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- Yen Falls From 15-Year High on Speculation Japan Will Intervene
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- Nissan to Introduce Sedan Based on on Micra Hatchback's Platform in India
- Rubber Futures in Tokyo Climb as Much as 2.4% to 293.2 Yen Per Kilogram

- Unemployment Rate Unexpectedly Falls to 5.2% as Kan Moves to Spur Growth
- Kan Steps Up Effort to Curb Yen's Strength, Pressures BOJ to Ease Policy
- Toyota to Recall 1.1 Million Vehicles on Stalling Risk
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- Japan military chopper unit heads to flood-hit Pakistan
- Japanese army personnel arrive to take part in relief work
- Youths hold eco-forum
- First GSDF unit arrives to aid Pakistan flood effort
- DPJ group eyes foot-and-mouth fund
- (Cyber Space) Destructive virus draws charges
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- Osaka Says City Register Lists 5,000 Residents Aged 120 Years or Older
- Atomic-Bomb Survivors May Offer Clues on Cancer Treatment Risks

Summary of Report

South Korea

Politico-Strategic Front:

Seoul 7th biggest buyer of US arms South Korea was one of the largest buyers of American defense goods on a government-to-government level last year, the United States said Saturday. The country purchased \$462 million worth of defense products in 2009 through the Foreign Military Sales (FMS) program, becoming Washington's seventh-biggest client, according to the Pentagon's Annual Military Assistance Report.

Lee, Park discuss next presidency One-on-one meeting held Saturday over luncheon; President Lee Myung-bak and former ruling Grand National Party (GNP) Chairwoman Rep. Park Geun-hye met on Saturday at Cheong Wa Dae to discuss the next presidential election and other political issues, their aides said Sunday.

North Korea develops radar-absorbing paint North Korea is believed to have developed a radar absorbing paint to conceal its fighter jets, warships and tanks from surveillance and reconnaissance aircraft flown by South Korea and the United States, a report said Monday.

Chinese chief nuclear envoy to visit Seoul soon China's top nuclear envoy Wu Dawei will visit Seoul soon to discuss the six-party talks to end the North Korean nuclear program, a government official said Monday. The official said on condition of anonymity over diplomatic courtesy that the Chinese envoy expressed his willingness to visit South Korea sometime in the near future. The Ministry of Foreign Affairs and Trade was working on the schedule but when he will come to Seoul has not yet been decided, the source told reporters. The Chinese envoy visited North Korea last week

North Korean Reformer's Return May Signal Economic Policy Shift North Korea restored economic reformist Pak Pong Ju to its leadership, Yonhap News said, a sign the communist nation that's relied on food handouts since the mid-1990s may be ready to give market forces another chance.

Lee receives UN environmental award President Lee Myung-bak has received an award from the Convention on Biological Diversity (CBD) under the United Nations Environment Program for his "low-carbon, green growth" policy, Cheong Wa Dae said Tuesday. Ahmed Djoghlaif, secretary general of the CBD, visited the presidential office for an award ceremony.

Students to participate in policy-making process Students will be able to have a say in the process when education policies are formulated. The Seoul Metropolitan Office of Education said Tuesday its Superintendent Kwak No-hyun has proposed the creation of a "student participatory committee," a communication channel between student representatives and the capital's top educator. It will be the first time the country's students will be given opportunities to take part in the education policy-making process.

U.S. ambassador pushes for sanctions on Iran The top U.S. envoy to South Korea Tuesday urged Seoul to take action on Iran in line with its important role in the international community and join Washington's campaign to curb the Middle Eastern country's nuclear ambitions.

Gov't will support exporters to Iran The government has come up with a financial rescue plan to help small- and medium-sized exporters that may be adversely affected by the deterioration of relations with Iran, if Korea joins the U.S.-led international sanctions against the Middle Eastern state. The Financial Services Commission (FSC) Wednesday announced that the government will support them with debt rollover programs and low-interest loans.

Carter Arrives in North Korea for Release of American Prisoner Former U.S. president Jimmy Carter arrived in North Korea today on a mission to secure the release of an American citizen who has been detained for seven months for illegal entry.

North Korea's Kim Jong Il Said to Make Surprise Visit to China North Korea's leader Kim Jong Il may be on a surprise visit to China, in what would be his second trip this year to the country's main ally and source of financial support, a South Korean government official said.

South Korea, Bolivia Agree to Deepen Discussions on Lithium Development South Korea and Bolivia agreed to deepen discussions for a possible joint venture on developing lithium deposits in the South American nation. South Korean President Lee Myung Bak and his Bolivian counterpart Evo Morales discussed ways the two countries can cooperate in areas including mineral resources development and trade, Lee's office said today in a statement.

Carter Wins Release of American in North Korea as Kim Visits China Kim's surprise trip to China meant he was outside North Korea when former U.S. President Jimmy Carter today won the release of an American citizen detained for illegal entry. North Korea hasn't said whether Kim met with Carter before he left for China. Kim ordered the release of Aijalon Mahli Gomes, a Boston native who was detained in January for entering the country illegally, Korean Central News Agency said today.

North Korea's Kim Leaves Jilin Hotel, May Visit Changchun, Yonhap Reports North Korean leader Kim Jong Il, on a trip to China, has left his hotel in Jilin city and may be headed to Changchun city, Yonhap News reported.

Economic Front:

South Korea's Pension Service Is in Talks to Invest in U.S. Oil Pipeline National Pension Service, South Korea's biggest investor, said it's in talks to buy into a U.S. oil pipeline to diversify its portfolio. The Korea Economic Daily earlier reported that the pension fund was picked as a preferred bidder to buy 23.44 percent of Colonial Pipeline Co. from Chevron Corp. for about 1 trillion won (\$847 million).

Posco Plant Approval to be Decided After Indian Environmental Panel Report India will decide on granting environment approval for Posco's planned \$12 billion plant in the eastern state of Orissa after a government report is submitted by the end of next month. The Posco project does not involve tribal issues, Environment Minister Jairam Ramesh said in New Delhi today, referring to the ministry's decision today to block Vedanta Resources Plc's proposal to mine bauxite in Orissa.

Korea National Says \$2.9 Billion Hostile Offer Fully Reflects Dana's Value Korea National Oil Corp. won't raise its 1.87 billion-pound (\$2.9 billion) hostile bid for Dana Petroleum Plc, Chief Executive Officer Kang Young Won said. "Our offer fully and fairly reflects Dana's value," Kang told reporters during an oil industry conference in Seoul today.

LG Electronics to Invest \$500 Million in India Over Five Years, Daily Says LG Electronics Inc. plans to invest \$500 million in India over the next five years for research and development

and capital expenditure, the Seoul Economic Daily reported, citing Shin Mun Beom, head of LG's Indian unit.

Mahindra & Mahindra Aims to Complete Ssangyong Stake Purchase in 4 Months Mahindra & Mahindra Ltd. expects to complete the purchase of a stake in Ssangyong Motor Co. in four months, Pawan Goenka, president of the Mumbai-based company's automotive division, said in New Delhi today.

Daewoo Shipbuilding Seeks 30% of Sales From Wind Power by 2020 Daewoo Shipbuilding & Marine Engineering Co., the world's second-largest shipyard, aims to generate 30 percent of its sales from wind power by 2020 as pollution concerns spur demand for alternative energy.

Panasonic, Samsung SDI Battery Price War to Escalate on Glut, Analysts Say Panasonic Corp. and Samsung SDI Co., the world's two largest makers of rechargeable batteries, may deepen price cuts this year as overproduction worsens a glut in the industry, analysts said. Lithium-ion battery prices may tumble 19 percent in 2010, the biggest drop in five years, said Hideo Takeshita, an analyst at the Institute of Information Technology Ltd. in Tokyo. Shiro Mikoshiba, an analyst at Nomura Holdings Inc., said the worsening oversupply may push prices down as much as 25 percent.

Bank of Korea Governor Says 'Vigilance' Needed on Inflation South Korea is alert to inflation risks and may need to raise interest rates again, even with a slower-than-expected global recovery, central bank Governor Kim Choong Soo said.

South Korea Sukuk Bill Triggers Backlash From Christian Groups Sukuk sales in the nation could reach \$1 billion a year as companies including GS Engineering & Construction Corp. try to raise financing that complies with Islam's ban on interest to build power plants and skyscrapers in the Middle East, according to Korea Investment & Securities Co. South Korean lawmakers may revive legislation scuttled earlier this year amid opposition from church leaders that would pave the way for the first Islamic bond sales in the country.

South Korea Current Account Surplus Reaches 16-Month High on Won Weakness South Korea's current-account surplus reached a 16-month high after weakness in the won and the global recovery bolstered the nation's exports. The surplus of \$5.88 billion in July, from a revised \$5.10 billion in June, was the biggest since March 2009, the Bank of Korea said in a statement in Seoul today. The current account is the broadest measure of international trade, tracking goods, services and investment income.

Korea's Biggest Money Manager Mirae Asset Buys Indonesia, Kazakhstan Bonds Mirae Asset Global Investments Co., South Korea's biggest asset manager, is buying high-grade bonds in emerging Asia to gain from improving economies while avoiding riskier securities. We're investing in quasi-sovereign bonds in countries such as Indonesia, the Philippines and

Kazakhstan,” Kim Sung Jin, who oversees about 10.5 trillion won (\$8.8 billion) as Mirae’s fixed-income chief investment officer, said in an interview in his Seoul office yesterday

Korea Gas May Invest \$1.5 Billion in Australian LNG Project, Yonhap Says Korea Gas Corp. is near agreement on buying a 10 percent stake in Australia’s Gladstone liquefied natural gas project for \$1.5 billion from Santos Ltd., Yonhap News said, citing a company official it didn’t identify.

Social Front:

More than 5,000 evacuated in flood-hit N. Korea North Korea evacuated more than 5,000 people in a region bordering China following heavy rain and flash floods submerged houses and farmland, a Pyongyang report said Sunday. It did not mention if there were any casualties

Health insurance agency pays more than income The medical costs covered by the national health insurance scheme per household are 1.68 times larger than the insurance premium paid by a household last year. The National Health Insurance Corp. said it collected an average 925,349 won (\$782) per household last year, while its payment for the coverage of their medical costs stood at 1.55 million won, which means it spent 168 percent of its premium income.

Jeju education office draws criticism The Jeju Office of Education is under fire for reprimanding a female teacher who had informed the state human rights agency of her boss’s sexual harassment of a student. Unionized teachers, human rights activists and the provincial council of the country’s largest island are calling for the office to withdraw the reprimand, warning that otherwise they will take collective action to strike it down.

Seoul considers resuming rice aid to Pyongyang The government and ruling party have been in talks to consider resuming food aid to North Korea that has been halted due to deteriorating inter-Korean relations, as part of efforts to improve its relations with Pyongyang and to control its rising rice stockpiles, lawmakers said Monday.

(Cyber Space) Facebook Deletes Accounts Purporting to Be From North Korea Facebook Inc., owner of the world’s largest social-networking website, said it deleted two accounts that purported to be from North Korea.

Korean adoptee searches birthparents through Twitter A Korean adoptee to the U.S. is desperately seeking to find her birthparents through Twitter, bringing attention to whether the social networking service (SNS) could indeed help find her biological father and mother.

Sex-abuse cases underreported Only one of eight sexual assault victims report case to police, The actual number of victims of sexual assaults in Korea is about eight times higher than that reported to the police, a state-run institute claimed Wednesday. Embarrassment and anxiety over

identification are pushing victims to struggle with the trauma for a long time on their own, said Hwang Ji-tae, a researcher at the Korean Institute of Criminology.

More men subject to sexual harassment When we hear someone is sexually harassed, we usually think that a young woman is the victim and a middle-aged man, the perpetrator. But things have changed over the years and many men these days have fallen victim to rape and other sexual violence in workplaces and elsewhere. In particular, many young men suffer from various forms of sexual harassment while serving in the military. But the majority of male victims choose not to come forward to speak out about the violence against them and seek counseling as Confucian teachings still dominate Korean society, which teaches men not to shed tears and stay mentally strong under any circumstances.

After flood, N. Korea requests UN aid North Korea has requested emergency aid from the U.N. to cope with flooding in the Sinuiju region, Radio Free Asia (RFA) reported Wednesday. The North made the appeal Tuesday, RFA quoted a UNICEF spokesman as saying, after experiencing torrential rain over the weekend that submerged areas in and around Sinuiju, which borders China. U.N. officials in Pyongyang will hold aid talks with the government, the report said.

PM appreciates Korean government, people for support Prime Minister Syed Yusuf Raza Gilani on Wednesday thanked the Korean government and companies for their donations and support for the flood affected people. He was talking to outgoing Ambassador Shun Un of Republic of Korea, who paid a farewell call on Prime Minister Syed Yusuf Raza Gilani at the PM House. Representatives of Korean private sector and business community including executives of Samsung, Poongsan, Lotte (PPTA), Doosan Heavy Industries, LG Electronics, POSCO, K-Water, Sambu Construction, Sammi-Daewoo Express, Daewoo Services Ltd and an NGO Good Neighbours also presented a cheque of US \$ 936,000 to the Prime Minister for his Flood Relief Fund.

Japan

Politico-Strategic Front:

Koreans, Japanese demand full compensation Around 900 citizens from Japan and South Korea gathered Sunday to call on the Japanese government to offer complete compensation for the damage it inflicted on the Korean people during its 35 years of colonial rule from 1910 to the end of the war.

Ghibli to cut ties to nuke facility Studio Ghibli Inc. has decided to remove a shop selling merchandise depicting Totoro and other popular characters from a public relations facility promoting the safety of nuclear power plants in Fukushima Prefecture following criticism.

New division set for Afghan aid plan A new division will be set up in the prime minister's office to formulate Japan's assistance plan for Afghanistan, Deputy Chief Cabinet Secretary Tetsuro Fukuyama said Sunday.

Fukushima reactor receives MOX Tokyo Electric Power Co. on Saturday loaded a nuclear reactor in Fukushima Prefecture with MOX, a controversial fuel made with reprocessed plutonium and uranium oxides, as it prepares to become the leading power utility's first facility to go pluthermal.

Japan's Prime Minister Kan Faces Ozawa Leadership Challenge Japan's Prime Minister Naoto Kan will face a leadership challenge from his party's most powerful politician, undermining a two-month-old administration that is struggling to combat deflation and a surging currency.

Ozawa May Challenge Kan in Ruling Party's President Election, Asahi Says Ichiro Ozawa, a former secretary-general of the governing Democratic Party of Japan, may run against Prime Minister Naoto Kan in a party presidential election, the Asahi newspaper reported.

Leadership Fight May Hurt Japan Stimulus Effort Japan's Prime Minister Naoto Kan faces a fight to lead the ruling party from his most powerful rival, hampering the two-month-old administration's efforts to combat deflation and a surging currency. Kan, 63, is compiling a stimulus package that aims to safeguard a fragile export-led economic recovery threatened by falling stocks and the yen's surge to a 15-year high. Some DPJ members blame him for losses the party suffered last month in upper house elections.

Japan Ruling Party's Ozawa Says Americans Are 'Single-Celled Organisms' Ichiro Ozawa, who quit as the No. 2 official in the ruling Democratic Party of Japan in June after coming under fire for campaign finance scandals, said that while he likes Americans, they are "simple."

Japan Democrats seek extra parliament session on yen Japan's ruling Democratic Party (DPJ) is seeking to convene an extraordinary session of a parliament panel by mid-September and call Bank of Japan Governor Masaaki Shirakawa to answer questions about the yen's rise and its impact on the economy, a senior lawmaker said. Japan's parliament is likely to convene for a regular session later in the autumn.

U.N. antiproliferation nuke meet kicks off About 85 government officials, academic experts and civic group representatives from 18 countries gathered in Saitama to discuss concrete steps toward a nuclear-free world in a three-day U.N. meeting on nuclear disarmament that started Wednesday. The U.N. Conference on Disarmament Issues, which has been held annually in Japan since 1989, opened with speeches by Sergio Duarte, U.N. high representative for disarmament affairs, and Koichi Takemasa, state secretary for foreign affairs, on promoting nuclear disarmament and nonproliferation.

Jordan to Sign Nuclear Cooperation Deal With Japan, Jordan Times Reports Jordan and Japan are due to sign a nuclear cooperation treaty to allow Japanese companies to export atomic technology to the Middle Eastern kingdom, Minister of Planning and International Cooperation Jaafar Hassan was cited as saying by the Jordan Times.

Economic Front

Kan to set up job creation team for young Prime Minister Naoto Kan said Saturday he plans to set up a special team to help promote job creation for young people including students graduating from university. The special team will be headed by Democratic Party of Japan lawmaker Manabu Terata, who serves as an aide to Kan, the prime minister told reporters in Kyoto.

Toyota to Raise Global Output of Hybrid Vehicles by 7%, Nikkan Kogyo Says Toyota Motor Corp. will produce 740,000 hybrid vehicles worldwide in fiscal 2011, an increase of 7 percent from this fiscal year, the Nikkan Kogyo newspaper reported, without saying where it obtained the information.

Fujitsu `Very Actively' Seeking Acquisitions, President Says Fujitsu Ltd., Japan's biggest computer-services provider, is "very actively" looking for acquisitions to spur global growth, the company's president said. "Targets will be companies that have technologies that Fujitsu doesn't have or that have customers that Fujitsu has never been able to reach so far," Masami Yamamoto said in an interview in New York through an interpreter. "We would like to get engaged very actively in M&A activities."

Japan's Biggest Companies Battle Back to Profit on Cost Cuts, China Boom Japanese companies including Toyota Motor Corp. and Panasonic Corp. forecast profit will surge this year as exports and cost cuts power a recovery from the worst recession on record.

Rival to offer iPhone SIM options Softbank Corp., Japan's only provider of Apple Inc.'s iPhone, is losing part of that exclusivity as Japan Communications Inc. starts offering chips that will allow the smart phone to access another network. Japan Communications will offer a subscriber identity module, a chip that allows unlocked iPhone 4s to use NTT DoCoMo Inc.'s network, Japan Communications said Monday.

Toyota plans 5 mln cumulative hybrid sales by 2015 Toyota Motor Corp (7203.T) said on Wednesday it wants to reach cumulative sales of 5 million hybrid vehicles in the early part of this decade. Toyota, the pioneer in gasoline-electric hybrid vehicles, said earlier this month it had sold more than 2.68 million hybrid vehicles globally since it launched the first model in 1997.

Yen Falls From 15-Year High on Speculation Japan Will Intervene The yen retreated from a 15-year high versus the dollar on speculation Japanese authorities will act to stem gains that risk derailing the nation's recovery.

Kan Says Hasn't and Won't Make Comments on Japan Currency Intervention Japan Prime Minister Naoto Kan said he hasn't made any statements about whether the government will intervene to halt the yen's rise and will not do. The yen yesterday rose to a 15-year high against the dollar.

