

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

**Weekly report on South Korea & Japan**

**Report # 124**

13<sup>th</sup> JUNE 2010 to 19<sup>th</sup> JUNE 2010

Presentation Date: 23<sup>th</sup> June 2010

**Wajid Hussain**

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## **Summary of Report:**

### **South Korea**

#### **Political Front:**

**Korea, India agree to discuss nuclear treaty**

The top diplomats of Korea and India agreed Friday to start working-level talks that will ultimately pave the way for signing a nuclear energy treaty. Foreign Affairs and Trade Minister Yu Myung-hwan and his counterpart Somanahalli M. Krishna made the agreement at the sixth Korea-India Joint Commission meeting in Seoul, the first since the

two countries' leaders agreed in January to collaborate under the motto of a strategic partnership.

### **Gen. Han named new chairman of Joint Chiefs of Staff**

Army Chief of Staff Gen. Han Min-koo has been designated as the new chairman of the Joint Chiefs of Staff (JCS), the Ministry of National Defense announced Monday. Han, 57, will replace Gen. Lee Sang-eui who resigned Sunday to take responsibility for the mishandling of the sinking of the Navy ship Cheonan in the West Sea in March. Han's appointment is subject to approval by a Cabinet meeting today.

### **Two Koreas intensify UN diplomacy on Cheonan**

No countries, including China and Russia, have raised questions over the outcome of an international investigation that found North Korea responsible for the sinking of a South Korean warship, a ranking government official in Seoul said Tuesday. Experts from South Korea briefed 15 member nations of the U.N. Security Council (UNSC) Monday (local time) on their findings that the North torpedoed the frigate Cheonan in the West Sea on March 26.

### **South Korea, Turkey agree to boost ties**

President Lee Myung-bak and Turkish President Abdullah Gul agreed Tuesday to seek ways to boost bilateral trade and energy ties between Korea and Turkey, the presidential office said.

### **GNP urges legal action on NGO sending letter to UN**

Lawmakers of the governing Grand National Party (GNP) Thursday urged law-enforcement authorities to seek legal punishment on a civic group that sent a letter to the U.N. Security Council (UNSC).

### **Military urged to collaborate with civilians**

President Lee Myung-bak called on the military Thursday to have an open mind in working together with the civilian sector to find ways to improve its defense capabilities. "It was fishermen who found the wreckage of the sunken Navy vessel Cheonan and the debris of a North Korean torpedo that had hit the warship," Lee said during a meeting with newly-appointed military commanders at Cheong Wa Dae. "The military should be open-minded in collaborating with civilians to provide better services."

### **Korea, US to hold naval drills in late June**

South Korea and the United States agreed to stage joint naval drills later this month in waters off the South's west coast in a show of force against North Korea's torpedo attack on a Seoul warship, a high-ranking official said Friday.

### **Darusman assumes new UN envoy for NK human rights**

The United Nation High Commissioner for Human Rights has appointed Indonesia-born Marzuki Darusman as its new envoy to be in charge of overseeing North Korea's human rights conditions, Yonhap news agency said on Saturday.

### **Politically-active teachers face discipline**

A top Gyeonggi Province educator, who supports the progressive teachers' union, said he plans to reprimand unionized public school teachers who were indicted for having paid dues to the minor opposition Democratic Labor Party (DLP).

### **Nelson Report publisher mentions about Cheonan**

There are some individuals who doubt about the multinational investigation results on the Cheonan, raising the possibility that it was likely sunk as a result of a friendly fire by the U.S. Navy. But these people are very much misguided in their belief, said a publisher of an influential U.S. political insider's report.

### **N. Korea warns UN council of military 'follow-up'**

UNITED NATIONS, June 15 (Reuters) - North Korea's U.N. envoy said on Tuesday that any U.N. Security Council action over the sinking of a South Korean naval ship that was hostile to Pyongyang would be met by a military "follow-up."

### **US considers N. Korea financial sanctions after sinking**

The Obama administration is considering going after the assets of North Korean entities and individuals to punish Pyongyang after the sinking of a South Korean warship, sources familiar with the matter said on Friday. Freezing offshore assets would be the first tangible U.S. action to make North Korea pay a price for the March 26 sinking of the Cheonan corvette in which 46 South Korean sailors died. Pyongyang has denied responsibility for the incident.

## **Economic Front:**

### **Per capita income to reach \$60,000 in 2040: think tank**

A state-run think tank Friday forecast a rosy outlook for 2040, saying the country's per capita income is expected to reach \$60,000 and emerge as the world's 10th largest economy in the next three decades. Korea's per capita income was \$19,761 in 2009, according to the Korea Development Institute (KDI).

### **Korean Air No. 1 cargo carrier for 6 years**

Korean Air continues to dominate the global cargo transport market, holding the No. 1 spot for the sixth consecutive year. The International Air Transport Association (IATA) said Thursday that the nation's largest air carrier topped the global ranking in commercial cargo operations in 2009, maintaining the top spot since 2004. It also became the world's 13th largest passenger carrier last year, up four notches from the previous year.

### **SK Energy opens LNG plant in Peru**

SK Energy opened its first liquefied natural gas (LNG) plant in Pampa Melchorita, Peru Friday. Peruvian President Alan Garcia, SK Group Chairman Chey Tae-won and CEO of SK Energy Koo Ja-young attended the opening ceremony of the plant.

### **Daewoo wins \$567 mil. order from Dutch**

Daewoo Shipbuilding & Marine Engineering Co., South Korea's third largest shipbuilder, said Monday that it has clinched a 694.2 billion won (\$567.2 million) order from a Dutch company to build a vessel to construct offshore plants.

#### **EU offers insight for SMEs**

With the European Union (EU)-Korea free trade agreement (FTA) expected to be implemented next year, Korean businesses should prepare for the opportunities and challenges it will bring.

#### **OECD urges Korea to map out exit strategy**

South Korea should map out an exit strategy from the current stimulus pumped, low interest rate powered economic policy, an international body recommended Tuesday. In its report, the Organization for Economic Cooperation and Development (OECD) said that Korea is making a strong recovery from the global recession, and needs to start to raise interest rates.

#### **Renault Samsung cruises over 1st decade**

When Renault Samsung finished merging midway through 2000, some predicted that the Seoul-based outfit would struggle in the saturated domestic market where an established set of big-name carmakers generate stiff competition. Renault Samsung's Busan production lines are famous for their five-tier quality control system.

#### **Blighted WiBro may thrive in Egypt**

WiBro, a Korean portable Internet standard, has been faltering at home, but officials are desperate to prove that it can carve a niche in developing nations with weak telecommunications infrastructures.

#### **Hyundai Mipo wins \$172 mln order from Europe**

Hyundai Mipo Dockyard (010620.KS) has won a 208.5 billion won (\$171.9 million) order to build six bulk carriers, the South Korean firm said on Friday.

#### **LG Elec to invest \$825 mln in solar cells by 2015**

South Korea's LG Electronics Inc (066570.KS) said on Friday it would invest 1 trillion won (\$824.5 million) by 2015 in its solar cell business, as it seeks new growth drivers.

## **Socio-Cultural Front:**

#### **Elderly account for 33 percent of suicides**

One out of every three Koreans committing suicide is a senior citizen, with a growing number of the elderly here taking their own lives due mainly to financial difficulties and illness.

#### **Doctors caught for 'leasing' licenses**

Unlicensed nurses perform dozens of plastic surgeries; Eight licensed plastic surgeons were booked for "leasing" their licenses in exchange for kickbacks to three nurses, who had impersonated doctors and sought to run their own hospital, police said Monday.

### **1 in 7 elderly people abused**

Government to toughen stance against assaulters, About one in seven elderly citizens have been abused, mostly by their family members, the Ministry of Health and Welfare announced Monday.

### **N. Korean teens exposed to South Korean dramas'**

More than half of North Korean teen defectors watched South Korean films and dramas when they were in the world's most reclusive nation, a recent survey showed Monday. Most respondents said they had enjoyed the entertainment though they had to watch it secretly, Yoon said.

### **Seoul opens global institute on green growth**

Korea launched a global think tank tasked to promote green growth and tackle climate change, Wednesday, hoping to lead international efforts to make green industries the main drivers of economic growth and new sources of jobs.

### **'Green taxes required for green growth'**

Environmental tax reform, also known as a "green tax," is crucial in efforts to solve the world's environmental problems, particularly climate change.

### **Nuclear power holds key to combatting climate change**

Despite the safety and security risks involved, nuclear energy just might be the way to combat climate change, according to the International Energy Agency (IEA) and OECD Nuclear Energy Agency (NEA). The two agencies unveiled a nuclear roadmap on Wednesday, declaring that nuclear energy has the potential to make a major contribution to reducing greenhouse gas emissions.

### **Male teachers become endangered species**

The shortage of male teachers at elementary schools in Seoul is getting acute, with many schools having none at all. According to the Seoul Metropolitan Office of Education, male teachers account for only 16 percent of the total in elementary schools in the capital and 16 out of the 587 primary schools have either one or none at all. The ratio of male teachers in Seoul is far lower than the 25 percent average in other cities and provinces.

### **6 in 10 women mum on ex-boyfriends**

A matchmaking company surveyed 144 adult females and found that 62 percent of respondents said they would "never tell the truth" if asked about the number of past relationships. The percentage of men who keep the number of ex-girlfriends secret came in at 28 percent from 181 men surveyed.

### **Maradona renews South Korea rivalry**

Argentina's quixotic coach Diego Maradona is to relive an old rivalry when the stylish South Americans take on a South Korea side led by the man who tried to stop him during their 1986 World Cup encounter.

## **Japan**

### **Political Front**

#### **Half of Japan's reactors in trouble**

Nearly half of Japan's commercial nuclear power reactors had problems requiring action, including the need for inspections, in their fiscal 2009 operations, the Nuclear and Industrial Safety Agency said Monday in its first such report.

#### **Cabinet support rate rises to 65%**

Public support for the Cabinet of Prime Minister Naoto Kan hit 64.8 percent this weekend, rising 3.3 percentage points from the previous survey conducted right after its launch last Tuesday, a Kyodo News poll showed.

#### **Taliban want ransom for journalist**

Afghanistan takes over talks to free Japanese missing since March; rebel denies abduction

Taliban rebels have demanded that the Afghan government pay a ransom for a Japanese journalist who was believed taken captive in late March in northern Afghanistan, it was learned Thursday from Afghan security authorities.

#### **Ozawa main threat to Kan: U.K. experts**

British analysts of Japanese politics say they are optimistic about the fortunes of new Prime Minister Naoto Kan and his Democratic Party of Japan-led government, but add the party's former secretary general, Ichiro Ozawa, lurks as a potential obstacle.

#### **Ministry reluctant to send choppers to Sudan**

The Defense Ministry has concluded it would be difficult to dispatch Ground Self-Defense Force helicopters to Sudan for a U.N. peacekeeping mission in the southern part of the country, a senior ministry official said Friday.

#### **Japan ruling party may need coalition partners**

Japan will hold an upper house election on July 11, the outcome of which could determine how smoothly the ruling Democrats can forge ahead with plans to raise the sales tax and cut huge public debt.

### **Economic Front:**

#### **JAL to sell all hotels to Hotel Okura**

Struggling Japan Airlines Corp. plans to sell all of its group's hotel operations to Hotel Okura Co. for about ¥5 billion to ¥6 billion as part of its restructuring, sources said Saturday. JAL Hotels alone operates 41 hotels in Japan and 17 hotels overseas, mainly in cities JAL flies to and from. JAL also engages in hotel operations through other group companies.

#### **Kokumin Shinto calls for ¥100 trillion stimulus**

In its campaign platform released Wednesday for the July 11 Upper House election, Kokumin Shinto (People's New Party) called for a ¥100 trillion stimulus package over three years to realize economic growth of at least 5 percent.

#### **Okinawa to store Saudi Aramco oil**

Saudi Arabia's state-run oil giant has agreed in principle with Japan to store 3.8 million barrels of oil in the Asian nation by the end of the year.

#### **Kan may need ¥7 trillion tax hike**

Prime Minister Naoto Kan may have to raise taxes by as much as ¥7 trillion to fulfill his pledge to cap bond sales in coming years, according to an independent adviser to the government.

#### **Yamaha to double India showrooms**

Yamaha Motor Co., the world's second-biggest motorcycle maker, plans to double the number of its sales outlets in India in the next five years to tap demand in villages as economic growth boosts incomes.

#### **Second strike hits China Toyota supplier**

A parts supplier for Japan's Toyota Motor Corp said on Friday it was dealing with its second strike in China this week, the latest in a rash of factory labor disputes across the country.

#### **Japan May crude steel output jumps 50.2 pct yr/yr**

Japan's crude steel output rose 50.2 percent in May from a year earlier to 9.73 million tonnes, the Japan Iron and Steel Federation said. Japan's steelmakers, including Nippon Steel Corp (5401.T), the world's second biggest, and No.6 JFE Holdings Inc (5411.T), now derive nearly 50 percent of their steel revenue from exports as domestic demand remains slow.

#### **Japan finance ministry welcomes China announcement on yuan**

Japan's finance ministry said on Saturday it welcomed China's announcement on foreign exchange reform and its strengthening of a more flexible yuan.

#### **Japan pledges corporate tax cuts to boost growth**

Japan's new government on Friday pledged to slash corporate tax to meet its economic growth target of 2 percent in the coming decade that many economists said was too ambitious.

## **Social Front:**

### **Cow disease a 'national crisis': Kan**

Prime Minister Naoto Kan on Saturday said he considers the spread of foot-and-mouth disease in Miyazaki a "national crisis" and pledged to do his utmost to contain it as he met in the prefecture with local livestock farmers and top prefectural government officials.

### **Man nabbed for smuggling Thais**

Chiba police arrested Saturday a Japanese man suspected to be the ringleader of a group that has helped hundreds of Thais enter Japan illegally.

### **Government to shoulder all costs to stop foot-and-mouth scourge**

The administration has decided to cover the cost of all measures to tackle foot-and-mouth disease among livestock in Miyazaki Prefecture under a special law, officials said Monday.

### **Indonesia nurses struggle to pass Japanese exams**

Since August 2008, only two of the 570 foreigners who have managed to pass Japan's rigorous national examinations to become certified nurses have been Indonesians.

