan sent the message that America saw the Chinese as "enemies." Gates rejected that characterization, saying China and the United States were partners in many areas.

Kim's reshuffle reflects crisis

SEOUL--Ensuring a smooth succession of power amid deteriorating economic conditions was apparently behind North Korea's decision to appoint the brother-in-law of leader Kim Jong Il as vice chairman of the country's most powerful organ.

The promotion of Jang Song Thaek within the National Defense Commission to the vice chairman's post came Monday at a rare session of the Supreme People's Assembly, the North's parliament, with Kim attending, the Korean Central News Agency said.

The ascent of Jang, who is married to Kim's younger sister, was one in a series of moves that analysts say are intended to quell the chaos in the secluded country and ensure the expected transfer of power to Kim Jong Un, the leader's third son.

Jang and his wife have played a guardian role for Jong Un, whose name has popped up as a likely successor since his father's health deteriorated in summer 2008, sources said.

Kim proposed the appointment of Jang, according to the news agency.

During the session, Prime Minister Kim Yong Il was dismissed and replaced by Choe Yong Rim.

Kim Yong Il apparently had been reluctant to carry out economic reforms and was involved in the disastrous currency revaluation late last year.

Other members dismissed were ministers in charge of measures to improve the livelihood of the people, a key policy of North Korea this year.

They were likely forced to take responsibility for failing to generate tangible results despite Pyongyang's pledge to its people to turn the country into a powerhouse in 2012, the sources said.

The Supreme People's Assembly, whose members' terms are for five years, usually holds one session a year. Holding another session so soon after the one in April was highly unusual, according to the sources.

The last time two assembly sessions were held in one year was in 1993.

Pyongyang now appears to be frantically trying to quell the tumultuous situation in the country, the sources said.

The botched currency revaluation in late November exacerbated North Korea's economic mess.

And Kim Jong Il's visit to China in May apparently failed to obtain sufficient aid from Beijing, North Korea's only major ally, because of fallout from Pyongyang's suspected sinking of the South Korean warship Cheonan in March that killed 46 sailors.

But the personnel changes alone are unlikely to stabilize the situation in North Korea, according to analysts.

Choe, the new prime minister, had served as deputy prime minister several times in the 1980s and 1990s. But Choe is now in his 80s, and analysts speculate he will only play a transitional role.

The North Korean leadership faces a number of problems to turn around the economy.

South Korea's rocket lifts off after setbacks

SEOUL June 10 (Reuters) - South Korea's space rocket carrying a scientific satellite lifted off on Thursday in what is hoped to be the first successful launch after a series of setbacks to the country's nascent space programme.

The launch followed a temporary halt on Wednesday due to glitches and a failed attempt in August last year, when the rocket lifted off but failed to deploy its payload because of a faulty stage separation mechanism.

South Korea rocket crashes in second straight failure

SEOUL (Reuters) - A South Korean space rocket carrying a scientific satellite exploded two minutes into its flight in the second failure in two tries to put a payload in orbit, dealing a major setback to the country's space program.

The launch had been delayed for a day due to technical glitches. Hopes were running high for its success after the country's first attempt to put a satellite into orbit failed last year due to problems in stage-separation mechanism.

At 137 seconds into the flight, mission control lost contact with the rocket as it would have reached the altitude of 70 km (43.5 miles), Science Minister Ahn Byong-man said.

"Looking from the bright flash seen on the camera mounted on the tip of the rocket, it appears the Naro exploded in flight during the first-stage ignition," Ahn told a briefing.

The failure is a major setback to the country's space program as it tries to build a domestic project that can eventually challenge the far more advanced programs of regional rivals China, Japan and India.

It had enlisted the help of Russia to develop the Naro-1.

The rocket lifted off successfully on its maiden launch in August 2009 but failed to put a scientific satellite into orbit because of problems in stage-separation systems.

South Korea's launch last year riled neighbor North Korea.

Pyongyang said it was unjust for it to be hit with U.N. sanctions for firing off a long-range rocket in April 2009, but regional powers saw the launch as a disguised test of a ballistic missile that violated U.N. measures.

Apart from North Korea, few doubt the South's rocket was for anything but its civilian space program, although experts said it did raise questions about regional security because it could also enhance Seoul's ability to build ballistic missiles.

The Naro-1, also called the Korea Space Launch Vehicle-1, was 33 meters (108 ft) long. The two-stage rocket was built at a cost of 502.5 billion won (\$450.7 million).

Russia's Khrunichev space production center built the first-stage booster, conducted tests and provided technical assistance. South Korea has produced several satellites and relied on countries including Russia to put them into orbit.

South Korea wants to build a rocket on its own by 2018 and send a probe to monitor the moon by 2025. It also wants to develop a commercial service to launch satellites.

Budget and legal constraints will weigh on South Korea even as it tries to move forward with the program, space experts have said.

North Korea seeks to soothe China over border shootings

BEIJING (Reuters) - North Korea has told China it will punish those responsible for shooting dead three Chinese nationals near the two countries' border last week, and vowed to prevent any repeat, Chinese state media said on Thursday.

The isolated North made the effort to soothe China, its sole major economic and political supporter, after North Korean border guards last week shot at the Chinese nationals crossing the river border near the northeast Chinese city of Dandong.

Three were killed and a fourth was wounded.

Chinese Foreign Ministry spokesman Qin Gang said both countries were now "further investigating and handling the case". He provided no other details.

On Tuesday, the Foreign Ministry made a rare public complaint about its neighbor and now North Korea appears to be seeking to placate Beijing.

North Korean border authorities said an initial investigation showed the incident was an "accident", China's official Xinhua news agency reported.

"The North Korean side expressed its grief over the Chinese deaths, and offered condolences to the families of the dead and to the injured, and will severely punish the perpetrators," said the report.

"The North Korean border security authorities will further investigate this incident and prevent such incidents from recurring."

The deaths opened a rare public breach between the two communist neighbors, which have generally preferred to keep their quarrels behind closed doors. The border crossers were suspected smugglers, the Chinese Foreign Ministry said.

North Korea depends on China for much of its oil and food, and Beijing has avoided publicly condemning Pyongyang after Seoul said North Korea was responsible for torpedoing a South Korean naval ship in late March, killing 46 sailors.

China has said it is still assessing the evidence about the sinking and wants all sides to show restraint.

South Korea has asked the U.N. Security Council to act on the incident. As a permanent member of the council, China has the power to veto any resolutions or statements, but it has not said clearly how it will respond to Seoul's demand.

China's 1,415-km (880-mile) border with North Korea is guarded by troops on both sides, but the river dividing them is often narrow and accessible to smugglers and refugees passing from the North into much richer China.

North Korea Threatens to Strike South's Loudspeakers (Update2)

June 12 (Bloomberg) -- North Korea warned of an "all-out military strike" to destroy South Korean loudspeakers and other propaganda tools along their fortified border, according to the North's state-run Korean Central News Agency.

South Korea's preparation for psychological warfare, is a "direct declaration of a war" against the North, the general staff of the communist state's military said today in a statement on KCNA. The North's military retaliation may turn Seoul into "a sea of flame," the statement said.

The South has already installed loudspeakers in 11 places along the border and is attempting to set up electronic displays, according to the statement.

South Korea hasn't detected any abnormal activities near the border area with the North, Yonhap News said following the KCNA report today, citing South Korea's Joint Chiefs of Staff.

Tensions have risen on the Korean peninsula since an international panel concluded on May 20 that the North was behind a torpedo attack that sank the Cheonan warship, killing 46 of the South's sailors. South Korea's president Lee Myung Bak has taken the case to the United Nations Security Council, backed by the U.S. and Japan, to seek a resolution condemning North Korea.

The North says the allegations are fabricated and has threatened to retaliate over any punitive action taken against it.

South Korea will resume anti-North broadcasts across the border after the United Nations Security Council makes a determination about the sinking, Yonhap News reported yesterday, citing South Korea's defense minister.

North Korea Apologizes to China Over Border Deaths, Xinhua Says

June 10 (Bloomberg) -- North Korea apologized to China after its border guards killed three Chinese citizens, saying an initial investigation concluded that the shootings were an "accident," the state-run Xinhua News Agency reported.

North Korean border authorities extended condolences to bereaved families and announced plans to punish those held responsible, Xinhua said, citing a statement from the Liaoning provincial government in northern China. Talks between border officials from the two countries are being held, it said.

China made a formal diplomatic protest to North Korea after the incident, which occurred in the early hours of June 4. The victims, who were suspected of crossing the border for trade purposes, were residents of Dandong, a border town.

The relationship between North Korea and China is under increasing scrutiny as the United Nations Security Council considers South Korea's claims that the North torpedoed one of its ships. China, an ally of North Korea for 60 years, has resisted pressure from the U.S. to join in condemnation of Kim Jong Il's regime.

Chinese aid props up Kim's government, which is struggling with food and goods shortages, a collapse in trade and the impact of UN sanctions imposed last year after North Korea tested a second nuclear device.

China Protests After 3 Killed at North Korean Border (Update1)

June 8 (Bloomberg) -- China made a formal diplomatic protest to North Korea after border guards shot dead three of its citizens and injured another in the early hours of June 4.

China is investigating the incident, Foreign Ministry spokesman Qin Gang told reporters today in Beijing. The victims, all from or near the border city of Dandong, were shot inside North Korean territory. Their ages and gender weren't immediately available, the ministry said.

The relationship between North Korea and China is under increasing scrutiny as the United Nations Security Council prepares to consider South Korea's claims that the North torpedoed one of its ships. China, an ally of North Korea for 60 years, has resisted pressure from the U.S. to join in condemnation of Kim Jong Il's regime.

"The Chinese government must be becoming increasingly wary of how its own people view its relationship with North Korea to have made this rare public acknowledgement of the incident," said Kim Yong Hyun, professor of North Korean studies at Seoul-based Dongguk University. "There's little danger of this creating a huge diplomatic spat between the two countries."

Chinese aid props up Kim's government, which is struggling with food and goods shortages, a collapse in trade and the impact of UN sanctions imposed last year after North Korea tested a second nuclear device.

Copper Smugglers

The shooting was first reported on June 4 by North Korea Intellectuals Solidarity, a Seoul-based group run by defectors from the communist country.

Three Chinese, who were trying to smuggle copper from North Korea, were shot while approaching the border city of Sinuiju on a boat, the group said on its website.

The deaths, which North Korea Intellectuals said occurred on the night of June 3, came as North Korea tightened border security, the group said.

Television footage shot by Bloomberg on June 4 at the Tumen River Bridge border crossing, at the other end of China's 1,415 kilometer (880 mile) border with North Korea showed several men running across the bridge looking over their shoulders back toward North Korea. It wasn't possible to ask them about their behavior.

