Globalized Business and politics; A View from Muslim world

Weekly report on South Korea & Japan

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Summary of Report:

South Korea

Politico-strategic Front:

North Korea Silent on Party Congress Meeting as Deadline Passes North Korea may have missed its own deadline to hold the regime's biggest political gathering in 30 years, fueling speculation the health of leader Kim Jong Il is worsening as he prepares to transfer power to his son. State media had said, without giving any precise dates, the ruling Workers' Party of Korea would convene a congress in "early September" to elect "its highest leading body." As the midpoint of the month passed with no mention of a meeting

North Korea proposes military talks with South; North Korea has proposed holding colonel-level military talks with the South next week, the Ministry of National Defense said Thursday. The proposal comes on the heels of Seoul announcing it will send 5,000 tons of rice and other aid to the flood-stricken North in a sign of easing tensions

Search for PM tough indeed President Lee Myung-bak was slow to designate chief state auditor Kim Hwang-sik for prime minister — the nomination came approximately a month after the post was vacated. The slow procedure sparked speculation over why it took so long for Lee to nominate someone for the crucial job. Analysts said the search for a prime minister was a demanding task for several reasons.

EU taps Polish amb. as new top envoy to Seoul Polish diplomat Tomasz Kozlowski was tapped Wednesday (local time) as the European Union's new envoy to South Korea, Yonhap News Agency reported. The former ambassador to Pakistan has been in charge of Asian affairs within the Council of the European Union.

Koreas agree to hold family reunions in late Oct. South and North Korea held Red Cross talks Friday to discuss the resumption of the reunions of families separated by the 1950-53 Korean War, but failed to reach an agreement on the details of the meetings.

N. Korea considers dormitory at Gaeseong site North Korea was considering operating a dormitory for its workers the inter-Korean Gaeseong Industrial Complex in the North, a source in Seoul said Saturday. The move was construed as Pyongyang's intention to supply more workers to the industrial park.

'Military suffering ammunition shortage' The South Korean Army is short on ammunition reserves to be used in wartime, an opposition lawmaker claimed Friday. According to Rep. Song Young-sun of the Future Hope Alliance, the service only has enough artillery ammunition to last for two weeks, should war break out.

Chief auditor tapped as prime minister President Lee Myung-bak has nominated the chief state auditor Kim Hwang-sik as the new prime minister, Cheong Wa Dae announced Thursday. The National Assembly is expected to hold a confirmation hearing in a few weeks to review his qualifications.

Economic Front:

South Korea's Posco in Talks With Zimbabwe on Development of Raw Materials Posco, South Korea's largest steelmaker, is in talks with Zimbabwe to cooperate on the development of raw materials, the African nation's mines minister said.

Mudra Seeking to Sell Majority Stake to S Korea's E-Land Group, ET Says Indian textile company Mudra Lifestyles Ltd. is negotiating to sell a majority stake in the company to South Korea's E-Land Group, the Economic Times newspaper reported, citing an unidentified person.

Moody's praises Korea's recovery trajectory Upgrade in ratings not excluded but 3 concerns raised When Thomas Byrne was told that the person passing behind him was Arnold Schwarzenegger, he didn't even try to turn his face. It seemed that the Moody's man does not have any interest in the movie star-turned governor of California, a state with falling credit ratings.

Per capita tax burden to rise to W6.23 mil. in 2014 The government expects tax revenues for next year to reach 187.8 trillion won in national taxes, up 7.3 percent from the previous estimate. Local taxes for 2011 are forecast to reach 52 trillion won.

Korea-EU FTA to go into effect next July free trade agreement (FTA) between Korea and the European Union (EU) will go into effect next July, making the country the first Asian nation to have an expanded trade deal with the European bloc. The Ministry of Foreign Affairs and Trade (MOFAT) announced the breakthrough, Thursday, which came after Italy dropped its objection at an EU summit in Brussels. The FTA is expected to benefit Korea, which depends heavily on international trade

'US will seek Korea FTA's ratification as soon as possible' U.S. President Barack Obama said Thursday he will seek ratification of a free trade agreement with South Korea as soon as possible after resolving outstanding issues, Yonhap News Agency reported.

Iran to open won accounts in Seoul for traders Iran's central bank agreed on Friday to open accounts in Korean won with a pair of South Korean banks in order to reinvigorate trade between the two countries, the Ministry of Strategy and Finance said.

Hyundai Motor going local in Russia Moscow — Hyundai Motor intends to go local in developing its business in Russia. Korea's largest carmaker said Saturday that it will produce small-size vehicles tailored for the Russian market starting in January 2011 at a newly built plant

in Russia while launching a series of new models that will better suit the needs of local consumers.

N. Korea's trade dependency on China to top 80% North Korea seems to be increasingly dependent on China as the latter is expected to account for more than 80 percent of the former's international trade in 2010, according to a private think-tank.

(Cyber space) Shinhan offers online banking in 9 languages Shinhan Bank is offering its Internet banking services in nine languages as part of efforts to better cater to an increasing population of foreigners living and working in Korea, bank officials said Sunday. Under the name "Shinhan Global Net Service, banking options are now available in Chinese, English, Vietnamese, Tagalog, Thai, Japanese, Mongolian and Indonesian as well as Korean.

Social Front:

Divorces on rise as marriages fall The number of divorces increased 6 percent in 2009 from a year earlier, while those choosing to get married hit the lowest level in a decade. The number of divorces had kept falling since 2001 but rebounded last year.

N. Korea unexpectedly releases water from border dam into the South North Korea has unexpectedly opened one of its dams near the border with South Korea, releasing as much as nearly 900 tons of water per second downriver since earlier this weekend, officials in Seoul said Sunday.

Gov't to pay full childrearing cost for multicultural families President Lee Myung-bak said Thursday the government plans to cover the entire cost of childrearing for multicultural families from next year regardless of their income levels as part of efforts to enhance the country's welfare policy.

N. Korea proposes family reunions Oct. 21-27 North Korea has proposed resuming the reunion of families separated by the Korean War six decades ago, a South Korean official said Friday. The proposal was made during Red Cross talks between the two Koreas.

Korea shares 'green capital' with emerging nations Korea, which has risen from being a recipient of aid to an emerging donor, prides itself on sharing its growth experience with the developing world. On a warm morning at the headquarters of the Korea International Cooperation Agency (KOICA) on the outskirts of Seoul, that act of sharing is being put into practice — with dynamic results.

Japan

Politico-strategic Front:

Kan ahead in final stage of DPJ leadership race Poll shows prime minister is winning over local assembly members Prime Minister Naoto Kan is leading challenger Ichiro Ozawa as the Democratic Party of Japan's presidential election campaign heads into the home stretch, according to the latest Kyodo News poll. Kan is seen having secured 585 points, far more than Ozawa's 475

Kan, Ozawa draw flak for fiddling while Rome burns As Prime Minister Naoto Kan and Democratic Party of Japan kingpin Ichiro Ozawa battle toward their showdown Tuesday, observers are criticizing them for creating a political void in the ruling party at a time when Japan is struggling to rekindle the economy and address other pressing issues.