Nissan to Introduce Sedan Based on on Micra Hatchback's Platform in India Nissan Motor Co. plans to introduce in India a sedan on its Micra hatchback platform next year, Suresh Rangarajan, a spokesman of the automaker's local unit, said in New Delhi today.

Rubber Futures in Tokyo Climb as Much as 2.4% to 293.2 Yen Per Kilogram Rubber futures in Tokyo advanced as much as 2.4 percent to 293.2 yen a kilogram before trading at 292.2 yen at 9:01 a.m. January-delivery rubber fell to a one-week low yesterday.

Unemployment Rate Unexpectedly Falls to 5.2% as Kan Moves to Spur Growth Japan's unemployment rate unexpectedly fell for the first time in six months in July as the economy added more jobs. The jobless rate dropped to 5.2 percent, the statistics bureau said today in Tokyo. The median forecast of 24 economists surveyed by Bloomberg News was 5.3 percent.

Kan Steps Up Effort to Curb Yen's Strength, Pressures BOJ to Ease Policy Japan's Prime Minister Naoto Kan stepped up his efforts to reverse the yen's rise this week to a 15-year high and pushed the central bank to ease monetary policy in the face of deflation and faltering growth.

Toyota to Recall 1.1 Million Vehicles on Stalling Risk Toyota Motor Corp. will recall 1.13 million Corolla and Matrix cars for a flaw U.S. regulators said may cause stalling "at any speed without warning," a setback as the company seeks to regain its reputation for quality.

Social Front:

Japan military chopper unit heads to flood-hit Pakistan The first contingent of a 200-strong Japanese military helicopter unit left for Pakistan Saturday to join international relief efforts in the flood-ravaged country. Fifty ground troops left the Japanese city of Fukuoka for an army airfield in Multan, central Pakistan, Japanese media reported. They will prepare the ground for the rest of their unit and six helicopters which will transport people and goods in flood-hit areas, according to the Defence Ministry.

Japanese army personnel arrive to take part in relief work As many as 50 Japanese army personnel led by Col Ishizaki arrived here on Sunday to assist Pakistan army in the relief and rescue operation in flood-hit areas. The Japanese army officials will discharge their services in line with the direction from Pakistan army. The Japanese government will also send six helicopters on August 25, to pace up the relief and rehabilitation work of affected people.

Youths hold eco-forum About 100 young people began a five-day international conference Monday in Aichi Prefecture to discuss how to prevent further deterioration of ecosystems prior

to a Convention of Biological Diversity meeting to be held in Nagoya in October.

First GSDF unit arrives to aid Pakistan flood effort The first group of 50 Ground Self-Defense Force members arrived Sunday in Multan, Pakistan, to help people devastated by the recent major flooding. The first team, primarily from the 4th Division of the Western Army based in Kasuga, Fukuoka Prefecture, will prepare for the arrival of a helicopter unit later this week.

DPJ group eyes foot-and-mouth fund A working group of the Democratic Party of Japan focusing on the recent foot-and-mouth epidemic in Miyazaki Prefecture asked Prime Minister Naoto Kan on Monday to create a public fund to resuscitate the prefecture's tattered economy

(Cyber Space) Destructive virus draws charges A 27-year-old man in Osaka Prefecture has been charged with destroying stored data by using a computer virus that replaces victims' files with octopus or squid icons.

Exhibit shows struggle of 'comfort women' An exhibition to look back on developments over the past 10 years in addressing wartime sexual slavery is now under way at a Tokyo museum and resource center on the former "comfort women."

Osaka Says City Register Lists 5,000 Residents Aged 120 Years or Older The Japanese city of Osaka is reviewing the accuracy of its records after finding 5,125 residents listed as aged 120 or older, including one man who would be 152 if still alive. The register, which tracks the status of household members in the city of 2.7 million, lists 79 people as being over 140, the local government said in a statement. The oldest person on the register was born in 1857, four years after the U.S. navy sailed into Japan and demanded the country open its markets to foreign trade.

Atomic-Bomb Survivors May Offer Clues on Cancer Treatment Risks DNA from survivors of the atomic bombs dropped on Hiroshima and Nagasaki 65 years ago may help doctors gauge whether certain cancer treatments can trigger genetic defects that can be passed on to patients' children. Scientists at the Radiation Effects Research Foundation in Hiroshima, Japan, are investigating whether the health consequences of the bombs continue beyond those survivors who developed cancer. They are looking for gene changes linked with conditions including leukemia and heart disease, and checking whether those alterations can be inherited, said Evan Douple, the foundation's associate chief of research.

South Korea

Detailed Report:

Politico-strategic Front:

Seoul 7th biggest buyer of US arms

South Korea was one of the largest buyers of American defense goods on a government-to-government level last year, the United States said Saturday.

The country purchased \$462 million worth of defense products in 2009 through the Foreign Military Sales (FMS) program, becoming Washington's seventh-biggest client, according to the Pentagon's Annual Military Assistance Report.

The amount fell sharply from the \$798 million spent in 2008, a decline the Pentagon attributes to the purchase of two Aegis weapons systems that year worth a combined \$300 million.

The amount is expected to jump significantly this year, however, as Seoul has conducted additional naval drills to deter provocations from North Korea, which it blames for sinking one of its warships in March.

Last month, South Korea held large-scale joint naval exercises in the East Sea with the United States as a response to the sinking of the Cheonan, which killed 46 sailors. The maneuvers were followed by independent exercises in the West Sea.

The two allies are slated to hold further anti-submarine drills next month.

Saudi Arabia topped the buyers list with \$1.67 billion in purchases from the U.S., followed by Greece at \$1.29 billion.

Israel came in third at \$771 million, followed by Britain (\$671 million), Egypt (\$659 million) and Canada (\$530 million).

U.S. Congress last year approved legislation granting South Korea preferential treatment under the FMS program, citing the need to enhance weapons compatibility between the South Korean military and the 28,500 U.S. troops stationed here as a deterrent against North Korea.

The move provided Seoul with the same FMS status as members of the North Atlantic Treaty Organization (NATO), Japan, Australia and New Zealand regarding the FMS. Under the deal, Congress is required to review proposed arms sales worth more than \$25 million to South Korea within 15 days.

Without the legislation, the U.S. government would have to get permission from Congress for the sale of defense goods worth more than \$14 million within a month.

South Korean President Lee Myung-bak met with then U.S. President George W. Bush in April 2009 to agree on the upgrade in weapons-buying status.

Lee, Park discuss next presidency

One-on-one meeting held Saturday over luncheon

President Lee Myung-bak and former ruling Grand National Party (GNP) Chairwoman Rep. Park Geun-hye met on Saturday at Cheong Wa Dae to discuss the next presidential election and other political issues, their aides said Sunday.

“Lee and Park had one-on-one talks over lunch from 11:55 a.m. to 1:30 p.m.,” Chung Jin-suk, senior presidential secretary for political affairs, told reporters, confirming a report by SBS, a local broadcaster, earlier in the day that they had met secretly.

Chung said it was difficult to say what they discussed because it was a closed-door gathering, but, according to Park’s aides, they exchanged opinions on how to win the next presidential election, security regarding North Korea and other issues of concern.

“Park received an invitation Friday for the meeting at the presidential office,” said GNP lawmaker Lee Jung-hyun, a close aide to the former chairwoman. “They shared the common goal of winning the next presidential election by regaining public confidence in the governing camp and discussed a wide range of other issues, including North Korea.”

It was their first meeting since Park visited Lee in September last year after returning from a trip to Europe as a presidential envoy.

It’s still too early to say whether the meeting between the two estranged conservative leaders will pave the way for reconciliation between the GNP’s rival factions.

Early this month, President Lee nominated the 48-year-old former South Gyeongsang Province Governor Kim Tae-ho as the new prime minister, spawning speculation that Lee wants him to compete with Park for the presidency. Park lost to Lee in the two-way GNP primary race in 2007 to choose its presidential candidate.

The National Assembly will open a two-day confirmation hearing for the premier-designate Kim Tuesday.

Lee also had taken measures to mend fences with Park.

He gave a special pardon on the occasion of the Aug. 15 Liberation Day to Suh Chung-won, former GNP lawmaker and a close aide to Park, who was serving a prison term after being

convicted of taking illegal political funds. Suh was one of more than 2,000 convicts who received presidential pardons.

After the pardons were announced, some aides said Lee decided to free him in an effort to seek unity within the ruling camp.

Lee needs close cooperation from Park and her 50-strong affiliated lawmakers to push through his reform agenda, including the disputed flagship project to refurbish four major rivers nationwide.

North Korea develops radar-absorbing paint

North Korea is believed to have developed a radar absorbing paint to conceal its fighter jets, warships and tanks from surveillance and reconnaissance aircraft flown by South Korea and the United States, a report said Monday.

According to the daily Chosun Ilbo, which obtained a classified North Korea field manual published in 2005, North Korea's military has also built numerous fake foxholes and caves near the Demilitarized Zone to evade precision strikes.

The field manual was smuggled out of the North by a source through Caleb Mission, a South Korean Christian organization in South Chungcheong Province.

The 80-page handbook gives detailed instructions on how to make and apply stealth paint, which absorbs radar waves, the newspaper said.

It also describes how to disguise facilities or equipment and how to make military units look as though they are moving when they are not, it said.

In addition, the handbook describes the covering up of long-range artillery by applying radar-reflective materials.

The North's military was also ordered to pave fake runways and build fake caves to deceive South Korean and U.S. reconnaissance satellites and aircraft.

Under a military modernization program, South Korea has sought to boost its intelligence, surveillance and reconnaissance capability to monitor key facilities in the North.

The South Korean military also focuses on striking North Korean facilities and artillery units hidden in mountain caves and tunnels near the border should war break out.

To that end, the South Korean Air Force is equipping its KF-16 fighter aircraft with precision-guided Joint Direct Attack Munitions (JDAM).

The test-firing of a JDAM from a KF-16 will be conducted by the year's end.

The JDAM GBU-31 is a U.S. high-tech guidance tail kit that converts existing unguided free-fall bombs into accurate, all-weather "smart" munitions. Guidance is facilitated through a tail control and global positioning system (GPS) aided internal navigation.

The 40,000-dollar-bomb has a glide-range upon release of 24 kilometers and provides a weapon circular error probability of 13 meters. It can penetrate up to 2.4 meters of concrete.

Chinese chief nuclear envoy to visit Seoul soon

China's top nuclear envoy Wu Dawei will visit Seoul soon to discuss the six-party talks to end the North Korean nuclear program, a government official said Monday.

The official said on condition of anonymity over diplomatic courtesy that the Chinese envoy expressed his willingness to visit South Korea sometime in the near future.

The Ministry of Foreign Affairs and Trade was working on the schedule but when he will come to Seoul has not yet been decided, the source told reporters.

The Chinese envoy visited North Korea last week.

During the three-day visit, Wu reportedly discussed with North Korean officials about the resumption of the six-party talks.

The multilateral talks have been suspended since April last year when the North withdrew from them after the UN Security Council (UNSC) adopted the presidential statement against the North for launching a rocket.

Earlier, North Korea expressed its willingness to return to the six-party talks shortly after the UNSC wrapped up the Cheonan case by adopting a presidential statement decrying the attack on the warship that killed 46 sailors.

The statement, however, didn't directly link the North to as an entity responsible.

South Korea has demanded that the North apologize for the attack and make sincere efforts for denuclearization.

North Korean Reformer's Return May Signal Economic Policy Shift

By Frances Yoon and Bomi Lim - Mon Aug 23 05:07:24 GMT 2010

North Korea restored economic reformist Pak Pong Ju to its leadership, Yonhap News said, a sign the communist nation that's relied on food handouts since the mid-1990s may be ready to give market forces another chance.

The 71-year-old former North Korean premier has been reinstated as first deputy director of the central committee of the Workers' Party of Korea, Yonhap News reported Aug. 21, citing a report by state-run Central Broadcasting Station.

Pak's return comes as North Korea prepares to select new leaders at a meeting of its ruling party next month, which South Korean officials have said may provide clues to leader Kim Jong Il's succession plans. The country's shortages of food and goods have worsened after the government reversed some market-oriented programs and botched a currency revaluation, and as tighter United Nations sanctions reduced trade.

"The North may be thinking that they don't have a choice but to use more flexible policies to fix the economy," said Kim Yong Hyun, a professor of North Korean studies at Dongguk University in Seoul. "Pak may have been emphasized within the North's party as the hands-on person to fix its problems."

Pak was named premier, the top post for running domestic economic policy, in September 2003, a year after he visited South Korea as part of a delegation to study the capitalist economy. He fell afoul of North Korea's military and party hardliners three years ago over his efforts to push market-oriented reforms, according to the Yonhap report.

Execution

North Korea executed Pak Nam Gi, head of finance and planning, after the government's exchange of old currency for new, revalued notes sparked unrest by fueling inflation, decimating savings and exacerbating shortages, South Korean media reported earlier this year. Pak Nam Gi was also among the North Korean delegation that toured the South in 2002.

Sanctions imposed on North Korea after its second nuclear test caused the country's international commerce to shrink 9.7 percent last year, according to Seoul-based trade agency Kotra. North Korea doesn't release its own trade figures.

North Korea's economy is equivalent to 3 percent of South Korea's nominal gross national income, according to Bank of Korea data released June 25.

The country is also battling flooding that may increase its dependence on food aid and further sap the economy.

North Korea's military on Aug. 21 rescued at least 5,150 victims, who were "at the crossroads of life and death," in the northwestern border city of Sinuiju after torrential rain caused the Yalu River on the border with China to flood, the state-run Korean Central News Agency reported.

The floods prompted the Chinese government to evacuate more than 250,000 people over the weekend, according to the official Xinhua News Agency.

'Submerged'

Houses, public buildings and arable land in some parts of Sinuiju have been completely submerged, according to an Aug. 21 report by the North's KCNA, which has been reporting on flood damage since July 23. The flooding may exacerbate food shortages in North Korea, which was expected to suffer a shortfall of at least 1 million tons this year, according to a Feb. 10 report by the Seoul-based Korea Rural Economic Institute.

South Korea's ruling Grand National Party is willing to discuss rice aid to North Korea out of "humanitarian concern," the party said today in a statement on its website. The government is not reviewing any plan for such aid, Unification Ministry spokesman Chun Hae Sung told reporters today in Seoul.

Chun also declined to speculate on the extent of flood damage in North Korea, adding his government is closely monitoring the situation.

Trade Cut Off

South Korea in May cut off trade with North Korea after it accused the communist regime of torpedoing one of its warships on March 26, killing 46 sailors, which the North denies.

The United States has backed South Korean efforts to punish Kim's regime for the attack and the continued refusal to end the country's nuclear weapons program. Secretary of State Hillary Clinton last month announced new sanctions aimed at cutting off the flow of foreign currency to North Korea.

"Pak's return may not be successful if North Korea doesn't improve relations with the international community," professor Kim said. "He may provide short-term solutions but without improvement externally, and within North Korea's system, radical change will be impossible."

South Korea's government can't confirm Pak's return to a leadership position in North Korea, said Lee Jong Joo, a Unification Ministry spokeswoman, who acknowledged the broadcast announcement.

Lee receives UN environmental award

President Lee Myung-bak has received an award from the Convention on Biological Diversity (CBD) under the United Nations Environment Program for his "low-carbon, green growth" policy, Cheong Wa Dae said Tuesday.

Ahmed Djoghlaif, secretary general of the CBD, visited the presidential office for an award ceremony.

The CBD, established in 1993, is tasked to sustain the diversity of life on Earth. The United Nations declared 2010 to be International Biodiversity Year to draw attention to the failure to meet targets to stop the global loss of biodiversity.

“The U.N. agency awarded Lee in recognition of his green initiatives and the role he played in promoting global discussions on environmental protection,” the presidential office said in a press release.

The CBD award is presented to global leaders who have contributed to promoting environmental protection. The past winners include German Chancellor Angela Merkel and Canadian Prime Minister Stephen Harper, according to the office.

Students to participate in policy-making process

By Kang Shin-who

Students will be able to have a say in the process when education policies are formulated.

The Seoul Metropolitan Office of Education said Tuesday its Superintendent Kwak No-hyun has proposed the creation of a “student participatory committee,” a communication channel between student representatives and the capital’s top educator.

It will be the first time the country’s students will be given opportunities to take part in the education policy-making process.

According to the office, the committee will consist of three students, each representing elementary, middle and high schools.

An official said the representatives will play the roles of communication channels by collecting complaints and suggestions from students for a better school environment.

Some educators expressed concern over the office’s unprecedented move.

A school principal in Mapo-gu said, “It is too early for immature school students to be allowed to take part in the process of decision-making.”

Others say teachers might label those working for the committee as rebellious students.

The top educator, who was a human rights activist, has worked toward improving student rights, since he took office last month.

He recently launched a task force to review the current law on corporal punishment and ordered schools to scrap all forms of physical punishment.

U.S. ambassador pushes for sanctions on Iran

The top U.S. envoy to South Korea Tuesday urged Seoul to take action on Iran in line with its important role in the international community and join Washington’s campaign to curb the Middle Eastern country’s nuclear ambitions.

Kathleen Stephens, speaking at the Chungcheong Forum held in Seoul on the South Korea-U.S. alliance, said Korea should consider its position as an "important member of the international community" in deciding whether to levy independent sanctions on Tehran.

"South Korea is a country that has its own interest in seeing a peaceful and stable Middle East," she said at the evening event, calling for Seoul's cooperation in sending a bold message to the nuclear-ambitious state.

"It's essential for responsible countries with global interests to send a unified message to the leaders of Iran that it must live up to its international obligations," she said. "We must take affirmative steps toward denuclearization if we are to promote regional and international stability.

Seoul remains between a rock and a hard place after the United States, its closest ally, asked it to impose independent sanctions on Iran, its biggest Middle Eastern trading partner, earlier this month. Tehran warns that the action could damage the lucrative trade ties between the two countries, which soared in the first half of the year.

After totaling \$10 billion last year, the amount reached \$7.4 billion through July, a 52.9 percent spike from the same period in 2009, according to the Korea Customs Service.

Stephens acknowledged the predicament but said other countries with economic ties to Tehran have taken "broader concerns" into account and joined in "one voice on Iran."

Countries such as Australia and Canada, as well as the European Union, have already joined the U.S.-led campaign.

"We'd welcome the Republic of Korea's cooperation to encourage Iran's leaders to adopt a more constructive path," she said.

Specifically, Washington wants action taken against the Seoul branch of Iran's Bank Mellat, which has been linked to nuclear activities.

Seoul is reportedly seeking a path that would satisfy both Washington and Tehran. Earlier in the day, South Korean Vice Foreign Minister Chun Yung-woo and a team of delegates left for the United States for discussions on the issue.

They are expected to meet with Robert Einhorn, a Washington official overseeing sanctions on Iran and North Korea as well as with other officials.

The additional U.S.-led measures come atop four rounds of U.N. Security Council sanctions aimed at convincing Iran to halt its uranium enrichment program, the main source of concern for Washington.