Similar shootings have happened in the past, although neither government has publicly disclosed incidents after North Korea compensated China with iron ore or fisheries goods, the group said.

Tension on the Korean peninsula mounted after the 1,200-ton Cheonan split in two and sank on March 26, killing 46 sailors. An investigation by an international panel led by South Korea concluded that the North Koreans were responsible.

While the U.S. and Japan lined up behind South Korea, China's leaders have so far refused to accept the findings of the report.

North Korea supplied submarines to Iran

SEOUL--Seoul and Washington have confirmed that North Korea supplied Iran with submarines several years ago, showing that military exchanges between the two countries have reached a higher level, military sources said.

The exports were 130-ton Yono-class midget submarines, the same model as the one believed to have torpedoed the South Korean warship Cheonan near the disputed western sea border with North Korea, killing 46 sailors on March 26.

Iran and North Korea had initially cooperated in ballistic missile technology. They have expanded this cooperation to warships and uranium-enrichment technology in recent years, the sources said.

The U.S. government recently provided South Korea with several photos of a Yono-class submarine taken at an Iranian port around 2007, according to the sources.

The photos were given for the investigation into the sinking of the Cheonan.

One of the photos showed a crane moving a submarine and people believed to be Iranian officials, according to the sources.

South Korea's Ministry of National Defense late last month said a Yono-class submarine was built in a shipyard for special vessels in Pyongyang in June 2004.

The submarine was likely built primarily for export, according to the sources.

Different sources said the South Korean and U.S. governments also confirmed around 2008 that Iran possessed a 120-ton Ghadir-class submarine, which looks almost identical to the Yono-class sub.

The Iranian submarine could have been a remodeled North Korean submarine or it may have been built based on North Korea's design, according to the sources.

It has the potential to fire the CHT-02D torpedo, parts of which were found in the wreckage of the Cheonan, the sources said.

Iran imported the submarines likely for strategic purposes in the Straits of Hormuz in the Persian Gulf, according to one of the sources.

North Korea's military cooperation with Iran moved into high gear after Pyongyang began supplying a number of advanced short-range Scud-B missiles around 1987.

Funds from Iran helped North Korea develop the Nodong medium-range missiles. The Nodong technology was used to develop Iran's Shahab missiles.

Iran has also provided North Korea with uranium-enrichment technology, according to the sources.

North Korean Lawmakers Gather Amid Ship Sinking, Kim Succession

June 7 (Bloomberg) -- North Korea's Supreme People's Assembly is convening a rare meeting today amid tension caused by the sinking of a South Korean warship and speculation about who will succeed leader Kim Jong Il.

It is the first time the totalitarian state has held two parliamentary meetings during the same session since Kim took power in 1998, according to the South's Unification Ministry. The meeting may be used to reaffirm the regime's rejection of accusations it was behind the March 26 sinking of the Cheonan, or to announce a personnel reshuffle on the National Defense Commission or the cabinet, the ministry said.

"It would more or less be a symbolic gesture for North Korea to claim its innocence in the Cheonan attack both domestically and globally," said Kim Yong Hyun, professor of North Korean studies at Dongguk University in Seoul.

South Korea last week asked the United Nations Security Council to examine and respond to an international panel's finding that the North torpedoed its ship, killing 46 sailors. North Korea yesterday branded the request an "unpardonable grave provocation."

The U.S. and Japan have voiced support for the South, while Russia sent its own team of experts to assess the information. China, North Korea's ally of 60 years, has so far refused to criticize Kim's regime, saying that it was still considering the evidence from

both sides. China and Russia have the power to veto any censure or sanctions proposed at the Security Council.

Kim's Health Speculation

Any reshuffling of the North Korean leadership may also provide analysts with signal about Kim's preparations to hand over power. Speculation over the 68-year-old leader's condition has increased since he reportedly suffered a stroke in 2008, and he was shown limping in television footage during a visit last month to China.

Eldest son Kim Jong Nam said his father is in good health, JoongAng Sunday reported yesterday, citing an interview with him in Macau. The Korean-language newspaper is the Sunday edition of the daily JoongAng Ilbo newspaper.

Kim Jong Un, the leader's youngest son, is being widely tipped as his most likely successor, according to South Korean officials. Jong Un, known to be in his 20s, was appointed as head of the country's secret police last year, according to Dong-A Ilbo newspaper in Seoul.

The parliamentary session may name key posts to replace aging officials, which may be part of a succession process, Dongguk University's Kim said.

North Korea said on May 14 it relieved Kim Il Chol from his posts as a member of the National Defense Commission and first vice-minister of the People's Armed Forces because of old age.

The assembly was called on May 18, according to the official Korea Central News Agency. The first meeting was held on April 9. While there were two assembly meetings in 2003, they were held under different sessions, the Unification Ministry said on its website.

Today's session may also have been convened to pass laws related to foreign investment after Kim's May 3-7 trip to China, the ministry said.

U.S., S. Korea Naval Drill May Be Held in Late June, Yonhap Says

June 6 (Bloomberg) -- South Korea and the U.S. may conduct planned joint naval drills in the Yellow Sea sometime in the fourth week of June, Yonhap News reported today, citing a South Korean military official that it didn't identify.

Kim Jong Il Promotes Brother-In-Law; Replaces Premier (Update1)

June 7 (Bloomberg) -- North Korean leader Kim Jong Il promoted his brother-in-law, Jang Song Thaek, at a rare parliamentary session today, a move that may be aimed at solidifying the transition of power to his youngest son.

Jang, 64, was named vice chairman of the National Defense Commission at Kim's recommendation, the official Korean Central News Agency reported today. Kim is chairman of the commission, the highest government agency in the country. Jang backs Kim's youngest son, Kim Jong Un, as successor, said Paik Hak Soon, director of inter-Korean relations at the Seongnam, South Korea-based Sejong Institute.

"Kim Jong Il is, in essence, making it official that Kim Jong Un will be the next leader by bestowing upon Jang Song Thaek ultimate power," Paik said.

The Supreme People's Assembly, North Korea's parliament, also replaced premier Kim Yong Il with Choe Yong Rim today at the suggestion of the ruling Workers' Party, KCNA said.

Speculation over who will succeed Kim has increased since the 68-year-old leader reportedly suffered a stroke in 2008. Kim was shown limping in television footage during a visit last month to China.

Eldest son Kim Jong Nam said his father is in good health, JoongAng Sunday reported yesterday, citing an interview with him in Macau. The Korean-language newspaper is the Sunday edition of the daily JoongAng Ilbo newspaper.

Jong Un, known to be in his 20s, was appointed as head of the country's secret police last year, according to Dong-A Ilbo newspaper in Seoul.

It is the first time the totalitarian state has held two parliamentary meetings a year since Kim took power in 1998, according to South Korea's Unification Ministry. The first meeting was held on April 9.

Kim attended today's session, KCNA said.

Replacing the premier, who mostly focus on economic affairs, underlines North Korea's commitment to boosting the economy, Paik said. It also signals state control of the economy is set to tighten, said Yang Moo Jin, a professor at the Seoul-based University of North Korean Studies.

Economic Front:

South Korea's Jobless Rate Falls to Lowest Since October 2008

June 9 (Bloomberg) -- South Korea's unemployment rate declined in May to the lowest level since October 2008 as the nation's strengthening economy prompted companies to hire.

The jobless rate fell to 3.2 percent from 3.7 percent in April, after reaching a 10-year high of 4.8 percent in January, Statistics Korea said today in Gwacheon, citing seasonally adjusted figures.

“The private sector seems to be beginning to lead the economic recovery and jobs market,” said Park Sang Hyun, an economist at HI Investment & Securities Co. in Seoul. “The strong job data may give support for a rate increase but the central bank will likely wait to see how the European debt crisis will evolve.”

Asia’s fourth-largest economy expanded a faster-than- expected 2.1 percent in the first quarter and the central bank forecasts growth of more than 5 percent this year. Even so, Bank of Korea Governor Kim Choong Soo will leave the benchmark interest rate at a record-low 2 percent when his board meets tomorrow, according to all 12 economists surveyed by Bloomberg.

The benchmark Kospi stock index rose 0.8 percent to 1,651.48 yesterday. The won touched a one-week low to close at 1,233.48 per dollar in Seoul, while the yield on the 4.5 percent note due March 2015 rose one basis point to 4.31 percent.

Government Priority

President Lee Myung Bak has made job creation a priority this year. The government spent 108.6 trillion won (\$88 billion) in the first four months, including on infrastructure and social welfare projects, exceeding its earmarked expenditure, according to Finance Ministry figures.

Governor Kim said yesterday the jobs market will only improve at a gradual pace unless the government promotes small businesses that will boost hiring.

“Employment conditions are expected to improve, but it’s only a recovery from the shock from the global financial crisis,” the governor said at a forum in Seoul.

The unadjusted jobless rate was 3.2 percent in May, compared with 3.8 percent in April, today’s report showed. The number of employed people rose by 168,000 to 23.97 million in May from April, on a seasonally adjusted basis.

The number of people self-employed or working in the public-service sector climbed 4.7 percent and hiring in the manufacturing sector advanced 4.9 percent, today’s report showed. People employed in the construction industry increased 2.6 percent from a year earlier, while jobs in the agricultural, fishery and forestry sectors declined 4.7 percent.

Samsung C&T reviewing \$1.2 bln Abu Dhabi project

SEOUL June 8 (Reuters) - South Korean builder Samsung C&T Co Ltd (000830.KS) said on Tuesday that it was still reviewing whether to sign a final contract for a 1.47 trillion won (\$1.2 billion) Abu Dhabi project it won jointly with Belgian group Besix.

Industrials

In March, Samsung said a consortium of the company and Besix was named top bidder for the project, in which Samsung would hold a 40 percent stake.

The review process had not yet been finalised, Samsung said in a filing with the Korea Exchange.

S. Korea's Daelim wins \$877 mln order from Kuwait

SEOUL June 11 (Reuters) - South Korean builder Daelim Industrial (000210.KS) said on Friday that Kuwait National Petroleum had awarded it a 1.097 trillion won (\$877.3 million) order to build a gas plant.

Industrials

The construction would last for three years, Daelim said in a statement.

S. Korea KOGAS May LNG sales up 52.7 pct y/y

SEOUL June 11 (Reuters) - South Korea's state-owned Korea Gas Corp (KOGAS) (036460.KS) said on Friday it sold 1.9 million tonnes of liquefied natural gas (LNG) in May, up 52.7 percent from a year earlier.

Utilities

Of the total, 989,151 tonnes were for household and business consumption, while the remainder went to power generation, KOGAS, the world's biggest corporate buyer of LNG and South Korea's sole wholesaler, said in a filing to the stock exchange.