Futenma's future may ride on DPJ leadership battle Experts doubt Ozawa would stay in lockstep with U.S. policies Political analysts in Japan and the U.S. agree that the heated battle between Prime Minister Naoto Kan and Ichiro Ozawa for control of the ruling Democratic Party of Japan could have a huge impact on the relocation of the U.S. Futenma air base.

China delays gas talks over collision Dispute sets back treaty on field development China said Saturday it has decided to postpone talks with Japan aimed at signing a treaty over joint gas field development in the East China Sea in protest over Tokyo's handling of a Chinese fishing boat that hit two Japan Coast Guard patrol ships near the disputed Senkaku Islands.

Kan still top pick for DPJ leader: poll Prime Minister Naoto Kan continued to enjoy the support of a majority of voters as the preferred leader of the ruling Democratic Party of Japan ahead of Tuesday's presidential election against party kingpin Ichiro Ozawa, an opinion poll showed Saturday. The telephone survey conducted Thursday and Friday showed 67.3 percent of those polled backed Kan to 22.8 percent for Ozawa, a former DPJ secretary general.

Chinese vessel asks survey ship to stop A Chinese government vessel on Saturday asked a coast guard survey ship operating in Japan's exclusive economic zone to stop its activities, coast guard officials said. Japan later lodged a protest to China over the incident through diplomatic channels, it said.

Kan stresses need for party unity Prime Minister Naoto Kan called anew Saturday for unity within his Democratic Party of Japan ahead of next Tuesday's party leadership election against rival Ichiro Ozawa.

China increases pressure on Japan over ship collision China took an unusual step on Sunday to increase pressure on Japan over a ship collision near the disputed Senkaku Islands, urging Tokyo to make a "wise political resolution," and demanding the immediate release of the

Chinese fishermen and fishing boat seized by the Japan Coast Guard. All the 14 Chinese fishermen were on board, Xinhua said in a dispatch from Tokyo.

Opponents of base relocation win majority in Nago assembly election Candidates opposed to a Japan-U.S. plan to relocate a major U.S. Marine base to the city of Nago, Okinawa Prefecture, have secured a majority in Sunday's municipal assembly election, according to Kyodo News projections, boosting Mayor Susumu Inamine, who was elected in January on a platform opposing the plan.

China fishing crew, boat are released Captain remains in custody over alleged ramming Fourteen crew members and the Chinese fishing vessel involved in a collision last week with Japan Coast Guard patrol boats near the disputed Senkaku Islands were released by Japanese authorities Monday, and the crew reportedly arrived in Fujian Province on an airplane chartered by the Chinese government.

Nago election puts Futenma move in doubt The outcome of Sunday's key election for the municipal assembly in Nago, Okinawa Prefecture, may create further doubts that the agreement between Japan and the United States to move the Futenma base to the city's Henoko district will be carried out. Opponents of relocating the Futenma base achieved a major victory, winning a majority in the assembly.

Kan cruises to victory in DPJ election Ozawa comes up short but top post may still await party bigwig After a fierce two-week campaign, Prime Minister Naoto Kan on Tuesday defeated Democratic Party of Japan bigwig Ichiro Ozawa in the ruling party's presidential election, securing his post and avoiding yet another leadership change.

China cancels politician's visit after ship incident Fallout from collision between vessels near Senkakus leads to decision China has postponed a senior legislator's visit to Japan amid the renewed territorial dispute sparked by ship collisions last week off the Senkaku Islands in the East China Sea, Japanese officials said Tuesday.

Kan shifts focus to Cabinet picks Fresh off election victory, prime minister urged to hand some posts to Ozawa supporters A day after his re-election as president of the Democratic Party of Japan, Prime Minister Naoto Kan got busy Wednesday choosing new lineups for his Cabinet and the DPJ leadership. Attention is focused on whether Kan will grant his sole opponent in Tuesday's election, Ichiro Ozawa, or any of the power broker's allies important government or party posts.

China media calls on Kan to end isles row Prime Minister Naoto Kan should be firm in ending the diplomatic dispute over the Senkaku Islands and stabilize China-Japan relations now that he has retained control of the Democratic Party of Japan, Chinese state media said Wednesday. Chinese media outlets had been regarding Japan's detention of a Chinese fishing boat captain partly as taking a tough line to win votes before Tuesday's DPJ election.

Beijing testing Japan-U.S. relationship, Armitage warns Former U.S. Deputy Secretary of State Richard Armitage said Wednesday in Tokyo that China is testing Japan over the "chill" in its ties with the U.S. by creating mischief in the East China Sea, particularly last week's collisions between a Chinese trawler and Japan Coast Guard vessels.

Kan replaces over half of his Cabinet Transport chief Maehara now foreign minister Fresh off his re-election as president of the Democratic Party of Japan, Prime Minister Naoto Kan reshuffled his 3-month-old Cabinet on Friday, replacing 10 of the 17 Cabinet posts and naming few people loyal to party bigwig Ichiro Ozawa.

Okinawa U.S. Military Base Move Issue Needs Local Agreement, Maehara Says Local opinion in Okinawa is the key to ending controversy over a U.S. military base, Japanese Foreign Minister Seiji Maehara said, adding there will be no rushed solution ahead of President Barrack Obama's visit to Japan in November.

Kan's Approval Ratings Rise After Reshuffle of Cabinet Posts, Polls Show Prime Minister Naoto Kan won higher approval ratings after a Cabinet reshuffle that gave no key appointments to supporters of Ichiro Ozawa, Kan's rival for party leadership, Japanese newspapers reported. Support for Kan's Cabinet rose to 66 percent, the highest since he took office in June, the Yomiuri Newspaper reported in Tokyo today. The Mainichi newspaper said approval climbed to 64 percent from 48 percent.

New safety rules OK'd for Shimane nuke plant The Nuclear and Industrial Safety Agency approved a new set of safety regulations Monday for a nuclear power plant in Shimane Prefecture where numerous inspection failures were discovered earlier this year.

Economic Front:

Surging yen having a negative impact on sales at 37% of nation's companies A total of 36.7 percent of companies say a strong yen will negatively affect their sales, while only 6.9 percent say the yen's appreciation will have positive effects, according to a survey by Teikoku Databank Ltd. The survey was conducted on a wide variety of companies, including manufacturers, wholesalers, retailers and contractors

¥1.8 trillion was poured into forex market The government used some ¥1.8 trillion for Wednesday's currency market intervention to prevent the yen from rising further, according to the Bank of Japan's transaction data. According to the BOJ data on its current account deposit balances, the size of the intervention is estimated at somewhere between ¥1.7 trillion and ¥1.8 trillion — the biggest yen-selling, dollar-buying operation for a day.

Mizuho Securities to set up Asia bases Mizuho Securities Co. plans to set up business bases in Taiwan and South Korea by the end of fiscal 2011 to improve client services in the fast-growing Asian markets, company officials said.