Enrichment at low levels can produce fuel for civilian purposes but also material for nuclear weapons. Tehran insists it only intends to use it for peaceful purposes.

Gov't will support exporters to Iran

The government has come up with a financial rescue plan to help small- and medium-sized exporters that may be adversely affected by the deterioration of relations with Iran, if Korea joins the U.S.-led international sanctions against the Middle Eastern state.

The Financial Services Commission (FSC) Wednesday announced that the government will support them with debt rollover programs and low-interest loans.

The United States has been pushing Iran to give up its nuclear program, which the latter continues to resist.

Earlier this month the Obama administration has also pressured Korea to impose independent sanctions on Iran, but Seoul is waiting to gauge how strongly the U.S. will go after the Middle East nation that is also major Korean trading partner.

Tehran has also repeatedly warned of the consequences, saying that the negative action could severely damage the lucrative trade relations between the two countries. Their trade volume has been soaring.

Under the plan, the government will provide small and medium enterprises with 18-month rollovers on maturing loans.

It will also offer loans of up to 500 million won for up to three years, with an interest rate ranging from 3.7 percent to 5.4 percent.

As part of securing liquidity, companies which apply for "fast-track" assistance can also receive loan repayment guarantees from the Korea Credit Guarantee Fund and the Korea Technology Credit Guarantee Fund.

The fast-track is a program to help small- and mid-sized businesses raise fresh funds, and those troubled by knock-in, knock-out (KIKO) contracts.

In addition, the government will set up special teams at the Korea International Trade Association and the Korea Federation of Banks, respectively, to offer consulting services and help firms which are suffering from the trade restrictions.

According to a report by the FSC, 2,142 companies did business with Iran in 2009 and 80.9 percent of them did not surpass \$1 million in transactions.

The bilateral trade volume, which reached \$9.74 billion last year, climbed by more than 50 percent in the first seven months of the year, totaling \$7.4 billion as of July, a 52.9 percent increase from the same period last year.

Rather significantly, Iran supplies about 10 percent of Korea's oil demands, as well.

Carter Arrives in North Korea for Release of American Prisoner

By Bomi Lim - Wed Aug 25 08:28:44 GMT 2010

Former U.S. president Jimmy Carter arrived in North Korea today on a mission to secure the release of an American citizen who has been detained for seven months for illegal entry.

Carter was greeted at Pyongyang airport by North Korean Deputy Foreign Minister Kim Kye Gwan, state-run Korean Central News Agency said. North Korea has agreed to release Aijalon Mahli Gomes if Carter visits the country, the Associated Press reported yesterday, citing U.S. officials it didn't identify.

Gomes was sentenced to eight years of hard labor in April after he was captured on Jan. 25 for illegally crossing the border from China, KCNA has said. The 31-year-old Boston resident attempted suicide last month because he felt his government hadn't done enough to get him free, KCNA reported.

Former U.S. President Bill Clinton flew to Pyongyang and met with Kim last August, winning the release of two U.S. journalists arrested in March 2009 for illegal entry. Kim Kye Gwan, who is also the chief negotiator to the international talk on the North's nuclear program, also greeted Clinton at the airport at the time.

Carter, 85, traveled to Pyongyang in 1994 when he met with Kim Jong Il's father, Kim Il Sung, and discussed terms to freeze the country's nuclear program.

The release of Gomes may help defuse tension on the Korean peninsula that has increased since the North was accused of torpedoing one of the South's warships in March. Carter's meeting with Kim may also give the U.S. some idea about the 68-year-old North Korean leader's health and his plan for succession of power, said Yang Moo Jin, a professor at the University of North Korean Studies.

"The U.S. could get information, albeit secondhand, they could use for better assessment of the complexities in North Korea regarding the succession and economic issues," Yang said in Seoul. The trip may "create an environment for dialogue."

Clinton, Concession

Following Clinton's trip, the U.S. conceded to North Korea's demand for direct talks, with President Barack Obama's envoy Stephen Bosworth traveling to Pyongyang in December. The

contact fueled optimism the stalled six-party forum on the North's nuclear weapons program will soon resume.

The mood turned sour after the March 26 sinking of the Cheonan that claimed the lives of 46 sailors. A South Korean-led international panel said in May North Korea torpedoed the ship, an accusation the communist country has repeatedly denied.

North Korea faces tighter U.S. trade restrictions that will further cripple an economy already hit by United Nations sanctions and a botched currency revaluation late last year. The North's economy shrank 0.9 percent to 24.7 trillion won (\$20.6 billion) in 2009, with international commerce falling 11 percent to \$3.4 billion, according to the Bank of Korea in Seoul.

'Furious Struggle'

"This latest gesture may represent a bid by the faction favoring better relations with the outside world to promote a resumption of the stalled six-party talks," said William Keylor, a professor of international relations at Boston University. "There is obviously a furious struggle within North Korea over the succession. Which side will win this latest struggle is anyone's guess."

North Korea is planning to elect new leaders of the ruling Worker's Party in early September, which South Korean officials have said may provide some insight into the succession, most likely to be made to Kim's youngest son, Kim Jong Un. In his latest appearance in May during a trip to China, Kim Jong Il was seen limping and dragging his left foot.

North Korea's Kim Jong Il Said to Make Surprise Visit to China

By Bomi Lim and Michael Forsythe - Thu Aug 26 03:12:59 GMT 2010

North Korea's leader Kim Jong Il may be on a surprise visit to China, in what would be his second trip this year to the country's main ally and source of financial support, a South Korean government official said.

Circumstantial evidence suggests that Kim has either crossed or is planning to head into China, the official said, requesting anonymity because he wasn't cleared to talk to the media. In May, Kim traveled to Beijing on board a private train for talks with Chinese government officials including President Hu Jintao on what was his first visit abroad in four years.

During that trip, Kim was seen limping and dragging his left foot, raising speculation that he is preparing to hand over power to third son Kim Jong Un after suffering a stroke and as possible kidney disease saps his strength. Kim has taken the son on the visit to China, South Korea's Chosun Ilbo newspaper reported, without saying where it received the information.

The purported visit comes as former U.S. President Jimmy Carter arrived in North Korea yesterday to seek the release of an American citizen who has been detained for seven months for illegal entry. Freeing the prisoner may help ease tensions with the U.S. that have risen in the past

year because of North Korea's nuclear weapons program and after the sinking of a South Korean warship in March.

The North Korean regime has been under pressure because of tightened sanctions, shriveling trade amid increased international isolation, food shortages, floods that have destroyed infrastructure and a botched currency reform last year.

North Korea's official Korean Central News Agency said yesterday that China's government will provide emergency relief to help the recovery process after Shinuiju, North Phyongan province was hit by floods.

Benefactor

China is North Korea's main supplier of the food and aid that the regime needs to remain in power.

Officials at China's Foreign Ministry and the Communist Party's International Department, which in the past has coordinated Kim's visits to China, were not immediately available for comment.

Kim may be headed to China's northeastern Jilin province, Yonhap News Agency said, citing an unidentified diplomat in Beijing.

Kim arrived in Jilin at 6 a.m. local time today and visited a middle school where his father, Kim Il Sung, graduated, Maeil Business Newspaper said, citing an unidentified person in Jilin. There was heavy security around Yuwen middle school and traffic was controlled in the area, the Korean-language report said.

Kim Jong Il's last reported public appearance was to tour a cornstarch factory in Pyongyang, according to a KCNA report published late last night. The report didn't say when the "field guidance" visit was made. Kim was accompanied by Jang Song Thaek, his brother-in-law who was recently promoted to No. 2 in the North Korean power structure.

Party Power

North Korea is planning to elect new leaders of the ruling Worker's Party in early September, which South Korean officials have said may provide some insight into the succession.

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Carter yesterday also met with Kim Yong Nam, president of the Presidium of the Supreme People's Assembly of North Korea, KCNA said. The pair had a "cordial talk" in the Mansudae Assembly Hall, the official news agency said.

It is unclear whether he met Kim Jong Il.

Gomes was sentenced to eight years of hard labor in April after he was captured on Jan. 25 for illegally crossing the border from China, KCNA has said. The 31-year-old Boston resident attempted suicide last month because he felt his government hadn't done enough to get him free, KCNA reported.

Carter Meeting

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Mood Sours

The mood turned sour after the March 26 sinking of the Cheonan that claimed the lives of 46 sailors. A South Korean-led international panel said in May North Korea torpedoed the ship, an accusation the communist country has repeatedly denied.

North Korea faces tighter U.S. trade restrictions that will further cripple an economy already hit by United Nations sanctions and a botched currency revaluation late last year. The North's economy shrank 0.9 percent to 24.7 trillion won (\$20.6 billion) in 2009, with international commerce falling 11 percent to \$3.4 billion, according to the Bank of Korea in Seoul.

South Korea, Bolivia Agree to Deepen Discussions on Lithium Development

By Bomi Lim and Sungwoo Park - Thu Aug 26 02:00:04 GMT 2010

South Korea and Bolivia agreed to deepen discussions for a possible joint venture on developing lithium deposits in the South American nation.

South Korean President Lee Myung Bak and his Bolivian counterpart Evo Morales discussed ways the two countries can cooperate in areas including mineral resources development and trade, Lee's office said today in a statement.

Morales, on his first visit to South Korea, said Bolivia will soon open an embassy in the Asian country, according to the statement.

Bolivia, with the world's largest untapped lithium reserves, has yet to take mining beyond the pilot-project stage. The South Korean economy, Asia's fourth-largest, depends on imports for almost all its energy and minerals needs.

South Korea is boosting its stockpiles of rare metals, including lithium and silicon, to the equivalent to 60 days of imports by 2011, according to the South Korean Ministry of Knowledge Economy.

Lithium is used for making rechargeable cells for electric cars, phones and laptop computers. It also helps make glass and ceramics heat resistant, is used as a lubricant and in a drug to treat depression.

Carter Wins Release of American in North Korea as Kim Visits China

By Bloomberg News - Fri Aug 27 15:51:02 GMT 2010

Aug. 27 (Bloomberg) -- Guards blocked off the state guesthouse in China's Jilin province bordering North Korea, reinforcing speculation Kim Jong Il is in the region to seek aid after floods exacerbated his country's economic crisis.

Cooks and kitchen staff carrying birds and flowers carved from pumpkins, squash and carrots headed for villas nestled in a wooded enclave of the South Lake Hotel in Changchun, Jilin's capital. Kim's surprise trip to China meant he was outside North Korea when former U.S. President Jimmy Carter today won the release of an American citizen detained for illegal entry.

Kim's second visit to his closest ally since May, after four years holed up in North Korea, follows flooding that wiped out crops in a country reliant on handouts to feed its 24 million people. As well as aid, the 68-year-old Kim may also be seeking to legitimize succession plans for his youngest son, said Kim Yong Hyun, an academic who studies the North.

"Kim Jong Il has no one else to turn to but China, for both economic and political support," said Kim Yong Hyun, a professor of North Korean studies at the Seoul-based Dongguk University. "Kim would also have to seek China's endorsement of his son as his successor."

Kim may hold talks with Chinese President Hu Jintao in the city, South Korea's Yonhap News said, citing an unidentified person familiar with the matter.

“China and North Korea have consistently maintained high-level dialogue,” the Chinese Foreign Ministry said in a statement. “We will release relevant information in due course.”

Captive’s Release

North Korea hasn’t said whether Kim met with Carter before he left for China. Kim ordered the release of Aijalon Mahli Gomes, a Boston native who was detained in January for entering the country illegally, Korean Central News Agency said today.

“Considering the symbolic importance of Carter in North Korea as the person who met their founder Kim Il Sung, this can be seen as North Korea’s strong expression of displeasure at the U.S.,” said Paik Hak Soon, director of inter-Korean relations at the Seongnam, South Korea-based Sejong Institute.

Yesterday, Kim toured a school in nearby Jilin City where his father began his “revolutionary activities,” according to three teachers and a parent of a student who sang school songs to him. None of the people would give their full names because of the sensitive nature of Kim’s visit. Neither country publicly acknowledged his visit in May until he had returned home.

Most of the staff and children at Yuwen Middle School were given the day off, with about 100 second-year students left to greet Kim, said one of the teachers.

Memorial to Kim

The school, located on the Songhua River flowing through Jilin City, has preserved “the memorial classroom of Comrade Kim Il Sung” where from 1927-1930 he studied and “engaged in revolutionary activity” against the Japanese occupation of northern China and the Korean peninsula, according to a plaque on the wall.

“This site serves as a witness of the eternal friendship of the Chinese and Korean peoples, fighting side by side to prevent enemy invasion,” it says. China came to North Korea’s aid in the 1950-1953 war against the South and the U.S.

“Yuwen Middle School is considered one of the key pilgrimages for North Koreans where their founder was educated with socialism,” said Paik. “It also carries symbolic significance of strong ties between China and North Korea.”

The visit would have been aimed at legitimizing the regime ahead of an announcement of a successor and reaffirming the regime’s relations with China, he said.

Kim’s Entourage

None of the people could confirm reports in the South Korean media that Kim’s son and possible successor, Kim Jong Un, is accompanying him. The mother of the child who met Kim said her

daughter only mentioned that he was accompanied by three or four “attractive” female secretaries.

This morning, the expressway between Jilin and Changchun was closed to allow a motorcade of at least 13 vehicles to pass. The convoy, including police cars and green Toyota Coaster buses with tinted windows, was spotted on the expressway around 10:39 a.m. local time.

Vehicles matching that description entered the Nanhu Hotel around 11:10 a.m., said Avi Ben-Ezra, 32, who lives in a villa on the hotel grounds. Identical buses were parked outside of a villa on an island in the complex, he said.

North Korea plans to elect new leaders of the ruling Worker’s Party in early September, which South Korean officials have said may provide some insight into the succession.

North Korean Economy

North Korea’s economy shrank 0.9 percent to 24.7 trillion won (\$21 billion) in 2009, with trade falling 11 percent, according to the Bank of Korea in Seoul. The country will suffer a shortfall of at least 1 million tons of food this year, the Seoul-based Korea Rural Economic Institute said in a February report.

Floods caused by “unprecedented downpours” damaged 7,200 hectares of farmland and destroyed 7,100 houses in the northern cities of Sinuiju and Uiju since Aug. 19, state-run KCNA reported on Aug. 26. In July, about 14,850 hectares of farmland was flooded throughout the country, KCNA reported on Aug. 5.

The economic problems have worsened since the United Nations toughened sanctions following a second nuclear test in May 2009 and a botched currency revaluation later that year.

The North has also been blamed for the March sinking of the South Korean warship, the Cheonan. Since then, the South cut off most commerce and the U.S. said it will toughen sanctions aimed at government officials and foreign banks linked to the regime’s weapons industry.

China, the North’s largest trading partner, is the most likely country to offer help to sustain the economy.

China agreed to provide emergency relief goods for flood victims in Sinuiju, KCNA said yesterday.

North Korea's Kim Leaves Jilin Hotel, May Visit Changchun, Yonhap Reports

North Korean leader Kim Jong Il, on a trip to China, has left his hotel in Jilin city and may be headed to Changchun city, Yonhap News reported.

Economic Front:

South Korea's Pension Service Is in Talks to Invest in U.S. Oil Pipeline

By Seonjin Cha and Saeromi Shin - Mon Aug 23 07:51:03 GMT 2010

National Pension Service, South Korea's biggest investor, said it's in talks to buy into a U.S. oil pipeline to diversify its portfolio.

The Korea Economic Daily earlier reported that the pension fund was picked as a preferred bidder to buy 23.44 percent of Colonial Pipeline Co. from Chevron Corp. for about 1 trillion won (\$847 million).

National Pension denied the company was picked as the preferred bidder, according to the e-mailed statement today. Kim Ha Young, a spokesman, declined to give details about the talks. Gareth Johnstone, a spokesman for Chevron in Singapore, declined to comment.

South Korea has said pension and sovereign wealth funds may invest in overseas energy assets as Asia's fourth-largest crude importer competes for natural resources with China and India. Korea Investment Corp., a \$30 billion fund, said in June it will invest \$200 million in Chesapeake Energy Corp., the third-largest U.S. natural-gas producer.

Chevron Midstream Investments has a 23.44 percent stake in Colonial, which transports fuels from refineries in Texas, Louisiana, Mississippi and Alabama to marketing terminals, according to Colonial's website.

National Pension, which had 295 trillion won in assets as of June, is investing in overseas stocks and real-estate from Australia to the U.K. to diversify from domestic fixed-income holdings. The fund plans to boost its overseas investments to at least 20 percent of assets by 2015, from about 11 percent now.

National Pension said on Aug. 17 it will buy a 51 percent stake in a shopping mall near Paris for about 350 billion won (\$300 million), adding to property investments in London and Berlin.

Posco Plant Approval to be Decided After Indian Environmental Panel Report

By Bibhudatta Pradhan - Tue Aug 24 10:12:56 GMT 2010

India will decide on granting environment approval for Posco's planned \$12 billion plant in the eastern state of Orissa after a government report is submitted by the end of next month.

The Posco project does not involve tribal issues, Environment Minister Jairam Ramesh said in New Delhi today, referring to the ministry's decision today to block Vedanta Resources Plc's proposal to mine bauxite in Orissa.

The plant proposed by South Korea's biggest steelmaker has been delayed since 2005 because of opposition from farmers unwilling to give up their land and livelihood. Proposals by the world's largest steelmaker ArcelorMittal to set up a \$10 billion factory each in Orissa and neighboring Jharkhand state have also been thwarted because of delays in land acquisition.

Orissa Chief Minister Naveen Patnaik yesterday sought Prime Minister Manmohan Singh's help in securing environment approvals for Posco's steel mill, billed as the single-biggest overseas investment in India. The Prime Minister said the project will be expedited, Patnaik told reporters in New Delhi after meeting Singh.

"I promise to hasten the committee's report," Ramesh told reporters in New Delhi. "I understand the larger strategic significance of Posco."

Posco on Aug. 9 said India's environment ministry asked the state government to halt land acquisitions from farmers occupying the site of the proposed plant. The order followed a non-government organization's claim more native residents are living in the forest land than the state reported, Choi Doo Jin, a spokesman for the Pohang-based mill, said that day.

"Posco is closely observing the situation there," Chung Jae Woong, a spokesman for Posco, said today by phone from Seoul. "We expect to see a good result."

Korea National Says \$2.9 Billion Hostile Offer Fully Reflects Dana's Value

Korea National Oil Corp. won't raise its 1.87 billion-pound (\$2.9 billion) hostile bid for Dana Petroleum Plc, Chief Executive Officer Kang Young Won said.

"Our offer fully and fairly reflects Dana's value," Kang told reporters during an oil industry conference in Seoul today.

The South Korean state-owned explorer's 1,800 pence-a-share offer for Aberdeen, Scotland-based Dana is "final," Korea National said in a separate statement today. The takeover code allows the price to be increased in the event of a competitive bid; with the recommendation of the target's board; or if Dana announced any "material new information," the company said.