S. Korea won edges up, but suffers 4th weekly loss

SEOUL June 11 (Reuters) - The South Korean won ended local trade slightly higher against the dollar on Friday but posted its fourth consecutive weekly loss as talk of imminent capital controls prompted traders to stay away from the local unit.

The won KRW= KRW=KFTC ended the session at 1,246.1 per dollar, up 0.4 percent on the day but down 3.6 percent on the week. It was the longest spell of weekly losses since early March 2009

Hyundai Motor's India plant halted by strike

SEOUL, June 7 (Reuters) - Production at Hyundai Motor's (005380.KS) Indian plant was halted by a workers' strike, the Indian unit of the South Korean carmaker said on Monday, adding it was seeking government intervention.

Hyundai Motor India said in a statement some workers called for the strike demanding full re-instatement of dismissed employees, in violation of orders while conciliation on the issue is under way.

The sit-in strike by around 150 workers had forced Hyundai Motor India management to suspend production, resulting in a loss of 2,200 cars on Monday, the company said.

"The management is seeking government intervention and has also approached the Commissioner of Labour's office for an early settlement to the dispute," it said.

Hyundai Motor, South Korea's top auto maker, is the No. 2 brand in the fast-growing Indian market, competing with Maruti Suzuki (MRTI.BO). Its Indian plant produces cars for both local and overseas markets and employs around 10,000.

S. Korea 2010 steel demand seen growing 13 pct -POSRI

SEOUL June 10 (Reuters) - South Korea's steel demand is expected to grow 13 percent in 2010, with recovery in demand set to contract sharply in the second half of the year, POSCO's think tank POSCO Research Institute (POSRI) said on Thursday.

Basic Materials

POSCO (005490.KS), the world's No.4 steelmaker, said on Wednesday it expected a difficult business environment in the second half because of oversupply in the domestic market and increasing steel imports, adding domestic demand was seen growing 10 percent or more this year. [ID:nTOE658073]

POSRI Chief Executive Kim Joon-han said domestic demand was projected to reach 51.3 million tonnes in 2010 from last year's 45.4 million tonnes.

"Demand is seen high in the first half and low in the second half, recovering to its 2007 levels after its minus growths in the past two years," Kim told Reuters by telephone.

He noted that demand would retreat from 24-25 percent year-on-year growth in the first half of this year to 4 percent in the second half, adding that POSRI might adjust the growth forecast in July.

Strike at Hyundai India plant ends

MUMBAI (Reuters) - A three-day strike at Hyundai Motor's (005380.KS) India plant ended on Wednesday and normal production resumed after an agreement between the car maker and striking workers, a spokesman for the local unit said.

As part of the settlement, Hyundai's India unit agreed to review the dismissal of 35 of 67 sacked workers, spokesman Rajiv Mitra said.

A committee with representatives from Hyundai, the government and the workers' union has been formed to consider the reinstatement, Mitra said.

Earlier in the day, Mitra had said production at the plant in the southern city of Chennai had resumed even as a section of workers continued their strike.

Some workers at the plant had halted work on Monday demanding full re-instatement of dismissed employees in violation of orders while conciliation on the issue was under way, the company had said.

Hyundai Motor, South Korea's top auto maker, is the No. 2 brand in the fast-growing Indian market, competing with Maruti Suzuki (MRTI.BO). Hyundai's Indian plant produces cars for both local and overseas markets and employs around 10,000.

The halt in production had resulted in a loss of 2,000 cars and had cost about 650 million rupees (\$14 million) per day, the India unit had said on Tuesday.

In China, a strike at a parts supplier for Honda Motor (7267.T) also entered its third day, hobbling production at two of the Japanese automaker's plants there.

India's labor laws are rated by the World Bank as among the most rigid and some analysts say they hurt corporate competitiveness in Asia's third-largest economy.

While government data for strikes this year is not available, there is evidence they are on the rise and more unrest may be in store as India looks to divest stakes in over-staffed state firms to bridge a yawning fiscal deficit.

A World Bank report on the ease of doing business last year ranked India 122 of 181 countries and suggested greater flexibility in labor laws would help create more jobs and reduce poverty.

India's Videocon May Sell Stake to Korea's SK Telecom, ET Says

June 11 (Bloomberg) -- India's Videocon Telecommunications Ltd. is in talks with SK Telecom Co., South Korea's largest mobile-phone operator, to sell a 26 percent stake, the Economic Times reported, citing a company official it didn't identify.

The Dhoot family, the founders, are seeking 36 billion rupees (\$767 million) for the stake, according to the report.

Social Front:

Greece and S. Korea aim to be dark horses

PORT ELIZABETH (Reuters) - Greece and South Korea could be first-round failures or dark horses with the result of their meeting on Saturday possibly throwing a spanner in the works for the World Cup's top teams.

Just like the icy bluster of Port Elizabeth, the Group B encounter in South Africa's 'Windy City' could go either way for two teams capable of upsets but more likely to fast fizzle out given their dire World Cup campaigns of the past.

Greece's stunning Euro 2004 triumph and South Korea's march to the World Cup semi-finals on home soil in 2002 are fading memories and both countries face a Herculean task of getting out of a group that includes African giants Nigeria and one of the tournament favorites, Argentina.

While Saturday's game in the sleepy beach city is far from a mouthwatering match, three points for Greece or Korea could prove decisive and complicate their higher-ranked opponents' assumed passage to the second round.

A Greece win would also help exorcise the ghosts of a woeful World Cup past that features three games and three defeats without a single goal scored in their only appearance in 1994.

Aging coach Otto Rehhagel believes the past should be forgotten, except for Euro 2004 from which he has retained six players in a squad he stressed was not here for a holiday.

INFERIORITY COMPLEX

The German is expected to opt again for a team strong in defense and heavily reliant on lone striker Fanis Gekas to provide the eye-popping firepower that made him top scorer in European qualification with 10 goals from 12 games.

South Korea's World Cup record is more impressive as they have reached the last seven finals and cruised unbeaten through qualification, although their failure to reach the second round on foreign soil underlines an inferiority complex outside the comfort zone of the fledgling Asian game.

Saturday's match brings the inauguration of the eye-catching Nelson Mandela Bay Stadium but could play host to a stalemate, with Korea's slick and relentless counter-attacking likely to be stifled by Greece's unyielding defense and 4-5-1 formation.

But what they lack in size, the Koreans make up for in the fitness and industriousness exemplified by captain Park Ji-sung, nicknamed "Three-lunged Park" for his astounding stamina.

In Huh Jung-moo, Korea have a local coach for the first time since the 1998 finals and have six players from European clubs in their biggest foreign-based contingent at the finals which Park believes could help break their World Cup hoodoo.

"The experience helps the younger players to be more confident to play at the World Cup," he said this week.

"But it's not an easy group. We have to fight... but I think we have a chance to get through the group stage."

S. Korea to send aid for children in North

SEOUL--South Korea approved two shipments of baby formula for North Korean infants on Wednesday despite rising tensions between the neighbors after Seoul accused the North of sinking one of its naval vessels.

South Korea widened sanctions against the North last month, banning trade, travel and aid in response to the findings by an international team of investigators that Pyongyang was behind the torpedoing of the South Korean ship that killed 46 sailors.

Under the new sanctions, humanitarian aid was also suspended, with the exception of assistance intended for children.

By banning commercial trade across the border, the South has sought to squeeze the flow of cash to its destitute neighbor in the hope of extracting an admission of guilt over the ship sinking and a pledge not to attack it.

North Korea relies on China, its key ally, for most of its trade, but has seen movement of goods to the South grow in recent years, bringing about \$300 million to its coffers.

The Unification Ministry, which oversees ties with North Korea, said it has issued permission for the two shipments of baby formula to arrive at day care centers in its northern region and near Pyongyang later in June.

South Korea has referred the case of the ship sinking to the U.N. Security Council, asking it to take action to deter further provocation by the North.

Pyongyang has denied any involvement in the sinking.

North Korea drove tensions to new heights in recent weeks by threatening war if Seoul imposed sanctions, denying any role in the sinking of the corvette Cheonan and accusing South Korean President Lee Myung-bak of using the incident for political gain.

The mounting antagonism between the two Koreas has unnerved investors, worried about armed conflict breaking out in the region.

Many analysts say neither side is ready to go to war, but see the possibility of more skirmishes in a disputed sea border off the west coast or along their heavily armed border buffer.

South Korea Says Cyber Attacks Came From China Sites (Update1)

June 10 (Bloomberg) -- South Korea said a government website was attacked yesterday from Internet addresses in China. The report comes amid concerns that North Korea is mounting cyber attacks in response to international pressure over the sinking of a South Korean warship in March.

The attacks took place between 8:20 p.m. and midnight, the Ministry of Public Administration and Security said in a statement posted on its website today. The ministry blocked access after spotting the intrusions, and a probe is being conducted with related government offices, it said.

North Korea's postal ministry was the source of similar cyber attacks last July that sought to cripple dozens of websites in South Korea and the U.S., the JoongAng Ilbo reported in October, citing Won Sei Hoon, the director of the South's spy agency.

Tensions have risen on the Korean peninsula since an international panel concluded on May 20 that the North was behind a torpedo attack that sank the Cheonan warship, killing 46 of the South's sailors. South Korea's President Lee Myung Bak vowed to make the North pay for the sinking, prompting counter threats of "all-out war" from the North.

Lee has taken the case to the United Nations Security Council, backed by the U.S. and Japan. North Korea has threatened to retaliate over any punitive action taken against it, and says the allegations are fabricated.

Plugging Holes

Since the sinking, Lee and other South Korean government officials have called for a review of military strategy to address weaknesses in the nation's defense. U.S. officials also said they plan to work with South Korea to help it plug holes in its defensive capabilities, according to a report in the New York Times.

The Cheonan was sunk by a mini-submarine, according to the international panel's report. North Korea possesses about seven times as many submarines as the South, according to the government in Seoul. The U.S. Army says North Korea maintains the world's biggest special operations force, with more than 80,000 personnel to conduct "asymmetric attacks against a range of critical civilian infrastructure and military targets," according to the June 2009 U.S. Forces Korea Strategic Digest.

South Korean Defense Minister Kim Tae Young yesterday said North Korea was focusing on cyber-attacks and added that November's summit of leaders from the Group of 20 countries in Seoul may also be targeted, Korea Times reported.

'Denial of Service'

Yesterday's attackers used a tactic called "distributed denial of service," attempting to crash websites by flooding them with data, the government said. The intrusions were made from 120 Internet-protocol addresses, it said. The targeted website provides information on administrative services and government policies.

South Korea last July blocked five Internet addresses to help end cyber attacks that sought to cripple dozens of websites in the nation and the U.S. The UN Security Council imposed sanctions on North Korea in May 2009 after the country carried out a second nuclear test.