SBI plans fund with Abu Dhabi firm SBI Holdings Inc. said Monday it will establish an investment fund with Abu Dhabi financial services firm Invest AD to invest in African companies. The Tokyo-based investment and financial services firm and Invest AD will also set up a joint company to manage the fund.

Tobacco may face further tax hikes A group of lawmakers is seeking to increase tobacco taxes for a second straight year to curb rising health care costs. Cigarettes sell here for less than half the price they do in New York City.

Kan's victory seen moving yen higher The yen is poised to rise as high as 78 per dollar as the victory of Prime Minister Naoto Kan in the ruling party election Tuesday will dampen the likelihood of intervention, Bank of America Merrill Lynch said. Standard & Poor's said Kan's victory "is not necessarily good" for the nation's credit rating, Takahira Ogawa, director of sovereign ratings in Singapore, said.

Toyota Plans to Recall as Many as 116,507 Hilux Vehicles on Safety Concern Toyota Motor Corp. recalled 116,507 four-wheel-drive gasoline and turbo-diesel HiLux vehicles produced between January 2005 and February 2010 in Australia.

Tokio Marine to invest ¥50 billion in apartments Tokio Marine Property Investment Management Inc. plans to raise ¥50 billion to invest in apartments in Tokyo as it bets that land prices are bottoming. Its first fund in two years will have a target return of about 10 percent, he said.

Kan's strong fiscal pledge in doubt Prime Minister Naoto Kan's narrow win in the Democratic Party of Japan leadership race may make it tougher for him to implement the deficit-reduction measures that he promised. Kan defeated challenger Ichiro Ozawa by a margin of six votes in Tuesday's ballot of DPJ lawmakers. Kan, 63, said after the win he will decide on DPJ executive posts following talks with "senior party members including former presidents," suggesting Ozawa may be consulted.

Government acts to drive down yen Currency falls from 15-year high after first intervention in 6 1/2 years Japan's monetary authorities intervened in the foreign exchange market Wednesday for the first time in 6 1/2 years to stem the yen's appreciation against the dollar and save the export-driven economy, Finance Minister Yoshihiko Noda said. After Noda confirmed the move, the yen fell from a 15-year high versus the dollar, tumbling the most in four months.

Toyota Australia to make green engines Toyota Motor Corp. Australia Ltd. announced plans Friday to invest 300 million Australian dollars (about ¥23 billion) to produce a new generation of environmentally friendly engines for its Camry and Hybrid Camry sedans.

GDP growth for April-June revised to 1.5% The economy expanded an annualized real 1.5 percent in the April-June quarter, better than the initially reported 0.4 percent thanks to a boost in corporate capital investment, government data showed Friday.

¥915 billion stimulus package unveiled The government said Friday it will spend ¥915 billion on its fresh stimulus package to grapple with the recent upsurge of the yen and downside risks to economic growth by creating 200,000 jobs and encouraging consumer and business spending.

(Cyber Space) 30% in metropolitan regions use e-money The share of electronic money users in two major metropolitan regions has more than doubled from four years ago to 30 percent, a think tank said Tuesday. A rising number of people view quick settlements without small change as attractive, the Hakuhodo Institute of Life and Living said.

Sales of imported autos jump 75% Sales of new imported vehicles jumped 74.9 percent in August to 19,718 units, climbing for the 10th consecutive month, the Japan Automobile Importers Association said Monday. By brand, Nissan topped the rankings with sales of 4,729 vehicles, up sharply from a mere 21 vehicles the year before.

Japan's 10-Year Bonds Rise as Moody's Says Kan Win `Dispels Uncertainty' Japan's bonds rose after Moody's Investors Service said "the re-election of Prime Minister Kan dispels uncertainty." Ten-year yields fell six basis points to 1.045 percent as of 9:28 a.m. in Tokyo.

Japan Stance `Unchanged' on U.S. Beef Imports for Talks, Ministry Says Japan will maintain its stance on restricting some U.S. beef when officials from the two countries hold talks next week, the agriculture ministry said today.

Social Front:

Talks start on Pacific bluefin catch cutbacks An international fisheries management panel began discussions Tuesday on reducing bluefin tuna catches in the Pacific Ocean amid concerns over decimation of young tuna in the region, particularly by Japanese and South Korean fishermen.

Japan confirms first new-type superbug The NDM-1 gene has been detected in intestinal bacteria such as E. coli and a bug that can invade the lungs called Klebsiella pneumonia, which without the gene are mostly harmless to the human body. Health authorities are on the alert because the superbug can spread easily from one kind of intestinal bacterium to another even among healthy people, causing pneumonia and other diseases if it spreads to more highly pathogenic bacteria

Yamanaka awarded Balzan Prize for breakthrough on stem cells A Japanese researcher who found a way to give adult cells certain characteristics of embryonic stem cells, a process

scientists say could eventually lead to cures for spinal cord injuries and other ailments, has been awarded the Balzan Prize for biology.

House, elementary school win prizes A house and an elementary school have won awards for outstanding designs that serve as next-generation standards in the world of architecture, organizers of the Leaf Awards said Friday.

Toyota Tsusho eyes tuna farming Toyota Tsusho Corp. said Friday it will jointly start business with Kinki University to farm fully cultured juveniles of bluefin tuna and supply them to farmers. Kinki University has decided on the cooperation to expand its tuna farming by using the firm's larger facilities.

Motion sensors, 3-D games grab limelight at Tokyo Game Show Japan's biggest video game show kicked off Thursday at the Makuhari Messe convention center in Chiba, with motion-sensor game systems and three-dimensional display images drawing the most attention.

Facebook is sidelined in Japan as social network battle heats up Japan's publishing industry at a crossroads Since Internet use spread worldwide, newspapers and the publishing industry at large have been facing many challenges. In fact, just like The Japan Times, many Japanese newspaper companies are also involved in publishing books and other media content, the key heritages of print media that humans invented.

Five more superbug cases found Teikyo University Hospital said Saturday it had confirmed another five cases of infection with Acinetobacter, an antibiotic-resistant bacteria, bringing to 58 the total number of people infected in-hospital with the superbug. Of the five newly uncovered cases, a woman in her 70s died this June and experts are currently studying whether her death was caused by the infection, said the hospital in Itabashi Ward, Tokyo.

Former U.S. POWs arrive in Japan on government invitation Six former U.S. prisoners of war arrived in Japan on Sunday for an eight-day visit at the invitation of the Japanese government, marking the first government-sponsored trip by American POWs for reconciliation and mutual understanding between the two countries.

Heavy rains pelt Sea of Japan coast, northeastern Japan Heavy rains hit the Hokuriku region on the Sea of Japan coast and the Tohoku region in northeastern Japan on Sunday, with record rainfall for September logged in Niigata, Toyama and other prefectures, disrupting some train services, the Japan Meteorological Agency said.

Strong quake jolts northeast Japan An earthquake with a preliminary magnitude of 5.7 jolted northeastern Japan on Monday afternoon, the Meteorological Agency said.