But that doesn't stop many hopeful Indonesians from struggling to master Japanese and fulfill their dream of working abroad for better pay.

### **More in sumo admit betting on baseball**

Stablemaster Tokitsukaze and two wrestlers in the top makuuchi division, Goeido and Toyohibiki, have admitted being involved in illegal gambling on professional baseball in a statement submitted to the Japan Sumo Association, sources said Friday. Tokitsukaze has also explained himself to police in connection with the case, the sources said.

### **Hayabusa capsule arrives in Tokyo**

A chartered plane brought the tiny capsule released by the Hayabusa unmanned space probe to Tokyo's Haneda airport early Friday. The capsule landed Monday in the Australian desert with what could be the first asteroid surface samples ever brought to Earth.

### **Dutch do just enough to beat Japan**

Netherlands proved they have mastered the art of winning ugly with an uninspired 1-0 victory over Japan on Saturday that put them on the verge of qualifying for the second round at the World Cup.

### **Astellas eyes Japan approval for bladder control drug**

Japan's Astellas Pharma said on Friday it was seeking approval from Japanese health authorities for a bladder control drug.

# **South Korea**

## **Political Front:**

### **Detailed News:**

#### **Korea, India agree to discuss nuclear treaty**

The top diplomats of Korea and India agreed Friday to start working-level talks that will ultimately pave the way for signing a nuclear energy treaty.

Foreign Affairs and Trade Minister Yu Myung-hwan and his counterpart Somanahalli M. Krishna made the agreement at the sixth Korea-India Joint Commission meeting in Seoul, the first since the two countries' leaders agreed in January to collaborate under the motto of a strategic partnership.

An official from the foreign ministry told The Korea Times that if signed, the treaty will offer business opportunities to Korea, which is looking to export its world-class nuclear power technology to other nations.

Seoul's pursuit of exporting nuclear technology gained momentum last year when a consortium won a \$20 billion contract to build four nuclear power plants in the United Arab Emirates. The deal was the biggest single contract that the country has ever won.

India reportedly operates many nuclear power plants and several projects are now under construction.

However, they are said to be both small and ineffective, providing Korean firms with ample opportunities.

India is one of the fastest growing economies in the world. In 2005, Goldman Sachs projected that the combined economies of three other nations -- Brazil, Russia, and China -- could eclipse those of the richest countries in the world by 2050.

During the meeting, Korea and India expressed satisfaction with the outcome of the Comprehensive Economic Partnership Agreement (CEPA) the two sides signed in February.

The bilateral trade volume between Korea and India has soared by 70 percent over the four months since the pact went into effect.

Yu asked Krishna to support POSCO's plan to build a steel plant in India and allow Korean banks to open branches for Korean firms doing business there.

Seoul and New Delhi are expected to work closely in the defense industry as the Indian defense minister is scheduled to visit Seoul later this year.

### **Gen. Han named new chairman of Joint Chiefs of Staff**

Army Chief of Staff Gen. Han Min-koo has been designated as the new chairman of the Joint Chiefs of Staff (JCS), the Ministry of National Defense announced Monday.

Han, 57, will replace Gen. Lee Sang-eui who resigned Sunday to take responsibility for the mishandling of the sinking of the Navy ship Cheonan in the West Sea in March.

Han's appointment is subject to approval by a Cabinet meeting today.

Gen. Hwang Eui-don, deputy commander of the ROK-U.S. Combined Forces Command (CFC), was tapped to become the new Army chief of staff.

Gen. Jung Seung-jo, commander of the First ROK Army, was appointed as deputy commander of the CFC.

Lt. Gen. Park Jung-I, chief of the JCS arms improvement bureau, is to be promoted to a full-star general to head the First ROK Army. Park led a multinational investigation into the March 26 sinking of the 1,200-ton frigate.

A follow-up reshuffle of three-star generals will be made as early as next week, ministry spokesman Won Tae-jae said.

"This reshuffle is designed to help ensure more robust national defense posture after settling the troubled situations following the Cheonan incident," Won said.

A native of Cheongju, North Chungcheong Province, Han, a member of the 31<sup>st</sup> graduating class of the Korea Military (Army) Academy, is known as a military strategist.

He held key policy planning posts at the defense ministry and Army headquarters.

A native of Wonju, Gangwon Province, Hwang, 57, served at intelligence posts in the military.

Last week, state auditors recommended that 25 military generals, officers and civilian officials be disciplined for mishandling the Cheonan sinking, which claimed the lives of 46 sailors.

## **Two Koreas intensify UN diplomacy on Cheonan**

No countries, including China and Russia, have raised questions over the outcome of an international investigation that found North Korea responsible for the sinking of a South Korean warship, a ranking government official in Seoul said Tuesday.

Experts from South Korea briefed 15 member nations of the U.N. Security Council (UNSC) Monday (local time) on their findings that the North torpedoed the frigate Cheonan in the West Sea on March 26.

The team gave the briefing in “a logical and scientific manner” based on the results, the official said on condition of anonymity, adding that some members asked questions about “technical aspects” of the probe.

The official, however, declined to give details of what those technical questions were.

France and the United States expressed support for the investigation results and called for strong punishment to be imposed on Pyongyang.

But China and Russia, the North’s traditional backers, did not voice support for the probe, according to reports.

The international team concluded last month that a North Korean submarine torpedoed the Cheonan, killing 46 crewmembers.

North Korea has denied its involvement in the incident.

After the Cheonan case was brought to the UNSC days ago, the two Koreas engaged in rigorous diplomacy to win over the 15 UNSC member states.

They have intensified all diplomatic efforts they can, as any punitive reaction over the sunken warship lies in the hands of the U.N. decision-makers.

After the sessions with South and North Korea, the UNSC began to hold informal consultations on the Cheonan incident, reports said.

South and North Korea were scheduled to have a second round of presentations Tuesday in an attempt to persuade the international community to produce an international response in their favor.

South Korea was scheduled to present the results to the 20 to 30 nations that were not invited to the closed-door UNSC session Monday at the office of the South Korean representative to the U.N. in New York.

North Korea, meanwhile, planned to hold another session on the same day to make its case against them before the UNSC members to influence their decision.

Yoon Deok-yong, chief of the Seoul-led team, told reporters after Monday's closed-door presentation that the results of the investigation were presented scientifically.

"After the briefing, we called on the UNSC members to take appropriate measures against the North," he said.

South Korea is seeking coordinated international punitive action, or at least an unequivocal warning that Pyongyang will suffer consequences if it commits another belligerent act.

Seoul's presentation to those non-UNSC members will coincide with Pyongyang's plan to "plead not guilty" over the incident before UNSC members by holding a session shortly after the regular U.N. briefing.

### **South Korea, Turkey agree to boost ties**

President Lee Myung-bak and Turkish President Abdullah Gul agreed Tuesday to seek ways to boost bilateral trade and energy ties between Korea and Turkey, the presidential office said.

In a summit at Cheong Wa Dae, they also exchanged views on a wide range of regional and international issues, including security conditions on the Korean Peninsula and Seoul's plan to host the G-20 Summit in November.

Gul pledged support in addressing North Korea's torpedo attack on the South Korean Navy vessel Cheonan in March, expressing condolences to South Korea over the tragedy.

The Turkish leader arrived in Seoul on Monday for a three-day trip and his first visit to South Korea since taking office in 2007.

After the summit talks, the two governments signed a memorandum of understanding to cooperate for the building of two nuclear power plants in Turkey's northern region of Sinop.

Should negotiations go smoothly, Korea and Turkey are expected to sign a commercial deal in late 2011, according to Yoon Sang-jik, senior presidential secretary for knowledge economy.

Gul's visit has a special meaning for bolstering bilateral relations as Seoul marks the 60<sup>th</sup> anniversary of the outbreak of the Korean War on June 25. Turkey dispatched 15,000 troops to assist South Korea in the 1950-53 war.

The two leaders expressed satisfaction with the constant development of their time-honored alliance since the establishment of diplomatic ties in 1957, Cheong Wa Dae said.

“Lee and Gul agreed to make further efforts to expand substantial cooperation in various fields, including bilateral trade and investment, energy, construction, defense and cultural exchanges,” it said.

### **GNP urges legal action on NGO sending letter to UN**

Lawmakers of the governing Grand National Party (GNP) Thursday urged law-enforcement authorities to seek legal punishment on a civic group that sent a letter to the U.N. Security Council (UNSC).

In the letter, the People’s Solidarity for Participatory Democracy (PSPD) claimed that it is unclear whether a torpedo attack caused the South Korean frigate Cheonan to sink in late March in the West Sea, given that no severe injuries from such an explosion were found on the bodies of the survivors or the deceased sailors.

During an interpellation session at the National Assembly, the GNP legislators labeled the PSPD’s move as an act to benefit the enemy at a time when security concerns are high and tension is escalating on the Korean Peninsula.

They slapped the PSPD, saying legal action is necessary against the NGO for sending the letter to UNSC members via e-mail prior to South Korea’s briefing on the result.

“Some dissidents are destroying law and order,” Rep. Chang Yoon-seok said. “The PSPD’s sending of the letter, which belittles the result of the investigation on Cheonan, was an infringement of law”

Another GNP lawmaker Lee Han-sung also criticized the PSPD, saying that the civic group is turning a blind eye to irrefutable evidence that supports a North Korean submarine’s torpedoing the Cheonan.

“What was the purpose of launching the NGO?” Lee asked. “Why does it have to side with North Korea for sentimental reasons, trying to deny the fact that its torpedo attack killed our young soldiers.”

Some other lawmakers urged the government to stop providing financial subsidies to civic groups that act against national interest.

However, lawmakers of the main opposition Democratic Party (DP) said the government should not brand civic groups that are critical of the government.

“Civic groups provide checks and balances to government authorities,” Rep. Suh Gab-won said. “It is wrong to assume that no one else but the government can express concerns on matters related to national security overseas.”

Though conservative groups, including Right Korea, have been demanding the PDSP be prosecuted for sending a letter to the UNSC, experts say it will be very hard to legally sanction the progressive civic group.

The prosecution is looking into whether the group broke the National Security Law or if their action constituted defamation of the investigation team members.

Some observers say the group could be charged with defamation or obstruction of public business, if the letter turns out to be false and the group distributed it with the purpose of hurting the public interest.

### **Military urged to collaborate with civilians**

President Lee Myung-bak called on the military Thursday to have an open mind in working together with the civilian sector to find ways to improve its defense capabilities.

“It was fishermen who found the wreckage of the sunken Navy vessel Cheonan and the debris of a North Korean torpedo that had hit the warship,” Lee said during a meeting with newly-appointed military commanders at Cheong Wa Dae. “The military should be open-minded in collaborating with civilians to provide better services.”

Expressing his resolve on national security as the commander-in-chief of the military, Lee also pledged measures to enhance the country’s risk management system, said Lee Dong-kwan, senior presidential secretary for public relations.

Participants included Army Chief of Staff Gen. Hwang Eui-don; Gen. Jung Seung-jo, deputy commander of the ROK-U.S. Combined Forces Command; and Gen. Park Jung-I, commander of the First ROK Army.

The new chairman of the Joint Chiefs of Staff, Gen. Han Min-koo, couldn’t attend the ceremony because the National Assembly has not yet approved his appointment.

They were promoted to the positions Monday as part of a reshuffle of top military commanders. A follow-up shakeup of three-star generals will be made as early as next week.

Last week, state auditors recommended that the 25 military generals, officers and civilian officials be disciplined for mishandling the Cheonan sinking, which claimed the lives of 46 sailors.

Gen. Park, who led a multinational investigation into the March 26 sinking, met with the President upon arrival from New York, where he had briefed members of the U.N. Security Council on the results of the investigation.

Park told the President that Turkey and France described the briefing “perfect” and proposed punitive measures against North Korea.

Separately, Lee explained details of the incident to representatives from 52 countries and they expressed their full support for South Korea in pushing for UNSC sanctions against North Korea, according to Cheong Wa Dae.

### **Korea, US to hold naval drills in late June**

South Korea and the United States agreed to stage joint naval drills later this month in waters off the South's west coast in a show of force against North Korea's torpedo attack on a Seoul warship, a high-ranking official said Friday.

"After consultations, South Korea and the U.S. have decided to hold the naval drills in the final week of June," said the official at the South's Ministry of National Defense.

"A fleet of U.S. warships, including an aircraft carrier of the U.S. 7<sup>th</sup> Fleet, will join the drills," the official said on the condition of anonymity.

The two allies are expected to conduct more anti-submarine exercises in early July in the Yellow Sea, where the South Korean warship Cheonan was sunk on March 26. A team of international experts concluded last month that the ship was downed by a torpedo fired by a North Korean submarine. Forty-six sailors were killed.

South Korea and the U.S. had originally planned to hold the naval drill early this month, but postponed it as the U.S. side needed more time to prepare.

### **Darusman assumes new UN envoy for NK human rights**

The United Nation High Commissioner for Human Rights has appointed Indonesia-born Marzuki Darusman as its new envoy to be in charge of overseeing North Korea's human rights conditions, Yonhap news agency said on Saturday.

Darusman, who will begin his new role starting from next month, is replacing Thailand's Vitit Muntarbhorn, who is completing his six-year maximum term.

Muntarbhorn had never been granted access to North Korea by its rulers during his term.

Darusman was the Attorney General of Indonesia as well as a member of the National Commission of Human Rights in Indonesia.

The South Korean foreign ministry welcomed the news, saying it hopes to closely work with him to improve North Korean human rights conditions.

The U.N. envoy position was created in 2004 and is subject to annual review, up to six years.

## **Politically-active teachers face discipline**

A top Gyeonggi Province educator, who supports the progressive teachers' union, said he plans to reprimand unionized public school teachers who were indicted for having paid dues to the minor opposition Democratic Labor Party (DLP).

According to the Gyeonggi Provincial Office of Education, Friday, Kim Sang-gon, who was re-elected as the education superintendent of the region with support from unionized teachers, said he will refer all of the indicted teachers to the disciplinary committee.

Kim's aids said the top educator has long discussed the issue with several lawyers and law professors, after having been instructed by the Ministry of Education, Science and Technology to take punitive action against the politically-active teachers.