An estimated 20,000 computers were infected in that attack by the same tactic. Websites based in the U.S., South Korea, Germany, Austria and Georgia may have spread malicious code, the Korea Communications Commission said at the time.

The South Korean presidential Blue House, the Foreign Ministry, the Defense Ministry, the Ministry of Public Administration and Security, and the intelligence service were targeted in last year's attack. Access to their sites closed down temporarily and resumed hours later.

In the U.S., the departments of state, treasury and transportation were hit, as well as NYSE Euronext, the world's largest owner of stock exchanges.

North Korea's Kim turns to family, old guard

SEOUL (Reuters) - North Korea's rubber-stamp parliament named leader Kim Jong-il's brother-in-law to the post of vice chairman of the National Defense Commission, possibly making him the second most powerful man in the reclusive state.

World

It also dismissed the prime minister, seen as the main economic policy official, and replaced him with another member of the old guard and a confidant of the Kim dynasty.

Here are some implications of the reshuffle announced at a rare session of the assembly, which Kim has attended.

Striker breaks North Korea's wall of silence

JOHANNESBURG (Reuters) - Lifting the veil of secrecy that has cloaked North Korea since their arrival at the World Cup, striker Jong Tae-se has predicted a shock victory over Brazil.

Sports

North Korea, making their first appearance at the World Cup finals since 1966, have canceled media conferences in South Africa and expelled journalists hoping to catch a glimpse of the mystery men at training.

However, Jong looked the world's media squarely in the eye on Tuesday and said North Korea had nothing to fear from Group G opponents Brazil, Portugal and Ivory Coast.

"The game will be very difficult for us but we will win against Brazil," Jong said, standing with his shoulders back and his chest puffed out proudly.

"Everybody thinks we can't win that game, but we have brave hearts, strong spirits and that can help us make a miracle."

Speaking at the Makhulong Stadium, where a stampede by fans on Sunday left 14 injured and a policeman in a serious condition, Jong said he hoped the World Cup would be an opportunity to put a human face on North Korea.

"North Korea is a mystery, and nobody knows about North Korea," he added. "So I want to change the image of North Korea. Politics and sports is different so we want to change North Korea's image."

TOUGH DRAW

Full of endeavor and defensive discipline but lacking true top-class talent, most pundits believe the North will be lucky to earn a point from the group stage.

However, equally little was expected of them 44 years ago when they beat Italy 1-0 to make the quarter-finals in England, then led Portugal 3-0 before a Eusebio-inspired fightback earned the Europeans a 5-3 win.

"I grew up with a video of the 1966 World Cup so I really want to be like that, make a surprise for the world," he said.

Jong said the tough Group G draw in the 2010 finals suited him just fine.

"Everybody called it the 'Death Group' and when we heard about that group we were surprised," he said.

"But I'm happy with that group because before I could only see Kaka and Ronaldo (sitting) in front on TV. Those players are my target, so I'm really looking forward to playing against them."

North Korea face Brazil at Ellis Park in Johannesburg on June 15 before taking on Portugal in Cape Town six days later and rounding out the group campaign against Ivory Coast in Nelspruit on June 25.

Japan

Detailed News:

Political Front:

U.S. appreciates Kan's stand on Futenma

WASHINGTON--A senior White House security official said the United States appreciates the stance of Japan's new prime minister, Naoto Kan, to honor the latest bilateral agreement on the Futenma airfield relocation within Okinawa Prefecture.

Jeffrey Bader, senior director for Asian affairs at the National Security Council, said President Barack Obama was satisfied with the telephone conversation he had with Kan over the weekend.

Bader, in charge of the Obama administration's East Asian policy, made the remarks during a speech at a Washington think tank Monday.

He noted that Kan has made clear he will abide by the Japan-U.S. agreement on relocating the U.S. Marine Corps Air Station Futenma reached by his predecessor, Yukio Hatoyama, in late May.

Bader said there is every reason to expect that the United States will not be confronted with the problems that surfaced last September and October soon after the Hatoyama Cabinet was inaugurated.

He said the May agreement to move the airfield from Ginowan to Henoko in Nago had set the basic framework and that there is no room for a new option, as it reflects Japan's mainstream views, including Kan's.

There is strong local opposition to the Futenma move within Okinawa Prefecture.

Kan Names Ozawa Critic as Japan Ruling Party's No. 2 (Update2)

June 7 (Bloomberg) -- Japan's Prime Minister-elect Naoto Kan appointed Yukio Edano as his party's No. 2 official, further distancing himself from the political powerbroker whose funding scandals helped bring down the previous administration.

Kan today named Edano, 46, as the Democratic Party of Japan's secretary-general, replacing Ichiro Ozawa. Ozawa, the architect of last August's DPJ election victory, quit last week along with Premier Yukio Hatoyama to take responsibility for disputes over campaign finances and relocating U.S. troops ahead of next month's elections for the upper house of parliament.

"I want to promote transparency within the party management," Edano said after Kan's announcement in Tokyo.

Ozawa had previously refused to step down after three of his aides were indicted for violating campaign funding laws in February. Kan, 63, last week said after Hatoyama stepped down that Ozawa "should stay quiet for a while," a judgment polls show that four in five voters share.

"Kan has been able to change the media image that the DPJ is controlled by Ozawa," said Yasunori Sone, a political science professor at Keio University in Tokyo. "At the same time, he's trying to maintain party balance because Ozawa's power may be needed later."

Edano, who served as Hatoyama's administrative revitalization minister, urged Ozawa to quit as secretary-general in January to take responsibility for the scandals.

'Settle the Matter'

"If he cannot gain people's understanding and conviction, he must settle the matter once and for all," the Yomiuri newspaper on Jan. 31 quoted Edano as saying.

Kan also appointed Shinji Tarutoko, who ran against him in last week's party leadership race, to be parliamentary affairs chief. Lower house legislator Koichiro Gemba was named head of the DPJ's policy board. Gemba, 46, the lower house chairman of fiscal and finance committee, formed a group last month of more than 100 lawmakers to study Japan's fiscal situation.

Gemba said today his party should include a tax reform plan in its manifesto for next month's election and prepare a plan regarding the nation's 5 percent sales tax by the next lower-house race.

Hatoyama said on June 2 he and Ozawa would resign, apologizing for the finance scandals and a broken promise to move a U.S. base off Okinawa that sent his approval rating tumbling more than 50 points. Kan said the next day that Ozawa had "invited

distrust from the public,” adding that it would be better for the party and Japan if he lowered his profile.

Cabinet Lineup

The DPJ’s approval ratings have jumped since Kan, who will announce his cabinet and take power tomorrow, was chosen by parliament to replace Hatoyama. The Asahi newspaper yesterday said 82 percent of voters approved of how Kan has dealt with Ozawa. The paper surveyed 1,074 voters on June 4-5 and didn’t provide a margin of error.

National Strategy Minister Yoshito Sengoku, 64, will replace Hirofumi Hirano as chief cabinet secretary while Yoshihiko Noda, 53, will succeed Kan as finance minister, Kyodo and other media said. Foreign Minister Katsuya Okada, trade minister Masayuki Naoshima and Defense Minister Toshimi Kitazawa will keep their posts, Kyodo said, citing unidentified party sources.

Ozawa, who was forced to quit as head of the DPJ in May 2009 after his top campaign official was indicted, heads the largest faction in the party.

Support Rises

The DPJ received a 36.1 percent support rate in a Kyodo News poll published two days ago, an increase of 15.6 percentage points from the end of May. Kan “inspired hope” in 57.6 percent of those surveyed, Kyodo said. The Asahi poll said 59 percent of the public has high hopes for Kan, who has spawned a T-shirt that plays on Barack Obama’s campaign slogan by proclaiming, “Yes we Kan.”

Kan has said he will work to carry out the policies of his predecessor. In a phone call with President Obama on the weekend, Kan promised he would abide by Hatoyama’s decision to relocate the Futenma U.S. Marine base to another site in Okinawa, according to a statement from Japan’s foreign ministry.

The DPJ faces its first national test as the incumbent in upper house elections to be held in July. The party ousted the Liberal Democratic Party from power in a landslide victory last August, ending the LDP’s 50-year lock on power.

Japan Ruling Party’s Support Increases After Kan Named Premier

June 7 (Bloomberg) -- Naoto Kan, Japan’s new prime minister, boosted the ruling party’s approval ratings less than two months before national elections, according to surveys published in local media on the weekend.

Kan, 63, was elected head of the Democratic Party of Japan and the nation’s premier on June 4, after Yukio Hatoyama resigned amid campaign finance scandals and a dispute over where to locate a U.S. military base.

The DPJ received a 36.1 percent support rate in a Kyodo News poll, an increase of 15.6 percentage points from the end of May. Kan “inspired hope” in 57.6 percent of those surveyed, Kyodo said. A poll by the Asahi Shimbun found that 33 percent would vote for the DPJ, up from 28 percent last week, and 59 percent had high hopes for Kan, who has spawned a T-shirt that plays on Barack Obama’s campaign slogan by proclaiming, “Yes we Kan.” A Mainichi newspaper survey found that 63 percent of respondents said Kan had given them hope.

“Kan has the gravitas and has groomed himself,” said Koichi Nakano, a political science professor at Sophia University in Tokyo. “He’s not one of those hereditary politicians who have turned out to be such disasters. But he’s inheriting a lot of difficulties.”

All of the surveys were conducted by telephone on June 4 and June 5, and none provided a margin of error.

Kan, who is expected to name his new cabinet tomorrow, has said he will work to carry out the policies of his predecessor. In a phone call with Obama on the weekend, Kan promised the president he would abide by Hatoyama’s decision to relocate the Futenma U.S. Marine base to another site in Okinawa, according to a statement from Japan’s foreign ministry.

The DPJ faces its first national test as the incumbent in upper house elections to be held by the end of July. The party ousted the Liberal Democratic Party from power in a landslide victory last August, ending the LDP’s 50-year lock on power.

Poll: 55% feel affinity to South Korea

Fifty-five percent of Japanese feel close to South Korea, while 42 percent of South Koreans have a sense of affinity to Japan, according to a joint survey by The Asahi Shimbun and The Dong-A Ilbo.

Thirty percent of Japanese respondents thought bilateral relations will develop positively. The figure for South Korea was 39 percent. Only 4 percent of respondents in Japan and 7 percent in South Korea were pessimistic about future relations.

The survey was conducted prior to the 100th anniversary this year of Japan's annexation of the Korean Peninsula. In Japan, The Asahi Shimbun conducted a questionnaire survey from late April to late May, while the South Korean newspaper polled people by telephone on June 3.