Heatstroke figures still growing in September A total of 54,386 people suffering heatstroke have been taken in ambulances to hospitals across the nation since May 31, the Fire and Disaster Management Agency said Tuesday. Of the total, including 2,227 who were rushed to hospitals

during the week through Sunday alone, 170 people were confirmed dead shortly after arriving at hospitals, the agency said in a preliminary report on this summer's scorching heat.

Violence in schools hits new high Violent incidents at elementary, junior high and high schools nationwide increased for the fourth straight year to hit a record 60,913 in the 2009 academic year, according to an education ministry report released Tuesday. Incidents at junior high schools accounted for 72 percent of the total, the ministry said.

Farm labs moving crops north due to warming In response to climate change, agricultural laboratories nationwide are conducting research to see whether crops can be cultivated farther north than their usual growing regions. Experimental farms in 11 prefectures have been conducting the studies, including Yamagata, which is trying to cultivate "yuzu" (citron), a fruit commonly grown in warmer areas to the south.

No antibiotic candidates emerge to stem superbugs Japan's pharmaceutical industry doesn't have even a single candidate for new antibiotics to counter multidrug-resistant superbugs such as some types of Acinetobacter and E. coli bacteria, according to an expert reporting the situation to the government.

Tips on illegal Net info set new high An Internet hot line seeking tips on sites offering illegal information experienced a 75.3 percent surge in submissions in the first six months of the year, the National Police Agency said Thursday. During the January-June period, the Internet Hotline Center received 18,542 reports of illegal information on websites, including child pornography and ads for banned drugs, the highest since it was set up in 2006, the NPA said. The center received 5,441 reports about harmful information, including suicide pleas and offers to commit paid murder, up 53.9 percent, the NPA said

Nurse acquitted of tormenting elderly patients A high court acquitted a nurse in Fukuoka Prefecture on Thursday of injuring two elderly patients with dementia whose nails were removed while she cut them in 2007, recognizing her act as "necessary and proper" nursing care.

Japan falls in global university rankings Japan has slipped in an annual evaluation of universities around the world, overtaken by China for the first time. The number of Japanese institutions among the world's top 200 universities has fallen from 11 to five, according to rankings released Thursday by the Times Higher Education magazine.

Abduction victims alive, Nakai says Hiroshi Nakai, who until Friday was state minister in charge of dealing with the issue of North Korea's past abductions of Japanese nationals, said some of the abduction victims are close to being confirmed as alive.

Detailed News

South Korea

Politico-strategic Front:

North Korea Silent on Party Congress Meeting as Deadline Passes

North Korea may have missed its own deadline to hold the regime's biggest political gathering in 30 years, fueling speculation the health of leader Kim Jong Il is worsening as he prepares to transfer power to his son.

State media had said, without giving any precise dates, the ruling Workers' Party of Korea would convene a congress in "early September" to elect "its highest leading body." As the midpoint of the month passed with no mention of a meeting, speculation has increased that it was delayed either because of Kim's deteriorating health or damages from recent floods.

The congress has raised expectations Kim may seek to legitimize a hereditary succession to his youngest son Kim Jong Un. The last party meeting in 1980 cemented Kim's position as successor to his father, North Korean founder Kim Il Sung. While media including YTN television have speculated Kim's ill health may be behind the delay, some analysts said internal divisions were a likely cause.

"It seems Kim Jong Il and other party members haven't reached a consensus on who they should name as the next party leaders," said Baek Seung Joo, a senior research fellow at the Korea Institute for Defense Analyses. "Kim himself may not have made up his mind on how much power he wants to bestow upon his son at this point."

The South Korean government still prevents its citizens from reading North Korean websites or making phone calls across the border, while the North tightly controls access to the country. That means most reports are based on speculation or information from defectors with contacts inside the country.

'Taken Aback'

"North Korea may have been taken aback by all of this focus on Kim Jong Un when they're still uncertain within themselves whether to make him public," said Kim Yong Hyun, a professor of North Korean studies at Seoul-based Dongguk University. "It could also be the country has yet to finalize its key policies to be discussed at the meeting."

During a trip to China last month, Kim visited the northern city of Jilin, associated with his father's anti-colonial activities during the 1930s. The official Korean Central News Agency published articles that glorified the "revolutionary activities" in China against Japanese

occupation of the peninsula by Kim Il Sung. Analysts said Kim Jong Il's China trip, his second this year, was an effort to win his closest ally's endorsement for the power transfer.

Not Recovered

The party congress was being delayed because Kim hadn't fully recovered from his five-day trip to China, Seoul-based YTN news channel reported on Sept. 13, citing a South Korean intelligence official it didn't name. Open Radio for North Korea, a Seoul group with contacts in the communist country, carried a similar report on Sept. 13.

Delegates to the congress were taking longer to arrive in Pyongyang because roads have been damaged by the floods of the past two months, Good Friends, a Seoul-based rights group, reported on its website on Sept. 15.

The latest picture of Kim from a meeting with Chinese President Hu Jintao in August published in South Korean newspapers showed his hair was thinner than when he was last seen in May. Television images of Kim during his May trip to China showed he was limping and dragging his left foot.

Since he reportedly suffered a stroke in 2008, there have been various reports of his declining health. Kim is suffering from kidney failure and is receiving dialysis treatment, Nam Sung Wook, head of the state-run Institute for National Security in Seoul, said in March.

'Eternal President'

"The Korean people deeply revere Kim Il Sung as the eternal president," KCNA reported Sept. 9. The agency published a piece extolling Jilin city as a place where founder Kim "studied progress ideas."

Little is known outside North Korea about Kim Jong Un, who may be in his late 20s. He attended the International School of Berne in Switzerland, according to media reports, including the Seoul-based Dong-A Ilbo newspaper.

Kim Jong Il's last public appearance was reported by KCNA on Sept. 12 when he visited a factory in the northern city of Manpho. His son has never been mentioned by the state media.

North Korea proposes military talks with South

North Korea has proposed holding colonel-level military talks with the South next week, the Ministry of National Defense said Thursday.

The proposal comes on the heels of Seoul announcing it will send 5,000 tons of rice and other aid to the flood-stricken North in a sign of easing tensions that had risen following the sinking of a South Korean warship in March.

Representatives of the U.S.-led United Nations Command (UNC) Military Armistice Commission and the North Korean People's Army Panmunjeom Mission held a working-level meeting earlier in the day at the truce village. Both sides discussed ways of easing tension on the peninsula, according to UNC officials.

North Korea made the proposal for the working-level military meeting via a faxed message using a military hotline over the tense West Sea border, a ministry spokesman said.

In the message, the North demanded that the two sides discuss the issue of the Northern Limit Line (NLL), the de facto inter-Korean sea border in the West Sea, and anti-Pyongyang propaganda leaflets being flown by South Korean activities into the North, according to the spokesman.

Pyongyang is also expected to take issue with Seoul's naval exercises in the West Sea, he said.

The North suggested that the meeting be held Sept. 24 at the southern side of Panmunjeom, he added.