However, he failed to meet the deadline, which was set for June 11. Earlier Kim refused a request by the ministry to punish the unionized teachers, who signed an anti-government statement last year. As a result, the ministry filed a lawsuit against Kim for neglecting his duty.

Under the legislation, teachers and public civil servants are barred from participating in political activities and having membership to a political party.

However, other city and provincial offices for education that have liberal-minded superintendents through the June 2 local elections have yet to decide whether to reprimand the indicted teachers or not. Out of the 16 city and provincial education offices, six will be led by educators backed by unionized teachers.

## **Nelson Report publisher mentions about Cheonan**

There are some individuals who doubt about the multinational investigation results on the Cheonan, raising the possibility that it was likely sunk as a result of a friendly fire by the U.S. Navy. But these people are very much misguided in their belief, said a publisher of an influential U.S. political insider's report.

"The international investigation team, including those from the U.S., was composed of highly trained experts. And there were also participants from the United Kingdom and Australia and Sweden. And it doesn't make sense if one doesn't believe their findings," said Chris Nelson, the publisher of the Nelson Report, a "must" among Washington political analysts and journalists.

Nelson made the remark in a talk he gave at the Korea Club on Wednesday night, the local Chosun Ilbo reported from Washington, D.C.

Nelson compared the skeptics to those who claimed the September 11 terrorist attacks were engineered by Donald Rumsfeld, a former U.S. defense minister.

He also made it clear that there was no U.S. military asset at the site of the Cheonan sinking at the time of the incident, flatly dismissing the possibility of the involvement of a U.S. torpedo.

The U.S. checks its torpedo inventory regularly and there was no missing torpedo from the U.S. side, Nelson said.

### **N. Korea warns UN council of military 'follow-up'**

UNITED NATIONS, June 15 (Reuters) - North Korea's U.N. envoy said on Tuesday that any U.N. Security Council action over the sinking of a South Korean naval ship that was hostile to Pyongyang would be met by a military "follow-up."

Seoul, which has accused North Korea of torpedoing the corvette Cheonan on March 26, killing 46 sailors, brought the dispute to the Security Council this month, asking the 15-nation body to take action to deter "further provocation."

"If the Security Council release any documents against us condemning or questioning us in any document then myself as diplomat I can do nothing, but the follow-up measures will be carried out by our military forces," North Korea's U.N. Ambassador Sin Son-ho told a rare news conference.

Sin, who was speaking in English, was asked if he meant that North Korea would take military action in response to the adoption of any resolution or statement by the council.

"I told you that if any action is taken by Security Council against us, I lose my job," he said. "Military will have its own job, I mean follow-up. I gave you the answer. You can prejudice what is the meaning I have told you."

Sin warned that the situation on the Korean Peninsula remained tense due to what he called the "reckless maneuvers" of the South.

He said it was "a touch-and-go situation that war may break out at any time," adding that "our people and our army will smash our aggressors."

Delegations from the South and North presented the council on Monday with their positions on the events of March 26.

The council's president, Mexican Ambassador Claude Heller, said after the two separate informal meetings that council members were gravely concerned about the incident and urged both sides to "refrain from any act that could escalate tensions in the region." He did not say who was to blame.

'FUNNY STORY'

Council diplomats say South Korea is hoping the 15-nation body will rebuke the North. But North Korea's sole major ally, China, has a veto on the council and is reluctant to support anything that would upset Pyongyang.

Sin reiterated Pyongyang's position that the South's allegations about March 26 are a "complete fabrication" and demanded that the North be allowed to send its own investigation crew to the site of the incident.

"This is indeed a funny story," he said of South Korea's investigation of the sinking. "Some kind of fiction."

"If the South Koreans have nothing to hide there is no reason for them not to accept our inspection group," he said.

The North Korean envoy presented a lengthy rebuttal of the South Korean evidence that Seoul says proved the North's military torpedoed the Cheonan. He suggested that the actual cause of the sinking may have been rocks in the water.

"I am not here to blame anyone but to clarify what happened," Sin said.

Sin also dismissed the idea that the investigation of the incident was international, saying that the foreign participants played no more than a symbolic role in what was essentially a South Korean probe.

According to Sin, the evidence against Pyongyang was "fabricated in pursuit of political objectives." Those objectives included influencing South Korea's recent elections and poisoning North Korea's good ties with China, he said.

The United States, Sin said, also benefited politically from the incident, as it helped force Japan to back down from previous demands that the United States close a military base on the island of Okinawa.

U.S. State Department spokesman P.J. Crowley dismissed Sin's comments about a possible military response as "the same kind of provocative behavior" typical of North Korea.

"To suggest that North Korea is doing everything right and the United States, and other countries in the region, are doing everything wrong is preposterous," he added. "North Korea has no future on its present course ... They might think that if they continue the path they are on there will be some sort of pony at the end of this. There is no pony here."

### **US considers N. Korea financial sanctions after sinking**

WASHINGTON, June 18 (Reuters) - The Obama administration is considering going after the assets of North Korean entities and individuals to punish Pyongyang after the sinking of a South Korean warship, sources familiar with the matter said on Friday.

Freezing offshore assets would be the first tangible U.S. action to make North Korea pay a price for the March 26 sinking of the Cheonan corvette in which 46 South Korean sailors died. Pyongyang has denied responsibility for the incident.

While there have been extensive U.S. sanctions on Pyongyang for decades, such a move could influence North Korea because it would hit accounts controlled by military and political leaders whom U.S. officials believe must have authorized the attack.

Speaking on condition that they not be identified, the sources said targeting North Korea's illicit funds appeared to be one of the few ways the United States can get the attention of the leadership of the impoverished communist state.

They also said there is a growing view within in the Obama administration that former President George W. Bush's 2005 move to blacklist a Macau bank for allegedly laundering North Korean money was ultimately useful in pressuring Pyongyang.

Adding such a coercive element to U.S. diplomacy with North Korea might help Washington bring Pyongyang back to the negotiating table to carry out a 2005 agreement on abandoning its nuclear programs, the sources contended.

But it could also backfire. North Korea is notoriously unpredictable and is believed to be in the middle of a political transition aimed at locking in North Korean leader Kim Jong-il's youngest son as his successor.

The United States has moved cautiously on imposing such sanctions but the Cheonan's sinking has changed the calculus, said a U.S. official, who spoke on condition of anonymity.

"We are facing an imperative to demonstrate once again to North Korea that there is no reward for its provocative behavior, that in fact there is going to be a penalty," the official said.

"We have all the authority that we need to tighten the screws on specific individuals or institutions that support the leadership."

Perks and luxuries derived from North Korea's shadowy network of overseas interests are believed to be one of the main tools Pyongyang uses to ensure loyalty among top military and party leaders.

#### PUNITIVE ELEMENT

The sources said the U.S. Treasury had done extensive work to identify targets but if the administration does employ the financial sanctions it would be expected to wait for the U.N. Security Council to first move on against North Korea.

That would avoid complicating the Security Council diplomacy and could allow the United States to act with some cover from the United Nations, although it remains unclear what action the council will take.

Analysts believe there is little chance that the Security Council will approve additional sanctions against North Korea, making a U.N. statement of rebuke the most likely outcome.

Pyongyang has threatened military action if the United Nations punishes it for what it says is a fabricated accusation that it attacked and sank the Cheonan. [ID:nN15271522]

A U.S. Treasury spokesperson said it was not policy to comment on possible investigations or actions.

Asked what consequences North Korea had suffered for the Cheonan's sinking, State Department spokesman P.J. Crowley declined to go into details with reporters on Tuesday.

"We continue to look at ways in which we can affect North Korea's thinking. And it's not only the institutions, the revenue stream that goes into the government," he said.

The Treasury designated Macau-based Banco Delta Asia (BDA) as a money-laundering concern in September 2005 and suggested it was a "willing pawn" in suspected North Korean counterfeiting, drug smuggling and other illegal activities.

The crackdown froze about \$25 million in funds of Pyongyang's leadership. Most banks around the world steered clear of North Korean funds as a result, fearful of being snared themselves by U.S. financial authorities.

At the time, bankers said North Korea was forced to move its money around in suitcases of cash.

The U.S. government has struggled for nearly two decades to constrain North Korea's pursuit of nuclear weapons, striking agreements in 1994 and in 2005 that subsequently unraveled.

North Korea tested atomic devices in 2006 and 2009, making progress on a nuclear capacity that could threaten U.S. allies South Korea and Japan and destabilize the region more broadly.

Since taking office in January 2009, President Barack Obama has failed to revive the multi-party talks involving the two Koreas, China, Japan, Russia and the United States that led to the 2005 aid-for-denuclearization deal.

Alan Romberg, an analyst with the Henry L. Stimson Center think tank, said it made sense to add a punitive element in dealing with North Korea but that this had to be reversible.

"One of the negotiating lessons that has to be taken from BDA is that people have to be sure that when they put something into effect, they can also remove it," Romberg added. "BDA was a very difficult thing to get out of."

## **Economic Front:**

### **Detailed News:**

#### **Per capita income to reach \$60,000 in 2040: think tank**

A state-run think tank Friday forecast a rosy outlook for 2040, saying the country's per capita income is expected to reach \$60,000 and emerge as the world's 10th largest economy in the next three decades.

Korea's per capita income was \$19,761 in 2009, according to the Korea Development Institute (KDI).

"The size of Korea's economy, which was ranked 12th in the world, will grow to become the 10th largest," KDI President Oh Seok-hyun said in a meeting at Cheong Wa Dae, presided over by President Lee Myung-bak. "Also its per capita gross domestic product (GNP) will increase to \$60,000, or the 23rd highest in the world."

Oh noted that a decrease in population in Korea, which will result in an aging society, will negatively impact the economy, but this can be overcome through increased productivity and by opening the job market to talented immigrants.

"The long-term prospects for Korea's economy will be bright once it secures new momentum to boost productivity, which can be achieved through renovation, integration and opening up markets," Oh said. "And this will help us increase economic size and earnings."

He said Korea's GDP could even grow an annual average of 3.5 percent, 0.6 percentage points higher than predicted, if the country was able to successfully attract foreign talent and boost the participation of women in the workforce.

Oh also noted that the social expenditure to GDP ratio is expected to jump from 8.9 percent in 2013 to 17.7 percent in 2040.

During the meeting, Park Yang-ho, president of the Korea Research Institute for Human Settlements, forecast that the number of foreigners here will increase more than three times, reaching roughly 3.5 million by 2040.

He said the number of skilled migrants will noticeably increase thanks to the recent revision in the law which will grant dual citizenship to foreigners with outstanding talents and those meeting certain conditions from next year.

The government pushed the revision as part of efforts to prevent a brain drain and bring in talented foreigners.

Park said the whole country will become a free international economic zone, without tariffs or any language barriers in three decades.

### **Korean Air No. 1 cargo carrier for 6 years**

Korean Air continues to dominate the global cargo transport market, holding the No. 1 spot for the sixth consecutive year.

The International Air Transport Association (IATA) said Thursday that the nation's largest air carrier topped the global ranking in commercial cargo operations in 2009, maintaining the top spot since 2004.

It also became the world's 13th largest passenger carrier last year, up four notches from the previous year.

The airline company transported 8.8 billion freight tonne-kilometers (FTK), becoming the world's largest global freight carrier. Cathay Pacific came in second at 7.7 billion FTK, followed by Lufthansa at 6.7 billion FTK.

"New market developments and excellent service management are the key factors for our success. Eying high-potential growth in the Central Asia market, Korean Air has been developing the Navoi International Airport in Uzbekistan, positioning the airport as a regional logistics hub to expand our global cargo network. For prompt and safe operations, Korean Air has unified its freighter fleet to all B747-400F aircrafts and has continued to boost customer satisfaction through strict quality control," a Korean Air spokesman said.

The airline posted 52.1 billion revenue passenger-kilometers (RPK) in 2009, becoming the 13th largest passenger carrier, up from 17th in 2008.

The spokesman said by providing customer-oriented services, diversifying business fields and advancing the management system, Korean Air strives to achieve its goal of maintaining the top spot in cargo transport and emerging as the world's top 10 passenger carrier by its 50th anniversary in 2019.

## **SK Energy opens LNG plant in Peru**

SK Energy opened its first liquefied natural gas (LNG) plant in Pampa Melchorita, Peru Friday.

Peruvian President Alan Garcia, SK Group Chairman Chey Tae-won and CEO of SK Energy Koo Ja-young attended the opening ceremony of the plant.

The new plant is expected to produce 4.4 million tons of LNG per year, equivalent to the amount Korea uses in two months, from SK's two natural gas mines in the South American nation.

The plant is set up near a port, so it is easy to export the product. Supply deals to Mexico and North America have been signed.

The biggest refiner in Korea also laid 408-kilometers of pipeline, which connects the mines and the factory. SK has invested more than \$3.8 billion into the project since 2003.

SK said it will provide natural gas to the plant from two gas fields in Camisea, Peru. The Korean company holds a 17.6 percent stake in each gas field.

The Korean energy firm owns a 20 percent stake in the LNG plant, while U.S. energy firm Hunt Oil holds a 50 percent stake in the plant.

The Korean company has been conducting the exploration of oil and gas in Peru since 1996, acquiring stakes in four gas and oil fields.

"This is a successful case of SK's globalization in Peru. We will expand our presence in South America from here," SK Energy CEO Koo said.

"I hope that this new plant will positively affect the cooperation between Korea and Peru."

## **Daewoo wins \$567 mil. order from Dutch**

Daewoo Shipbuilding & Marine Engineering Co., South Korea's third largest shipbuilder, said Monday that it has clinched a 694.2 billion won (\$567.2 million) order from a Dutch company to build a vessel to construct offshore plants.

Under the deal with Allseas Group SA, Daewoo Shipbuilding will deliver the vessel by the end of 2013, the shipbuilder said.

## **EU offers insight for SMEs**

With the European Union (EU)-Korea free trade agreement (FTA) expected to be implemented next year, Korean businesses should prepare for the opportunities and challenges it will bring.

Korean managers can gain comprehensive knowledge about European business, history, politics and culture, through two executive training seminars at the Seoul National University EU Center, the first on June 25 and the second on July 2.