While favorable perceptions of each other were attributed to increased tourism, business travel and cultural exchanges, the survey also revealed a marked difference in views of history between the two countries.

In Japan, 52 percent of respondents said Japan's colonial rule and other problems in history have not been settled, compared with 94 percent in South Korea who gave the same answer.

Fifty-five percent of Japanese respondents said Japan has apologized sufficiently, while 97 percent of South Koreans thought otherwise.

Fifty-seven percent of Japanese respondents said there was no need to review compensation for victims of colonial rule and other problems, while 89 percent in South Korea disagreed.

Japan, Jordan Plan Treaty to Permit MHI, Areva Nuclear Sales

June 11 (Bloomberg) -- Japan and Jordan will start talks for a nuclear treaty this month, paving the way for Areva SA and Mitsubishi Heavy Industries Ltd. to sell reactors as the Middle Eastern country plans its first atomic power plant.

Talks for the bilateral agreement, which would allow Japanese companies to export nuclear technology, will be held on June 13 in the Jordanian capital, Amman, Japan's Ministry of Foreign Affairs said in a statement yesterday.

Paris-based Atmea, a 50-50 joint venture between Areva and Mitsubishi Heavy, is negotiating with Jordan to build a nuclear plant, slated for completion in 2019. Japan, which lost out to South Korea in December on a \$20 billion atomic contract with the United Arab Emirates, this week began informal talks with Vietnam for a nuclear treaty as the government tries to help companies sell infrastructure projects overseas.

"A nuclear treaty is just the first step for Japan to win a contract in Jordan," said Takehiko Yamamoto, a professor of international relations at Waseda University in Tokyo. "The price, financing, reactor safety and the diplomatic benefits of such a contract will be the decisive elements."

Jordan has short-listed Atomic Energy of Canada Ltd.'s Candu 6 reactor, the AES-92 VVER-1,000 model developed by Russia's state-run Atomstroyexport ZAO and the Areva-MHI Atmea1 reactor, the Jordan Times reported on May 13, citing the Jordan Atomic Energy Commission.

The Middle Eastern nation, which relies almost entirely on imports for its energy needs, will select a bidder within a year, Atomic Energy Commission Chairman Khalid Touqan said in March.

Regional Security

Jordan, a vital U.S. ally in the region, may be unwilling to choose the Canadian model because it produces plutonium that can be used to make weapons, Yamamoto said.

“Geopolitical tensions would arise if Jordan picks a heavy-water reactor,” he said.

The mid-sized Atmeal, which can withstand the impact of a large commercial plane, may appeal to Jordan because of its safety, said Tomoko Murakami, a senior nuclear analyst at the Institute of Energy Economics Japan. “Strengthening safety may also have made Atmeal more costly compared with its Russian and Canadian competitors,” she said.

Japan typically signs nuclear accords with nations that are signatories to the Nuclear Non-Proliferation Treaty, which include Jordan. The country has agreements with the U.S., U.K., France, Canada, Australia and China, according to the foreign ministry website. Japan also has a treaty with the European Union through the European Atomic Energy Community, known as Euratom.

The U.S. and France have urged Japan to sign a similar treaty with India, which isn’t an NPT signatory, Nikkei English News reported without citing anyone. Trade Minister Masayuki Naoshima denied the report when speaking to reporters in Tokyo June 9.

Informal talks with Vietnam were held in Hanoi June 9, the Ministry of Foreign Affairs said in a statement released the following day.

Economic Front;

Kan’s Policies Will Boost Japan Stocks, Analysts Say (Update1)

June 7 (Bloomberg) -- Japan’s new Prime Minister Naoto Kan will introduce policies likely to spur economic growth and earnings, boosting stock prices, strategists at JPMorgan Chase & Co. and Deutsche Bank AG said.

Kan, who is succeeding Yukio Hatoyama, will emphasize economic growth compared with his predecessor’s focus on social issues, said Jesper Koll, head of equity research at JPMorgan Chase & Co. The new premier will also ease investor anxiety over the world’s largest public debt by implementing a more disciplined fiscal policy, said Naoki Kamiyama, Deutsche Bank AG’S chief equity strategist in Tokyo.

“After the democrats got into power and after Hatoyama got into power, the number one priority was social policies,” Koll said in a June 4 interview. “Now it’s going to be economic policy. It’s going to be to promote growth. It’s good for stocks.”

Kan, 63, who served as finance minister for five months, is taking the reins just weeks before the government is due to say how it intends to reduce public debt and release a strategy to sustain a nominal 3 percent growth rate over the next decade, a pace unseen since 1991. Japan’s public debt is approaching 200 percent of gross domestic product, the biggest among the 30- member Organization for Economic Cooperation and Development.

Japan's corporate earnings may double and that could drive the Nikkei 225 Stock Average 15 percent to 18 percent higher, Koll said in a Bloomberg television interview today. He also said the ouster of Ichiro Ozawa as the "backroom shogun" might make Kan's administration more stable than expected.

'Better Than Hatoyama'

"Kan is better than Hatoyama in terms of fiscal discipline," Kamiyama said on June 4. "When investors are thinking of long-term investment in Japan, they are wondering" whether it is a safe market, he said.

The nation's economy grew less than forecast in the first quarter of this year as an export-led recovery failed to stoke consumer spending, a Cabinet Office report showed on May 20. Gross domestic product rose an annualized 4.9 percent, less than the 5.5 percent median forecast in a Bloomberg survey of 21 economists, the report showed.

Falling tax receipts and increasing social welfare costs helped push Japan's debt to a record high in the fiscal year ended March. Public debt totaled 882.9 trillion yen (\$9.6 trillion) as of March 31, up 4.3 percent from a year earlier, according to the Ministry of Finance.

Wasteful Spending

"Fiscal discipline is important for the popularity of the DPJ," Kamiyama said. "The policies may be good but the implementation" may be a struggle as Kan faces an upper house election in July.

Kan said that while there is no "overnight" fix, he will announce a new strategy for growth and tighter fiscal policy later this month.

"I don't think fiscal rehabilitation can be done overnight," Kan said on June 3. "At least I'd like to correct the trend in which the public debt keeps increasing endlessly." The incoming premier will decide Cabinet posts and positions in the DPJ at 4 p.m. local time today, the Nikkei newspaper reported on its Web site.

Kan's appointment comes just nine months after the DPJ ended the Liberal Democratic Party's more than 50 years of almost unbroken control of government. The DPJ ran on a pledge to cut wasteful spending and increase household consumption. Its policies include cash payments to families with children.

Weaker Yen

The Nikkei 225 Stock Average has risen 3.1 percent since Hatoyama said on June 2 that he will step down. The gauge fell 0.1 percent June 4 after gaining as much as 0.5 percent.

Kan said on Jan. 7, his first day as finance minister, that he wanted the yen to fall “a bit more” and pledged to monitor its level. His predecessor Hirohisa Fujii said after his appointment as finance minister in September that he did not support a weak yen. The currency reached a 14-year high versus the dollar on Nov. 27 last year and has since fallen 8 percent.

“Kan is supporting a weaker yen so I think he is quite good for investors,” Kamiyama said. “His view is very different from Fujii.”

Kamiyama recommends investors buy export-related stocks such as automakers and manufacturers of consumer electronics on optimism Japan’s currency will weaken.

A depreciation in the yen raises the value of overseas revenue when repatriated, which would boost earnings growth of export dependent companies.

“You’ve got a growth strategy, and with growth you’ve got a growth of earnings which is positive for equities,” said JPMorgan’s Koll on June 4. “With Kan, you have someone who has used his time as finance minister to get up to speed on economic and finance policy. He is a man that’s a pragmatist.”

Hitachi Falls Most in Four Months on Report of Order Cancellation

By Kyung Bok Cho

June 7 (Bloomberg) -- Hitachi Ltd. fell the most in more than four months after the Asahi newspaper reported the company may lose a 1 trillion yen (\$11 billion) train contract as the U.K. will overhaul plans to renew railway carriages.

The Japanese heavy equipment maker dropped 4.9 percent to 353 yen as of 9:15 a.m. on the Tokyo Stock Exchange, headed for the biggest decline since Jan. 26. The benchmark Nikkei 225 Stock Average fell 3.2 percent.

Gloomy economic data casts shadow over Kan's debt pledge

The green shoots of recovery that have boosted hopes for Japan's economy in recent months appear to be wilting, raising serious doubts about new Prime Minister Naoto Kan's ability to rebuild the country's fiscal health.

Kan has put reducing the government's huge deficit at the top of his agenda, but a batch of economic indexes published by the Cabinet Office on Tuesday show that the economy may be faltering.

The leading index of business conditions for April, which is compiled from a wide range of economic indicators and is used to show the future prospects for the economy, fell 0.2 point from the previous month. It was the first drop in 14 months.

The Economy Watchers Survey index for May fell 2.1 points from the previous month. It represents current economic conditions, compared with conditions three months earlier.

Indexes for household spending, corporate activity and employment all fell, the first time all three sectors have declined since the Dubai credit crisis in November 2009.

The figures will raise concerns that hasty moves, such as tax increases, to cut the budget deficit could prevent economic recovery. Without increased tax revenues from a healthy economy, the road to fiscal health would be punishing.

Japan's recovery since its economy bottomed out in March 2009 was largely dependent upon increased demand for Japanese exports, particularly in China, and an assortment of government pump-priming measures.

At his first news conference as prime minister on Tuesday, Kan told reporters that he intended to base his fiscal rehabilitation effort on the government's new economic growth strategy to be announced later this month.

Among the key points expected to be included in the strategy, which is modeled on a set of policies Kan outlined late last year, are strengthening environmental and health-related industries and promoting exports to Asia. The strategy aims at an average 2 percent annual growth by fiscal 2020 and nominal growth of 3 percent.

A depreciation of the yen would help boost Japan's exports and Kan appeared to be sending hints to currency markets on Tuesday that his government would favor a lower exchange rate.

"I am aware that, with today's Japanese economy, a weaker yen is generally better," Kan said.

Hisashi Yamada, director of the Business Strategy Research Center at Japan Research Institute Ltd., said strengthening the economy was vital.

"The Hatoyama administration rushed to change the way the budget is divvied up, when it should have increased the size of the pie to be shared out by presenting a growth strategy," he said.

"If (the government) does nothing to reform the domestic industrial structure which has lost competitiveness, it will not be able to achieve lasting improvement even if it tries to bolster employment through fiscal outlays," Yamada said.

He said increased exports and drawing investment through free trade agreements would be critical to growth.

Kan Pledges Grassroots Approach to Tackle Fiscal Woes (Update1)

June 9 (Bloomberg) -- Naoto Kan, Japan's first leader in 15 years with no family connection to politics, pledged to draw from his common upbringing to help revive an economy hamstrung by persistent deflation and the world's biggest public debt.