"We're reviewing the seriousness of the North's proposal carefully since the regime has not apologized for the sinking of the frigate Cheonan," he said.

A Seoul-led multinational team of investigators determined in May that the ship was sunk by a torpedo fired from a North Korean submarine. Earlier this week, the team released a final report pointing to the North's involvement in the incident that killed 46 sailors.

North Korea has denied it had anything to do with sinking and instead blamed South Korea for "fabricating" the results of the investigation.

The NLL, unilaterally drawn by the UNC at the end of the 1950-53 Korean War, was the scene of deadly naval clashes between the two Koreas in 1999, 2002 and last November. It is also the area where the Cheonan, a 1,200-ton South Korean frigate, sank from what a multinational group of investigators concluded was a torpedo attack.

Pyongyang insists that the NLL be redrawn further south.

The North has frequently protested leaflets sent by civic groups, including those led by North Korean defectors and families of those abducted by Pyongyang, flown across the border tied to balloons.

Chief auditor tapped as prime minister

President Lee Myung-bak has nominated the chief state auditor Kim Hwang-sik as the new prime minister, Cheong Wa Dae announced Thursday.

The National Assembly is expected to hold a confirmation hearing in a few weeks to review his qualifications. If he gets approval, he will succeed Chung Un-chan, who resigned in late July over his failed attempt to revise the Sejong administrative town project in South Chungcheong Province.

Kim, a native of Jangseong, South Jeolla Province, will also become the first prime minister from the southwestern province since the establishment of the Republic of Korea in 1948.

The 62-year-old former Supreme Court justice has been serving as the chairman of the Board of Audit and Inspection (BAI) since July 2008.

"A man of high integrity and morality, Kim has been an example for many public employees. We believe he is the best person to lead our efforts to create a fair society," presidential chief of staff Yim Tae-hee told reporters.

Opposition parties vowed a tough hearing for the nominee.

One of the likely issues of hot debate is the fact that he was exempted from military service for health reasons.

"The presidential office held a mock hearing for Kim. We found few ethical problems with him," a spokesman said.

In 2008, Kim already received confirmation from the National Assembly as the nominee for BAI chief.

Presidential aides said integrity was the No. 1 priority in selecting the candidate for the top cabinet post.

Some sources said Lee might have considered Kim's hometown in selecting him. The Jeolla provinces are a stronghold of the main opposition Democratic Party.

In the Aug. 8 Cabinet reshuffle, the conservative leader chose nominees for the prime minister and seven ministers.

However, Premier-nominee Kim Tae-ho, Culture Minister-nominee Shin Jae-min and Knowledge Economy Minister-designate Lee Jae-hoon withdrew weeks later after their ethical qualifications were questioned at the National Assembly confirmation hearings.

Kim Hwang-sik studied law at Seoul National University. He passed the state bar exam in 1972 and became a judge at a local court. He served as a Supreme Court justice from 2005 to 2008.

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Search for PM tough indeed

President Lee Myung-bak was slow to designate chief state auditor Kim Hwang-sik for prime minister — the nomination came approximately a month after the post was vacated.

The slow procedure sparked speculation over why it took so long for Lee to nominate someone for the crucial job.

Analysts said the search for a prime minister was a demanding task for several reasons.

One of the hurdles was the extremely high standards set by President Lee, they said.

Lee was reportedly looking for the total package — a candidate with impeccable managerial skills, flawless ethics and an outstanding job performance.

Back in 2008, Rep. Chung Doo-un of the ruling Grand National Party, who was responsible for the search for the first prime minister of the Lee administration, admitted finding a perfect prime minister was almost an impossible mission.

“As it seems nearly impossible for the nation to have such a perfect candidate who can meet Lee’s expectations, I think we may have to consider those abroad for the prime minister job,” the outspoken lawmaker said.

Chung’s frustration came as then President-elect Lee kept turning down the shortlisted candidates proposed by Chung.

‘Hearings-phobia’

The demanding job was passed on to Yim Tae-hee, the presidential chief of staff.

He was faced with a fresh challenge — the rejection of candidates due to hearings-phobia.

Kim Tae-ho, the former prime minister-nominee, withdrew from his nomination after he was found to have lied about his ties to a businessman who is in jail for bribing politicians to aid his business during the confirmation hearing.

Yim has reportedly met with several high-profile figures, who the presidential office staffers thought could fit the post, to ask if they would be interested in the number two position. None of them accepted his offer.

Some turned it down for fear of a tough confirmation hearing.

Lawmakers scrutinized the nominees' personal lives, professional and family backgrounds, and tax and wealth records during the hearings.

Among other core qualifications, legislators focused more on ethics when questioning the prime minister- or Cabinet minister-designates. Their job credentials rarely caught their attention.

The vast majority of nominees were grilled, crushed and frustrated during hearings for allegations and accusations involving their tax records, wealth, military service and family background.

Rep. Lee Yong-sup of the main opposition Democratic Party, who had gone through four confirmation hearings for public office before, recalled enduring the questionings was tough. But he said it was a rite of passage.

Unlike Cabinet minister-nominees, a prime minister-designate has one more hurdle to pass — a parliamentary vote on the nomination after the confirmation hearing.

In most cases, the vote results are subject to partisan politics.

This is a setback to potential candidates who have no previous experience in the political arena as they try to avoid being victimized by the vested interests of political parties.

Analysts said President Lee's new slogan of fair society has also impeded the search for prime minister.

Lee called the fair society slogan the guiding light for the latter half of his presidency, in his Aug. 15 Liberation Day address.

Lee's latest buzzwords are holding back his appointment of nominees.

In the past, Cabinet minister-nominees' involvement in relatively minor illicit activities were often overlooked as Lee went ahead with appointing his picks, despite protests from opposition parties.

Lee's slogan, however, makes it difficult for him to appoint his picks who were found to have been involved in illicit activities as it could hurt the second half of his presidency.

EU taps Polish amb. as new top envoy to Seoul

Polish diplomat Tomasz Kozlowski was tapped Wednesday (local time) as the European Union's new envoy to South Korea, Yonhap News Agency reported.

The former ambassador to Pakistan has been in charge of Asian affairs within the Council of the European Union.

Kozlowski also served as principal adviser on Asia and Latin America at the European Commission's Directorate General External Relations, according to Yonhap.

Kozlowski was among the 28 heads and deputy heads of EU missions abroad, including China and Japan, appointed by EU foreign policy chief Catherine Ashton.

Koreas agree to hold family reunions in late Oct.

South and North Korea held Red Cross talks Friday to discuss the resumption of the reunions of families separated by the 1950-53 Korean War, but failed to reach an agreement on the details of the meetings.

Delegates from the two Koreas will meet again next Friday to iron out differences concerning the date and venue, according to the Ministry of Unification.

South Korean-owned facilities had been either frozen or seized since early this year amid strained relations between the two countries.

Seoul, which does not acknowledge the validity of Pyongyang’s action, proposed that the reunions be held at the family reunion center, which was last used in October 2009. The North, however, was reluctant to accept the offer.