The Financial Times reported Aug. 22 that Dana will make a final attempt this week to persuade Korea National to raise its offer in exchange for the approval of Dana's board. When asked if he would consider such an approach, CEO Kang answered "no."

Korea National said Aug. 20 it received letters of support from shareholders representing about 49 percent of Dana stock. The offer is a 59 percent premium over Dana's closing price on June 30, the day before Dana said it had received an initial takeover approach. The shares are trading near a two-year high.

"There may be a sharp drop if Korea National walks away, and the shareholders won't want that," said Cho Seung Yeon, an analyst at HMC Investment Securities Co. "Korea National isn't

going to raise its offer because it's got the support of major stakeholders, which puts it in a stronger position."

Shareholders that have accepted the offer include Schroder Investment Management Ltd. as well as BlackRock Investment Management Ltd. and JPMorgan Asset Management, according to Korea National.

Shares Rise

Dana rose 4 pence, or 0.3 percent, to 1,803 pence at 10:30 a.m. in London, the highest since July 2, 2008. The shares have surged about 62 percent in six months compared with a 2.2 percent decline in the FTSE All-Share Index.

Korea National is tapping other companies for possible acquisitions as it seeks to increase output to about 300,000 barrels of oil equivalent a day by 2012 from 135,000 barrels now, Kang said today. The explorer has said it plans about \$6 billion worth of acquisitions and projects this year.

In October Korea National agreed to buy Canada's Harvest Energy Trust for \$3.9 billion in the Asian nation's biggest overseas energy acquisition after purchasing a stake in Petro-Tech Peruana SA of Peru for \$450 million in February last year.

Bidder Confident

Korea National is confident its bid for Dana will be successful, Senior Executive Vice President Kim Seong Hoon said on the sidelines of the Asian NOC CEO Forum in Seoul today. The company hasn't had any approach from Dana asking it to raise its offer, he said.

Dana, which focuses on the North Sea and Africa, said in March its proven and probable reserves rose 15 percent to 223 million barrels of oil equivalent in 2009.

With more than 100 interests in exploration and production licenses in nine countries, Dana pumps oil and gas from 37 fields. Dana drilled 17 exploration wells last year and produced an average of about 38,700 barrels of oil equivalent a day.

In June, the company agreed to buy Suncor Energy Inc.'s Dutch North Sea assets for 328 million euros (\$415 million) in cash, its biggest purchase to date.

LG Electronics to Invest \$500 Million in India Over Five Years, Daily Says

By Seonjin Cha - Wed Aug 25 22:24:24 GMT 2010

LG Electronics Inc. plans to invest \$500 million in India over the next five years for research and development and capital expenditure, the Seoul Economic Daily reported, citing Shin Mun Beom, head of LG's Indian unit.

LG's Indian unit expects 2010 sales of \$3.4 billion and targets annual sales of \$10 billion in 2015, according to the Korean-language newspaper. LG is considering adding a \$300 million factory near Chennai in India, the report said.

Mahindra & Mahindra Aims to Complete Ssangyong Stake Purchase in 4 Months

By Subramaniam Sharma - Wed Aug 25 11:06:03 GMT 2010

Mahindra & Mahindra Ltd. expects to complete the purchase of a stake in Ssangyong Motor Co. in four months, Pawan Goenka, president of the Mumbai-based company's automotive division, said in New Delhi today.

Daewoo Shipbuilding Seeks 30% of Sales From Wind Power by 2020

By Kyunghee Park - Wed Aug 25 01:48:13 GMT 2010

Daewoo, which already makes turbines, may also run wind farms, build vessels for installing offshore units and open a generator factory in China as Korean shipbuilders seek new businesses to offset rising competition from Chinese yards. Photographer: Seokyong Lee/Bloomberg

Daewoo Shipbuilding & Marine Engineering Co., the world's second-largest shipyard, aims to generate 30 percent of its sales from wind power by 2020 as pollution concerns spur demand for alternative energy.

The company expects to generate as much as 9 trillion won (\$7.5 billion) in wind-power sales in 2020, from about \$25 million this year, Chief Strategy Officer Koh Young Youl said in an interview in Seoul. The company earned 99 percent of its revenue from building ships and offshore equipment last year.

"It's a very ambitious target and it won't be easy," Koh said yesterday. "Still, the market potential for wind power is very big, partly because there's a lot of interest in going offshore as the space on land runs out."

Daewoo, which already makes turbines, may also run wind farms, build vessels for installing offshore units and open a generator factory in China as Korean shipbuilders seek new businesses to meet competition from Chinese yards. Wind-power capacity worldwide may rise 21 percent a year through 2014, according to the Global Wind Energy Council.

"It is our plan to eventually be able to provide a full chain of services for wind energy -- from making turbines to operating mills," Koh said. The Seoul-based shipyard is developing its first offshore wind turbine, he said.

China Wind Power

The company plans to select a site for a factory in China, the biggest market for wind energy, by year-end, Koh said. The Asian nation plans to install wind capacity of 100 gigawatts by 2020 to help reach a goal of generating 15 percent of primary energy without using fossil fuels.

“We expect demand for wind turbines to grow as there are still a lot of places in China that need power,” Koh said. The company will use locally made parts at the plant and it may also help its suppliers set up factories, he said.

China spent \$34.6 billion on clean-fuel projects last year, almost double the \$18.6 billion invested by the U.S., according to estimates from Bloomberg New Energy Finance.

Daewoo rose as much as 1.8 percent to 22,400 won and was at 22,150 won at 10:43 a.m. in Seoul. The benchmark Kospi index was down 0.8 percent. The stock has gained 27 percent this year, outperforming the Kospi’s 3.8 percent gain.

The company is considering plans to set up its own wind farms in Europe and North America, Koh said. Hyundai Heavy Industries Co., the world’s largest shipyard, announced plans to build a wind farm in Pakistan in January.

Daewoo bought DeWind Inc. for about \$50 million from Irvine, California-based Composite Technology Corp. last year to access wind-farm technology and a turbine factory in the U.S. The company may build units at a shipyard venture in Romania, depending on demand in Europe, Koh said.

The shipbuilder’s wind-power sales may reach \$800 million in 2012, Koh said. The company in January said the company’s sales will likely reach 12.4 trillion won this year.

Panasonic, Samsung SDI Battery Price War to Escalate on Glut, Analysts Say

By Mariko Yasu and Maki Shiraki - Thu Aug 26 03:15:16 GMT 2010

Panasonic Corp. and Samsung SDI Co., the world’s two largest makers of rechargeable batteries, may deepen price cuts this year as overproduction worsens a glut in the industry, analysts said.

Lithium-ion battery prices may tumble 19 percent in 2010, the biggest drop in five years, said Hideo Takeshita, an analyst at the Institute of Information Technology Ltd. in Tokyo. Shiro Mikoshiba, an analyst at Nomura Holdings Inc., said the worsening oversupply may push prices down as much as 25 percent.

The price drops highlight how battery makers in Japan and South Korea, accounting for 75 percent of global production, may be sacrificing profit for market share as automobiles with no gas tanks are projected to help triple sales of lithium-ion cells in six years. Cheaper batteries may lead to lower costs at carmakers such as Nissan Motor Co., whose all-electric \$32,780 Leaf sedan is scheduled to go on sale in November.

“Battery makers will probably go through a tough time with falling prices,” said Mitsushige Akino at Ichiyoshi Investment Management Co., who oversees about \$450 million in assets in Tokyo. “The business may become lucrative only for a couple of companies with dominant market share. Others may never be able to make money.”

Winning the Battle

South Korean battery makers including Samsung and LG Chem Ltd. may better cope with lower prices than Japanese rivals because they purchase materials more cheaply from China and have faster production, Takeshita said. The won’s weakness against the yen also makes Korean products more competitive, he said.

“We anticipate the harsh price competition with South Korean makers will continue,” said Akira Kadota, a spokesman at Osaka-based Panasonic. “We are reviewing our production process to strengthen our cost competitiveness so that we can win the battle.”

Panasonic, which vaulted atop the rechargeable-battery industry with its purchase of Sanyo Electric Co., rose 1.6 percent to 1,060 yen as of the 11 a.m. break in Tokyo trading, narrowing its loss this year to 20 percent. Samsung SDI, the battery-making unit of South Korea’s largest industrial group, fell as much as 4.1 percent.

Samsung SDI was downgraded to “reduce” from “hold” at BNP Paribas Securities (Asia). Analyst Peter Yu cited excessive hype about batteries for electric vehicles as part of the reason, according to his report today. The stock has gained 19 percent this year.

\$30 Billion Industry

Samsung SDI, based in Yongin, South Korea, will likely overtake Panasonic’s Sanyo as the world’s top producer of lithium-ion batteries this year, according to estimates at the Institute of Information Technology. Samsung SDI spokesman Seo Hae Soo declined to comment on the outlook for prices.

LG Chem, the third-largest maker of rechargeable batteries, expects price drops to persist, spokesman Terry Lee said. Falling prices of the product won’t have a serious impact on the company’s profit because LG Chem is buying lithium at competitive prices, he said.

At stake is leadership in an industry that Panasonic estimates will grow to 2.5 trillion yen (\$30 billion) by 2015 from 926 billion yen last year. Shipments of lithium-ion batteries are estimated to rise 31 percent in 2010, after a 2 percent drop last year, according to the Institute of Information Technology.

Electric Vehicles

While lithium-ion cells are mainly used to power laptop computers and mobile phones, electric vehicles may fuel most of the growth. Sales of batteries in electric, hybrid and plug-in hybrid

cars will increase to 1.7 trillion yen in 2020 from almost zero in 2009, according to March estimates at Daiwa Securities Group Inc.

Panasonic, which has pledged to invest 300 billion yen in energy-related products over three years, started production of lithium-ion cells at a factory in Osaka in April, aiming to double its annual production to 600 million units. The company aims to triple sales of lithium-ion cells by March 2016, Naoto Noguchi, president of Panasonic's battery unit, said in an interview this month.

Sony Corp. is spending 40 billion yen to boost its monthly production capacity this year 80 percent from 2008. The company built a battery plant north of Tokyo in March and is adding facilities in Singapore and China.

Sony anticipates a difficult environment for the battery business because of competition and price declines, said Tomio Takizawa, a spokesman at the Tokyo-based electronics maker.

Samsung Group, whose units include SDI and top television-maker Samsung Electronics Co., said in May it plans to invest 5.4 trillion won (\$4.5 billion) in batteries for electric vehicles by 2020.

"It's a battle between the South Korean and Japanese makers," Takeshita said. "They're playing a game of endurance that's eroding profitability."

Bank of Korea Governor Says 'Vigilance' Needed on Inflation

Aug. 26 (Bloomberg) -- South Korea is alert to inflation risks and may need to raise interest rates again, even with a slower-than-expected global recovery, central bank Governor Kim Choong Soo said.

"Vigilance against the possibility of the awakening of inflation expectations" is necessary, Kim said in a speech in New York hosted by the Korea Society on Aug. 25.

The central bank's 0.25 percentage point increase in interest rates in July "may not be sufficient," Kim said later in a Bloomberg Television interview. The won advanced the most in a week, reversing earlier losses.

The Bank of Korea, which held its benchmark interest rate at 2.25 percent this month, is weighing price pressures against slower global growth. The rate was a record-low 2 percent before July's increase, and the speed and size of future changes will turn on domestic and global economic developments, Kim said.

"The BOK remains hawkish in its recent comments and our expectations are still for further rate hikes," said Sue Trinh, a Hong Kong-based senior currency strategist at Royal Bank of Canada. "This will pressure the dollar-won lower. We are most constructive on the won among the Asian currencies and we expect it to outperform."

The won rose for the first time in three days, climbing 0.5 percent to 1,190.03 per dollar as of 2:38 p.m. in Seoul, according to data compiled by Bloomberg.

Curbing Inflation

The central bank will assess the effect of measures the government plans to control inflation, along with the implications of domestic economic growth and higher raw material prices, Kim said in the television interview.

Asia's fourth-largest economy will expand as much as 6 percent this year and between 4.3 percent and 4.8 in 2011, Standard & Poor's said in Seoul today.

A "double-dip recession" or recurrence of the global financial crisis is unlikely, though the pace of recovery in economies such as the U.S. will be "slower than expected," Kim said in the speech. China's economy will achieve 8 percent growth "easily" this year and next, he said.

South Korea's gross domestic product grew at a 7.2 percent annual pace last quarter, from an 8.1 percent expansion in the previous three months that was the fastest since 2002. Economic growth will accelerate to 5.9 percent this year, more than an April projection of 5.2 percent, the Bank of Korea has said.

'External Conditions'

"If external conditions are not favorable to our economy, then there is likelihood we will grow a little less," Kim said in the interview. "But as of now, we think that we will grow as we expected." Expansion will cool to about 4.5 percent in 2011, Kim said at the Korea Society gathering.

Exports are equivalent to about half of GDP, and a 2.2 percent decline in the won this year has buoyed earnings at companies including Suwon-based Samsung Electronics Co., Asia's biggest maker of semiconductors, flat screens and mobile phones, and Seoul-based Hyundai Motor Co., South Korea's largest automaker.

The Bank of Korea "will conduct monetary policy in such a way as to help the economy maintain price stability, while sustaining sound growth" and its stance is still "deemed highly accommodative," Kim said in New York. The Bank of Korea holds its next monetary policy committee meeting on Sept. 9.

The nation's inflation rate is forecast to rise above 3 percent in the three months through December and reach 3.4 percent in 2011, Kim said, compared with a reading of 2.6 percent in July. The central bank aims for inflation of between 2 percent and 4 percent on average through 2012.

Central banks across Asia have raised rates this year to damp price pressures. India's central bank increased a key rate on July 27 by more than economists forecast. Malaysia has boosted borrowing costs three times and Thailand has increased them twice.

South Korea Sukuk Bill Triggers Backlash From Christian Groups

By Frances Yoon - Thu Aug 26 01:20:24 GMT 2010

Sukuk sales in the nation could reach \$1 billion a year as companies including GS Engineering & Construction Corp. try to raise financing that complies with Islam's ban on interest to build power plants and skyscrapers in the Middle East, according to Korea Investment & Securities Co.

South Korean lawmakers may revive legislation scuttled earlier this year amid opposition from church leaders that would pave the way for the first Islamic bond sales in the country.

A group of legislators will review the proposal as early as November regulating taxes on sukuk, or bonds that comply with Shariah law, said Choi Sung Soo, assistant director of the office of the committee's Chairman Kang Ghil Boo. Lee Man Sub, head pastor at the Korean Association of Church Communication, was among Christian leaders seeking to stop the plan on concern Islamic charities would funnel contributions to terrorist activities from zakat, a tax paid by Muslims with wealth to be distributed to the poor and needy.

Sukuk sales in the nation could reach \$1 billion a year as companies including GS Engineering & Construction Corp. try to raise financing that complies with Islam's ban on interest to build power plants and skyscrapers in the Middle East, according to Korea Investment & Securities Co. The United Nations has a list of hundreds of organizations and individuals it suspects of supporting terrorism in a bid to control funding.

"Several church pastors have approached me, worried that Korean money would go to terrorists," Yoo Il Ho, a committee member who belongs to the governing Grand National Party, said in an interview in Seoul. "But I told them that these bonds have nothing to do with that."

There are about 35,000 Muslim residents in South Korea and more than 100,000 Muslim foreign workers, said Cho Min-Haeng, director of administration at the Korean Muslim Federation in Seoul. The country has a population of about 49 million.

'Burning Fire'

Protestants and Roman Catholics together make up the largest religious group in South Korea, comprising 18.3 percent and 10.9 percent, respectively, according to a 2005 population census from the statistics office. About 23 percent are Buddhist and the rest are mostly non-religious, the census said.

Approving the tax “will be like pouring gasoline over a burning fire,” said Lee, whose organization represents the nation’s Christian groups in the media in Seoul. “That money can be used for terrorism, or money-laundering in our banks. It’s unfair to give them a tax advantage and with all that money pouring in, they could take control over our economy.”

He also cited concern proceeds would fund Islamic schools and infrastructure at home, which will mean “more Koreans may become Muslim.”

‘Phobia’

Korea Investment, a Seoul-based brokerage that said in February it hired Shariah scholar Mohammed Daud Bakar to help structure Islamic financial products, has put plans on hold because the legislation has yet to be approved. Mohammed Daud declined to comment in an e-mailed response to questions.

Concern that sukuk will fund terrorist activities is a “certain kind of phobia” and is difficult to substantiate, said Lee Yul Hee, head of the Islamic finance team at Korea Investment in Seoul.

Closer ties with the Middle East would help narrow Korea’s only regional trade deficit, he said. The Gulf Cooperation Council states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates pumped 68 percent of Korea’s oil and 53 percent of its natural gas last year, causing a \$38 billion deficit, according to the Korea International Trade Association.

Korea Electric Power Corp., the nation’s biggest supplier, won a \$20 billion contract to build nuclear power plants in the U.A.E. in December. Samsung Engineering Co., its biggest engineering company, won a \$1.5 billion contract in April to build utility and offsite facilities for a gas project in Abu Dhabi. Samsung C&T Corp., the second-biggest contractor, built the world’s largest tower in Dubai. All the companies are based in Seoul.

Qatar Bank

Woori Investment & Securities Co., a unit of South Korea’s third-largest financial company, signed an agreement in March with Qatar Islamic Bank SAQ, the Gulf state’s biggest Shariah-compliant lender, to cooperate in investment banking services, the Asian company said in an e-mail on March 10.

Mohamed Azahari Kamil, head of Asian Finance Bank Bhd., the Malaysian unit of Qatar Islamic, said the issue of terrorism was never discussed.

“There’s not enough evidence to prove that” charities are being used to fund terrorism, Mohamed Azahari said in an interview from Kuala Lumpur. “The accusation is baseless.”

Sukuk Sales

Islamic bonds, which are based on the exchange of asset flows rather than interest, returned 3.7 percent this quarter, beating a 0.8 percent gain in the three months ended June 30, according to the HSBC/NASDAQ Dubai US Dollar Sukuk Index. Debt in developing markets gained 7 percent this quarter, JPMorgan Chase & Co.'s EMBI Global Diversified Index shows.

The spread between the average yield for sukuk and the London interbank offered rate narrowed eight basis points, or 0.8 percentage point, so far in August to 393, according to the HSBC/NASDAQ index.

Global sales of sukuk fell 14 percent to \$10 billion so far this year, according to data compiled by Bloomberg. Issuance totaled \$20.2 billion last year, up 43 percent from 2008. Debt offerings will increase in the second half, led by first-time issuers, because of improved international market conditions, Standard & Poor's said in a statement on July 28.

The yield on Malaysia's 3.928 percent dollar-denominated Islamic note due June 2015 fell 25 basis points this month to 2.67 percent, according to prices from the Royal Bank of Scotland Group Plc.

South Korea's Ministry of Strategy and Finance is pushing ahead with plans to sell Islamic bonds to diversify financing, said Sohn Byung Doo, director at the international financial policy division in Seoul. The global credit crisis in 2008 caused international funds to leave the country, he said.