"I'm the son of an ordinary salaried worker and people from ordinary families should be able to perform well for society." Kan, 63, said yesterday in his first press conference as prime minister. "I want to drastically rebuild Japan."

Kan is the fifth premier in four years and second since his Democratic Party of Japan overturned five decades of mostly one-party rule last August. He retained 11 Cabinet members from predecessor Yukio Hatoyama's administration as he sought to demonstrate stability before mid-term elections in July that are a referendum on the DPJ's nine months in power.

"Kan is a realist; Hatoyama was an idealist who sometimes mixed that up with realism," said Eisuke Sakakibara, a former Ministry of Finance official and now a professor at Aoyama Gakuin University in Tokyo. "Kan is the right person for a time like this."

Kan told party officials the election date will be July 11, the Yomiuri newspaper reported today, without citing anyone.

Japan's public debt will rise even if new government bond sales remain at the current fiscal year's cap of 44 trillion yen (\$481 billion), Kan said. His government will compile a plan to address fiscal constraints by the end of the month as Japan bids to avoid comparisons with Greece and the European Union.

"This is the biggest issue the country must tackle and must be discussed beyond our party's boundaries," Kan said.

Yen Comment

He also said a weak yen "is generally said to be positive for exports, which have a big weighting in our economy," adding that it was best for him to avoid specific comments on currencies. The yen was little changed at 91.43 to the dollar.

Japanese stocks yesterday rose for the first day in three, with the Nikkei 225 Stock Average gaining 0.2 percent before Kan spoke. The index is down 9.6 percent this year.

Polls show Kan has given the party a boost since Hatoyama, 63, stepped down on June 2 following campaign-finance scandals and a broken promise to move a U.S. base out of Okinawa. Kan served as Hatoyama's finance minister and deputy premier.

Yoshito Sengoku, 64, was named chief cabinet secretary, while Yoshihiko Noda, 53, replaced Kan as finance minister. Noda becomes the ninth person to hold that position in four years.

Policy Continuity

Kan said his administration will maintain Hatoyama's policy priorities, which include improving social welfare and closer ties with Asia. The government this month began paying families a monthly allowance of 13,000 yen (\$141) per child, and is making public high schools tuition-free. Noda opposed Hatoyama's plans to double the childcare handouts after one year.

"The first challenge will be to restore some sense of stability and continuity in Japanese politics," said Paul Sheard, New York-based chief global economist at Nomura Securities International Inc. "One glimmer of hope here is that Mr. Kan has been, as finance minister, one of the people very much in the driver's seat of economic policy."

The government is unlikely to double the childcare payments next year because of fiscal constraints, the Nikkei newspaper said, citing Welfare Minister Akira Nagatsuma.

Honor U.S. Accord

Public confidence in Hatoyama dropped after he upheld an accord to keep American forces on Okinawa, breaking a campaign promise. Kan told U.S. President Barack Obama in a phone call three days ago that he would honor the agreement after Hatoyama's eight months of wavering over the issue frayed ties with Japan's biggest ally.

"We must maintain the principle of honoring the Japan-U.S. agreement," Kan said. "However, I'm aware the Okinawa people don't support the plan, so we must continue to make efforts to win their understanding."

Kan also said he will improve ties with China and the rest of Asia, bringing praise from the region's fastest-growing economy.

"We highly appreciate the importance Prime Minister Kan attaches to China-Japan relations," Foreign Ministry spokesman Qin Gang said at a press briefing yesterday in Beijing.

Kan, whose father was an executive at a glass manufacturer, is the first Japanese leader since Tomiichi Murayama in the mid- 1990s not to hail from a political family. The past four prime ministers all had fathers or grandfathers who previously held the post.

Former Civic Activist

A licensed patent attorney and former civic organizer, Kan entered parliament as a lawmaker for the now-defunct Social Democratic Party in 1980, and co-founded the DPJ

in 1998. He rose to prominence as health minister in the 1990s when he exposed the government's role in allowing up to 5,000 Japanese to contract HIV through contaminated blood products.

Cabinet members who kept their posts included Foreign Minister Katsuya Okada, trade minister Masayuki Naoshima, Defense Minister Toshimi Kitazawa and Transportation Minister Seiji Maehara. Shizuka Kamei, leader of minority coalition member People's New Party, stayed on as financial services minister.

Kan named Yukio Edano, 46, as his party's No. 2 official, replacing Ichiro Ozawa, the architect of last year's DPJ election victory for the lower house of parliament. Next month's ballot is for half of the 242 seats in the less-powerful House of Councillors.

Ozawa had previously refused to step down after three of his aides were indicted for violating campaign funding laws in February.

The DPJ's approval ratings have jumped since Kan was chosen last week by parliament to replace Hatoyama. The Asahi newspaper said 82 percent of voters approved of how Kan has dealt with Ozawa. The paper surveyed 1,074 voters on June 4-5 and didn't provide a margin of error.

The DPJ received a 36.1 percent support rate in a Kyodo News poll published four days ago, an increase of 15.6 percentage points from the end of May.

"Our party's lawmakers come from a wide range of backgrounds," Kan said. "I'd like them to fight with the same common aspirations as an army."

Japan's Bond Futures Hit 2-Year High on Europe's Debt Crisis

June 7 (Bloomberg) -- Japanese bond futures advanced to the highest level in more than two years on concern Europe's spreading debt crisis will slow the global economic recovery, boosting demand for the refuge of government debt.

Five-year yields dropped to the lowest level in almost seven years after the euro reached its weakest since March 2006 on speculation Hungary will default and some European governments will struggle to fund budget deficits. Reports this week are forecast to show that factory orders in Germany, the biggest economy in the euro zone, fell and growth in Japan's machinery orders slowed.

"There are looming concerns that the sovereign crisis in Europe will start to affect the global economy, which has so far stayed firm," said Masahide Tanaka, a senior strategist in Tokyo at Mizuho Trust & Banking Co., a unit of Japan's second-largest banking group. "This outlook will encourage a capital flight into safety assets such as government bonds."

Ten-year bond futures for June delivery rose 0.35 to 141.00 yen at the afternoon close on the Tokyo Stock Exchange after earlier touching 141.02, the strongest since March 2008.

The yield of the benchmark 10-year bond fell four basis points to 1.225 percent as of 4 p.m. at Japan Bond Trading Co., the nation's largest interdealer debt broker. The price of the 1.3 percent bond due in June 2020 rose 0.357 to 100.667 yen.

Five-year yields slid to as low as 0.365 percent, the lowest since August 2003 before trading at 0.37 percent.

The Nikkei 225 Stock Average tumbled 3.8 percent and the MSCI Asia Pacific Index of regional shares dropped 3.2 percent.

Global Data

German factory orders fell 0.4 in April, according a Bloomberg News survey of economists before the Economy Ministry in Berlin releases the data today. Japan's machinery orders, an indicator of business investment in three to six months, rose 1.7 percent in April following a 5.4 percent increase in the previous month, according to a separate survey ahead the release of the report on June 9.

Adding to signs that the global economy is feeling the pinch from the debt crisis, U.S. private payrolls, which do not include government workers and temporary census jobs, rose by 41,000, trailing the 180,000 gain forecast by economists, according to a government data last week.

Hungary's Debt

Bonds also rose after Hungary's new government claimed the previous administration lied about public finances.

"Manipulation of economic data in Hungary came as a shock," said Tetsuya Miura, chief market analyst at Mizuho Securities Co. "This heightened doubts over disclosed sovereign figures, supporting declines in bond yields."

Mihaly Varga, chief of staff for Prime Minister Viktor Orban and a former finance minister, said a fact-finding committee found that the previous government's budget figures were "miscalculated by orders of magnitude." He didn't detail the scope of spending and revenue changes needed to maintain the budget target.

Hungary's economy is in a "very grave situation," and talk of a default isn't "an exaggeration," Peter Szijjarto, a spokesman for Orban, said June 4 in Budapest. Varga said June 5 that the comments were "unfortunate" and "exaggerated."

Japanese debt has handed investors a return of 3.6 percent in dollar terms in May, according to indexes from Bank of America Corp.'s Merrill Lynch unit. Treasuries have

returned 1.7 percent and German bunds have incurred a 5.5 percent loss, the indexes show.

The yen typically strengthens in times of financial turmoil because Japan's trade surplus frees the nation from dependence on overseas capital. The dollar benefits as the world's principal reserve currency.

Bond Risk Jumps

Asian bond risk gauges rose the most in almost two weeks, with the Markit iTraxx Asia credit swap index of 50 investment grade borrowers outside Japan rising 12 basis points to 148.5 basis points, according to Deutsche Bank AG. That's the biggest jump since May 25, prices from CMA DataVision in New York show.

"European sovereign fears were very much in focus again on Friday night and over the weekend," National Australia Bank Ltd. analysts led by Michael Bush wrote in a note to clients today. Hungary's government "later downplayed the comments as exaggerated, but the damage had been done and the market impact was later compounded by poor employment data out of the U.S."

Credit-default swap indexes are benchmarks for protecting debt against default, and traders use them to speculate on credit quality. Swaps pay the buyer face value in exchange for the underlying securities if a borrower fails to meet its debt agreements. A basis point is 0.01 percentage point.

Striking Workers at China Honda Plant Demand Own Union, NYT Says

June 11 (Bloomberg) -- Striking workers at a Honda Motor Co. auto parts factory in southern China are planning to march today to demand the right to set up their own labor union independent of the government-controlled union, the New York Times reported, citing employees who declined to be identified for fear of retaliation.

A flier distributed by the factory's management yesterday said it was beyond their authority to recognize a union and that a government labor board would decide on their request by June 19, the report said.

Japanese Corporate Bankruptcies Fall 15.1% as Economy Expands

June 8 (Bloomberg) -- Japanese corporate bankruptcies fell for a 10th month in May, extending the longest streak of declines in five years, as the nation's economic recovery helped more firms stay afloat.

Business failures slid 15.1 percent from a year earlier to 1,021 cases, Tokyo Shoko Research Ltd. said in Tokyo today.

A resurgence in overseas demand helped the world's second- largest economy sustain its rebound from its deepest postwar recession in the first quarter. While government lending programs have been helping, the decline in bankruptcies is increasingly reflecting better business prospects for the country's companies, said economist Yoshimasa Maruyama.

"The economy itself is improving," Maruyama, a senior economist at Itochu Corp. in Tokyo, said before the report. "It's been a year since the rebound began. It's typical for the number of bankruptcies to fall by now."

Even so, three listed companies collapsed last month, according to Tokyo Shoko. Properst Co., the property developer that had Madonna promote high-rise apartment sales in central Tokyo, filed for bankruptcy protection as the credit crisis pushed condominium sales to almost two-decade lows. Properst's liabilities totaled 55.4 billion yen (\$604 million).