North Korea experts say the reclusive state may be trying to extract concessions from the South over the resort. The seizure of the tourism facilities at the mountain resort came after Seoul refused to resume cross-border tours that had been suspended over the shooting death of a female tourist in 2008.

If held, the reunions will be the first such meetings in a year between the two countries whose ties are showing signs of improvement after a months-long standoff following the March 26 sinking of South Korea’s warship Cheonan.

"We proposed the family reunions be regularized and that the new event involve a greater number of people than before," ministry spokesman Chun Hae-sung said.

Tens of thousands of people are waiting on both sides of the border for a chance to reunite with their family members left on the other side after the 1950-53 conflict ended in a truce.

Only 20,800 family members have enjoyed such chances since 2000 when the two Koreas held their first summit. About one-fifth of them have been reunited via video. The two governments strictly restrict contact between their citizens, citing their technical state of conflict.

Earlier Friday, a 14-member South Korean delegation crossed the heavily armed western border into North Korea for a meeting in the border town of Gaeseong.

“We can no longer procrastinate on the family reunion issue,” Kim Eyi-do, head of the South Korean Red Cross delegation, told reporters in Seoul before departing for the North. Kim also supervises unification policy coordination with the government.

South Korean officials have said their priority is to persuade the North to agree to regular family reunions, regardless of the political situation.

The exchange came amid a series of conciliatory overtures from North Korea since late last month when its leader traveled to China and promised to work for the resumption of the stalled multilateral denuclearization talks.

It also comes as Pyongyang is seeking outside aid to recover from floods that have devastated some parts of the country since early last month. These were made worse by Typhoon Kompasu in early September, which killed dozens of people and caused severe property damage.

Seoul, communicating through the Red Cross, has promised rice and cement for the North's recovery efforts, announcing 10 billion won ($8.6 million) in aid on Sept. 13, two days after the North offered talks on reuniting displaced families.

In addition, South Korea has approved civilian flood aid to North Korea, the first batch of which crossed the border Friday morning, containing 203 tons of rice, according to customs officials in the South Korean border town of Paju, northwest of Seoul.

Rice aid to the North was suspended after the conservative Lee Myung-bak administration took office with a tougher stance on the North and its nuclear arms program in 2008.

The bilateral ties frayed to the worst level in years when South Korea blamed North Korea in May this year for the Yellow Sea sinking of the frigate Cheonan, which claimed the lives of 46 sailors, the biggest peacetime naval disaster in South Korea's history.

North Korea continues to deny its role in the sinking, calling it a fabrication by the conservative South Korean government and demanding its own onsite investigation as recently as Thursday, when its military held talks with the U.S.-led U.N. command.

Friday's Red Cross talks drew heightened attention because such meetings have a history of paving the ground for broader inter-Korean discussions. South Korea, however, has yet to decide whether to agree to the North's new proposal to hold military talks on cross-border disputes.

N. Korea considers dormitory at Gaeseong site

North Korea was considering operating a dormitory for its workers the inter-Korean Gaeseong Industrial Complex in the North, a source in Seoul said Saturday.

The move was construed as Pyongyang's intention to supply more workers to the industrial park.

The source said on condition of anonymity that a North Korean official in charge of jointly administering the Gaeesong complex recently told South Korean officials that the North is "considering operating a temporary dormitory for workers," according to Yonhap News Agency.

Despite months of inter-Korean confrontation, some 42,000 North Koreans hired by more than 120 South Korean businesses are producing labor-intensive goods at the joint complex.

'Military suffering ammunition shortage'

The South Korean Army is short on ammunition reserves to be used in wartime, an opposition lawmaker claimed Friday.

According to Rep. Song Young-sun of the Future Hope Alliance, the service only has enough artillery ammunition to last for two weeks, should war break out. Song is a member of the National Assembly Defense Committee.

The stockpile of high-cost ammunition, such as howitzer shells for K-9 self-propelled guns, is even lower, the lawmaker said.

The Army is deploying K-9s mainly to islands near the West Sea border with North Korea to counter any long-range artillery attacks should hostilities break out.

But the Army only has enough of the K-9 shells for three to four days, she said.

The multiple-launch rocket systems' ammunition and dual-purpose improved conventional ammunition are also in short supply.

An Army spokesman said it was not so necessary to maintain a large amount of ammunition.

"We assess artillery exchanges between the two Koreas would continue for about six days, should a conflict occur," the spokesman said. "Given additional ammunition supplies from rear area units and also from the U.S. military, there will be no shortage of ammunition in wartime."

North Korea is believed to have about 1,100 long-range artillery systems, including 60-kilometer-range 240mm rocket launchers, along the Demilitarized Zone dividing the two countries.

Both Koreas have remained technically at war since the 1950-53 Korean War ended in a truce, not a permanent peace treaty.

Economic Front:

South Korea's Posco in Talks With Zimbabwe on Development of Raw Materials

Posco, South Korea's largest steelmaker, is in talks with Zimbabwe to cooperate on the development of raw materials, the African nation's mines minister said.

"We're hoping for a good partnership with Posco," minister Obert Mpofu said yesterday in an interview in Seoul. "We view Posco as a potential ally for Zimbabwe." Posco spokesman Choi Doo Jin declined to comment on talks.

South Korea, which imports almost all its energy and mineral needs, is competing with China and India to secure supplies of raw materials. Zimbabwe has the world's second- biggest deposits of platinum and chrome after South Africa and has reserves of gold, diamonds, coal and iron ore.

Posco officials visited Zimbabwe in June and will return by the end of the year, said Mpofu, who is visiting Seoul to attend a ministerial conference between South Korea and African nations.

Shares of Posco dropped 1.9 percent to 514,000 won in Seoul trading as of 10:36 a.m. local time, compared with a 0.4 percent decline in the benchmark Kospi index.

South Korean companies have made 31 bids worth $9.9 billion for foreign resources assets in the past 12 months, according to data compiled by Bloomberg. The nation is Asia's fourth-largest economy.

Posco is considering buying silica, a raw material used to make ferro-silicon, from Zimbabwe, spokesman Choi said on May 31. Zimbabwe has been visited by other South Korean companies looking for manganese and tin, minister Mpofu said.

Zimbabwe is rebuilding its economy after a decade-long recession that followed a drought and President Robert Mugabe's seizure of white-owned commercial farms for redistribution to blacks deprived of land under colonial rule.

Mudra Seeking to Sell Majority Stake to S Korea's E-Land Group, ET Says

Indian textile company Mudra Lifestyles Ltd. is negotiating to sell a majority stake in the company to South Korea's E-Land Group, the Economic Times newspaper reported, citing an unidentified person.

Moody's praises Korea's recovery trajectory

Upgrade in ratings not excluded but 3 concerns raised

When Thomas Byrne was told that the person passing behind him was Arnold Schwarzenegger, he didn't even try to turn his face. It seemed that the Moody's man does not have any interest in the movie star-turned governor of California, a state with falling credit ratings.

Instead, Byrne's usually stern face lightened up a little when he spoke about Korea's performance.