"Sukuk will allow Korea to diversify funding sources, especially since capital flight during a crisis may dry up money pools," he said.

South Korea Current Account Surplus Reaches 16-Month High on Won Weakness

By Eunkyung Seo and William Sim -Fri Aug 27 01:57:57 GMT 2010

South Korea's current-account surplus reached a 16-month high after weakness in the won and the global recovery bolstered the nation's exports.

The surplus of \$5.88 billion in July, from a revised \$5.10 billion in June, was the biggest since March 2009, the Bank of Korea said in a statement in Seoul today. The current account is the broadest measure of international trade, tracking goods, services and investment income.

Exports helped propel Asia's fourth-largest economy to 7.2 percent growth last quarter, stoking price pressures and the case for higher borrowing costs. The Bank of Korea held its benchmark interest rate unchanged this month amid signs of slower global growth, while signaling the possibility of future increases. It lifted the rate 0.25 percentage point in July.

"The current-account surplus is in good shape as the nation's exports remain strong, and the bank will gradually raise rates as long as the global economy doesn't fall into a double-dip recession," said Lim Ji Won, an economist at JPMorgan Chase & Co. in Seoul. The central bank will

“likely” increase the benchmark in September or October, and up to twice more until early next year, she said.

Weakness in the won and the global recovery helped boost second-quarter export earnings at companies including Suwon-based Samsung Electronics Co., Asia’s biggest maker of semiconductors, flat screens and mobile phones, and Pohang-based Posco, South Korea’s largest steelmaker.

Currency Weakness

The won retreated 0.3 percent to 1,193.85 per dollar at 10:18 a.m. in Seoul, according to data compiled by Bloomberg. It has fallen 2.5 percent this year, Asia’s worst performer. The benchmark Kospi share index was little changed at 1,731.39.

The current-account surplus this year may exceed an earlier central bank forecast of \$21 billion, Lee Young Bog, an official at the Bank of Korea, told reporters in Seoul today. The monthly figure may narrow in August as exports are likely to decline due to the summer holiday season, he said.

The surplus will shrink to about \$11 billion in 2011, partly due to more imports as domestic demand recovers, central bank Governor Kim Choong Soo said in the prepared text of a speech given to a Korea Society gathering in New York on Aug. 25. The annual figure was a record \$42.7 billion dollars last year.

The July rate increase “may not be sufficient,” Kim also said this week. The benchmark was a record-low 2 percent before the central bank pushed up borrowing costs for the first time since the global financial crisis last month.

Total exports on a customs-cleared basis, which excludes ships, rose 28.3 percent last month from a year earlier, compared with a revised 30.2 percent increase in June. Imports advanced 28 percent.

The surplus on traded goods widened to \$7.38 billion last month from a revised \$6.41 billion in June, today’s report showed. The services deficit, which measures the flow of travel, transport costs and royalties, was \$1.66 billion in July, compared with revised \$1.67 billion in June.

The income account had a \$437 million surplus last month, from a revised \$327 million surplus in June.

Korea's Biggest Money Manager Mirae Asset Buys Indonesia, Kazakhstan Bonds

By Jungmin Hong - Thu Aug 26 06:08:46 GMT 2010

Mirae Asset Global Investments Co., South Korea’s biggest asset manager, is buying high-grade bonds in emerging Asia to gain from improving economies while avoiding riskier securities.

“We’re investing in quasi-sovereign bonds in countries such as Indonesia, the Philippines and Kazakhstan,” Kim Sung Jin, who oversees about 10.5 trillion won (\$8.8 billion) as Mirae’s fixed-income chief investment officer, said in an interview in his Seoul office yesterday. “Investors will keep snapping up emerging-market bonds for an extended period of time on better economy and policy capabilities.” Mirae likes investment-grade corporate and bank bonds in the region, he said.

Developing-nation bond funds attracted \$32.3 billion this year through Aug. 18, triple the previous full-year record set in 2005, according to research firm EPFR Global. Asian local currency bonds have returned 8.14 percent this year, according to HSBC Holdings Plc indexes. Global sovereign bonds returned 4.4 percent in the same period, Bank of America Merrill Lynch indexes show.

The International Monetary Fund forecast last month that developing economies in Asia will expand 9.2 percent in 2010, compared with 2.6 percent growth for the advanced nations.

Bonds sold by banks in developed countries that received public funds are also a buy, as spreads are wider than those on similar-rated corporate notes, according to Kim. Spreads on U.S. corporate bonds rated A average 173 basis points, compared with 259 basis points for banks rated the same, Merrill indexes show.

Kazakhstan’s government yesterday raised its growth estimate for this year to 5 percent from 4 percent. Philippine growth reached the fastest in three years last quarter.

South Korean Bargains

In South Korea, Kim favors longer-term bonds on higher absolute yields, possible local currency appreciation, reduced supply and China’s currency reserve diversification.

The yield on South Korea’s 10-year government bonds was 4.54 percent, according Korea Financial Investment Association data. That compares with 2.53 percent for the U.S. 10-year notes.

China more than doubled South Korean debt holdings to 3.99 trillion won in the first half as policy makers shifted part of the world’s largest reserves out of dollars, according to data from the Financial Supervisory Service.

South Korean bonds handed investors a 6.5 percent return this year, delivering a profit every month, according to an index compiled by HSBC Holdings Plc. That’s the best winning streak since March 2007.

Kim also likes inflation-linked bonds as “reactive” rather than “proactive” monetary policy across the world could spur inflation further out.

Inflation erodes the value of bonds' fixed returns. Inflation-linked bond yields are pegged to the rate of price increases, and investment-grade bonds are rated BBB- and above by Standard & Poor's.

Korea Gas May Invest \$1.5 Billion in Australian LNG Project, Yonhap Says

By Shinhye Kang - Fri Aug 27 04:30:14 GMT 2010

Korea Gas Corp. is near agreement on buying a 10 percent stake in Australia's Gladstone liquefied natural gas project for \$1.5 billion from Santos Ltd., Yonhap News said, citing a company official it didn't identify.

The transaction may be completed in September and would give Korea Gas more than 2 million metric tons of LNG a year, the Korean-language news agency reported today. Lee Kwa Hyung, a company spokesman based in Seongnam, South Korea, and Matthew Doman, a Santos spokesman in Adelaide, declined to comment.

Korea Gas, the world's biggest LNG importer, has said it's in talks to buy stakes in Royal Dutch Shell Plc's Prelude project and Santos's Gladstone LNG in Australia to obtain stable supplies of the cleaner-burning fuel. The state-run utility said in May it plans to spend 17.8 trillion won (\$15.5 billion) by 2017 on overseas expansion to bolster supplies of the fuel.

Santos, the Australian energy company planning the \$15 billion project in Queensland, said yesterday it aims to sell at least 15 percent of the venture before committing to the first phase later this year. Choo Kang Soo, Gas Chief Executive Officer of Korea Gas, said Aug. 24 the company will complete talks with Santos by the end of September.

"We need to discuss the size of the stake and the price," Choo said then.

Social Front:

More than 5,000 evacuated in flood-hit N. Korea

North Korea evacuated more than 5,000 people in a region bordering China following heavy rain and flash floods submerged houses and farmland, a Pyongyang report said Sunday.

Military planes and warships were urgently deployed on Saturday to the submerged areas in and around Sinuiju, a North Korean border town, and successfully rescued the residents who were "at the crossroads of life and death," the report by the Korean Central News Agency said.

It did not mention if there were any casualties.

China's Xinhua news agency also reported that four people died and more than 64,000 were evacuated on the Chinese side after the heavy rains.

The North Korean report said "unprecedented downpours" hit China's northeastern regions from Thursday to Friday, sparking flash floods in the Amnok River that marks the border between the two nations.

It reported that 5,300 cubic meters of water rushed into the river per second from China, prompting its sudden overflow at midnight on Friday. The flash flood "paralyzed traffic and did damage to many objects" and "flood victims were at a loss on the roof tops of buildings and hills," the report said.

Military planes and naval ships evacuated at least 5,150 flood victims to safe areas, it added.

Health insurance agency pays more than income

By Kang Shin-who

The medical costs covered by the national health insurance scheme per household are 1.68 times larger than the insurance premium paid by a household last year.

The National Health Insurance Corp. said it collected an average 925,349 won (\$782) per household last year, while its payment for the coverage of their medical costs stood at 1.55 million won, which means it spent 168 percent of its premium income.

The insurance payment for the elderly in their 70s and 80s amounted to 327 percent and 404 percent of their premiums, respectively.

Those aged 30 and younger paid an average 570,000 won per year against 871,000 won in medical costs covered by the health insurance scheme. The payout to premium ratio stood at 207 percent for those in their 60s.

Jeju education office draws criticism

By Park Si-soo

The Jeju Office of Education is under fire for reprimanding a female teacher who had informed the state human rights agency of her boss's sexual harassment of a student.

Unionized teachers, human rights activists and the provincial council of the country's largest island are calling for the office to withdraw the reprimand, warning that otherwise they will take collective action to strike it down.

On Monday, the five female members of the Jeju Self-Governing Provincial Council issued a joint statement denouncing the education office. "The educational authorities showed an attempt to dodge responsibility by taking an administrative decision against the female teacher for filing

the complaint,” it said. “It should immediately cancel the disciplinary step and make an apology to all the residents of Jeju.”

But the office insists that the decision was justifiable, citing a regulation that bans the content of counseling with any student from being open to a third party without the consent of the involved student. According to the National Human Rights Commission (NHRC), the middle school teacher reported the alleged harassment to the agency along with a record of some corrupt behavior involving the head of the school.

“The principal made sexually abusive remarks to the student and even groped her bottom,” said an NHRC officer.

After the principal’s wrongdoing was uncovered, the human rights agency demanded last month that the school dismiss him. The education office fired the principal later last month.

The office issued a disciplinary warning to the teacher for the “intentional disclosure” of the harassment. No administrative discipline such as a salary cut or work suspension was imposed.

The teacher’s supporters claim the warning itself was unjustifiable, citing an NHRC law stipulating that any disadvantageous treatments against informants be prohibited.

The office’s website was bombarded with articles condemning the decision. Members of the Korean Teachers and Education Workers’ Union urged the central government to reprimand the chief of the Jeju Office of Education for breaking the law. “The chief ignored the protection law and illegally reprimanded the teacher,” the union said in a statement.

Seoul considers resuming rice aid to Pyongyang

The government and ruling party have been in talks to consider resuming food aid to North Korea that has been halted due to deteriorating inter-Korean relations, as part of efforts to improve its relations with Pyongyang and to control its rising rice stockpiles, lawmakers said Monday.

In a meeting with senior government officials on Sunday, Ahn Sang-soo, chairman of the ruling Grand National Party (GNP), raised the necessity of considering resumption of rice shipments to Pyongyang, citing the North's worsening food crisis in the wake of recent severe floods, according to GNP spokesman Ahn Hyoung-hwan.

The GNP chairman also said that a North Korea-bound rice shipment would help Seoul promote rice consumption and cut costs for the state's stockpile of rice, particularly ahead of the government's upcoming annual rice purchase.

South Korea has previously sent 300,000-400,000 tons of rice to its hunger-stricken neighbor annually, but has not made a delivery since President Lee Myung-bak took office in early 2008.

"But the aid to North Korea should be reviewed multilaterally in terms of humanitarian perspectives as well as international relations," the spokesman said.

(Cyber Space) Facebook Deletes Accounts Purporting to Be From North Korea

By Jun Yang - Tue Aug 24 01:35:28 GMT 2010

Aug. 24 (Bloomberg) -- Facebook Inc., owner of the world's largest social-networking website, said it deleted two accounts that purported to be from North Korea.

"If a person poses as a person or entity that you don't officially represent, that becomes a violation of our policy," said Kumiko Hidaka, a Facebook spokeswoman. "Facebook is based on real people that are on there making connections and people are going to get the most value of the site if they're using real identities."

The move comes as South Korea, which bans its citizens from communicating with the North, clamps down on Twitter Inc. accounts posting North Korean propaganda. This month, the South's unification ministry said pro-North Korean Twitter accounts may breach national security laws and the communications commission in Seoul decided to block access to such micro-blogging postings.

One of the Facebook accounts, followed by more than 3,000 viewers, carried hundreds of pictures of North Korean leader Kim Jong Il and posted links to a website run by the state-run Committee for the Peaceful Reunification of Korea. It was opened under the name "uriminzokkiri," meaning "between our people." Google Inc.'s YouTube and Twitter pages have accounts under similar names.

Under the law governing exchanges with North Korea, South Koreans need to notify the government when they come in contact with North Koreans and seek prior approval when traveling across the border. Another law on national security bans supporting "anti-state" groups, often interpreted to mean the regime of North Korean leader Kim Jong Il.

South Korea remains technically at war with North Korea after their 1950-53 conflict ended in a cease-fire, which was never replaced by a peace treaty.

Korean adoptee searches birthparents through Twitter

By Bae Ji-sook

A Korean adoptee to the U.S. is desperately seeking to find her birthparents through Twitter, bringing attention to whether the social networking service (SNS) could indeed help find her biological father and mother.

Kim Yung-hee, who was possibly born on Aug. 1, 1971, now lives in Binghamton, N.Y. She said on her Facebook account that she was found “abandoned,” wearing red pants and barefoot, by the Yeongdeungpo Police Station in Seoul on Oct. 26, 1973.

At the time, she had few teeth and could not speak clearly, but could walk and comprehend when spoken to, and express herself well, she said.

She was taken to numerous childcare facilities, and given an estimated date of birth and the name Kim Yung-hee. She was adopted by a U.S. couple in August 1975.

Kim has prepared a lot for the search for her family as she has obtained copies of all medical and administrative documents from Korea. She also described her physical characteristics as, “Nearsighted; right handed; hair, not jet black.”

She also said, “My second toe is slightly longer than my big toe. I have attached ear lobes and somewhat large ears. I have a pointy chin, high cheek bones and defined jaw line. I have a small widow’s peak at the top center of my forehead on my hairline.”

Kim first started a blog, <http://redpantsnoshoes.blogspot.com/>; then a facebook account, <http://www.facebook.com/YHK1973>; and finally a twitter account, @redpantsnoshoes, which is followed by thousands of tweeters who sympathize with her and her story.

Because she is “short in Korean,” she is repeatedly posting, “I am an adoptee looking for birth parents. Please help,” on her account.

Her story has moved more than 1,000 followers to instantly deliver her stories to other online spaces.

“Perhaps if enough people spread the word, it will be possible to be reunited with them,” her Twitter profile reads.

She said her friends who know both English and Korean help her sort out important sources and information.

“At first I was hesitant because I am not familiar with Twitter, but I have since signed on. The response has been overwhelming! I am not sure what about my story that specifically appeals to people as there are many, many adoptees who are searching for both a connection to their Korean identity as well as for their birth families,” she said on her blog.

“I do not feel that my situation is unique, but I am extremely thankful for the outpouring of support from the Twitter community especially from fellow Koreans.”

She hopes the Internet and Twitter will help make her dream of a reunion with her family come true.

“I was always told that it would be impossible to find my family. We were told I was abandoned. Many years later, the Internet has changed life.”

Sex-abuse cases underreported

Only one of eight sexual assault victims report case to police

The actual number of victims of sexual assaults in Korea is about eight times higher than that reported to the police, a state-run institute claimed Wednesday.

Embarrassment and anxiety over identification are pushing victims to struggle with the trauma for a long time on their own, said Hwang Ji-tae, a researcher at the Korean Institute of Criminology.

In his report, Hwang surveyed 5,559 women nationwide in 2008 and found that 26 had been the victims of various sexual assaults including rape and sexual harassment among others.

Hwang said the number translated to 468 per 100,000 women.

This is about eight times the 58 cases per 100,000 reported to police, suggesting the rest remain concealed.

He said the number of those who have been raped is even far higher -9.5 times- than reported.

This is the first time the actual ratio of victims has been counted, though many observers claim that the number of reported victims is just the tip of the iceberg.

"It seems that a strong sense of embarrassment has prevented women from reporting cases to the police. In order to get precise data, we need a stronger system to process rape reports,"he said.

Some claim social prejudice against rape victims is a factor.

"The seen parents preventing their daughters from reporting attacks fearing that being identified would possibly affect their future ?marriage, childbirth and social networking,"said Hwang Ji-sung, a consultant at a disabled women's rights group, in a recent interview with The Korea Times.

"The parents fear that their daughter will never get married and worry about possible revenge attacks by the assaulter. It is quite hard to break the perception and in many cases, they turn out to be true,?" she said.

Some activists claim that the current legal system "humiliates" the victims.

"In order to constitute a rape case, the victim must prove that she had 'struggled to near death' or the demeanor is considered as fornication. It means crying, fainting, screaming does not count," said Jaju, a consultant at the Korea Sexual Violence Relief Center.

"From time to time they have to confront their assaulter to verify the facts. The police officers sit in front of you asking questions which the victims feel are painful to answer. That's daunting to most of the victims. If this law continues to mentally torture the women in this way, then no, we won't see any progress," she said

More men subject to sexual harassment

When we hear someone is sexually harassed, we usually think that a young woman is the victim and a middle-aged man, the perpetrator.

But things have changed over the years and many men these days have fallen victim to rape and other sexual violence in workplaces and elsewhere. In particular, many young men suffer from various forms of sexual harassment while serving in the military.

But the majority of male victims choose not to come forward to speak out about the violence against them and seek counseling as Confucian teachings still dominate Korean society, which teaches men not to shed tears and stay mentally strong under any circumstances.

A 28-year old man who recently began a career at one of the nation's mid-sized business groups has been harassed by his female supervisor in her early 40s. He is often hugged unexpectedly from behind by her. She also touches his buttocks, saying that physical contact with a young man gives her ``yang," positive energy.

The man has been putting up with it, thinking that he may lose his job or suffer from the fallout if he goes to other supervisors and complains about sexual harassment. He also fears if he publicizes the incident, he may get negative reviews from colleagues and superiors.

Additionally, many young men suffer from various forms of sexual violence while in the military. Usually, junior enlisted soldiers are sexually harassed by senior soldiers and officers. In July, an enlisted soldier was raped by his senior officer in a car. The soldier filed a complaint with the National Human Rights Commission against the officer. He was later stripped of his duty.

The Korea Sexual Violence Relief Center (KSVRC), the nation's largest counseling provider for those who suffer from sexual violence, said it received 42 calls from men in 2009, accounting for 3.1 percent of the total 1,338. But the center estimates substantially more Korean men undergo sexual harassment, saying the tallied numbers are meaningless.

Reluctance to reveal

According to a recent survey conducted by online job portal Incruit, 24 percent of male respondents said they were subject to various forms of sexual ridicule at least once. About 76 percent of females suffered from sexual harassment.

About 61 percent said sexual harassment takes place on a regular basis, with only 39 percent calling the harassment a one-time incident.