Commercial RE Co., a real-estate management company whose largest stakeholder is Goldman Sachs Group Inc., filed for bankruptcy protection with 15 billion yen in liabilities. FOI Corp., a semiconductor equipment maker, filed for bankruptcy protection with 9.2 billion yen in liabilities.

Kan on Day 1 pledges to rebuild state finances

Naoto Kan formally took over as prime minister on Tuesday and said his administration would seek to rebuild the economy, state finances and social welfare.

He pledged to undertake the task from a unified perspective.

However, he may not have time to even attempt such coordinated rebuilding as an Upper House election looms next month. The outcome could result in his departure.

In his first news conference Tuesday, Kan called for nonpartisan talks on rebuilding state finances, which he described as the most serious issue facing the nation.

He said the role of politics was to create a society with a minimum level of unhappiness by eliminating the factors that cause strife.

At the same time, Kan said his government would abide by the agreement reached late last month with the United States on relocating the U.S. Marine Corps Air Station Futenma, while continuing discussions with various local governments to reduce the base burden in Okinawa Prefecture.

Asked about his goals for the upcoming Upper House election, Kan said the 50 seats won by DPJ candidates in the election six years ago would be a good base on which to build. While the DPJ needs to win at least 60 seats to obtain an outright majority in the Upper House, Kan was apparently setting a low goal, perhaps to deflect calls for his resignation should the party fail to reach that ambitious target.

When asked to give a name to his administration, Kan pointed to his early roots in the citizens group movement and said, "I am a politician who rose from the grass roots, so the expression grass-roots politics comes to mind."

Taking a jab at many previous prime ministers who took over Diet seats from their fathers, Kan said, "I am the son of an ordinary salaried worker. The true nature of democracy is when ambitious young people become active in the political arena through their own efforts."

He also mentioned another possible description of his new Cabinet: a historic irregular army organized in the former Choshu domain, in what is now Yamaguchi Prefecture, where Kan was born.

The Kiheitai army that was created by Takasugi Shinsaku (1839-1867) included not just sons of the samurai class, but people from all walks of life.

"Takasugi was quick to retreat, but also quick to attack," Kan said. "There is a need to act aggressively to break through Japan's current stagnation."

Kan also explained why he chose Yoshito Sengoku to serve as chief Cabinet secretary.

"The chief Cabinet secretary must be able to provide advice and tell the prime minister when he is doing something wrong," Kan said. "I have worked a long time with Sengoku, and there have been times when we have been at odds. But I think it is important to have someone competent as a first step in creating unity within the government."

Kan will give his first speech as prime minister in the Diet on Friday. Representatives of the various parties will be given the opportunity to question Kan in the two chambers of the Diet next Monday and Tuesday.

That will leave little time to debate legislation, since the current Diet session is slated to end June 16.

Coalition partner People's New Party is seeking passage of legislation to reform the postal system and has asked that the Diet session be extended for about two weeks for that purpose.

However, Upper House DPJ members do not want an extension as it would push back the Upper House election from July 11.

Those members feel that an early election would help the DPJ because of the high initial expectations the public is placing on the new administration.

Samsung, Flash Memory Makers Fend Off Group Lawsuit (Update1)

June 9 (Bloomberg) -- Samsung Electronics Co., Toshiba Corp. and other makers of flash-memory chips won a court ruling that bars a collective price-fixing lawsuit against them on behalf of U.S. consumers who purchased computer memory cards and drives and digital media players.

U.S. District Judge Sandra Armstrong in Oakland, California, denied a request by consumers' lawyers to certify a class action, or group, antitrust lawsuit seeking damages for indirect purchasers of flash-memory chips, according to an order filed today. The semiconductors are used in portable storage devices and in Apple Inc.'s iPhone to store songs.

Lawsuits consolidated before Armstrong claim consumers paid inflated prices for electronics containing flash-memory chips because manufacturers conspired to fix prices. Samsung and Toshiba, the world's two largest makers of the chips, said in August that the U.S. Justice Department ended a two-year probe into possible antitrust violations in the industry.

Armstrong is weighing a request by lawyers for direct purchasers of flash-memory chips, such as Internet and data- network equipment makers, to certify their lawsuit as a group case. Retail customers of Samsung and other makers of liquid- crystal display panels won permission in March to sue screen makers as a group for alleged price fixing.

The flash-memory case is In re Flash Memory Antitrust Litigation, 07-86, U.S. District Court, Northern District of California (Oakland).

BOJ to Detail Loan Plan That May Fail to Spur Growth (Update2)

June 11 (Bloomberg) -- The Bank of Japan is set to detail a plan to stimulate credit for private companies that may prove insufficient to spur economic growth and defeat deflation.

The program is unlikely to exceed a few trillion yen (tens of billions of U.S. dollars) two people familiar with the matter said on condition of anonymity because the talks are private. The facility would do little to stoke domestic demand, said former BOJ board member Teizo Taya, adding that the effort is mainly aimed at fending off calls for broader monetary easing.

Pressure may rise in coming months as newly appointed Prime Minister Naoto Kan, who as deputy repeatedly called on the central bank to step up its efforts, lays out his government's priorities. With Japan's recovery reliant on exports, U.S. officials have joined the call, pressing for the second-largest economy to contribute more to the global recovery.

“Under the new administration, political pressure on the BOJ will probably strengthen, and the economy and prices are unlikely to provide much of a tailwind,” said Taya, who served on the board until 2004 and now advises the Daiwa Institute of Research in Tokyo. “The latest lending program may not enable the central bank to weather such pressure for long.”

Governor Masaaki Shirakawa instructed his staff to work on the plan in April, after previous efforts failed to stem the deflation that has discouraged spending and squeezed profits.

Rate Floor

The bank cut the benchmark interest rate to 0.1 percent in December 2008, and will keep it on hold at the two-day meeting that ends June 15, according to all 14 economists surveyed by Bloomberg News. Last December, following calls to act from politicians including Kan, the board unveiled a credit program that it doubled to 20 trillion yen (\$218 billion) in March.

Policy makers said last month that the latest measure will provide lenders with one-year loans at the key rate. The duration and size have yet to be determined.

Including rollovers, the loans may last about four years, the two people said. One of them said that if the economy were to receive a severe shock, the BOJ would consider expanding the separate 20 trillion yen facility. Europe’s debt crisis has clouded the outlook for external demand for Japan’s goods.

Stocks rose and the yen weakened on signs the global recovery will be sustained, with the Nikkei 225 Stock Average climbing 2 percent at the lunch break in Tokyo. The yen slipped 0.2 percent against the dollar and traded near a one-week low per euro. It touched an eight-year high versus the euro on June 7, threatening Japanese export competitiveness.

Won’t Inspire

Pumping more cash toward lenders will be fruitless because of weak demand for credit, some economists said.

“The new program won’t do much to inspire additional demand,” said Masaaki Kanno, chief Japan economist at JPMorgan Chase & Co. in Tokyo, who worked at the BOJ for 25 years. “Adding funds will only have a limited impact because the problem doesn’t stem from a liquidity shortage.”

Bank lending declined for a sixth month in May, the central bank said this week. Treasury Secretary Timothy F. Geithner wrote in a letter last week that higher savings in the U.S. must “be complemented by stronger domestic demand growth in Japan and in the European surplus countries.”

Other data indicate Japan's export-led recovery remains intact. Gross domestic product rose at an annualized 5 percent rate last quarter, the most since the second quarter of 2009, the government said yesterday. Machinery orders climbed for a second month in April.

JFE's Spending

JFE Holdings Inc., Japan's second-largest steelmaker, said last month that it plans to spend 1 trillion yen over three years to tap demand in Asia as profitability increases.

Kan, who was finance minister before taking office as Japan's leader this week, has advocated inflation targeting and said he wants consumer prices to resume rising this year. Prices have slumped for 14 straight months.

Fresh leadership at the Finance Ministry has yet to be tested: While Kan's replacement Yoshihiko Noda said this week he has "no intention" of forcing the BOJ to adopt an inflation target, his newly appointed deputy Motohisa Ikeda, who will be allowed to represent the government at monetary policy meetings, urged the BOJ in February to buy more government bonds.

"Ikeda's appointment attracts our attention," said Jun Ishii, chief bond strategist at Mitsubishi UFJ Morgan Stanley Securities Co. in Tokyo. "If he attends any board meetings, he may ask for a price-targeting commitment immediately."

Kiichi Murashima, chief economist at Citigroup Global Markets Japan Inc. in Tokyo, said "the government may also press the BOJ to buy more bonds should long-term interest rates surge or the yen advance."

Japan's benchmark 10-year bond yielded 1.24 percent at 12:16 p.m. in Tokyo. The BOJ buys 1.8 trillion yen of government bonds from lenders each month.

"The BOJ probably wants to avert the adoption of specific inflation targeting and government bond purchases at any cost," said Ishii at Mitsubishi UFJ Morgan Stanley.

Kamei Resigns After Delay Passing Japan Post Bill (Update2)

June 11 (Bloomberg) -- Shizuka Kamei resigned as Japan's Financial Services Minister after Prime Minister Naoto Kan declined to extend the parliamentary session to pass changes to banking and postal laws.

Kamei's People's New Party will remain in the coalition government with Kan's Democratic Party of Japan, he said at a press conference broadcast on NHK television. Kamei's replacement will be named later today, Chief Cabinet Secretary Yoshito Sengoku told reporters in Tokyo.

The delay gives banks opposed to the changes a second chance to soften laws allowing state-owned Japan Post Bank Co., the world's biggest deposit holder, to double its share of Japanese savings. It also increases instability in Kan's new government ahead of upper house elections next month.

"Every delay in the execution is pleasing to the banks," said David Threadgold, a Tokyo-based analyst for Keefe Bruyette & Woods Inc. "The banks have legitimate complaints that a government-owned and backed entity is moving into more direct competition in more areas with the private sector."

Masayuki Oku, chairman of the Japanese Bankers Association, has said allowing the postal bank to double the amount of deposits it take per person to 20 million yen (\$220,000) may spark an outflow of funds from private banks, especially small regional lenders. Kamei's legislation also ensures the government retains a one-third stake in parent company Japan Post Holdings Co., which Oku said gives it an unfair advantage.

Bank Shares Rise

Mitsubishi UFJ Financial Group Inc., Japan's largest bank by market value, rose 3.6 percent to 431 yen as of 12:43 p.m. trading break in Tokyo, heading for its biggest gain since Jan. 15. Mizuho Financial Group Inc., Japan's second-largest bank by assets, increased 1.9 percent and the Topix Bank Index tracking 83 lenders gained 2.2 percent.