Organized by the French Korean Chamber of Commerce and Industry (FKCCI), the program hopes to help Korean managers interact and negotiate more effectively with European partners.

“The European Union is currently Korea's second largest trading partner. With the EU-Korea FTA soon to be in full force, dramatic developments are in store for Korea's economy. This training program is an opportunity for Korean Managers to develop their ability to interact more effectively with their European business partners in that context,” said Philippe Li, FKCCI president.

The program, which is in its second year, was designed for Korean managers currently working or planning to work in a European company and professionals with European business interests.

“In order to better prepare Korean managers to work with Europe, the FKCCI has organized this executive training program with leading specialists from European business and society from MOFAT, SNU and Korea University,” said Moon Woo-sik, director of the SNU EU Center.

On the first day (June 25), Xavier Coget, head of trade and economy, from the EU Delegation to Korea will give a speech to open the session.

There will be lectures on European history, EU and its institutions, European economy and Korea-EU relations by leading academic experts. Yang Chang-soo, director general for foreign affairs at the Ministry of Foreign Affairs and Trade, will discuss the strategic partnership between the EU and Korea, and the implications of the FTA.

The second day (July 2) will feature lectures about doing business in Europe, especially in conducting negotiations and conflict management. Shin In-ah, director for the institute for Work and Innovation, will talk about how European people view Koreans and how to resolve conflict situations in a European context.

A wine class and tasting will be held by Tiger Wine International general manager Thomas Scheidt. Participants can learn about wine history and receive practical training on how to read, open, taste and store wine.

To address any concerns about the European debt crisis, there will also be a roundtable discussion featuring officials from the French economic mission, and Greek and Spanish embassies in Seoul.

The executive training program will be conducted in Korean. The fees (900,000 won (\$720) for members and 1.45 million won (\$850) for non-members) might seem a bit steep, but it covers the two-day program, an SNU certificate, two European lunches and the wine-tasting. For more information, visit [www.fkcci.com](http://www.fkcci.com).

### **OECD urges Korea to map out exit strategy**

South Korea should map out an exit strategy from the current stimulus pumped, low interest rate powered economic policy, an international body recommended Tuesday.

In its report, the Organization for Economic Cooperation and Development (OECD) said that Korea is making a strong recovery from the global recession, and needs to start to raise interest rates.

The OECD recommendation came at a time when there is an ardent discussion about rate hikes. Korea's economy was hit hard by the global financial crisis in late 2008, sparked by the collapse of Lehman Brothers, pushing the Bank of Korea (BOK) to reduce its key interest rate from 5.25 percent in 2008 to a record-low 2 percent by February 2009.

Since then, the central bank has maintained the rate for the 16th straight month, citing potential risks to the export-driven economy from the eurozone debt crisis.

The OECD report said that Korea's public debt needs to be reduced.

"Maintaining a low public debt burden is an important priority for Korea, given rapid population ageing and uncertainty about the eventual cost of greater economic integration with North Korea," the report said.

The debt of public corporations has increased sharply in recent years, from 10 percent of gross domestic product (GDP) in 2004 to 17 percent in 2008, it observed.

The OECD took note of the government's role in the recovery.

According to the report, Korea committed 6.1 percent of GDP in a stimulus package, composed evenly of supplementary expenditure and tax cuts. The United States committed 5.6 percent of GDP to pump priming.

As a result, nearly 300,000 temporary jobs were created in the public sector in 2009.

The OECD's assessment is expected to affect the Strategy and Finance Ministry's revised outlook, which is due on June 24. It will be the second of two official growth outlooks it will announce.

It is widely believed that the ministry will raise the growth outlook from 5 percent to just less than 5 percent for this year on the back of a rapid economic recovery.

"Given that all economic indicators are better than the government's projections, it is inevitable for us to revise upward our earlier growth outlook," a ministry official said.

The government is expected to maintain its target for consumer price growth at the current 3 percent, while expecting more than 250,000 jobs to be created, up from the previous prediction of 200,000.

Officials, however, say that high oil prices and Europe's financial fiasco will bring down the current account surplus from \$15 billion to the \$12-13 billion range.

### **Renault Samsung cruises over 1st decade**

When Renault Samsung finished merging midway through 2000, some predicted that the Seoul-based outfit would struggle in the saturated domestic market where an established set of big-name carmakers generate stiff competition.

Renault Samsung's Busan production lines are famous for their five-tier quality control system.

Ten years after its debut, however, Renault Samsung silences the naysayers once and for all by chalking up impressive performances in terms of production capacities and payrolls.

Back in 2000, the company started off with less than 2,000 employees to sell around 3,000 vehicles a month. The figures jumped to upside of 7,600 workers and 21,000 units as of the first quarter of this year.

While substantially jacking up its market share, the Korean subsidiary of French-headquartered Renault did not forget about the bottom line — it has racked up profits over eight years in a row since 2002.

In particular, the company remained profitable even last year, when the global auto industry was hit hard due to the financial crisis together with the rise of car parts and diminishing demand.

Beneath the exploits subsists Renault Samsung's unique philosophy — as far as quality is concerned, it will not compromise. The approach seemingly has won the hearts and minds of customers as proven by Marketing Insight surveys.

The local market research agency carried out surveys to come up with the Customer Satisfaction Index for carmakers to verify Renault Samsung holding onto the top spot for eight straight years since 2002.

In the 2009 survey on 91,129 motorists, all of Renault Samsung's lineups including three sedans of SM3, SM5 and SM7 and sports utility vehicle QM5 garnered high scores.

“It is a big achievement to rank first in the customer satisfaction evaluation. Through seamless efforts on quality, we are determined to extend the winning streak to nine consecutive years in 2010,” company CEO Jean-Marie Hurtiger said.

Such high satisfaction with Renault Samsung vehicles appears to come from the firm's focus on quality.

Its Busan production lines, located southwest of the nation, employ a five-tier quality control system under which all automobiles are checked five times throughout the manufacturing process.

Despite the successes over the past 10 years, Renault Samsung seems not to rest as it continues to research new models such as electric cars or the eMX, the first concept vehicle designed by the company.

In line with the global trend of trying to reduce carbon emissions, the entity works on the development of eco-friendly models with minimal emission of greenhouse gases including carbon dioxides.

“On top of further strengthening our existing lineups, we will proactively prepare for the no-carbon dioxide era. We are ready to turn the related regulations on emissions to our own advantage through brisk research,” a Samsung spokesman said

### **Blighted WiBro may thrive in Egypt**

WiBro, a Korean portable Internet standard, has been faltering at home, but officials are desperate to prove that it can carve a niche in developing nations with weak telecommunications infrastructures.

Choi See-joong, chairman of the Korea Communications Commission (KCC), the country's information-technology (IT) policy body, was meeting government officials in Egypt Tuesday (KST) to discuss the possibilities of Korean companies having a bigger involvement in the North African nation's emerging technology markets.

The meeting in Cairo was highlighted by the signing of a memorandum of understanding (MOU) aimed at improving cooperation between the two countries in advanced technology areas such as high-speed wireless Internet, mobile television and Web-enabled television services such as interactive Internet protocol television (IPTV).

However, WiBro was clearly the most focal point of the talks, KCC officials said, with Egyptian policymakers expressing interest in potential joint projects between Korean and local firms to establish the wireless networks.

For countries like Egypt, which lacks a strong fixed telecommunications infrastructure, sophisticated wireless technologies like WiBro could be effective in broadening Internet coverage, by plugging the gaps left by DSL and cable, and helping reduce the communications gaps between developed and rural areas.

In his meeting with Egyptian Social Solidarity Minister Ali Moselhi, Choi suggested Egypt to quicken its licensing for the 2.5 gigahertz broadband wireless spectrum, which is to be used by next-generation communications technologies like WiBro, and also put its planned mobile television trial services on the fast track. Currently, Egypt provides only limited wireless broadband coverage at some of its major tourist destinations.

“Choi was trying to convince Egyptian policymakers that WiBro is an ideal technology to effectively connect areas where it's hard to install fixed-line networks,” said an official from the KCC's international cooperation division.

“Egypt is committed to foster converged broadcasting and telecommunications technologies as its new growth engines. The cohesion between Korean and Egyptian firms will also help them exploit new business opportunities in the African and European regions.”

WiBro, short for “wireless broadband,” is the local variant of mobile WiMAX, which is competing with Long Term Evolution (LTE) in the standard wars for fourth-generation (4G) communications. As with other 4G candidate technologies, WiBro promises fully mobile broadband access and had been touted to eventually beat both Wi-Fi and third-generation (3G) cellular networks.

Technology giant Samsung Electronics and KT, the country's biggest Internet provider and runner-up mobile-phone carrier, are among the major WiBro backers.

In developing its own mobile WiMAX deviation in WiBro, the Korean government had aimed to drive the standard and allow local companies to benefit from homegrown intellectual property.

However, four years into its commercial services, which that started in 2006, WiBro has yet to live up to its hype in Korea, where the number of subscribers has yet to reach half a million, making a mockery of initial government predictions of passing the 1 million mark by 2008.

KT has around 300,000 WiBro subscribers, while SK Telecom, the leading wireless operator, has little more than 30,000.

### **Hyundai Mipo wins \$172 mln order from Europe**

SEOUL June 18 (Reuters) - Hyundai Mipo Dockyard (010620.KS) has won a 208.5 billion won (\$171.9 million) order to build six bulk carriers, the South Korean firm said on Friday.

Hyundai Mipo said in a filing to the Korea Exchange that it would deliver the ships to an unidentified European shipper by the end of May, 2013.

### **LG Elec to invest \$825 mln in solar cells by 2015**

SEOUL June 18 (Reuters) - South Korea's LG Electronics Inc (066570.KS) said on Friday it would invest 1 trillion won (\$824.5 million) by 2015 in its solar cell business, as it seeks new growth drivers.

LG, which converted one of its loss-making plasma flat screen panel production lines into its first solar cell unit in 2008, said it would build another line by the end of this year.

It aims to boost annual production capacity to 1 gigawatt in three years from the current 120 megawatts and generate 3 trillion won in revenue in 2015 from its solar cell business.

South Korean firms led by Samsung and LG are investing heavily in renewable energy, with Samsung Group planning to spend 23.3 trillion won by 2020 in new businesses such as solar and rechargeable cells, and LG Group targeting investment of 20 trillion won through 2020 to produce green energy products.

## **Socio-Cultural Front:**

### **Detailed News:**

#### **Elderly account for 33 percent of suicides**

One out of every three Koreans committing suicide is a senior citizen, with a growing number of the elderly here taking their own lives due mainly to financial difficulties and illness.

The Korean Association of Senior Welfare Centers said Friday that senior citizens aged over 61 accounted for 32.8 percent of those who committed suicide here in 2009, up sharply from 19.4 percent in 1999 and 10.3 percent in 1989.

The center said an increasing number of the elderly are killing themselves as more of them live on their own in line with rising life expectancy and the splintering nuclear family structure. Additionally, many suffer from economic strain as they did not save

enough money for retirement and combined with a range of terminal illnesses, they are prompted to take own lives.

"We will launch a campaign at Tapgol Park, a favorite hangout among seniors, to increase the awareness about the seriousness of suicide among the elderly, as well as to offer them support so they can consider alternatives to ending their lives. We will hold an anti-suicide campaign and stage performances and other events to stress the importance of life," the center said.

According to the Ministry of Health and Welfare, a total of 12,858 Koreans committed suicide in 2008, up 5.6 percent from the previous year.

It translates to 26 individuals per every 100,000 here voluntarily ending their lives, the highest among the 31 OECD member countries.

### **Doctors caught for 'leasing' licenses**

Unlicensed nurses perform dozens of plastic surgeries

Eight licensed plastic surgeons were booked for "leasing" their licenses in exchange for kickbacks to three nurses, who had impersonated doctors and sought to run their own hospital, police said Monday.

Arrest warrants were sought for the three nurses, who were highly-skilled and could perform plastic surgery as well as real surgeons, police said. Officers also placed another doctor, who has yet to be found, on a wanted list for playing a broker's role.

The doctors in question were in financial trouble so they relied on the illegal scheme as a means to ease their financial woes, investigators said.

According to Seoul Metropolitan Police Station, one of the three nurses, with the surname Kim, opened a hospital using a doctor's license in Bucheon, a city on the outskirts of Seoul, between April and October last year.

Kim performed at least 60 plastic surgeries during the period, racking up more than 80 million won (\$65,400) in profit, it said.

Another nurse ran four hospitals from February 2008 to last March in Gyeonggi Province, racking up 2 billion won in illegal profit.

The three contacted the doctors through a recruiting website and "borrowed" the licenses in exchange for four to seven million won paid in kickbacks on a monthly basis, police said.

Their illegal operation was detected in April 2008, but they soon resumed the business with licenses from other doctors.

Police are widening their investigation based on intelligence that this is only a small fraction of similar practices in this flourishing industry. They also plan to take measures to prevent the recurrence of similar cases.

### **1 in 7 elderly people abused**

Government to toughen stance against assaulters, About one in seven elderly citizens have been abused, mostly by their family members, the Ministry of Health and Welfare announced Monday.

The ministry vowed tougher measures and protection for seniors exposed to physical, mental and verbal abuse, and urged the public to pay attention to the issue.

The Korean Institute for Health and Social Affairs (KIHSA), an affiliate of the ministry, surveyed 6,745 people aged over 65 nationwide and found 13.8 percent had been abused. About 5.1 percent of the cases were serious enough to take the abusers to court, the report said.

The majority of incidents were of mental abuse, followed by abandonment, and financial and physical abuse.

About half of the cases continued for more than five years and the level of abuse got worse the longer it carried on.

Abusers were usually the victim's children or spouses, implying that the financial burden of supporting parents was the main cause for the behavior.

The less educated and the unhealthier the victims were, the higher the chances that they were vulnerable to various forms of violence.

Some of the abused had no spouse and had lost contact with neighbors or close relatives. They had low self-esteem and often suffered from depression.

Nearly 66 percent of victims said they did not resist or seek help. Only about 2.5 percent aggressively sought help from social welfare facilities or the police.

The report is the first of a kind to look into the abuse of senior citizens nationwide and was released to mark the World Elderly Abuse Awareness Day, which falls on Tuesday.