"Two years ago, who would have thought Korea could grow almost 6 percent?" Byrne said in a joint interview with The Korea Times and Reuters news agency on Wednesday. "The (Korean) government has done a very good job. We don't see any negatives in government performance since the financial crisis."

Byrne is a senior vice president for Moody's, one of the big three credit rating agencies in the world. As a regional credit officer based in Singapore, he is in charge of assessing creditworthiness of countries in the Asia Pacific region and visits Korea regularly. He was attending a conference hosted by The Economist magazine at Grand Hyatt in Seoul on Wednesday, when Schwarzenegger happened to visit the same hotel.

Byrne said that the policies laid by the Lee Myung-bak government to counter the financial crisis were "probably the most effective among advanced countries."

Figures support his assertion as well as most economists' upbeat analysis on Korea's economy. Moody's sees that the economy will grow by 5.9 percent this year and by 4.5 percent next year, which is in line with forecasts from the Korean government and many other institutions. Unemployment is an ongoing concern but still kept below 4 percent, at least on paper. Export is brisk and the country is bound to be the eighth largest exporter in the world this year.

Acknowledging these factors, Moody's has upgraded Korea's credit rating to A1 from A2 in April. The momentum suggests that it may deserve a better rating in the next assessment, which should be made sometime next year.

"Our rating methodology suggests that if credit fundamentals continue to improve, that Korea could be rated higher," Byrne says.

So far, so good for the Lee administration. What matters now is stability. Can the government maintain the positive momentum it has showed since the financial crisis?

"If the Korean government can maintain systemic stability, which means reducing the systemic risks and moral hazard, that would be the big thing we are looking at," Byrne adds.

Per capita tax burden to rise to W6.23 mil. in 2014

The government expects tax revenues for next year to reach 187.8 trillion won in national taxes, up 7.3 percent from the previous estimate. Local taxes for 2011 are forecast to reach 52 trillion won.

This year, the national tax will be in the area of 175 trillion won, about 4.5 trillion won from the previous forecast. Officials said that the raised forecast is attributed to the ongoing recovery that can be extended to 2014, meaning an annual rise of 7 to 9 percent in tax revenues.

This higher forecast means that the combined amount of tax per capita or the combination of local and national taxes will reach 4.9 million won next year, about 340,000 won higher than this year. The individual tax burden is forecast to reach 6.23 million won by 2014.

According to tax revenue forecasts announced by the Ministry of Strategy and Finance yesterday, corporate taxes for 2011 is forecast to reach 41.5 trillion won, up 5.1 trillion won or 13.8 percent higher than the previous prediction. The increased rate for corporate taxes is the highest, with tax officials attributing it to, among others, a rapid increase in corporations?operating profits recorded in the first half of the year.

Value-added taxes, the biggest in terms of size, are also expected to reach 52.9 trillion won, up 3.4 trillion won or 6.9 percent from this year.

For taxes on salaried workers, about 16.5 trillion won will be collected next year, about 1.2 trillion won or 8.1 percent more than this year forecast in tax collection.

The "global income tax" will amount up to 300 billion won or 4.6 percent to 6.4 trillion won. Transfer taxes will reach 8.7 trillion won next year, up 100 trillion won or 1 percent from this year뭗 forecast, in spite of a recovery in real estate prices.

For tariffs, the next year will see the collection of 11.4 trillion won, up 8.7 percent from this year. For this year, the taxes on wages will reach 15.3 trillion won in excess of 6.9 percent from the amount reflected in the budget; the global income tax will come up 1 percent to 6.1 trillion won. Transfer taxes will drop 3.5 percent to 8.6 trillion won.

The interesting part in the government's mid-term tax predictions is a strong sense of optimism that sees a strong recovery sustained for the years to come. For the tax revenues, it predicts they will amount to 306 trillion won by 2014 on the back of strong growth.

In terms of national taxes, 2012 will have 204 trillion won from 187.8 trillion won this year. In 2013, the amount will rise to 221 trillion won and, in 2014, it will reach 242 trillion won. For local taxes, the amount for next year will be 52 trillion won, going up to 56 trillion won in 2012: to 60 trillion won in 2013 and to 65 trillion won in 2014.

Thus, the individual tax burden will be 4.9 million won for next year and go up to 5.3 million won in 2012 and rise to 5.73 million won in 2013 and 6.23 million won in 2014.

The portion of taxes against the gross domestic product (GDP) will accordingly rise from 19.3 percent next year to 19.8 percent in 2014.

Korea-EU FTA to go into effect next July

free trade agreement (FTA) between Korea and the European Union (EU) will go into effect next July, making the country the first Asian nation to have an expanded trade deal with the European bloc.

The Ministry of Foreign Affairs and Trade (MOFAT) announced the breakthrough, Thursday, which came after Italy dropped its objection at an EU summit in Brussels.

The FTA is expected to benefit Korea, which depends heavily on international trade.

``The EU is the world's largest economic bloc, even bigger than the United States. It is also our second-largest trade partner with bilateral trade reaching $78.8 billion last year,'' a MOFAT official said.

``The EU maintains relatively high tariffs at 5.6 percent on average, compared to 3.5 percent in the U.S. With the FTA, Europe's tariffs will be lowered, making our products more accessible to European consumers.''

In particular, automobile manufacturers and TV producers are expected to be the most outstanding beneficiaries because tariffs for their items are set as high as 10 percent and 14 percent, respectively.

Korea and the EU tentatively reached a settlement on the FTA midway through last year but they have failed to get further ahead due to objections from some of the EU's 27 member countries.

The deal will be formally signed on Oct. 6 before being approved by the parliaments of both sides. It is projected to easily win a green light from the unicameral assembly of Korea.

The European Parliament is also likely to give a nod to the FTA, under which around 90 percent of the agreements will be implemented. The remaining 10 percent will go into effect after the approval of each assembly of the countries involved.

Under the bilateral agreement, the EU will scrap all tariffs within five years, although 99 percent of them will be ended in three years.

Korea must reciprocate, removing tariffs for 96 percent of industrial products in three years — rice is excluded.

The EU was also optimistic on the FTA said Belgian Foreign Minister Steven Vanachere. Belgium currently holds the EU's rotating presidency.

``This is the first of a generation of bilateral trade agreements that will bind Europe and Asia together in an ever closer economic bond,'' he told reporters after the deal was agreed on, AFP reported. ``It is a very big step in opening markets in Asia for our companies,'' he added.

'US will seek Korea FTA's ratification as soon as possible'

U.S. President Barack Obama said Thursday he will seek ratification of a free trade agreement with South Korea as soon as possible after resolving outstanding issues, Yonhap News Agency reported.

"We're also working to resolve outstanding issues with our free trade agreements with our key partners like Korea, and to seek congressional approval as soon as possible," Obama said at a meeting of the President's Export Council at the White House, according to Yonhap.

In June, Obama ordered U.S. Trade Representative Ron Kirk to complete talks with South Korea over autos and beef before he flies to Seoul for the G20 Summit in November so that he can submit the deal to Congress early next year for ratification.