The Democratic Party of Japan, which swept to power after winning almost two-thirds of seats in the lower house of parliament in August last year, needs the support of Kamei's party in the upper house to push through legislation. Elections to be held next month will determine if the Democratic Party can seize a majority in the upper house without Kamei's support.

Kan became prime minister this week after the resignation of Yukio Hatoyama amid plunging popularity, campaign-finance scandals and broken campaign promises.

'Get a Clue'

"These guys really have to get a clue -- internal Japan fighting is not needed," said Winston Barnes, head of sales and trading for Asian markets at WJB Capital Group Inc. in San Francisco. "They need to unite and continue be a leader in Asia. Surrounding economies are developing quickly."

More than 60 percent of Japan's voters support Kan's new administration, three times the number who endorsed predecessor Yukio Hatoyama before his resignation, according to a poll conducted by News Kyodo between June 8 and June 9.

Kan's government may change its stance on Japan Post after the elections, said Hironari Nozaki, a Tokyo-based analyst at Citigroup Inc.

The legislation, which passed the lower house last month, will probably have to be resubmitted as a new bill in the next session, according to Citigroup's Nozaki, allowing lawmakers to reconsider the contents.

Kan said June 4 when elected to lead the Democratic Party that he'd try to pass the postal bill in the current session of parliament. The Nikkei newspaper reported today that Kan would allow the current parliamentary session to end as scheduled on June 16 and aim to pass the bill following elections for the upper house.

Oku and the leaders of seven other banking organizations held a press conference on May 20 to ask the government to reconsider legislation on Japan Post.

Norihiko Otsubo, a spokesman for the Japanese Bankers Association, said today the lobby will continue make its opinions on the bill known, and hope that politicians will consider carefully if the postal bill is in the national interest.

Jimi Replaces Kamei as Japan's Financial Services Minister

June 11 (Bloomberg) -- Shozaburo Jimi was named as Japanese Financial Services Minister, replacing Shizuka Kamei who quit after new Prime Minister Naoto Kan declined to extend the parliamentary session to pass changes to banking and postal laws.

The People's New Party, led by Kamei, said it will remain in the coalition with Kan's Democratic Party of Japan. Jimi, 64, is a member of Japan's upper house of parliament and secretary-general of the People's New Party.

The delay gives banks opposed to the changes a second chance to soften Kamei-sponsored laws allowing state-owned Japan Post Bank Co., the world's biggest deposit holder, to double its share of Japanese savings. It also increases instability in Kan's government ahead of upper house elections next month.

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Mitsubishi UFJ Financial Group Inc., Japan's largest bank by market value, rose 3.1 percent, the most since Jan. 15, to 429 yen in Tokyo. The Topix Bank Index of 83 lenders gained 1.5 percent.

‘A Positive Sign’

Jimi served as postal minister in 1997 and deputy head of the Liberal Democratic Party a year earlier. He is a medical doctor by profession and received a doctorate from Kyushu University in 1977 and studied at Harvard University in 1980.

“The resignation of Kamei must be viewed as a positive sign for the new administration’s ability to enact its agenda with less fear of interference from its minority partners,” said Ed Rogers, chief executive officer of Tokyo-based hedge- fund adviser Rogers Investment Advisors Y.K. “This should create a much more effective government.”

The Democratic Party, which swept to power after winning almost two-thirds of seats in the lower house of parliament in August last year, needs the support of Kamei’s party in the upper house to push through legislation. Elections to be held next month will determine if the Democratic Party can seize a majority in the upper house without Kamei’s support.

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Postal Reform

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Japan Wins Cut in Aluminum Fee as Supply Increases (Update2)

June 10 (Bloomberg) -- Aluminum buyers in Japan, Asia's largest importer, won a reduction in the fee charged by producers for a second straight quarter as Asian supplies increased on shipments from China and the Middle East.

Premiums for the three months ending Sept. 30 were set at \$120 to \$122 a metric ton over the London cash price in transactions agreed so far, down from \$122 to \$124 in the period ending June 30, said three executives involved in the negotiations. The fee was \$125 to \$130 in the first quarter, the highest level in at least 14 years. The executives declined to be identified because the talks were private.

Aluminum has slumped 13 percent this year, trimming a 45 percent rally in 2009, as Middle Eastern smelters started production and China turned into a net exporter, adding to a global surplus. Demand in Japan improved as the world's second- biggest economy recovered from the worst postwar recession because of export growth and government stimulus measures.

“China shipped surplus metal overseas amid a slowdown in domestic demand, putting a drag on the market,” said Tomomichi Akuta, analyst at Mitsubishi UFJ Research & Consulting Co. in Tokyo. “A supply glut also resulted from capacity expansion” and lack of strength in demand from construction, he added.

Supply to Asia rose as Emirates Aluminium Co., a joint venture between Abu Dhabi state-owned investment company Mubadala and Dubai Aluminium Co., increased shipments after starting production on Dec. 1.

Emirates Aluminium

Japanese trading company Itochu Corp., which acts as a sales agent for Emirates Aluminium, plans to sell at least 30,000 tons of the metal produced by the smelter in Japan and other Asian markets in the year to March 31, 2011, said Yasuhiro Terashita, a spokesman for the Tokyo-based company.

Emal, as the venture is called, also agreed to supply the metal to Daewoo International Corp. of South Korea, Asia's second-largest importer, according to the United Arab Emirates' news agency WAM. Initial capacity of the smelter will reach 700,000 tons annually by the end of this year.

Qatar Aluminium Co, a joint venture smelter between Norsk Hydro ASA and state-owned Qatar Petroleum, will reach full output in the fourth quarter, Chief Executive Officer Jan Arve Haugan said in April. The smelter, with an annual capacity of 585,000 tons, started output in December and supplies the metal to buyers in Asia and the Middle East.

China Export

China, the world's largest producer and consumer, exported 48,546 tons of primary aluminum in April, exceeding imports of 28,987 tons, according to customs data. Outbound shipments surged from 118 tons a year earlier as smelters expanded output on expectation that the global recovery would improve demand.

Rising physical premiums in Europe and the U.S. also gave exporters in China an incentive to sell more overseas, Neil Buxton, managing director at London-based researcher GFMS Metals Consulting, said May 21.

European premiums jumped to \$105 a ton, the highest level in at least a decade, for deliveries into Rotterdam warehouses because of a scarcity of metal, Marco Georgiou, an analyst at CRU Group, said May 14.

Japanese buyers pay a fee in addition to the LME cash price to reflect supply and demand and to cover freight and insurance. Some third-quarter transactions are still being negotiated with bids at \$119 per ton or below, the executives said.

Imports of refined aluminum by Japan surged 37 percent to 591,326 tons in the first four months from the same period in 2009, data from the Ministry of Finance showed.

Demand Shift

Inbound shipments from Australia, the largest exporter to Japan, jumped 41 percent in the four months, outpacing a 13 percent increase in purchases from Russia, the second-biggest supplier. Demand shifted to Australia after Russian shipments were disrupted last year, supporting the premium applied to so-called Good Western-grade aluminum ingot, the executives said.

The premium more than doubled in the past year as lower shipments from Russia and record purchases by China reduced supply in Asia. In the three months to March 31, the fee climbed for a third straight quarter, potentially increasing costs for Japanese fabricators such as Furukawa-Sky Aluminum Corp. The fee was \$55 to \$58 in the first quarter of 2009.

Aluminum for delivery in three months on the London Metal Exchange added 0.7 percent to \$1,941 a ton at 8:08 p.m. in Tokyo. The price climbed to an 18-month high of \$2,494 a ton April 16.

Diane Collier, a spokeswoman for Rio Tinto Group, said by phone today that she couldn't comment. Ryu Sawachi, a Furukawa-Sky spokesman, said the company couldn't confirm the premium.

Social Sector:

Japan, U.S. start joint clinical testing

Japan and the United States are starting a joint clinical testing program of medical apparatus, which it is hoped will cut lengthy delays in getting new equipment into hospitals in Japan.

A survey in 2005 found that it took one year and seven months longer to get devices to doctors in Japan, compared with the United States.

The new joint testing program will streamline testing the safety and effectiveness of new devices, allowing makers to get approval for U.S. and Japanese use simultaneously, and sharing the testing load between the two countries.

An artificial tube for treating atherosclerosis is one of two pieces of equipment chosen for the first joint trials. The tube, developed by Tokyo-based Terumo Corp. and known as the "stent," will be tested in 34 medical institutions in Japan and the United States. About 100 patients in Japan and 200 patients in the United States will be involved.

Full child allowance plan dropped

Health minister Akira Nagatsuma has dropped the idea of increasing the child allowance to 26,000 yen (about \$280) per month in fiscal 2011.

"It will be difficult to provide the full amount due to the budgetary limitations," Nagatsuma told a news conference Tuesday night.

The total cost at that rate would be about 5.4 trillion yen a year.

The monthly amount for each child will likely be reduced to around 20,000 yen in the next fiscal year, officials said.

In last year's Lower House election campaign, the Democratic Party of Japan pledged to pay 26,000 yen a month as a child allowance from fiscal 2011, starting with 13,000 yen a month in fiscal 2010.

Foot-and-mouth starting to spread

MIYAZAKI--Just as authorities thought foot-and-mouth disease was under control in eastern Miyazaki Prefecture, infections were found elsewhere in the prefecture.

On Thursday, three cattle at a farm in Miyakonojo, in the southwest of the prefecture, were confirmed sick, Miyazaki city officials said.

A total of 208 cattle at the farm, including the three animals, were culled by early Thursday, even before confirming the infections at a lab at the National Institute of Animal Health in Kodaira, Tokyo.

Meantime, three pigs on a Miyazaki farm and five cattle in Hyuga in the northeast showed symptoms, while another suspected case was reported in Saito in central Miyazaki Prefecture.

On Thursday, senior vice farm minister Takashi Shinohara took over the government's countermeasures office.

In Kagoshima Prefecture, which borders Miyakonojo, Governor Yuichiro Ito said he was considering placing roadblocks on back roads leading to Miyakonojo and restricting road transport to major highways, as well as requiring all vehicles to be disinfected.

Ozawa keeps it brief

Despite his reputation as one of the most adept political operators in Japan, Ichiro Ozawa apparently had very little to pass on to his successor during a meeting on Wednesday.

The former Democratic Party of Japan secretary-general met with Yukio Edano, who succeeded him in the post, but the discussion was over within 2 minutes.

Edano has been a vocal critic of Ozawa and his appointment as secretary-general following Ozawa's resignation on June 2 has been widely interpreted as an attempt to reduce Ozawa's influence in the party.

After the meeting, Ozawa told reporters, "As a foot soldier, I want to make the best of my limited abilities to help the party in any way I can toward victory in the Upper House election."