Researchers at KIHSA said the abuse of elderly people reflects society's indifference to the welfare of the older generation.

In an additional survey involving 2,000 citizens under 65 years in age, only 21 percent responded that society showed proper respect for the elderly.

The authorities asserted that elderly abuse is illegal. "Those who are physically violent, abandon or ignore the needs of the elderly including medical treatment; force them to beg; or embezzle money or products given to them, are all committing acts that violate the law," ministry official Kim Hye-jin said.

The ministry will ask the Ministry of Justice to toughen the punishment for abuse of the elderly; it is seeking to raise the prison term for those found guilty of physical violence against elderly people to up to 10 years of imprisonment from the current seven.

Police as well as 119 speed dial for emergency rescue will also report on the abuse while 11 shelters for such victims will be established by next year.

"As we are approaching an aging society and welfare for elderly citizens will arise as a major issue. It is time we come up with strict measures against the mistreatment of them," Kim said.

#### **N. Korean teens exposed to South Korean dramas'**

More than half of North Korean teen defectors watched South Korean films and dramas when they were in the world's most reclusive nation, a recent survey showed Monday.

Yoon Sun-hee, a professor of journalism and mass communication at Hanyang University, questioned 144 students at Hangeore Middle and High School, a special education facility set up in 2006 for young boys and girls who have defected, and found that 79 or 56 percent of them had seen South Korean movies and TV programs while in the North.

Pyongyang strictly bans its people from viewing South Korean entertainment to keep them from being "corrupted" by Western or capitalist culture.

The latest survey also confirmed that many North Koreans are exposed to the South's pop culture, known as "hallyu."

The professor admitted that though it was hard to generalize the result to a nationwide level, the outcome was surprising. "I could conjecture that the North is more open than expected," Yoon said.

She added that teenagers in North Korea have a defiant aspect and they tend to live their own way.

Among the students, 57 of them watched South Korean movies on DVD, 43 watched videotaped dramas, while the other 15 watched broadcasts on television.

However, the research did not say how the students had obtained the South Korean DVDs and videos or gained access to the broadcasts.

When asked how often they had seen South Korean films and broadcasts, 40 students said they could watch the programs whenever they wanted, and five saw them every day.

The other 21 teenagers said they had watched the programs once a month, six said once a year, while seven students were exposed to the South Korean material only once during their lifetime in the North.

Most respondents said they had enjoyed the entertainment though they had to watch it secretly, Yoon said.

### **Seoul opens global institute on green growth**

Korea launched a global think tank tasked to promote green growth and tackle climate change, Wednesday, hoping to lead international efforts to make green industries the main drivers of economic growth and new sources of jobs.

The country plans to develop the Global Green Growth Institute (GGGI) into a U.N.-backed international agency by 2012, making it the first such organization to be headquartered here.

The institute will gather scholars, scientists and civil society leaders from around the world to come up with workable solutions to global warming and provide a technological roadmap on "low-carbon" growth, Cheong Wa Dae said.

South Korea unveiled the plan at the 2nd East Asia Climate Forum, held in Seoul.

"The GGGI is the 'strategic foothold' for both developed and developing countries in preparing for a greener future. It represents our resolve to put words into action," President Lee Myung-bak said in a keynote address during the inauguration ceremony.

"The institute will play a central role in coordinating green growth policies among countries and developing related technologies. I firmly believe that the industries will spur economic growth and create numerous jobs."

In a congratulatory video message, U.N. Secretary General Ban Ki-moon said Korea's initiatives on climate change will set an example for many countries.

Nicholas Stern, a professor of the London School of Economics and Political Science, said he expects the GGGI to become a global center that presents a new growth paradigm for the international community.

The GGGI reflects the country's vision of becoming a Mecca of green growth.

The institute has formed a board of directors, including Professor Stern and Thomas Heller, a professor of Stanford University, and chosen former South Korean Prime Minister Han Seung-soo as its first chairman.

The move came after Lee proposed the creation of such a global body to help the world share experiences and policies on green growth at the U.N. climate talks in Copenhagen, Denmark, last December.

At the meeting, Lee announced a bid to host the 2012 climate talks to help the world chart a post-Kyoto Protocol roadmap on greenhouse gas reduction.

Seoul also pledged to cut carbon emissions by 30 percent from levels predicted for 2020, becoming the first emerging economy to set up a reduction goal.

"The GGGI is part of our plans to become a global leader in green growth," said Kim Sang-hyup, presidential secretary for national future and vision. "Our first project is to help Indonesia, Brazil and Ethiopia set up their own carbon reduction goals and implement related policies."

The government will continue efforts to reduce carbon emissions, while developing new green growth models that will ensure sustainable development and more jobs, Kim said.

### **'Green taxes required for green growth'**

Environmental tax reform, also known as a "green tax," is crucial in efforts to solve the world's environmental problems, particularly climate change.

Paul Ekins, a professor of energy and environment policy at University College London, said environmental tax reform shifts taxes from income and social security to carbon use and pollution.

"What happens is people who use less energy and carbon end up better off because their income and labor taxes have gone down, and people in businesses that use more carbon, they end up paying more... This is a policy mechanism that enables the government to develop the new industries of the future at effectively no cost," Ekins told The Korea Times.

Based on past experiences of six European countries, including the United Kingdom, these green taxes have a good economic effect and negligible impact on gross domestic product. In 2001, the U.K. government imposed taxes on the business use of energy, while reducing social security payments by companies. In Sweden, there is a carbon tax of 100 euros per ton of carbon.

However, an obstacle would be the general public's dislike of taxes. "People like doing the things you're taxing, like driving, flying and using energy at homes. All those things will become expensive because of the green tax shift, so you have to persuade people that it is necessary to use less carbon and fossil fuels and to use it more efficiently," Ekins said.

Green growth as a new paradigm for economic and social development was also one of the key issues discussed during the East Asia Climate Forum 2010 at The Shilla Hotel, Seoul, Wednesday.

Mario Amano, deputy secretary-general of the Organization of Economic Cooperation and Development (OECD), said governments need to introduce a mix of green growth policies such as market-based standards and incentives for research and development.

“The OECD experience shows that getting the price right is the most cost-effective way to promote green growth. Taxes and charges should be central to the strategy... The use of price-based tools is spreading in OECD, but it is not enough. Water is undervalued, and polluters are not yet made to bear the social costs,” Amano said, in a speech at the forum.

However, Amano cited obstacles to green growth, such as environmentally harmful subsidies, green protectionism and trade barriers. “We need to remove subsidies for fossil fuels... The International Energy Agency estimates that subsidies for fossil fuels in emerging economies amounted to \$557 billion in 2008,” he said.

The Korean government's foresight in pursuing a long-term green growth strategy was also praised by participants at the forum.

“Korea was absolutely way ahead on top in terms of the proportion of the fiscal packages that went to green technology. That was incredibly smart: are you going to spend the money in the industries of the past or pushing for the industries of the future? ... Korea did the right thing, and now everyone is working to catch up,” Ekins said.

### **Nuclear power holds key to combatting climate change**

Despite the safety and security risks involved, nuclear energy just might be the way to combat climate change, according to the International Energy Agency (IEA) and OECD Nuclear Energy Agency (NEA).

The two agencies unveiled a nuclear roadmap on Wednesday, declaring that nuclear energy has the potential to make a major contribution to reducing greenhouse gas emissions.

“Nuclear energy is one of the key low-carbon energy technologies that can contribute, alongside energy efficiency, renewable energies and carbon capture and storage, to the decarbonization of electricity supply by 2050,” said Nobuo Tanaka, IEA executive director, during the East Asia Climate Forum, at the Shilla Hotel, Wednesday.

The use of nuclear energy to generate electricity started in the 1960s and grew rapidly in the 1970s and 1980s. But nuclear capacity stagnated (except for Japan and Korea), after high-profile accidents in Chernobyl and Three Mile Island exacerbated concerns about its safety and the high cost of building nuclear power plants.

The new nuclear roadmap noted that current nuclear energy technology has incorporated lessons from past experiences, plus advanced technology that enhances safety and performance.

Nuclear power is seen as a mature low-carbon technology that is ready for wider deployment around the world.

In line with the IEA scenario for a 50 percent cut in energy-related CO2 emissions by 2050, the roadmap sees nuclear capacity growing to 1,200 gigawatts electrical (GWe), providing nearly 24 percent of the world's electricity.

At present, nuclear generating capacity is 370 GWe, representing 14 percent of global electricity.

This "nuclear renaissance," Tanaka admitted, would have to overcome numerous policy, industrial, financial and public acceptance obstacles.

First of all, political support and public acceptance are keys to a successful nuclear energy policy. Stable government policies should be established, as well as legal and regulatory frameworks.

"The government can help reduce the risk of nuclear power by providing discounts. Then it can become more competitive. If possible, it can place higher carbon prices on gas, so the prices of wind and nuclear energy would be more competitive. The government can change the competitiveness of different electricity sources by changing the carbon prices," Tanaka said.

One of the biggest challenges is financing. Large initial investments are needed to build nuclear power plants, which would require international collaboration. The IEA estimates a total investment of \$4 trillion is necessary from 2010 to 2050 worldwide, including \$893 billion in China and \$883 billion in the U.S. and Canada.

Safety is also a big concern, which is why it is important to make progress in implementing plans for permanent disposal of radioactive waste.

"We need to have tight conditions on disposal of high-level wastes, non-proliferation and safety, in order to push for nuclear energy in the future," he said.

If more countries start using nuclear energy, there are worries that the technology and materials will be used for non-peaceful purposes. To address these concerns, the roadmap suggests more appropriate non-proliferation controls and stronger international cooperation in non-proliferation, nuclear law and physical protection of nuclear facilities and materials.

Despite these challenges, Tanaka believes the benefits of nuclear energy far outweigh the risks. "The benefits of nuclear power are obvious \_ it is very cheap and low-carbon. To achieve a low-carbon society, nuclear energy is a very important part of the solution," he said.

Korea has developed a strong nuclear industry, with nuclear energy accounting for about 35 percent of its total electricity as of 2009. Among OECD countries, Korea has the largest nuclear expansion underway with six units under construction as of the end of 2009.

### **Male teachers become endangered species**

The shortage of male teachers at elementary schools in Seoul is getting acute, with many schools having none at all.

According to the Seoul Metropolitan Office of Education, male teachers account for only 16 percent of the total in elementary schools in the capital and 16 out of the 587 primary schools have either one or none at all. The ratio of male teachers in Seoul is far lower than the 25 percent average in other cities and provinces.

This lack of male teachers is raising concern about security for children following a series of recent sex crimes involving primary school children.

"It would be better if we had more male teachers for safety and security matters. If there are male teachers around, female teachers also feel more secure when strangers visit our school," said Joo Sung-sook, vice-principal of Gaewon Elementary School in Gangnam. "Beside security issues, we have many difficulties in school operations due to the shortage of male teachers."

The school in southern Seoul has only two male teachers, including the principal, out of 42 staff members.

Currently, the colleges that train primary school teachers are supposed to keep over 25 percent of their new places for males, but female teachers still dominate elementary schools as they outperform in recruitment tests.

The Seoul education office has worked to increase the number of male teachers at elementary schools over the past few years and once proposed a quota for male teachers to the education ministry. However the proposal was rejected for the reason there are no clear-cut grounds that a lop-sided sex-ratio hampers the education of children.

Moreover, women's groups are opposing the quota for male teachers. They claim that males already have an advantage in admission to colleges producing teachers and it might lower the quality of teachers. They also referred to many other countries where elementary schools are dominated by female teachers.

Under the current law on the employment of civil servants, government agencies can adjust gender ratios if recruitment fails to secure more than 30 percent of either female or male employees. But the regulation has not been applied to schools.

### **6 in 10 women mum on ex-boyfriends**

A matchmaking company surveyed 144 adult females and found that 62 percent of respondents said they would "never tell the truth" if asked about the number of past relationships.

Thirty percent of them said they would reveal details candidly, while 6.8 percent said they would give a smaller number of ex-boyfriends and 1.4 percent said they would exaggerate the figure.

For Seo You-jin, a 28-year-old career woman, "never telling the truth" is the best policy. "I have dated more than five men," said Seo. "If he had asked questions other than those on ex-boyfriends, I would certainly be frank. But it's one thing that I won't talk about."

The percentage of men who keep the number of ex-girlfriends secret came in at 28 percent from 181 men surveyed.

Forty-five percent of respondents said they would frankly answer to the number of ex-girlfriends, while 18 percent said they would reduce the number.

"Speaking about ex-boyfriends to a current partner still amounts to a taboo in a society that is never generous to women with many dating experiences," said Prof. Bae Eun-kyung at Seoul National University's department of sociology. "However, it's a bit different for men □ having many girlfriends in the past could mean they are sexually competitive."

### **Maradona renews South Korea rivalry**

JOHANNESBURG (Reuters) - Argentina's quixotic coach Diego Maradona is to relive an old rivalry when the stylish South Americans take on a South Korea side led by the man who tried to stop him during their 1986 World Cup encounter.

In Thursday's other two games, France need their misfiring strikers to finally show their worth against the neat-passing Mexicans while one of Africa's main hopes, Nigeria, hope to stage a Greek tragedy in Bloemfontein.

Cautious play and low scores have characterized the 32 teams' first games of the tournament. Neutrals are desperate to see the net bulge more as sides now go for the points they need to reach the last 16 of Africa's first World Cup.

Whether it has been the altitude, winter temperatures, new Jabulani ball or the cacophony of vuvuzelas affecting teams, only 28 goals have been scored in 17 games. That average of 1.65 is well below the previous lowest of 2.21 at Italy 1990.

Big names from Cristiano Ronaldo and Fernando Torres to Didier Drogba and Wayne Rooney are yet to score.

Diego Forlan, though, did his bit for the overall goal tally by notching two for Uruguay in their convincing 3-0 win on Wednesday night over hosts South Africa.

Germany are the only other team to have scored more than twice, in a 4-0 demolition of Australia.

Switzerland scored the tournament's biggest upset so far with a 1-0 defeat of previous bookies' favorite Spain.

The result sent the normally restrained Swiss into the streets in celebration at home, some touting vuvuzela horns.