Among various types of sexual harassment, unnecessary physical contact was cited the most at 35.6 percent, followed by obscene jokes at 29.9 percent and comments on appearance at 11.5 percent.

In response to sexual harassment, 55.2 percent said they did nothing and put up with it, while 29.9 percent took steps and expressed unpleasant feelings to the harasser. Only 3.4 percent said they consulted with colleagues about what to do, with 2.3 percent reporting it to supervisors.

“Women these days have become active in reporting sexual harassment to law enforcement authorities and seeking help from us and other counseling providers. In contrast, men continue to remain reluctant to disclose sexual harassment against them,” KSVRC activist Kang Yu-ri said.

Despite scarce cases of men reporting sexual violence, Kang estimates that male children are increasingly becoming victims to abuse perpetrated by adult men. “We are also positive that substantially more male grown-ups are suffering from sexual harassment in workplaces and elsewhere than reported. We think the number of reports of sexual violence from men will increase down the road, but not by a large margin.”

She attributed this reluctance to the traditional patriarchal system, which has dominated Korean society for centuries. “Confucian teachings continue to exert a huge influence over how Koreans think and behave. If a man comes out and publically says that he was sexually harassed by either a woman or another man, he will not be regarded as a man.”

Kang said many men choose to put up with sexual harassment and keep it to themselves rather than be subject to public humiliation, adding it takes a great deal of courage for male victims to pick up the phone and call the center.

Additionally, male sexual victims are inadequately protected by the law, compared to women. “The current law states that even if men are raped, they are not subject to the same protection as women because the punishment for rape is only applied for female victims.”

After flood, N. Korea requests UN aid

North Korea has requested emergency aid from the U.N. to cope with flooding in the Sinuiju region, Radio Free Asia (RFA) reported Wednesday.

The North made the appeal Tuesday, RFA quoted a UNICEF spokesman as saying, after experiencing torrential rain over the weekend that submerged areas in and around Sinuiju, which borders China.

U.N. officials in Pyongyang will hold aid talks with the government, the report said.

The area was battered by rain over the weekend, causing the Yalu River that separates North Korea and China to breach its banks and massive damage in the North. Some 250,000 residents of Northeast China were also forced to flee their homes, as the country struggles with its worst flooding in a decade.

The North's state-run media reported Sunday that military forces had been mobilized to rescue and evacuate thousands from the floods. It said over 5,000 people had been moved to higher ground, but reported no deaths.

Most of North Korea's trade with China, its major ally, occurs through Sinuiju, a major lifeline for the impoverished country.

Flooding and drought in the North since the 1990's has wrought havoc on its crops and pushed the isolated country into deep poverty, increasing its dependence on international aid.

PM appreciates Korean government, people for support

ISLAMABAD, Aug 25 (APP): Prime Minister Syed Yusuf Raza Gilani on Wednesday thanked the Korean government and companies for their donations and support for the flood affected people. He was talking to outgoing Ambassador Shun Un of Republic of Korea, who paid a farewell call on Prime Minister Syed Yusuf Raza Gilani at the PM House. The Ambassador expressed profound gratitude to the Prime Minister and his government for extending complete support to him in carrying out his Ambassadorial functions in Pakistan.

The Prime Minister commended Ambassador Shun Un's relentless efforts to strengthen economic and trade cooperation during his tenure as Ambassador.

The Prime Minister particularly acknowledged that the Ambassador was able to engage the major Korean companies in investment and joint venture projects in Pakistan's hydal & thermal power generation, water & sanitation, road & infrastructure, transportation and petro-chemical sectors.

He also asked the Ambassador to convey his government's thanks to his wife who in her capacity as President of International Foreign Women Association in Islamabad had remained involved in promotion of cultural cooperation between the two countries and in the charity work.

The Prime Minister hoped that Ambassador Shun Un would continue to contribute towards strengthening of Republic of Korea and Pakistan's ties in his future official and personal capacities.

Representatives of Korean private sector and business community including executives of Samsung, Poongsan, Lotte (PPTA), Doosan Heavy Industries, LG Electronics, POSCO, K-Water, Sambu Construction, Sammi-Daewoo Express, Daewoo Services Ltd and an NGO Good

Neighbours also presented a cheque of US \$ 936,000 to the Prime Minister for his Flood Relief Fund.

Ambassador Shun Un while apprising the Prime Minister that the government of Republic of Korea had already contributed one million dollars for the relief and rescue efforts of flood affectees in Pakistan stated that the government and private sector of Korea were planning to make further contributions towards this noble cause.

The Prime Minister thanked the Ambassador Shun Un as well as the representatives of Korean companies for their gesture and hoped that they would continue to mobilize resources keeping in view the magnitude and scale of calamity.

Japan

Detailed News

Politico-strategic Front:

Koreans, Japanese demand full compensation

Kyodo News

Around 900 citizens from Japan and South Korea gathered Sunday to call on the Japanese government to offer complete compensation for the damage it inflicted on the Korean people during its 35 years of colonial rule from 1910 to the end of the war.

The meeting, cohosted by citizens groups from the two countries, was held at a public hall in Toshima Ward, Tokyo, as the centenary of Japan's forced annexation of the Korean Peninsula approaches on Aug. 29.

The participants sought state compensation for the thousands of former "comfort women" who were forced to provide sex for Japanese soldiers, the Koreans who were left behind in Sakhalin after the war, the Koreans who survived the atomic bombs, and the Koreans who perished in the air raids on Tokyo. All have been excluded from full redress.

"It is time for the Japanese government to provide an apology and compensation to the Korean victims in order to come to terms with its colonization and to promote measures so that Japan will not repeat the same mistakes in the future," the attendants said in a statement adopted at the end of the gathering.

They also called for the termination of policies that discriminate against Koreans living in Japan, such as the exclusion of ethnic Korean schools from the new tuition waiver for public high schools.

"We, the Korean school students, lead lives as Japanese students do, laughing with friends during recess and working out at club activities," said Ko Yong Chae, a student at the Korean school in Tokyo.

"We just want to have learning opportunities and rights as Japanese students do," said Ko, who is in his third year of senior high school. He said the tuition waiver program ought to be available to ethnic Korean students as well.

Prime Minister Naoto Kan issued a statement of apology earlier this month to South Korea, expressing remorse for the annexation and his determination to deepen ties for the sake of peace and prosperity in East Asia.

But the statement didn't please everyone.

"Mr. Kan did not touch on North Korea. It suggests he seeks a decoupling (of the Korean Peninsula)," said Naruhiko Ito, who leads the organizers of the meeting.

"How can he compensate for the misdeeds of the past 100 years and create a peaceful and amicable course for the future?" he asked.

The organizers plan to hold similar meetings in Seoul next weekend.

Ghibli to cut ties to nuke facility

FUKUSHIMA (Kyodo) Studio Ghibli Inc. has decided to remove a shop selling merchandise depicting Totoro and other popular characters from a public relations facility promoting the safety of nuclear power plants in Fukushima Prefecture following criticism.

The animation studio led by director Hayao Miyazaki is known for producing animated films centered on concerns about the human impact on the environment including "Tonari no Totoro" ("My Neighbor Totoro") and "Kaze no Tani no Nausicaa" ("Nausicaa of the Valley of the Wind").

Studio Ghibli President Koji Hoshino apologized in a statement on the company's Web site dated Wednesday, stating that it was an "unwise move which could cause misunderstandings."

New division set for Afghan aid plan

A new division will be set up in the prime minister's office to formulate Japan's assistance plan for Afghanistan, Deputy Chief Cabinet Secretary Tetsuro Fukuyama said Sunday.

The division will be responsible for hammering out the five-year, \$5 billion civilian aid plan Japan pledged to Afghanistan last November, Fukuyama said on a TV program.

Fukuyama said the division is based on an initiative set forth by Prime Minister Naoto Kan and will also enhance Japanese cooperation with the United States.

Government sources said Fukuyama will head the new division, which will consult closely with the Japan International Cooperation Agency as well as experts, nonprofit organizations and other related entities.

Fukushima reactor receives MOX

FUKUSHIMA (Kyodo) Tokyo Electric Power Co. on Saturday loaded a nuclear reactor in Fukushima Prefecture with MOX, a controversial fuel made with reprocessed plutonium and uranium oxides, as it prepares to become the leading power utility's first facility to go pluthermal.

The No. 3 reactor at Tepco's Fukushima No. 1 plant will be the nation's third pluthermal facility, but only the first to be refurbished since the plant was built 34 years ago.

Tokyo Electric plans to activate the reactor on Sept. 18 and let it start generating electricity on Sept. 23.

Japan's Prime Minister Kan Faces Ozawa Leadership Challenge

Aug. 24 (Bloomberg) -- Jesper Koll, head of equity research at JPMorgan Chase & Co., talks about the outlook for Japanese stocks. Koll also discusses the prospects for Bank of Japan intervention in the foreign-exchange market, and the nation's government. Koll speaks from Tokyo with Bloomberg's Rishaad Salamat. (Source: Bloomberg)

Japan's Prime Minister Naoto Kan will face a leadership challenge from his party's most powerful politician, undermining a two-month-old administration that is struggling to combat deflation and a surging currency.

Ichiro Ozawa, whose campaign funding scandals cost him the top two posts in the ruling Democratic Party of Japan, today said he will run against Kan on Sept. 14. Former Prime Minister Yukio Hatoyama, who resigned in June to make way for Kan, said he will back Ozawa. The DPJ's majority in the lower house of parliament ensures that its leader becomes prime minister.

"I'll fight fairly and boldly," Kan told DPJ lawmakers in Tokyo, calling Ozawa's declaration a "positive thing."

The leadership challenge may spark a divisive battle in the party a year after it took power for the first time, and raises the possibility of a sixth prime minister in three years. Ozawa, who heads the largest faction in the DPJ, is under investigation for his role in a campaign finance scandal that led to the indictments of three aides.

Kan, 63, is battling to safeguard a fragile economic recovery as falling stocks and the yen's surge to a 15-year high threaten to undermine export earnings and deepen deflation. Some DPJ members blame him for losses the party suffered last month in upper house elections.

'Risk of a Split'

“Regardless of who wins, the party faces the risk of a split,” said Tomoaki Iwai, a political science professor at Nihon University in Tokyo. “And everyone will be so busy with the political leadership issue that they won’t be able to address the yen’s rise and plunging stocks.”

Iwai said the likelihood of a Kan victory “is better than 50 percent, since there would be criticism about changing a prime minister after only three months and Ozawa’s public image is poor.”

Ozawa is known for his controversial statements. He yesterday called Americans ‘simple,’ likening them to “single-celled organisms” in a speech to DPJ legislators. He stepped down as the No. 2 party official when Hatoyama quit in June and resigned as head of the party in May 2009 after his top aide was indicted for falsely reporting political contributions from a construction company.

Kan distanced himself from Ozawa after taking office, saying he “should stay quiet for a while” and naming Ozawa critic Yukio Edano as his replacement as DPJ secretary-general.

Voters Back Kan

Almost 61 percent of voters support Kan’s re-election as head of the party while 79 percent disapprove of Ozawa gaining an important position in the DPJ, according to an Aug. 22 Nippon Television Network survey. The broadcaster polled 2,029 people and didn’t provide a margin of error.

Tokyo prosecutors decided in May not to indict Ozawa after a civilian judicial panel recommended charging him in April. Should the panel re-affirm its recommendation, it would become legally binding. Ozawa has repeatedly denied any wrongdoing.

Japan’s constitution prohibits Cabinet ministers from being indicted without the consent of the prime minister, and members of Kan’s administration have criticized a possible Ozawa candidacy while he is still under investigation.

Foreign Minister Katsuya Okada last week said “something is wrong” about someone who may be indicted running for party leader and prime minister.

Leadership Fight May Hurt Japan Stimulus Effort

By Sachiko Sakamaki and Takashi Hirokawa - Thu Aug 26 15:11:32 GMT 2010

Aug. 24 (Bloomberg) -- Japan’s Prime Minister Naoto Kan faces a fight to lead the ruling party from his most powerful rival, hampering the two-month-old administration’s efforts to combat deflation and a surging currency.

Ichiro Ozawa, whose campaign funding scandals cost him the top two posts in the ruling Democratic Party of Japan, yesterday said he will run against Kan on Sept. 14. Former Prime Minister Yukio Hatoyama, who resigned in June to make way for Kan, said he will back Ozawa. The DPJ's majority in the lower house of parliament ensures that its leader becomes prime minister.

"I'll fight fairly and boldly," Kan told DPJ lawmakers in Tokyo, calling Ozawa's declaration a "positive thing."

The leadership challenge may spark a divisive battle in the party a year after it took power for the first time, and raises the possibility of a sixth prime minister in three years. Ozawa, who heads the largest faction in the DPJ, is under investigation for his role in a campaign finance scandal that led to the indictments of three aides.

Kan, 63, is compiling a stimulus package that aims to safeguard a fragile export-led economic recovery threatened by falling stocks and the yen's surge to a 15-year high. Some DPJ members blame him for losses the party suffered last month in upper house elections.

'Risk of a Split'

"Regardless of who wins, the party faces the risk of a split," said Tomoaki Iwai, a political science professor at Nihon University in Tokyo. "And everyone will be so busy with the political leadership issue that they won't be able to address the yen's rise and plunging stocks."

Iwai said the likelihood of a Kan victory "is better than 50 percent, since there would be criticism about changing a prime minister after only three months and Ozawa's public image is poor."

Kan's economic ministers will meet today to discuss the stimulus package. DPJ policy chief Koichiro Gamba presented proposals for the plan yesterday, saying the government has about 910 billion yen (\$10.8 billion) left in this year's budget for the aid. He called on the Bank of Japan to cooperate with the government in fighting deflation and the strong yen. The measures would include extending incentives to buy energy-efficient appliances, spending for hospitals and job creation programs, he said.

Ozawa's 'Simple' Americans

Ozawa is known for his controversial statements. Two days ago he called Americans 'simple,' likening them to "single-celled organisms" in a speech to DPJ legislators. He stepped down as the No. 2 party official when Hatoyama quit in June and resigned as head of the party in May 2009 after his top aide was indicted for falsely reporting political contributions from a construction company.

Kan distanced himself from Ozawa after taking office, saying he "should stay quiet for a while" and naming Ozawa critic Yukio Edano as his replacement as DPJ secretary-general.

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"It's up to the public and party members how they judge the issue," Kan said yesterday.

Indictment Still Possible

Tokyo prosecutors decided in May not to indict Ozawa after a civilian judicial panel recommended charging him in April. Should the panel re-affirm its recommendation, it would become legally binding. Ozawa has repeatedly denied any wrongdoing.

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Foreign Minister Katsuya Okada last week said "something is wrong" about someone who may be indicted running for party leader and prime minister.

Ozawa May Challenge Kan in Ruling Party's President Election, Asahi Says

By Tak Kumakura - Wed Aug 25 21:52:58 GMT 2010

Ichiro Ozawa, a former secretary-general of the governing Democratic Party of Japan, may run against Prime Minister Naoto Kan in a party presidential election, the Asahi newspaper reported.

Ozawa may announce the plan as early as today, the newspaper reported, without saying where it obtained the information. The president of the ruling party becomes prime minister.

Japan Ruling Party's Ozawa Says Americans Are 'Single-Celled Organisms'

By Takashi Hirokawa and Sachiko Sakamaki - Wed Aug 25 06:43:51 GMT 2010

Ichiro Ozawa, former secretary general of the ruling Democratic Party of Japan (DPJ), arrives for a political seminar in Tokyo. Photographer: Toshiyuki Aizawa/Bloomberg

Ichiro Ozawa, who quit as the No. 2 official in the ruling Democratic Party of Japan in June after coming under fire for campaign finance scandals, said that while he likes Americans, they are "simple."

Ozawa, who is considering whether to challenge Prime Minister Naoto Kan in next month's election for party leader, praised U.S. democracy in a speech to DPJ lawmakers today in Tokyo. He said the election of Barack Obama as the first African-American U.S. President was a historic event.

“It’s very admirable that people exercised their freedom of choice and free will in such a time of crisis,” he said. “I like Americans but they’re somewhat like single-celled organisms.”

Ozawa said he “dislikes the British” for conduct he considers hypocritical. At the same time, he said he “sometimes asks Americans why they’re so simple and if they shouldn’t learn from the British.”

The 68-year-old Ozawa stepped down as DPJ Secretary- General in June along with then-Premier Yukio Hatoyama as the party’s popularity plunged due to a dispute over U.S. troops in Japan and funding scandals. Ozawa is still under investigation in connection with the indictment of three former aides for violating campaign finance laws.

Ozawa is a long-time political powerbroker who engineered the DPJ’s August 2009 electoral victory that ousted the Liberal Democratic Party after 50 years of almost uninterrupted government, and heads the DPJ’s largest faction. Kan is under pressure after the party lost elections in the upper house of parliament in July.

Ozawa didn’t say whether he’ll run in the Sept. 14 race to head the DPJ, which would also make him prime minister. He’ll decide in “a day or two” whether to challenge Kan, Nikkei English News reported today, citing former Chief Cabinet Secretary Hirofumi Hirano. Ozawa last night told Hatoyama that he would make a decision soon, Nikkei quoted Hirano as saying.

Almost 61 percent of voters support Kan’s re-election as head of the party while 79 percent disapprove of Ozawa gaining an important position in the DPJ, according to an Aug. 22 Nippon Television Network survey. The broadcaster polled 2,029 people and didn’t provide a margin of error.

Japan Democrats seek extra parliament session on yen

TOKYO Aug 25 (Reuters) - Japan's ruling Democratic Party (DPJ) is seeking to convene an extraordinary session of a parliament panel by mid-September and call Bank of Japan Governor Masaaki Shirakawa to answer questions about the yen's rise and its impact on the economy, a senior lawmaker said.

The extra session could come before the BOJ's next rate review on Sept. 6-7, on concern that a rising yen and tumbling share prices could derail the economic recovery, said Tsutomu Okubo, a DPJ lawmaker who is a director of the upper house financial affairs committee.

He said the meeting of the upper house panel may be held sometime after Shirakawa returns from a trip to the United States Aug. 26-30 to attend the Kansas City Federal Reserve's yearly conference in Jackson Hole, Wyoming.

Okubo said Shirakawa and Finance Minister Yoshihiko Noda would likely attend the session, and that DPJ members of the parliament panel are consulting with opposition party lawmakers on details.

The BOJ has not confirmed if Shirakawa will attend the Jackson Hole meeting.

Japan's parliament is likely to convene for a regular session later in the autumn.

U.N. antiproliferation nuke meet kicks off

SAITAMA (Kyodo) About 85 government officials, academic experts and civic group representatives from 18 countries gathered in Saitama to discuss concrete steps toward a nuclear-free world in a three-day U.N. meeting on nuclear disarmament that started Wednesday.

The U.N. Conference on Disarmament Issues, which has been held annually in Japan since 1989, opened with speeches by Sergio Duarte, U.N. high representative for disarmament affairs, and Koichi Takemasa, state secretary for foreign affairs, on promoting nuclear disarmament and nonproliferation.