#### BRAZIL FAVOURITES

After that game, Brazil were installed as favorites to win, followed by Spain and Argentina, then England, Netherlands and Germany, according to British bookmakers Ladbrokes.

"It was a return to the Spain of old," the betting firm's spokesman Nick Weinberg said. "Their underachievers tag may not be confined to the history books just yet."

South Africa's defeat leaves them with one point and needing a result against France in their last Group A game if they are to progress to the second round and avoid being the first World Cup hosts to go out at the start.

The Bafana Bafana (Boys) played poorly against Uruguay, the noise of vuvuzelas fading in the stadium as the goals went in.

Off the field, labor unions are threatening to embarrass the South African government by interrupting power, transport and security operations if their wage demands are not met.

Hooliganism has thankfully not appeared, with various potential troublemakers from England blocked from entering, and another 17 "undesirable" Argentines deported on Wednesday.

They will miss seeing the Maradona and Lionel Messi show at Soccer City in Thursday's first game.

Messi pulled the strings in Argentina's 1-0 defeat of Nigeria, and Maradona hopes his world player of the year will again be tormentor-in-chief of South Korea.

The Asians are in buoyant mood themselves after a 2-0 opening win over disappointing Greece.

#### MARADONA COURTS CONTROVERSY

Coach Huh Jung-moo was assigned to block Maradona when Argentina met South Korea at the start of the 1986 World Cup in Mexico. He failed, the Maradona-inspired Argentina team winning that game 3-1 en route to lifting the trophy.

"I remember Huh very well," Maradona has said. "In 1986 the Koreans played taekwondo, not football, against us."

Huh, though, is not overawed. "They are a strong team, but the strongest team doesn't always win," he said on the eve.

Ever controversial when playing, Maradona lashed out at fellow football greats Pele and Michel Platini on Wednesday after criticism of his coaching ability.

Speaking as usual in a press room too small for the massive media interest he generates, Maradona said Pele belonged in a "museum" and labeled Platini a "know-all."

Nigeria have by all accounts had a shambolic preparation for the World Cup, including a new Swedish coach, Lars Lagerback, who only began working with the players in May.

Yet most pundits think one of Africa's traditionally strongest football nations should have enough to inflict more misery on Greece, whose poor opening performance added to national suffering over the financial crisis.

In Thursday's Group A game, French coach Raymond Domenech may bring back the nation's most prolific striker, Thierry Henry, in the hope his forwards will score their first international goal since November.

Mexico are widely admired for a fast-passing game, but also lack finishing power. "You must make sure they don't get too much possession, otherwise you're in trouble," Domenech said.

# Japan

## Political Front:

### Detailed News:

#### Half of Japan's reactors in trouble

Nearly half of Japan's commercial nuclear power reactors had problems requiring action, including the need for inspections, in their fiscal 2009 operations, the Nuclear and Industrial Safety Agency said Monday in its first such report.

But none is deemed to have had a problem that is not "tolerable," while a majority got a passing grade, the agency affiliated with the Ministry of Economy, Trade and Industry said in "report cards" on problems, malfunctions and operational status at the nation's 54 reactors in the year through March 31.

Fourteen of Tokyo Electric Power Co.'s 17 reactors needed additional inspections, with the No. 1 to 4 reactors of the Fukushima No. 2 plant judged to have had "significant" problems over a discharge of radioactive materials into the sea through a drainage pipe that came to light in October.

The agency compiles inspection plans for the next fiscal year based on the latest evaluations. Those getting a passing grade will have to undergo only basic inspections, but additional inspections or administrative measures will be imposed on others found to be problematic.

Of the 54 reactors, 29 got a passing grade, with no or only minor problems to address, while two had troubles that require additional inspections. Twenty-one are found to have had "significant" problems in terms of their occurrences or impact on safety.

The agency withheld its evaluations on the No. 1 and 2 reactors at Chugoku Electric Power Co.'s nuclear plant in Shimane Prefecture because numerous inappropriate inspections have just been found there.

The agency is shifting away from imposing a uniform safety regulation to crafting one based on the realities of each reactor in hopes of having more efficient and reasonable inspections and screenings.

Reactors "aren't necessarily dangerous just because they are severely evaluated," a senior agency official said. "We hope to fashion more effective regulation by addressing weaknesses and problems at each reactor."

## **Cabinet support rate rises to 65%**

Public support for the Cabinet of Prime Minister Naoto Kan hit 64.8 percent this weekend, rising 3.3 percentage points from the previous survey conducted right after its launch last Tuesday, a Kyodo News poll showed.

The telephone poll conducted Saturday and Sunday indicated Friday's abrupt resignation by Shizuka Kamei, leader of coalition partner Kokumin Shinto (People's New Party) as minister in charge of the banking sector and postal reform, didn't harm public opinion about the Cabinet, with the disapproval rate standing at 23.6 percent, an improvement from 25.2 percent.

Asked which party or candidate they will vote for in the upcoming Upper House election, 29.4 percent said they intend to vote for the Democratic Party of Japan in the proportional representation segment and 30.6 percent said they will support DPJ candidates in district races. The Liberal Democratic Party meanwhile got 14.5 percent support for proportional representation and 15.7 percent in district races.

## **Taliban want ransom for journalist**

Afghanistan takes over talks to free Japanese missing since March; rebel denies abduction

KABUL, No stranger to war: Page 2 (Kyodo) Taliban rebels have demanded that the Afghan government pay a ransom for a Japanese journalist who was believed taken captive in late March in northern Afghanistan, it was learned Thursday from Afghan security authorities.

Negotiations are under way on a payment of several hundred thousand dollars for the release of Kosuke Tsuneoka, 40, according to the authorities, who believe he is being held by the militants.

However, Zabihullah Mujahid, a spokesman for the Taliban, on Thursday denied reports that the Taliban are holding Tsuneoka.

Afghan President Hamid Karzai, who arrived in Japan on Wednesday for a five-day official visit, is said to have already instructed the authorities to speed up the release negotiations.

According to the authorities, based on the negotiations to date, Tsuneoka's life does not appear to be in danger.

The authorities said the Japanese government had been conducting the release negotiations through the Japanese Embassy in Kabul. However, after the negotiations stalled due to a Taliban demand that a Taliban militant being held in Pakistan be released, the Afghan government took over in negotiating with the militants.

The negotiations are being conducted by telephone, according to the authorities.

The Japanese Embassy said it could not comment.

In Tokyo, the government refused to make specific comments, including whether the journalist was kidnapped.

### **Ozawa main threat to Kan: U.K. experts**

LONDON (Kyodo) British analysts of Japanese politics say they are optimistic about the fortunes of new Prime Minister Naoto Kan and his Democratic Party of Japan-led government, but add the party's former secretary general, Ichiro Ozawa, lurks as a potential obstacle.

They believe that the Cabinet launched last week, which has six new faces, including a replacement for Shizuka Kamei, the outspoken chief of junior coalition partner Kokumin Shinto (People's New Party), represents a "bold" move away from the influence of Ozawa.

Hugo Dobson, a professor of Japanese international relations at Sheffield University, said, "I'm basically optimistic about Kan's chances and think he has made the right move by distancing himself from Ozawa.

"This should enhance his reputation in the polls ahead of next month's election and, not having to pass the postal reform bill, will continue this bounce as well, as having to deal with Kamei was a constant irritant for (former Prime Minister Yukio) Hatoyama."

Kamei quit the Cabinet after Kan decided to forgo the postal reform bill Kokumin Shinto considers vital in favor of an early Upper House election that is expected to be held July 11. Kokumin Shinto Secretary General Shozaburo Jimi has replaced Kamei as financial services and postal reform minister.

John Swenson-Wright, a Japan expert from Cambridge University, believes Kan can help his DPJ fare well in the Upper House election if he presents a credible economic strategy, and claims that a vote for the Liberal Democratic Party, the largest opposition party, could lead to deadlock in the Diet.

But in the longer term, Kan may face challenges from the faction in his party led by Ozawa, who stood down along with Hatoyama following criticism of the pair's handling of their individual funding scandals and the relocation of the U.S. Futenma air base in Okinawa.

On the new Cabinet, Swenson-Wright said: "It's pretty bold and the new members are people who opposed Ozawa's influence on the party. It represents a departure from trying to keep a factional balance in the Cabinet."

The DPJ currently has control of the lower chamber but needs the backing of minority partner Kokumin Shinto to push through legislation in the Upper House.

Kan's economic priorities are expected to include cutting the deficit and increasing assistance to the poor, while there is growing speculation that the new Cabinet could approve an increase in the consumption tax.

Swenson-Wright said that after the poll, Kan will probably have to work harder to appease the factions in the DPJ.

"To keep the coalition together in the longer term will probably take more than the prospect of electoral defeat. Once the election is over, there may be more public disagreement and Ozawa may be more assertive and capture power," he said.

"Keeping Ozawa on board will be important and the allocation of Cabinet seats doesn't suggest much effort is being made to keep him on board," he added.

Ozawa is seen very much as a kingpin in the DPJ and has been credited with winning elections for the party. He is said to hold sway over around 150 DPJ lawmakers.

Swenson-Wright said Kan has proved to be a determined character but has also recently "softened" his approach, which may be advantageous in the future.

On foreign policy, the scholar said he doesn't see any major problems on the horizon and noted relations with China and the U.S. are relatively healthy.

### **Ministry reluctant to send choppers to Sudan**

The Defense Ministry has concluded it would be difficult to dispatch Ground Self-Defense Force helicopters to Sudan for a U.N. peacekeeping mission in the southern part of the country, a senior ministry official said Friday.

The ministry has already notified the Foreign Ministry and the Cabinet Office's Secretariat for the International Peace Cooperation Headquarters, according to the official.

A referendum on the right to self-determination for the people of Southern Sudan is to be held in the country in January, and it was hoped that GSDF helicopters would be used to help transport ballot boxes under the auspices of the U.N.

The Defense Ministry has found it unclear whether the country will be stable at the time of the dispatch and determined the helicopter operation would be costly, the official said.

But the Foreign Ministry remains willing to dispatch the aircraft as part of Japan's international contribution, leaving the government to make a final decision based on Defense Ministry reports.

The government sent a fact-finding mission to Sudan in May to study the feasibility of sending a GSDF helicopter unit. Upon the mission's return, the Defense Ministry concluded that while it would cost more than ¥10 billion to send large transport helicopters and troops to Sudan, the benefits of the undertaking would be limited, according to the official.

The civil conflict in Sudan that lasted more than two decades ended in 2005, and Japan has dispatched several GSDF members to the U.N. mission in Sudan, which is monitoring a ceasefire and assisting in peace-building in the country.

While calls for the right to self-determination are growing in southern Sudan, tension is rising between the north and south, partly because some in the central government in the north want the south, which has rights to oil resources, to remain part of the country.

The Self-Defense Forces have participated in several U.N. peacekeeping operations.

### **Japan ruling party may need coalition partners**

TOKYO

Fri Jun 18, 2010 3:49am EDT

TOKYO June 18 (Reuters) - Japan will hold an upper house election on July 11, the outcome of which could determine how smoothly the ruling Democrats can forge ahead with plans to raise the sales tax and cut huge public debt. [ID:nSGE65G08G]

The Democratic Party, which swept to power last year, has a huge majority in parliament's more powerful lower house and will run the government whoever wins the upper house poll, but the party needs an upper house majority to enact laws smoothly.

If the Democrats fall short of an outright majority, they are likely to keep their coalition with the tiny People's New Party (PNP) but they may also woo other parties.

Below are possible coalition partners and their policies:

#### **PEOPLE'S NEW PARTY**

Headed by outspoken former banking minister Shizuka Kamei, the party wants 100 trillion yen (\$1 trillion) in stimulus spending over the next three years. It has said the 5 percent sales tax should not be raised before an economic recovery.

The conservative party began as a group of Liberal Democratic Party lawmakers who opposed former Prime Minister Junichiro Koizumi's plan to privatise the postal system.

The Democrats have promised to pass a shelved bill to scale back postal privatisation in the next session of parliament. [ID:nTOE62T08A]

#### YOUR PARTY

Headed by another former banking minister Yoshimi Watanabe, who left the then-ruling Liberal Democrats last year, the party has promised not to raise the sales tax for another three years. It wants to cut wasteful spending and tap government reserves. [ID:nTOE62I034]

The party wants the Bank of Japan (BOJ) to do more to overcome deflation. It has suggested the BOJ share a price stability target with the government and that the BOJ support funding for small and medium-sized companies.

#### NEW KOMIETO PARTY

Founded by members of a Buddhist sect, Soka Gakkai, Japan's third-largest political party favours a drastic reform of the tax system, including the sales tax, but has not specified by how much the sales tax should be raised.

The party, which was the Liberal Democratic Party's coalition partner while it was in power, wants the government and the BOJ to cooperate to achieve 1-2 percent inflation.

#### NEW RENAISSANCE PARTY

Headed by Yoichi Masuzoe, a popular former health minister who left the Liberal Democrats in April, the party says Japan's finances would be unsustainable without a sales tax increase to over 10 percent by 2020.

The pro-reform party has also called for a 1-2 percent inflation target and favours lowering the corporate tax rate to 25 percent from the current rate of around 40 percent. [ID:nSGE65H06Y]

#### SUNRISE PARTY OF JAPAN (TACHIAGARE NIPPON)

Led by former finance minister Kaoru Yosano and ex-trade minister Takeo Hiranuma, the party wants to raise the sales tax to 8 percent from 2012/13 before raising it to 12-15 percent after the economy recovers.

The party of former Liberal Democratic Party lawmakers also wants to lower the corporate tax to 30 percent from 2012/13.

#### SPIRIT OF JAPAN PARTY (NIHON SOUSHINTO)

Founded by heads of local government, the group has pledged to halve the corporate tax rate to 20 percent and to gradually raise the consumption tax to 10 percent, using the revenues to fund social security costs.

## LIBERAL DEMOCRATIC PARTY

The LDP, ousted by the Democrats last year after more than 50 years of nearly non-stop rule, is the main opposition party and has called for the sales tax to be raised to 10 percent.

Like the Democrats, LDP members range from proponents of market-friendly reforms to those who favour a gentler capitalism. Both are also home to diplomatic doves seeking closer ties with Asia to pro-U.S. advocates of a bigger security role for Japan.