Durante said the timing of the Saitama conference that followed U.N. Secretary General Ban Ki Moon's "historic" visits to Hiroshima and Nagasaki earlier in the month "could hardly be better."

"I believe the year 2010 will mark a turning point in the history of nuclear disarmament and nonproliferation — these issues are certainly back on the global agenda and are viewed by increasing numbers of states as matters of some urgency," he said.

The Saitama meeting will examine progress in the area of nuclear disarmament and nonproliferation by looking back on the outcome of such events as the Nuclear Nonproliferation Treaty review conference and the Nuclear Security Summit earlier this year and also take up regional issues, including the North Korean nuclear threat and Iran's atomic ambitions.

Takemasa said the government is eager to spearhead international efforts to promote nuclear disarmament and nonproliferation by advocating concrete steps toward a nuclear-free world, such as cutting nuclear arsenals and de-emphasizing the role of atomic weapons.

Asako Toyoda, deputy mayor of Hiroshima, said her city aims to achieve a world completely free of nuclear weapons by 2020 so as many A-bomb survivors as possible can see the total elimination of nuclear arms in their lifetimes.

She said political will is required to give further momentum to a global movement toward a nuclear-free world and Japan should lead that drive.

The conference, hosted by the United Nations Regional Centre for Peace and Disarmament in Asia and the Pacific, is held every year in Japan.

This year's meeting, which continues until Friday, is the 22nd conference.

Jordan to Sign Nuclear Cooperation Deal With Japan, Jordan Times Reports

By Nayla Razzouk -Fri Aug 27 06:47:37 GMT 2010

Jordan and Japan are due to sign a nuclear cooperation treaty to allow Japanese companies to export atomic technology to the Middle Eastern kingdom, Minister of Planning and International Cooperation Jaafar Hassan was cited as saying by the Jordan Times.

Japanese company Mitsubishi Heavy Industries Ltd. has a 50 percent stake in Paris-based Atmea, which is negotiating with Jordan to build the kingdom's first nuclear plant, slated for completion in 2019.

Economic Front

Kan to set up job creation team for young

KYOTO (Kyodo) Prime Minister Naoto Kan said Saturday he plans to set up a special team to help promote job creation for young people including students graduating from university.

The special team will be headed by Democratic Party of Japan lawmaker Manabu Terata, who serves as an aide to Kan, the prime minister told reporters in Kyoto.

The team is expected to compile short-term job creation measures as well as medium- and long-term employment support plans as new graduates are facing difficulties in finding employment opportunities, government officials said.

Kan made the remarks after visiting the Kyoto Job Park, a job placement support organization which is operated by the Kyoto Prefectural Government in cooperation with the business community and "Hello Work" public job-placement offices.

The government has started preparations for its new round of emergency steps to address slowing economic growth and the yen's recent surge in the currency market.

Toyota to Raise Global Output of Hybrid Vehicles by 7%, Nikkan Kogyo Says

By Kazuyo Sawa -Sun Aug 22 22:11:51 GMT 2010

Toyota Motor Corp. will produce 740,000 hybrid vehicles worldwide in fiscal 2011, an increase of 7 percent from this fiscal year, the Nikkan Kogyo newspaper reported, without saying where it obtained the information.

The company, which will soon introduce three new models, has recently submitted the production plan to its parts suppliers, the newspaper

Fujitsu `Very Actively' Seeking Acquisitions, President Says

By Arik Hesseldahl - Mon Aug 23 04:01:00 GMT 2010

Fujitsu Ltd., Japan's biggest computer-services provider, is "very actively" looking for acquisitions to spur global growth, the company's president said.

"Targets will be companies that have technologies that Fujitsu doesn't have or that have customers that Fujitsu has never been able to reach so far," Masami Yamamoto said in an interview in New York through an interpreter. "We would like to get engaged very actively in M&A activities."

Yamamoto, who took over as president in April, said Fujitsu is looking at companies in the cloud-computing and middleware markets and is also seeking alliances. He declined to identify potential acquisition targets or partners. Tokyo-based Fujitsu has been moving away from unprofitable hardware businesses and betting more on services for growth.

Cloud computing refers to services, applications and computing power delivered over the Internet. Middleware is a type of software that helps computer programs of all types share information.

Yamamoto said the timing for deals remains undecided.

"It varies case by case, but I think that it will take more than six months at least," Yamamoto said. He declined to discuss the size of any pending deals.

Microsoft Alliance

Fujitsu, whose market value is 1.12 trillion yen (\$13 billion), is capable of generating about 150 billion yen in free cash flow per year, which could help fund acquisitions, Yamamoto said. Fujitsu had 406 billion yen in cash and short term investments as of the quarter ended June 10.

Fujitsu declined 1 percent to 574 yen on Aug. 20 in Tokyo Stock Exchange trading.

The company's Fujitsu Semiconductor Ltd. division, which makes chips for cell phones, computers and cars, has contracted more production to Taiwan Semiconductor Manufacturing Co. Last year, it shut three production lines to help save an estimated 80 billion yen in the two years ended March 2011.

Yamamoto has previously said the company is aiming for as much as 1.5 trillion yen in sales of services related to cloud computing by the year ending March 2016, and that it plans to invest 100 billion yen in that business this year.

In July, Fujitsu announced an alliance with Microsoft Corp., the world's largest software maker, letting Fujitsu sell cloud-based applications running on Microsoft's Azure platform.

Yamamoto took over as head of Fujitsu following the departure of its previous president, Kuniaki Nozoe. The company said Nozoe resigned because of ties to a company with an “unfavorable reputation,” a euphemism in Japan for organized crime. Nozoe denies the allegation, saying he was forced to quit.

Japan's Biggest Companies Battle Back to Profit on Cost Cuts, China Boom

Japanese companies including Toyota Motor Corp. and Panasonic Corp. forecast profit will surge this year as exports and cost cuts power a recovery from the worst recession on record.

Net income will probably climb a combined 64 percent for the 107 Nikkei 225 Stock Average companies that have projected earnings so far for the year ending March 31, 2011. Toyota, which this week vowed to slash 290 billion yen (\$3 billion) in costs, predicts profit will gain 48 percent.

The optimism tracks the companies’ expansion in China and India, where rising wages and consumer confidence fuel demand for cars, televisions, electric power generation and factory equipment. Panasonic, Toshiba Corp. and Hitachi Ltd., the nation’s largest private employer, aim to increase sales and production abroad to counter a declining population at home.

“The worst of the crisis is behind us,” Nissan Motor Co. Chief Executive Officer Carlos Ghosn said in an interview yesterday in Yokohama.

The outlook for rising profit helped propel the Nikkei 225 to a 5.2 percent gain in the first three months of the year, the fourth straight quarterly advance. The benchmark gained 2.2 percent to 10,620.55 at the 3 p.m. close in Tokyo.

Japan’s economy will probably grow 1.8 percent this year, according to the median forecast of Bank of Japan board members, after 2009’s 5.2 percent drop, the biggest decline since comparable data were made available in 1955.

‘Conservative Estimates’

The 2010 target is less than a quarter of the 8 percent expansion forecast for China, which is set to overtake Japan as the world’s second-biggest economy this year. India is projected to grow 8 percent in the year to March 2011.

Companies may even beat their earnings forecasts, many of which are based on worst-case foreign exchange rate estimates, said Edwin Merner, president of Atlantis Investment Research Corp. in Tokyo, which manages about \$3 billion.

“Most companies have made very conservative estimates for this year and results are likely to be better than expected, unless the world economy weakens,” Merner said. “Many stocks now look very cheap.”

Nissan Motor Co., which yesterday said profit may triple this year, boosted sales in China 68 percent to 243,000 vehicles in the three months ended March. The automaker, Japan's third-largest, aims to raise output capacity in China by about 70 percent to 900,000 units a year by 2012.

Grinding Down Costs

The expected rebound in earnings also shows Japan's biggest companies are reaping benefits after paring costs by closing underused factories and firing workers. Sony Corp. Chief Executive Officer Howard Stringer last year oversaw plans to eliminate 16,000 jobs and shut eight plants. Panasonic in October said it had cut 29,155 jobs since September 2008.

The firings provide another reason for companies to look abroad for growth. Japanese employment has declined in 10 of the past 15 months on a seasonally adjusted basis, dropping to the lowest since 1990 in November.

Sony forecast its first annual profit in three years as demand for televisions picks up and after the electronics maker cut expenses by selling assets and eliminating jobs. Net income will probably total 50 billion yen this fiscal year, compared with a loss of 40.8 billion yen a year earlier, the Tokyo-based company said today.

No Overtime

Panasonic, which earlier this month said it intends to boost overseas sales to 55 percent of its total, projects net income of 50 billion yen for this year, compared with a 103.5 billion yen loss in the previous year. The company, the world's biggest maker of plasma televisions, on May 7 said cost cuts will boost operating profit by 490 billion yen this fiscal year.

At Honda Motor Co., which expects profit to rise 27 percent to 340 billion yen this year, the outlook hasn't been enough to ease some cost controls, said Akemi Ando, a Tokyo-based spokeswoman.

"Just like last year, we still don't get overtime hours or take business trips unless there is an urgent need," she said.

Toyota based its full-year forecast on exchange rates of 90 yen to the dollar and 125 yen to the euro, compared with an average 93 yen against the dollar and 131 yen against the euro last fiscal year. The company estimates annual operating profit is reduced by 30 billion yen when the Japanese currency rises 1 yen against the dollar.

Japanese exporters' profit remains vulnerable, Merner said, citing "risks that include an overly strong yen, weak stock markets, continuing financial crisis in Europe, problems in BRICS, loss of investor confidence."

The U.S. currency has averaged 93.37 yen since the April 1 beginning of Japan's fiscal year. The euro has averaged 123.73 yen since April 1.

For Toyota, Japan's biggest company and almost double the size of its nearest rival in market value, the expected turnaround may mark the end of its worst patch in its history. Battered first by the global recession, then by recalls that cost the company at least 170 billion yen, President Akio Toyoda said things are at last looking better.

"We are still in the middle of the storm," he told reporters May 11. "But I am feeling that we can see clear skies in the distance."

Rival to offer iPhone SIM options

Bloomberg

Softbank Corp., Japan's only provider of Apple Inc.'s iPhone, is losing part of that exclusivity as Japan Communications Inc. starts offering chips that will allow the smart phone to access another network.

Japan Communications will offer a subscriber identity module, a chip that allows unlocked iPhone 4s to use NTT DoCoMo Inc.'s network, Japan Communications said Monday.

The service will cost ¥5,280 a month for unlimited data use with a separate charge for voice calls and will be available starting Thursday for users who reserved online, according to a statement by the closely held company.

Softbank remains the only carrier that sells the iPhone in Japan, where handsets are locked, meaning they don't accept SIM cards from other providers. Japan Communications' SIM cards will work with unlocked iPhone 4 models that can be purchased online or outside Japan.

Japan Communications offers mobile phone services by leasing a portion of DoCoMo's network. The company's iPhone plan also allows users to connect a laptop to the Internet via the smart phone, a service not offered by Softbank.

Japan's smart phone shipments will probably exceed 3 million units this business year, which started April 1, while the overall mobile phone market is expected to contract for a third year, according to MM Research Institute Ltd.

Toyota plans 5 mln cumulative hybrid sales by 2015

TOKYO Aug 25 (Reuters) - Toyota Motor Corp (7203.T) said on Wednesday it wants to reach cumulative sales of 5 million hybrid vehicles in the early part of this decade.

Toyota, the pioneer in gasoline-electric hybrid vehicles, said earlier this month it had sold more than 2.68 million hybrid vehicles globally since it launched the first model in 1997.

The best-selling Prius and other models have received a boost in Japan especially in the last year thanks to government subsidies that favour hybrids over other fuel-efficient cars.

Toyota has a goal of selling at least 1 million hybrid vehicles a year in the early part of this decade, and plans to introduce a hybrid option across its whole lineup as early as possible in the 2020s.

Under a five-year environmental action plan to run through 2015 and released on Wednesday, the world's biggest automaker also said it would improve its vehicles' average fuel efficiency in all regions by 25 percent compared with 2005 levels

Yen Falls From 15-Year High on Speculation Japan Will Intervene

By Catarina Saraiva - Wed Aug 25 20:57:21 GMT 2010

The yen retreated from a 15-year high versus the dollar on speculation Japanese authorities will act to stem gains that risk derailing the nation's recovery.

The euro rose against the greenback after U.S. new-home sales dropped in July to the lowest on record, adding to concern the world's largest economy is losing steam. The yen fell from the strongest in nine years versus the euro after Japanese Finance Minister Yoshihiko Noda pledged "appropriate action" concerning its strength. The Swiss franc rose to the strongest ever against the 16-nation currency as investors sought refuge.

"The Japanese government cannot allow the yen to appreciate much further, as it's going to very negatively affect their export-driven economy," said John Doyle, a strategist in Washington at currency-trading firm Tempus Consulting Inc. "What you're seeing today is the yen sell off a bit on speculation that the Japanese policy makers will in fact intervene."

Japan's currency weakened 0.8 percent to 84.57 yen per dollar at 4:54 p.m. in New York, from 83.90 yen yesterday, when it reached 83.60, the strongest since June 1995. The yen depreciated 1 percent to 107.04 per euro, from 105.97 yesterday, when it touched 105.44, the strongest level since July 2001.

The dollar fell 0.2 percent to \$1.2656 per euro after touching \$1.2588 yesterday, the strongest since July 13.

Franc Sets Record

The franc reached a record high 1.2972 per euro before trading at 1.3041. It rose against 10 of its 16 most-traded counterparts.

Global stocks fell, with the Stoxx Europe 600 Index ending the day down 0.8 percent. The Standard & Poor's 500 Index dropped as much as 1.1 percent before reversing losses and gaining 0.3 percent on speculation its recent declines were overdone.

Purchases of new homes in the U.S. last month fell to an annual pace of 276,000, the weakest since data began in 1963, Commerce Department figures showed today in Washington. U.S. durable-goods orders rose 0.3 percent in July, compared with a Bloomberg News survey's median estimate for a 3 percent gain, the Commerce Department said.

"The overwhelming negativity of this week's data has diminished some of the dollar safe-haven appeal," said Omer Esiner, chief market analyst in Washington at Commonwealth Foreign Exchange Inc., a currency brokerage.

Yen Worst Performer

The greenback slid against most of its 16 major counterparts today, while the yen fell against all of them. Both currencies usually are considered havens.

"There is, as we see the yen remain below 85, a somewhat elevated risk that Japanese officials are not going to sit idly by and allow yen strength to add to a long list of headwinds for the Japanese economy," Esiner said.

The yen has appreciated 16 percent this year, the biggest gain among its developed-world counterparts, according to Bloomberg Correlation-Weighted Currency Indices. The rally has fueled speculation Japan may intervene to curb the gains as they hamper the nation's export-led economy. Central banks intervene in foreign-exchange markets by buying or selling currencies to influence exchange rates.

"We have to take appropriate action when necessary, though I plan to continue to watch currency movements very closely with great interest," Noda told reporters in Tokyo today. "My basic understanding is that movements have been one-sided."

A Bank of Japan program that provides funding to lenders at 0.1 percent may be expanded to 30 trillion yen (\$356 billion) from 20 trillion yen, and the duration of the loans may be increased to six months from three, the newspaper Nikkei said.

'Doomed to Failure'

"Unilateral intervention, especially in today's economic climate, would be doomed to failure," Derek Halpenny, European head of foreign exchange at Bank of Tokyo-Mitsubishi UFJ in London, wrote in a note to clients today. "The reality is that the direction of the yen is at the mercy of events abroad."

Japan hasn't intervened in the currency markets since March 16, 2004, when the yen was at about 109 per dollar. The Bank of Japan sold 14.8 trillion yen in the first three months of 2004, after record sales of 20.4 trillion yen in 2003. The currency ended 2004 at 102.63 to the dollar. Japan last bought the currency in 1998, purchasing 3.05 trillion yen as the exchange rate weakened to 147.66.

Morgan Stanley today ended a bet against the euro, citing the possibility the Federal Reserve will take further action at its policy meeting next month to stimulate the economy.

‘Might Take a While’

“While we have been very vocal in recent weeks calling for dollar strength against the euro, the risk-reward has deteriorated and the risks of further easing measures by the Federal Reserve on Sept. 21 are perhaps building,” analysts led by London-based Stephen Hull wrote in a note today. “While it is likely that European data will eventually slow if the current bout of weakness in U.S. data continues, it might take a while to feed through.”

The Mexican peso dropped for a sixth day against the dollar, matching a losing streak ended May 20, on concern growth is slowing in the U.S., Mexico’s largest trading partner. The peso touched 13.0968, the weakest since July 6, before trading at 12.9911. Canada’s dollar, nicknamed the loonie, touched \$1.0668, also the weakest level since July 6, on concern the outlook for currencies tied to growth was dimming. It ended the day up 0.2 percent to \$1.0599 as U.S. stocks reversed losses.

Kan Says Hasn't and Won't Make Comments on Japan Currency Intervention

By Sachiko Sakamaki - Wed Aug 25 10:04:05 GMT 2010

Japan Prime Minister Naoto Kan said he hasn’t made any statements about whether the government will intervene to halt the yen’s rise and will not do.

Hiromasa Yonekura, the head of Japan’s biggest business lobby, told reporters earlier today after meeting with Kan that the prime minister said the government is considering various measures to stem the yen’s advance, including selling the currency in the foreign exchange market.

“I haven’t commented” about intervention, Kan told reporters. “I won’t do so at this time either.”

The yen yesterday rose to a 15-year high against the dollar.

Nissan to Introduce Sedan Based on on Micra Hatchback's Platform in India

By Siddharth Philip -Thu Aug 26 05:05:23 GMT 2010

Nissan Motor Co. plans to introduce in India a sedan on its Micra hatchback platform next year, Suresh Rangarajan, a spokesman of the automaker’s local unit, said in New Delhi today.

Rubber Futures in Tokyo Climb as Much as 2.4% to 293.2 Yen Per Kilogram

By Jarrett Banks -Thu Aug 26 00:04:04 GMT 2010

Rubber futures in Tokyo advanced as much as 2.4 percent to 293.2 yen a kilogram before trading at 292.2 yen at 9:01 a.m. January-delivery rubber fell to a one- week low yesterday.

Unemployment Rate Unexpectedly Falls to 5.2% as Kan Moves to Spur Growth

By Aki Ito - Thu Aug 26 23:47:31 GMT 2010

Japan's unemployment rate unexpectedly fell for the first time in six months in July as the economy added more jobs.

The jobless rate dropped to 5.2 percent, the statistics bureau said today in Tokyo. The median forecast of 24 economists surveyed by Bloomberg News was 5.3 percent.

The improvement in the unemployment rate may be a welcome development for Prime Minister Naoto Kan, who is trying to bolster growth with fresh stimulus measures to protect the economy from the yen's surge to a 15-year high against the dollar. Slower global demand puts more pressure on consumers to increase spending to support the economic recovery.