## **Economic Front:**

### **Detailed News:**

#### **JAL to sell all hotels to Hotel Okura**

Struggling Japan Airlines Corp. plans to sell all of its group's hotel operations to Hotel Okura Co. for about ¥5 billion to ¥6 billion as part of its restructuring, sources said Saturday.

JAL, which had earlier planned to sell only its hotel operating unit JAL Hotels Co., will aim to strike a deal on the new plan with the major hotel operator by the end of this month, the sources said.

JAL Hotels alone operates 41 hotels in Japan and 17 hotels overseas, mainly in cities JAL flies to and from. JAL also engages in hotel operations through other group companies.

The airline plans to cut about 16,000 jobs within the group by the end of fiscal 2010 ending next March as part of its broader goal of cutting a total of some 19,300 jobs by the end of fiscal 2012 to March 31, 2013.

Kokumin Shinto calls for ¥100 trillion stimulus

Kyodo News

In its campaign platform released Wednesday for the July 11 Upper House election, Kokumin Shinto (People's New Party) called for a ¥100 trillion stimulus package over three years to realize economic growth of at least 5 percent.

The tiny party in the ruling bloc will aim to rebuild Japan's state finances through economic growth, according to the platform, announced by Kokumin Shinto chief Shizuka Kamei, though no mention was made of whether to raise the 5 percent consumption tax to that end.

Instead, the party proposed creating a new interest-free, tax-free type of government bond as a major source of fiscal revenue, as well as using extra and reserve funds amassed in special government accounts plus postal savings and insurance funds.

Under the banner of "a conservative party that makes good on its promises," the party also clarified its opposition to the ruling Democratic Party of Japan's goals of granting local-level suffrage to permanent foreign residents and allowing dual surnames to married couples.

### **Okinawa to store Saudi Aramco oil**

RIYADH (AP) Saudi Arabia's state-run oil giant has agreed in principle with Japan to store 3.8 million barrels of oil in the Asian nation by the end of the year.

The deal, announced Tuesday by Saudi Aramco, reflects the growing importance Saudi Arabia and other Gulf oil producers are placing on the Asian market.

China, India and Japan are seen as the key drivers in oil demand this year as consumption in traditional mainstay markets the United States and Europe remains weak in the wake of the global financial meltdown.

The oil would be stored in Okinawa.

The Ministry of Economy, Trade and Industry said the project would help contribute to the country's energy security.

METI says Japan currently relies on Saudi Arabia for 28 percent of its oil supplies.

### **Kan may need ¥7 trillion tax hike**

Bloomberg

Prime Minister Naoto Kan may have to raise taxes by as much as ¥7 trillion to fulfill his pledge to cap bond sales in coming years, according to an independent adviser to the government.

Kan has committed to holding new bond sales to ¥44.3 trillion through the year to March 2012. At the same time, his administration is considering an annual public-spending limit of ¥71 trillion over the coming three years, according to two government officials.

"The two targets are inconsistent," Toshiki Tomita, who has advised the government on a midterm fiscal plan that is scheduled for release this month, said Wednesday in Tokyo. "There would be a gap between revenue and spending of ¥6 (trillion) or ¥7 trillion."

The shortfall underscores the challenge for Kan as he seeks to contain the world's largest public debt and end what he calls Japan's "unsustainable" dependency on borrowing.

Standard & Poor's and Moody's Investors Service have said they will closely watch the budget strategy as Europe's fiscal woes increase global scrutiny of sovereign debt.

"It seems the government is going to make a tough target," said Kiichi Murashima, chief economist at Citigroup Global Markets Japan Inc. in Tokyo. "We need to keep an eye on their level of commitment to this and how successful they will be."

The proposed spending ceiling has been reported previously by domestic news outlets.

Kan, as finance minister under predecessor Yukio Hatoyama, urged the government to contemplate an increase in the country's sales tax as part of efforts to restore fiscal health. He replaced Hatoyama as prime minister this month.

A 1 percentage point increase in the sales tax would generate revenue of about ¥2.5 trillion, according to the Finance Ministry. That means an increase in the tax to 8 percent from the current 5 percent would plug the ¥7 trillion hole.

Tomita, who is a member of the government's Fiscal Policy Committee, said Japan could raise taxes to fill the gap, though any increase in the next fiscal year would be "challenging." Further spending cuts may also be tough as the country faces increasing costs, including for social welfare, he said.

"The more seriously I think about it, the more difficult I think it will be," said Tomita, 62, an economics professor at Chuo University in Tokyo. Unless taxes increase, "bond sales could end up at around ¥50 trillion," he said.

Newly appointed Finance Minister Yoshihiko Noda said as deputy finance chief last month that Japan is "lucky" bond yields have stayed around 1.3 percent. Borrowing costs could jump "if we let our guard down," he said May 13.

A key government tax panel may underscore the need to raise taxes in recommendations this month, the Asahi newspaper reported Wednesday, without saying where it got the information. The proposal doesn't say when or by how much the sales levy should increase, the report said. The group will also propose increasing the maximum income tax rate, the newspaper said.

Should policymakers delay raising the sales tax, an increase to as high as even 20 percent in the longer run will be insufficient to restore fiscal health, the Asahi said, citing an unidentified Finance Ministry official. The International Monetary Fund said last month the tax may need to climb to 22 percent if the government doesn't rein in spending.

Voters are growing open to the possibility of a higher consumption tax as Japan's coffers become more strained. A Nikkei newspaper survey taken in May showed 49 percent of respondents opposed Hatoyama's plan to delay raising the levy.

Any multiyear pledge to cap spending would be the first since 2006, when then-Prime Minister Junichiro Koizumi announced a target of balancing the budget in five years.

This month's fiscal plan will include a goal of eliminating the primary budget deficit by 2020, the two officials said. The shortfall, which excludes interest payments on bonds, is 7.1 percent of gross domestic product, or ¥33.5 trillion, for the year ending March 31, the Cabinet Office estimates.

Tomita said the primary balance goal "won't be enough to reduce outstanding debt" because of expenditures such as debt-servicing costs, and a 4 percent surplus is required.

National strategy minister Satoshi Arai said last week the fiscal plans "need to keep a pay-as-you-go principle," and will be based on Kan's pledge to limit new bond sales.

This year's budget was compiled by using ¥10 trillion in funds from special accounts, and it's hard to expect Kan to secure the same amount from those sources next year, said Tomita, who is a senior independent fellow at an institute that provides policy research for the Finance Ministry.

"If we rely on hidden money or just manipulating figures within the account, it's possible we will be seen as another Greece," he said.

### **Yamaha to double India showrooms**

NEW DELHI (Bloomberg) Yamaha Motor Co., the world's second-biggest motorcycle maker, plans to double the number of its sales outlets in India in the next five years to tap demand in villages as economic growth boosts incomes.

India Yamaha Motor Pvt. may increase showrooms to 2,000, mostly in small towns and rural hubs, Koji Arai, director and chief sales officer, said Thursday in an interview in Surajpur, near New Delhi.

The country, home to Asia's third-biggest economy, is spending more to build roads connecting villages and improve electricity, phone and health care. The infrastructure investments and rising prices for farm produce are boosting rural incomes. Yamaha is following bigger rival Hero Honda Motors Ltd. to expand in the countryside, where 70 percent of India's more than 1.1 billion people live.

"The next strong demand for motorcycles could only happen in rural and semiurban areas as people in urban centers shift to cars," said Mayur Milak, an automobile industry analyst at Alchemy Share & Stock Brokers Ltd. in Mumbai. "The only issue will be branding, because typically it is word-of-mouth publicity that works and Hero Honda has an advantage in this."

Industrywide motorcycle sales advanced 26 percent to 7.3 million units in the year that ended March 31, according to the Society of Indian Automobile Manufacturers.

## **Second strike hits China Toyota supplier**

ZHONGSHAN China/BEIJING (Reuters) - A parts supplier for Japan's Toyota Motor Corp said on Friday it was dealing with its second strike in China this week, the latest in a rash of factory labor disputes across the country.

The chance of more industrial action also loomed over a Honda plant in the southern manufacturing heartland of Guangdong, where workers said there had been no apparent progress despite a Friday deadline for management to present a new pay deal.

After protracted talks between worker representatives and managers at Honda Lock that ended late on Friday, workers said the firm continued to resist raising base salaries above the 200 yuan previously offered, though biannual bonus payments and housing allowances would be raised slightly.

"Whether or not this is acceptable depends on everyone's opinion," said a worker source who declined to be named.

Spreading discontent among an estimated 130 million strong army of migrant workers, whose toil has powered China's growth, could undermine the government's legitimacy and erode the nation's competitiveness as a low-cost global factory hub.

Wages only make up around 5 percent of overall manufacturing costs but other inputs like energy and water are also getting more expensive. Some firms are already moving production to cheaper neighbors such as Vietnam and Bangladesh.

China's leaders, who are obsessed by stability but also say they can ensure a better life for those at the bottom end of an expanding rich-poor gap, have muted coverage of the unrest in state media while expressing public support for workers.

"THE POLICE ARE COMING"

Toyoda Gosei said production had stopped since Thursday afternoon at a plant in the northern port city of Tianjin, where it makes parts like instrument panels.

Workers confirmed the strike was still on. Police vehicles could be seen parked inside the factory's grounds.

A grainy video obtained by Reuters, shot by a worker on his mobile phone inside the factory on Thursday evening, showed scuffles between police and workers, punctuated by screams of "The police are coming!".

A separate stoppage halted work at another Toyoda Gosei plant on Tuesday, but that factory is now back at work.

In southwestern Chongqing city, a short strike at Chongqing Brewery Co Ltd ended on Friday after talks with management, said Danish brewer Carlsberg, a part owner of the plant, though a witness said it was continuing.

Workers feared that a plan by Carlsberg to raise its stake in the firm to nearly 30 percent would threaten their benefits, a local official told Reuters by telephone.

"There was not good enough communication to the employees about the agreement," said Carlsberg spokesman Jens Bekke. "They were informed, and now they have gone back to work."

China's Communist Party mouthpiece, the People's Daily, this week called for higher workers' incomes to protect stability, while Premier Wen Jiabao called for better treatment of workers.

The sympathetic, if tightly limited, accounts of worker grievances in state media suggest Beijing wants to avoid outright confrontation with the workers and may welcome some concessions.

#### NEW DEAL AT HONDA LOCK

In Guangdong, workers at the factory which makes locks for Honda Motor downed tools last week but agreed on Tuesday to go back to work until Friday on the understanding management would present them with an improved deal on wages and benefits.

While the deadline passed, a worker source said that after a flurry of last minute negotiations, the firm continued to resist raising base wages above an earlier offer.

In a text message, the source wrote that the base monthly salary of workers would be raised 200 yuan to 1,139 yuan, while a housing allowance would be increased from 300 to 380 yuan. The value of an existing twice-yearly bonus would also be hiked from 1.2 times a workers' monthly wage to 1.5 times.

The deal fell well short of the workers' initial demands.

"On the surface it seems we've won something. But in my heart I feel we've been defeated," said the source who declined to be named for fear of reprisals.

Other workers debating the new deal in Internet chatrooms pledged to "strive till the end," though it wasn't clear if there was a large enough consensus for a fresh strike in the morning.

Both Toyota and Honda said the strikes were having no impact on car production.

Honda has also been taking dozens of potential new hires to a training center, possibly hedging against further unrest.

The strike at Honda Lock, which manufactures locks, mirrors and wheel sensors, is the third to hit an auto parts supplier for the giant Japanese carmaker in recent weeks.

Workers at Honda Lock said spreading word of successful strikes at other Honda auto parts suppliers had inspired them to agitate for improved compensation as living costs rise.

Labor relations expert Xiaoyi Wen warned more spontaneous unrest could be hard for firms to handle because workers, although unhappy, were afraid of putting themselves forward in negotiations with management for fear of repercussions.

Relations between Japanese auto firms and their Chinese units and suppliers can be more complicated than those of other foreign investors, which may have contributed to making them some of the main flashpoints for unrest in recent weeks, an expert said.

"In our investigations, we consistently found that the most tense relations were with the Japanese and South Korean partners," said Wen, a researcher at the China Institute of Industrial Relations in Beijing who specializes in labor relations in the automotive sector.

"You find the Japanese and South Korean companies are much more involved in managing production at the factories. Also, they don't have a tradition of collective bargaining or give-and-take in their Chinese factories," Wen said.

### **Japan May crude steel output jumps 50.2 pct yr/yr**

TOKYO June 18 (Reuters) - Japan's crude steel output rose 50.2 percent in May from a year earlier to 9.73 million tonnes, the Japan Iron and Steel Federation said.

Japan's steelmakers, including Nippon Steel Corp (5401.T), the world's second biggest, and No.6 JFE Holdings Inc (5411.T), now derive nearly 50 percent of their steel revenue from exports as domestic demand remains slow.

### **Japan finance ministry welcomes China announcement on yuan**

TOKYO June 19 (Reuters) - Japan's finance ministry said on Saturday it welcomed China's announcement on foreign exchange reform and its strengthening of a more flexible yuan.

"We expect this move to contribute towards a stable and balanced growth in China, Asian economies, as well the global economy," it said in a statement.

### **Japan pledges corporate tax cuts to boost growth**

TOKYO, June 18 (Reuters) - Japan's new government on Friday pledged to slash corporate tax to meet its economic growth target of 2 percent in the coming decade that many economists said was too ambitious.

In the short term, the government said it aimed to defeat deflation that has plagued the country for much of the past 20 years within two years, setting a timeframe for the first time, and called upon the Bank of Japan to "do its utmost" to help with the task.

The government unveiled its growth strategy less than a week before it is due to announce plans on how to tackle its massive debt and ahead of upper house elections on July 11, and is hoping to win the public's confidence in its ability to steer the world's second largest economy.

By stimulating demand in clean energy and other areas with growth potential, the government aims to lift real economic growth to more than 2 percent on average and nominal growth to 3 percent over the next 10 years.

But the plan met with scepticism from some investors.

"The growth targets don't sound like anything new to me, just wishful thinking," said Junko Nishioka, chief economist Japan at RBS Securities.