"We will see improvements in the job market ahead, but they will come at a very gradual pace," Hiroshi Miyazaki, chief economist at Shinkin Asset Management Co. in Tokyo, said before the report. "The strengthening yen isn't good news for domestic employment, as there's a risk companies will shift production to countries abroad."

The economy added 210,000 jobs in July from a month earlier, the most since January, the government said.

The job-to-applicant ratio rose to 0.53 in July, meaning there are 53 job openings for every 100 candidates, the most since March 2009, according to a separate report released today.

Kan Steps Up Effort to Curb Yen's Strength, Pressures BOJ to Ease Policy

By Takashi Hirokawa and Keiko Ujikane - Fri Aug 27 15:01:32 GMT 2010

Aug. 27 (Bloomberg) -- Japan's Prime Minister Naoto Kan stepped up his efforts to reverse the yen's rise this week to a 15-year high and pushed the central bank to ease monetary policy in the face of deflation and faltering growth.

"We are ready when necessary to take bold measures" in the currency market, Kan told reporters yesterday in Tokyo without elaborating. Speaking after meeting with business executives, he said he expects the Bank of Japan to take action "swiftly," and will talk with central bank governor Masaaki Shirakawa soon after the BOJ chief returns from the U.S. The bank is scheduled to hold its next policy meeting Sept. 6-7.

"Given the current state of Japan's economy, the current yen level warrants intervention and the chances are increasing," said Susumu Kato, chief economist at Credit Agricole CIB and CLSA. At the same time, "the BOJ is on course for additional monetary easing."

Kan, whose leadership will be challenged next month in a ruling party ballot, is battling to bolster his two-month-old administration. Aides are compiling a stimulus package to buttress growth as consumer prices tumble and the currency's 10 percent gain against the dollar this year erodes export earnings.

Economic ministers met yesterday to discuss the stimulus, and an outline will be compiled by Aug. 31, Kan said. The ruling Democratic Party of Japan presented its proposals two days ago and called on the BOJ to take further steps to boost growth. The central bank on Aug. 10 kept its key overnight lending rate at 0.1 percent and refrained from expanding credit measures.

Quiet Since 2004

Japan hasn't intervened in the currency market since March 2004, when the yen was around 109 per dollar. The Bank of Japan, acting on behalf of the Ministry of Finance, sold 14.8 trillion yen (\$175 billion) in the first three months of 2004, after record sales of 20.4 trillion yen in 2003.

The pressure on Shirakawa comes as Kan faces intra-party competition from his most powerful rival. Ichiro Ozawa, whose campaign funding scandals forced him to step down in June as the DPJ's No. 2 official, yesterday said he will run against Kan in the Sept. 14 election for party president. The party's majority in the lower house of parliament ensures that its leader becomes prime minister.

"The leadership challenge fuels a risk that the party will split in two," said Takahide Kiuchi, chief economist at Nomura Securities Co. in Tokyo. "Political instability may increase, making it negative for stocks, bonds and the yen."

Third Weekly Decline

The benchmark Nikkei 225 Stock Average rose 1 percent to 8991.06, paring its third straight weekly decline to 2 percent. The yen traded at 84.75 per dollar at 5:47 p.m. in Tokyo, having reached 83.60 on Aug. 24, the strongest since June 1995.

Two government reports released yesterday demonstrated further evidence that Japan's economic recovery is faltering. Consumer prices fell for a 17th month and household spending rose less than forecast.

"I think we're in a severe situation," Finance Minister Yoshihiko Noda told reporters in Tokyo yesterday. "Our basic stance is that we will take appropriate action when necessary."

The government has about 910 billion yen left in this year's budget for Kan's first economic aid package, DPJ policy chief Koichiro Gemba said yesterday. Former Premier Yukio Hatoyama unveiled a 7.2 trillion yen stimulus in December. The plan included incentives to purchase cars and electronics that helped spur consumer spending.

Under the DPJ's proposal, the government would extend incentives to buy energy-efficient appliances and home insulation and encourage the use of solar power and renewable energy sources.

Toyota to Recall 1.1 Million Vehicles on Stalling Risk

By Angela Greiling Keane -Fri Aug 27 02:20:56 GMT 2010

Toyota Motor Corp. will recall 1.13 million Corolla and Matrix cars for a flaw U.S. regulators said may cause stalling "at any speed without warning," a setback as the company seeks to regain its reputation for quality.

Toyota, the world's biggest automaker, said yesterday in a statement it will recall the vehicles for the model years 2005 to 2008 in the U.S. and Canada following at least three reported accidents linked to the defect.

The action may raise new questions about Toyota's electronics and adds to record recalls in the past year by the Toyota City, Japan-based company, including more than 8 million vehicles worldwide for flaws related to unintended acceleration. The Corolla is Toyota's best-selling model globally.

"This is another bump in the road while Toyota is trying to recover their reputation," auto analyst Rebecca Lindland of IHS Automotive in Lexington, Massachusetts, said in an interview. "It will give people who are not Toyota loyalists another reason not to buy the brand."

Toyota declined as much as 1.3 percent to 2,890 yen in Tokyo and changed hands for 2,896 yen as of the 11 a.m. trading break. The stock has declined 25 percent this year.

Toyota tested 32 of the engine components and found four had cracking after thermal-shocking tests, said John Hanson, a spokesman at the U.S. sales unit in Torrance, California.

'Voluntary Safety Recall'

"Toyota concluded that this problem would likely continue to occur, and, therefore, in order to address customer concerns, decided to conduct a voluntary safety recall of all vehicles within the affected range," Chris Santucci, Toyota Motor North America's manager of technical and regulatory affairs, wrote yesterday in a letter to the U.S. National Highway Traffic Safety Administration.

Hanson said he doesn't know what the recall, Toyota's largest since January, will cost the company. The recall also covers about 200,000 of General Motors Co.'s Pontiac Vibe hatchbacks, according to a statement from Detroit-based GM. Vibes and Matrixes were manufactured in a GM-Toyota joint venture in California.

“Our goal is to help ensure that Toyota drivers are completely confident in the safety and reliability of their vehicles,” Steve St. Angelo, Toyota’s chief quality officer for North America, said in the statement.

NHTSA on Aug. 18 upgraded its investigation of the defect to an engineering analysis, a step that can lead the agency to demand a recall. The regulator said cracks in engine control units could occur if improperly cured coating was applied to circuit boards.

Social Front:

Japan military chopper unit heads to flood-hit Pakistan

ISLAMABAD, Aug 21 (APP)-The first contingent of a 200-strong Japanese military helicopter unit left for Pakistan Saturday to join international relief efforts in the flood-ravaged country. Fifty ground troops left the Japanese city of Fukuoka for an army airfield in Multan, central Pakistan, Japanese media reported. They will prepare the ground for the rest of their unit and six helicopters which will transport people and goods in flood-hit areas, according to the Defence Ministry.

A naval transport ship and six air force C-130 transport planes are set to carry the helicopters and the unit’s equipment to Pakistan, the ministry said.

A total of 530 Japanese ground, air and naval troops will be mobilised for the relief mission.

“We hear that the extent of damage is quite serious,” Colonel Atsushi Ishizaki, the commander of the unit, told Japanese media at a ground force base in Fukuoka.

“We are proud that we can provide Pakistani people in trouble with something from our heart as Japanese.” The Pakistani military will protect the helicopter unit which will carry no arms while engaging in disaster relief activities in line with Japanese government policy, Kyodo news agency reported.

Foreign Minister Katsuya Okada told reporters on Thursday that the United States had “unofficially” asked Japan to provide assistance to Pakistan. He also said Tokyo recognised the “importance of Pakistan” which neighbours Afghanistan.

Tokyo has already extended 14.4 million dollars worth of emergency aid to help Pakistan cope with the disaster.

Japanese army personnel arrive to take part in relief work

MULTAN, Aug 22 (APP): As many as 50 Japanese army personnel led by Col Ishizaki arrived here on Sunday to assist Pakistan army in the relief and rescue operation in flood-hit areas. The

Japanese army officials will discharge their services in line with the direction from Pakistan army. The Japanese government will also send six helicopters on August 25, to pace up the relief and rehabilitation work of affected people. These officials will render their services for three months. Talking to a media person, Col Ishizaki said they would discharge their service with dedication. He added that Japanese government was along with Pakistani government and its people in this hour of ordeal.

Youths hold eco-forum

NAGOYA (Kyodo) About 100 young people began a five-day international conference Monday in Aichi Prefecture to discuss how to prevent further deterioration of ecosystems prior to a Convention of Biological Diversity meeting to be held in Nagoya in October.

The people in their teens and 20s from more than 60 countries are attending the International Youth Conference on Biodiversity held by the Environment Ministry in the town of Higashiura.

In his opening speech, Nobuo Ichihara, a senior official of the Environment Ministry, urged the participants to convey their conclusions and opinions to the 10th meeting of the Congress of the Parties to the Convention on Biological Diversity, or COP10.

At the conference Monday, a Russian participant reported on biodiversity research focusing on a biological study of bats.

First GSDF unit arrives to aid Pakistan flood effort

ISLAMABAD (Kyodo) The first group of 50 Ground Self-Defense Force members arrived Sunday in Multan, Pakistan, to help people devastated by the recent major flooding.

The first team, primarily from the 4th Division of the Western Army based in Kasuga, Fukuoka Prefecture, will prepare for the arrival of a helicopter unit later this week.

Punjab, where Multan is located, is in central Pakistan and is the most populous province. Around 8.2 million people there have been affected and around 500,000 homes damaged.

DPJ group eyes foot-and-mouth fund

Kyodo News

A working group of the Democratic Party of Japan focusing on the recent foot-and-mouth epidemic in Miyazaki Prefecture asked Prime Minister Naoto Kan on Monday to create a public fund to resuscitate the prefecture's tattered economy.

Kan told the group he intends to reach a conclusion soon, according to people who attended the meeting.

(Cyber Space) Destructive virus draws charges

A 27-year-old man in Osaka Prefecture has been charged with destroying stored data by using a computer virus that replaces victims' files with octopus or squid icons.

Masato Nakatsuji allegedly distributed the virus through a file-sharing program in May and destroyed the hard disk of a computer owned by a Hokkaido man who obtained the program a month later, according to the indictment filed Monday by the Tokyo District Public Prosecutor's Office.

Nakatsuji in 2008 became the first person in Japan to be arrested for creating a computer virus. He has been on probation after receiving a suspended two-year sentence for copyright infringement.

After arresting Nakatsuji earlier this month, police said he told them about 50,000 people were affected by the virus.

Exhibit shows struggle of 'comfort women'

Kyodo News

An exhibition to look back on developments over the past 10 years in addressing wartime sexual slavery is now under way at a Tokyo museum and resource center on the former "comfort women."

The exhibition was organized to mark the 10th anniversary of the Women's International War Crimes Tribunal, a nonbinding people's court that gathered 64 victims of sexual slavery alongside legal experts in Tokyo in December 2000 to examine the issue, and held Japan's wartime leaders responsible for violence against women.

Around 60 panels displayed at the Women's Active Museum on War and Peace, known as WAM, show testimony given by former sex slaves from nine nations, some that were established after the war, and former Japanese soldiers who exploited women, and how the news media at home and abroad reported the tribunal.

Looking back at the developments since then, the panels show how each of the nine countries where women were forced into sexual slavery, including the present South and North Korea and Indonesia (the wartime Dutch East Indies), has addressed the issue.

In the Netherlands, for example, moves to seek a solution to the issue have been promoted, while in China, where negative attitudes toward the former comfort women once prevailed, more people are showing concern for their suffering, according to the exhibition.

"The 2000 tribunal clearly recognized what had happened under wartime sex slavery and who was responsible for it," said Eriko Ikeda, a WAM director. "It eventually expanded support for the victims over the past 10 years, and has led them to redeem their honor."

But Ikeda suggested the event failed to prompt Japan to sincerely address the issue. Material in the exhibition shows that all 10 lawsuits seeking redress for the victims were rejected, and comfort women get little mention in school textbooks.

Display panels show developments in the 10 suits and their verdicts, and how references to the sex slaves in history textbooks have been handled.

However, efforts to hand down the record of the negative legacy have gradually proved fruitful, with at least 30 municipalities adopting statements to seek the rehabilitation of the victims while expressing concern over the textbook omissions.

Japan has also been under international pressure, with the U.S. House of Representatives approving a resolution in July 2007 demanding an apology for the sexual enslavement of women.

In October 2008, the U.N. Human Rights Committee, touching on the comfort women issue, urged Japan to "take immediate and effective legislative and administrative measures to adequately compensate all survivors as a matter of right."

The exhibition, which runs through next June 26, has drawn many high school and college students during the summer break.

Riko Mikami, an 18-year-old high school senior from Yokohama, said after touring the exhibition with her friends, "While I didn't know much about the issue of comfort women, I'm now aware of the need to reflect on where our country has been."

Visitor Choi Bo Yun, 28, a graduate student at Utsunomiya University in Tochigi Prefecture, has spent time with former comfort women in South Korea.

"Through the exhibition, I understood that the issue of the wartime sex slavery is not a problem only between Japan and South Korea but one involving many other countries," she said.

Osaka Says City Register Lists 5,000 Residents Aged 120 Years or Older

By Adam Le - Thu Aug 26 04:06:08 GMT 2010

The Japanese city of Osaka is reviewing the accuracy of its records after finding 5,125 residents listed as aged 120 or older, including one man who would be 152 if still alive.

The register, which tracks the status of household members in the city of 2.7 million, lists 79 people as being over 140, the local government said in a statement. The oldest person on the

register was born in 1857, four years after the U.S. navy sailed into Japan and demanded the country open its markets to foreign trade.

The city plans to contact relatives to confirm if any of the registrants are still alive, Megumi Yosoda, a spokeswoman for Osaka's citizen bureau, said today by telephone. The people on the list, which was computerized in 2008, do not receive annual pensions, she said.

Local administrations throughout Japan are reviewing records after a Tokyo resident thought to be the city's oldest man was found to have been dead for about 30 years. Family members of the man, who would have turned 111 in July, may have concealed the death to continue to receive his pension benefits, the Asahi newspaper reported last month.

The Ministry of Health, Labor and Welfare said this month it has been conducting random checks since June on the whereabouts of 840 pensioners over the age of 85 amid concern families may be collecting payments intended for dead relatives. The result of the inquiry will be released this month, the ministry said.

Atomic-Bomb Survivors May Offer Clues on Cancer Treatment Risks

By Kanoko Matsuyama and Jason Gale - Fri Aug 27 00:23:47 GMT 2010

DNA from survivors of the atomic bombs dropped on Hiroshima and Nagasaki 65 years ago may help doctors gauge whether certain cancer treatments can trigger genetic defects that can be passed on to patients' children.

Scientists at the Radiation Effects Research Foundation in Hiroshima, Japan, are investigating whether the health consequences of the bombs continue beyond those survivors who developed cancer. They are looking for gene changes linked with conditions including leukemia and heart disease, and checking whether those alterations can be inherited, said Evan Douple, the foundation's associate chief of research.

The findings may help doctors better understand the levels of radiation to which cancer patients can be safely exposed, Douple said. Survivors' children born after the August 1945 attacks are reaching ages when malignancies are more likely to appear.

"As they enter their cancer-prone years, the next 20 years are going to be very important," Douple said. "We don't want to overlook that as a possible mechanism for the disease."

The genetic basis of cancer has been recognized for a century. The researchers in Hiroshima will examine the descendants of survivors to see whether the environment changed the activity of genes, a field of study known as epigenetics.

Genes' Behavior

The field has emerged since the 1940s to bridge the gap between nature and nurture. Epigenetic processes can change the behavior of a gene without altering the DNA sequence, prompting “good” genes -- such as those suppressing tumors -- to switch off and “bad” genes -- those promoting tumors -- to switch on.

Douple, a radiobiologist who spent more than a decade at the National Academy of Sciences in Washington, said there is no evidence yet that the bomb survivors, known in Japanese as hibakusha, suffered epigenetic effects.

Still, laboratory experiments with human cells and mice showed that the effects are possible and the descendants of the bomb survivors offer an unparalleled opportunity to determine whether epigenetics plays a role in disease following radiation exposure.

Knowing that the effects can't be passed on would be reassuring, said Mikiso Iwasa, 81, who was less than a mile (1.2 kilometers) from where the bomb was dropped on Hiroshima on Aug. 6, 1945.

Iwasa, who lives in suburban Tokyo, said his body was covered by a rash after his exposure, and doctors later told him it caused his two bouts of skin cancer. He and his wife, who was about two miles from the detonation, worried that their children would be born with defects, Iwasa said.

They weren't. “We still live today with anxiety and fear about what may happen to our descendants,” he said.

Social Stigma Some people believed radiation sickness was hereditary or even contagious, said Osamu Yoshitomi, head of administration at the Nagasaki Atomic Bomb Museum's peace promotion department.

“Back in 1945, there was no understanding of what might happen to the people who were contaminated,” Yoshitomi said. “The victims were worried that their kids might not be able to get married.”

The ongoing research may be relevant for scientists studying the effects of computed tomography (CT) scans and radiation therapy, which uses high-energy radiation to kill cancer cells by damaging their DNA. The tumor-shrinking treatment also can impair normal cells and, in rare cases, cause new malignancies to develop, according to the National Cancer Institute in Bethesda, Maryland.

Potential Risk

“When normal tissues such as the heart are exposed during radiation therapy for, say, breast cancer, it is important to know the potential risk of exposures to other organs of the body and to try to minimize the exposure,” Douple said.

The foundation, located two miles from the epicenter of the blast, runs the world's largest and longest scientific investigation of a population exposed to radiation.

Its research has helped set international guidelines for the International Committee on Radiological Protection.

The project, which receives a total of about \$35 million annually from the U.S. and Japanese governments, has followed more than 200,000 bomb survivors and their children since 1947. The foundation estimates that the blasts killed as many as 166,000 people in Hiroshima and 80,000 in Nagasaki.

The researchers found that hibakusha had a 45 percent higher death rate from leukemia and an 8 percent higher death rate from cancerous tumors than the general Japanese population.

Studies so far haven't found higher rates of disease in 80,000 first-generation descendants born after the bombings, Douple said. The oldest children are 65, with an average age of about 50.

Mutations

Epigenetic changes alone won't prove the cause of diseases, said Emma Whitelaw, head of genetics and population health at the Queensland Institute of Medical Research in Brisbane, Australia. Instead, they may reflect genetic mutations.

"This is an area of great controversy and a rapidly changing field," Whitelaw said.

Douple said he expects it will take at least two years to gather evidence of any epigenetic changes. He and colleagues are seeking advice from other researchers to identify the best techniques for measuring those effects in blood, serum and immune cells called lymphocytes.

"We have an incredible resource of samples here but we have been saving them very carefully to wait as the technologies develop," Douple said. "We don't want to consume a finite resource."