Nishioka said the growth targets, outlined by the government in December, will be hard to meet given that Japan's real growth rate hovered at 1.3 percent on average in the decade before the global financial crisis. Prime Minister Naoto Kan, who has made fiscal reform a top priority since taking office last week, said on Thursday that "without a strong economy, strong public finances and a strong social security system would not be possible".

He said that doubling the 5 percent sales tax was an option to curb the country's massive debt, that is about twice the size of the economy. [ID:nSGE65G08G]

The government also said the effects of policies for boosting demand and jobs would be maximised if the public shoulders the costs of expanding social welfare.

Economists say the government needs to commit to raising the sales tax to 15 percent or even 20 percent over the next 10 to 15 years to pay for rising social welfare costs and a commitment to hike tax is needed to make its fiscal plans look credible.

But National Strategy Minister Satoshi Arai, in charge of both growth strategy and fiscal plans, said Friday there will likely be no mention of sales tax in the fiscal plans, which are expected to come out on June 22. [ID:TKG006773]

Kan told reporters on Friday evening a sales tax hike to 10 percent would be necessary to largely cover growing social welfare costs for the elderly. He did not specify the reasoning behind the proposed scale of the tax increase on Thursday.

WANTS BOJ EFFORTS ON DEFLATION

The government in its economic growth strategy called on the Bank of Japan to "do its utmost" to beat deflation and said fiscal and monetary policies for ending price falls should help the country avoid excessive rises in the yen.

It will aim to achieve a rise in core consumer prices, which marked their 14th straight month of annual decline in April, in the next two years, although the plan lacked specific policies on how it would achieve it. [ID:nTOE64R00D]

The BOJ has forecast that core consumer prices would rise slightly in fiscal 2011/12, while predicting 2.0 percent economic growth for the same year, quicker than 1.8 percent estimated for this fiscal year.

The government also pledged to lower the country's corporate tax rate aimed at luring foreign businesses and lifting corporate spending in Japan.

It said it would slash the tax rate, now around 40 percent and the highest among G7 countries, by stages to the rates in major countries, or around 25 percent. But it stopped short of setting a time frame.

Italy has the lowest corporate tax rate in the G7 at 27 percent while the United States is at 39 percent, according to the Organisation for Economic Co-operation and Development as of 2009. [ID:nSGE65H06Y]

It also plans capitalise on fast-growing demand in Asia by focusing on infrastructure among other sectors.

The government will consider incentives to attract overseas companies and to set up industrial zones.

Japan will show its growth strategy and its fiscal reform plan at a June 26-27 G20 summit in Canada.

Japan's economy pulled out of the worst recession in decades in April-June last year and its growth in the first quarter of this year outpaced that of Europe and the United States.

On Friday, the government upgraded its economic assessment for the first time in three months, pointing to signs of a self-sustaining recovery.

## **Social Front:**

### **Detailed News:**

#### **Cow disease a 'national crisis': Kan**

MIYAZAKI (Kyodo) Prime Minister Naoto Kan on Saturday said he considers the spread of foot-and-mouth disease in Miyazaki a "national crisis" and pledged to do his utmost to contain it as he met in the prefecture with local livestock farmers and top prefectural government officials.

Kan told the farmers that the government will do all it can to help rehabilitate the local livestock industry, saying the government will take steps to reconstruct their farms in a responsible manner.

One farmer urged Kan to find out what caused the disease to spread and called on the government to strive to end the epidemic at an early date.

While explaining that it takes several years to rehabilitate livestock businesses, another farmer called on Kan for the government's support for the reconstruction.

"We will have to stop the spread (of the disease) as soon as possible," Kan told reporters after meeting with farmers.

In talks with Miyazaki Gov. Hideo Higashikokubaru later in the day, Kan said he is placing utmost importance on stopping the spread of the disease and the government will do everything necessary for the reconstruction of the local livestock industry.

Higashikokubaru told Kan that he wants the state government to shoulder all the expenses involved in dealing with the disease and to extend full support for the reconstruction of the livestock and other affected industries.

The governor said about one-fourth of the livestock in the prefecture will be slaughtered as a result of foot-and-mouth.

The prime minister's trip to the prefecture followed new confirmation of livestock infected with the disease in the cities of Miyakonojo, Hyuga and Miyazaki since Wednesday.

The new government of Kan convened a meeting of its task force and decided to dispatch additional Self-Defense Forces personnel and police officers to the prefecture to strengthen disinfection work at farms and national highways there.

#### **Man nabbed for smuggling Thais**

CHIBA (Kyodo) Chiba police arrested Saturday a Japanese man suspected to be the ringleader of a group that has helped hundreds of Thais enter Japan illegally.

Shinsuke Tanaka, a 66-year-old self-described restaurant owner, was held on a charge of helping two Thais enter Japan illegally through Narita airport in January 2008, conspiring with another man, Koichiro Bekku, who was arrested Friday.

Tanaka and Bekku were arrested upon arrival at Narita International Airport, following their arrest by Thai police authorities last month. Japanese police placed the pair on an international wanted list two years ago.

### **Government to shoulder all costs to stop foot-and-mouth scourge**

The administration has decided to cover the cost of all measures to tackle foot-and-mouth disease among livestock in Miyazaki Prefecture under a special law, officials said Monday.

The government intends to decide on the steps, including compensation for farmers who have slaughtered their livestock, at a Cabinet meeting Friday.

It expects to allocate ¥60 billion to ¥70 billion to implement the measures, the officials said.

Prime Minister Naoto Kan said earlier in the day he is considering dispatching additional Self-Defense Forces personnel and police to contain the foot-and-mouth outbreak in Miyazaki Prefecture.

"We are on the brink of it spreading to the rest of Kyushu," Kan said at a meeting of a government task force.

"According to the circumstances, we will dispatch people even if they might be in surplus to some extent," he said. "First, we will completely stop the further spread (of the disease), and once it ends we will also put all our efforts into rebuilding" local farmers' businesses.

So far, about 300 SDF personnel have been dispatched to Miyazaki. Chief Cabinet Secretary Yoshito Sengoku told a news conference that the government is ready to dispatch "a lot more" if requested by the prefecture.

In Miyazaki Prefecture, officials have generally been able to secure places to bury affected livestock that have been killed, but they are running short of people to do the work of burying the remains.

Meanwhile, businesses other than the farm industry in Miyazaki are starting to feel the adverse effects of the foot-and-mouth crisis.

According to a Miyazaki trucking association, some cargo from trucks bearing Miyazaki number plates have been denied, while local hotel operators said a number of group tours have been canceled.

"The city of Miyazaki is so quiet," a taxi driver said. "The only people (who use taxis) are elderly going to hospitals."

### **Indonesia nurses struggle to pass Japanese exams**

BANDUNG, Indonesia — Since August 2008, only two of the 570 foreigners who have managed to pass Japan's rigorous national examinations to become certified nurses have been Indonesians.

But that doesn't stop many hopeful Indonesians from struggling to master Japanese and fulfill their dream of working abroad for better pay.

Last week, in West Java's capital city Bandung, once dubbed "Paris Van Java" for its art-deco Dutch colonial buildings, 115 nurse and caregiver candidates selected from about 500 applicants began their first day of Japanese-language training.

Two other candidates were allowed to skip the training because they had already mastered the language to an adequate degree and had previously worked in Japan.

The candidates will be trained at the Indonesian University of Education for two months by 13 native Japanese speakers assisted by 20 Indonesian Japanese teachers.

Upon completion of their study in Bandung, another four months of training will be held from Aug. 7 for nurse candidates in Toyota, Aichi Prefecture, and for caregiver candidates in Yokohama.

This new twist in policy is expected to give the candidates more time to adapt to Japanese culture and society before working.

Last year, the training regimen was divided into four months in Indonesia and two months in Japan, carried out only by native Japanese speakers.

According to Hideaki Otani, spokesman for the Association for Overseas Technical Scholarship, the number of health care candidates this year — 39 nurses and 78 caregivers — is down drastically compared with the 362 in 2009 and 208 in 2008. This is a reflection of the economic slump in Japan, he said.

Asked how they felt about their prospects for the tough exam, many candidates expressed optimism.

"I will do my best. I will struggle so hard and keep learning until I finally pass the examination," said Siska Aditya, 27, who worked for 2 1/2 years as a nurse in Jakarta.

Nurse candidate Mulyati Purnama, 25, said she believes everyone has to be optimistic because all they want is to become professional and dedicated health care workers.

"So we are not supposed to (be) afraid of the tough test. All we have to do is to keep trying," Purnama said.

### **More in sumo admit betting on baseball**

Stablemaster Tokitsukaze and two wrestlers in the top makuuchi division, Goeido and Toyohibiki, have admitted being involved in illegal gambling on professional baseball in a statement submitted to the Japan Sumo Association, sources said Friday.

Tokitsukaze has also explained himself to police in connection with the case, the sources said.

Stablemaster Otake, who has admitted to police that he had bet on baseball games, and Toyonoshima, the top-division wrestler at Tokitsukaze's stable who had formerly wrestled at the third-highest rank of sekiwake, have also submitted statements to the association acknowledging their involvement, the sources said.

The five are known to have long-standing ties with Kotomitsuki, an ozeki who has confessed to gambling on baseball and has been suspended from the Nagoya Grand Sumo Tournament in July.

"I can't say anything because I have left the matter up to the sumo association, pending (police) investigation," said stablemaster Sakaigawa, who oversees Goeido and Toyohibiki at his stable.

Tokitsukaze is the ex-makuuchi-division wrestler Tokitsuumi, who took over a stable in October 2008 from a master who went by the same name and was fired by the association after being convicted in connection with the fatal abuse of a teenage wrestler at the stable earlier that year.

Goeido, a 24-year-old former high school yokozuna, has commanded attention for being promoted to third-ranked sekiwake at a tournament last summer, while Toyohibiki, 25, has won special awards three times.

As the scandal rocking the ancient national sport widens, sports minister Tatsuo Kawabata said Friday the sumo association's external investigative panel will disclose a report on the matter around the end of this month.

The panel will eventually decide on whether it will make public the names of all of the elders and wrestlers involved in illegal betting and whether to allow them to take part in the Nagoya tourney.

Meanwhile, food manufacturer Nagatanien Co. is considering reducing cash rewards provided to wrestlers starting with the Nagoya event, company officials said.

The company, which has provided rewards totaling ¥12 million at each tournament, is considering the move, given the social impact the scandal has had, one of the officials said.

In a survey conducted by the JSA on illegal gambling in sumo, 29 association members, including elders, said they have indulged in gambling on baseball games — allegedly under an arrangement with the mob.

### **Hayabusa capsule arrives in Tokyo**

A chartered plane brought the tiny capsule released by the Hayabusa unmanned space probe to Tokyo's Haneda airport early Friday.

The capsule landed Monday in the Australian desert with what could be the first asteroid surface samples ever brought to Earth.

The pan-shaped capsule, weighing 12 kg and measuring about 30 cm in diameter and 15 cm high, was picked up Monday around Woomera, Australia, after Hayabusa completed a seven-year round-trip before burning up on re-entry.

The capsule was enclosed in a box after being placed in a balloon filled with nitrogen. The box was then put into a larger box containing shock-absorbing balls, the Japan Aerospace Exploration Agency said.

The capsule's heat-resistant casing was also brought along after being recovered nearby.

### **Dutch do just enough to beat Japan**

DURBAN (Reuters) - Netherlands proved they have mastered the art of winning ugly with an uninspired 1-0 victory over Japan on Saturday that put them on the verge of qualifying for the second round at the World Cup.

#### Sports

They beat Denmark in their first Group E match with the aid of an own goal and this time benefited from a goalkeeping blunder by Eiji Kawashima that helped Wesley Sneijder's thumping shot on its way into the net after 53 minutes.

With highly-fancied teams like Spain and Germany having already tasted defeat, however, coach Bert van Marwijk was more than satisfied that they will be the first to reach the last 16 if Cameroon fail to beat the Danes later on Saturday.

"We came here to win a prize to become world champions now that's far from straightforward and easy," said Van Marwijk.

"If we can continue to show stability, and if we maintain confidence in really winning something, we might get far. So the target is to go for the prize."

"I would love to win with beautiful football, but you've got to deal with well organized opponents," he added.

Japan, who upset Cameroon 1-0 in their opener, had gone out to frustrate their opponents but also attacked in numbers when they had the chance and will rue a string of missed chances, including substitute Shinji Okazaki blasting over late on.

"We expected the Netherlands to be frustrated but defense alone was not enough," said Japan coach Takeshi Okada. "So I told our players to be very courageous and aggressive when we had the ball."

Okada refused to blame Kawashima or the ball for the defeat despite the keeper misjudging Sneijder's winning strike.

"As for the Sneijder goal, it was a good shot," he said.

#### CAGEY AFFAIR

The first half was a cagey affair with Netherlands failing to exploit their domination of possession and mustering just three shots, midfielder Rafael van der Vaart's effort the only one to test Kawashima.

The Dutch came out firing after the break, however, and Robin van Persie had already wasted two chances before he seized on a loose ball in the penalty area.

With the defense closing him down, Van Persie slipped the ball to Sneijder on the edge of the box and the playmaker slammed his shot into the net off the keeper.

"What you need is a bit of luck," said Sneijder. "And we ended up at 1-0 and I think, at the end of the match, we should have ended up with 2-0 or 3-0."

The goal did bring Japan even further out of their defensive shell and opened up the game but both sides conspired to squander the efforts they created.

Dutch substitute Ibrahim Afellay should have put the match beyond doubt when clear through on goal with minutes remaining but Kawashima got down well to smother his shot.

The excellent Yoshito Okubo carved out a couple of late opportunities for Japan but it was Okazaki who had the best chance to score what would have been a dramatic equaliser.

The Dutch face Cameroon in their final group match in Cape Town next week with the incentive of a return to sea level and warm weather in Durban as their reward if they top the group.

### **Astellas eyes Japan approval for bladder control drug**

TOKYO (Reuters) - Japan's Astellas Pharma said on Friday it was seeking approval from Japanese health authorities for a bladder control drug.

Health

The company said it was seeking approval for the drug, known as mirabegron or YM178, to treat urinary frequency and urge urinary incontinence associated with an overactive bladder.