South Korea's National Assembly has also yet to ratify the FTA.

Iran to open won accounts in Seoul for traders

Iran's central bank agreed on Friday to open accounts in Korean won with a pair of South Korean banks in order to reinvigorate trade between the two countries, the Ministry of Strategy and Finance said.

The agreement confirms earlier reports from The Korea Times that Iran has opted for reconciliation, rather than retaliation, after the Korean government had announced a rather symbolic sanction package on the Middle Eastern country last week.

According to the Ministry of Strategy and Finance, Iran's central bank will open Korean won accounts with Woori Bank and the Industrial Bank of Korea (IBK) soon, so that companies can use them as payment channels from as early as October 1.

Iran is one of Korea's key suppliers of crude oil. In addition, 2,142 firms in Korea export goods and services to Iran, directly or indirectly.

Iranian central bank officials arrived in Korea on Tuesday and they signed an agreement on Friday, the ministry said.

Kim Ik-joo, the chief of the international finance bureau, expected this to help revive the Iran-Korea trade, which has been virtually on hold since July.

"It will protect Korean firms engaged in normal, legitimate trade with Iran, by establishing a stable means of settlement," Kim said in his press briefing held at the Gwacheon government complex. He said the delegation was led by a high-level manager of the central bank.

Last Friday, Minister Yoon Jeung-hyun had commented during a workshop with reporters that the Iranian delegation would visit Korea this week and he is not expecting hostility from them. The Korea Times reported this on Monday.

At that time Minister Yoon also said that Korea's sanctions package was designed to satisfy the United States, Korea's closest ally, as well as simultaneously not to provoke Iran, its largest trading partner in the Middle East, too much. "It was a very delicate process, but I believe we did a good job," he said last week.

Iran has made no official statement regarding the issue. The country was the 15th largest trade partner for Korea in 2009, and trade volume had been increasing substantially this year until Iran began to face international sanctions this June.

Last week, the Korean government announced its own sanctions package, which included a two-month suspension of operations on Bank Mellat. The bank is a key settlement channel for firms engaged in trade with Iran. Korea's commercial banks also stopped processing financial transactions with Iran as they were afraid of being blamed by the American government for helping the Islamic country build weapons. Some firms instead used banks in other countries to settle bills.

To resume financial settlements between the companies of the two countries so regular business could continue, the finance ministry picked Woori and IBK in consideration of their size and governance, said Kim. IBK is a state bank specialized in industrial funding. The majority shares of Woori are also owned by the state.

If all of the Iran-Korea trade balances are to be settled at the Iranian central banks' accounts in Seoul, then the central bank will be able to hold some $2 billion of surplus in Korean won. Kim said that the Korean government will not interfere with Iran regarding the use of the money.

Hyundai Motor going local in Russia

Moscow — Hyundai Motor intends to go local in developing its business in Russia.

Korea's largest carmaker said Saturday that it will produce small-size vehicles tailored for the Russian market starting in January 2011 at a newly built plant in Russia while launching a series of new models that will better suit the needs of local consumers.

Hyundai will also expand its dealership network by hiking the number from 120 locations in 2009 to 160 in 2012 and advance its brand awareness with aggressive marketing activities including the opening of a brand shop in downtown Moscow.

Localization is much in need as Russia remains a large yet protected market for foreign car manufacturers.

In 2008, Russians bought 2.9 million vehicles, 69.7 percent of which were non-Russian brands. The figure plummeted to about 50 percent to 1.47 million in 2009 during the global financial crisis, but is climbing again along with the economic recovery.

Hyundai Motor saw its sales in Russia increasing from 100,685 cars in 2006 to 192,719 in 2008, but plunging to 74,607 in 2009. The automaker aims to sell 90,000 this year — 75,000 being imported and the rest being complete knock downs (CKDs). A CKD is an entire kit of car parts imported from Korea and assembled in Russia, partly to receive tax benefits.

In order to raise the figure Hyundai faces increasing pressure to open local assembly lines. The Russian government raised tariffs on imported cars from 25 to 30 percent last year. It also provided buyers of Russian-made cars with a 50,000 Russian Ruble ($1,614) subsidy. None of Hyundai's complete vehicles exported from Korea benefit from the policy while its CKDs do.

Producing vehicles locally is Hyundai's main strategy along with a larger distribution network and more ambitious marketing backing it up.

N. Korea's trade dependency on China to top 80%

North Korea seems to be increasingly dependent on China as the latter is expected to account for more than 80 percent of the former's international trade in 2010, according to a private think-tank.

LG Economic Research Institute (LGERI), an affiliate of the LG Group, said Sunday that the overly high dependency is feared to bode ill for inter-Korean relations down the road.

``When looking at the trade volume of North Korea over the first seven months of this year, China is projected to take up about 84 percent for 2010, up from 78.4 percent last year,'' LGERI analyst Yoo Seung-kyung said.

``The rate might rise beyond the 84-percent mark following the meeting between the leaders of the two countries. Such a high rate might not be good for economic cooperation between the two Koreas.''

Late last month, the North's reclusive leader Kim Jong-il met with China's top-ranking officials including President Hu Jintao to discuss bilateral and regional issues.

On top of the succession of the North's heir apparent Jong-un, Kim's third son, many Seoul analysts point out that stronger economic collaboration between the two allies would have been one of the top issues.

LGERI said that trade between the two communist regimes has been beefed up amid the North's diplomatic disputes with neighboring economic powerhouses of South Korea and Japan.

``In the early 2000s, Japan and China were the two biggest trade partners of North Korea, each with about a 20-percent share. However, Japan almost completely cut transactions with Pyongyang thereafter,'' Yoo said.

``By contrast, China has substantially ratcheted up its economic activity with the North over the first decade of the new millennium in the midst of uncertain situations across the world.''

LGERI notes that tragedies of the Sept. 11 terrorist attacks on the United States in 2001 and the Cheonan frigate incident are most responsible for the North's lop-sided reliance on China.

The Cheonan was sunk in the West Sea on March 26 due to an unprovoked torpedo assault as determined by an intensive investigation by a multinational team.

The team concluded that the North was behind the attack, which prompted the Seoul administration to slap a slew of sanctions on North Korea. But Pyongyang adamantly denies its involvement and China has been by and large supportive.

But Yoo said that the ever-strong tie-up between China and the North is not all doom and gloom.

``It's much better for the North to continue trading with China rather than employ the so-called closed-door policy. At the end of the day, the North would learn the benefits of free markets, industrialization and open-door policies,'' Yoo said.

Shinhan offers online banking in 9 languages

Shinhan Bank is offering its Internet banking services in nine languages as part of efforts to better cater to an increasing population of foreigners living and working in Korea, bank officials said Sunday.

Under the name "Shinhan Global Net Service, banking options are now available in Chinese, English, Vietnamese, Tagalog, Thai, Japanese, Mongolian and Indonesian as well as Korean.

The services cover checking one's account balance, transferring funds and international remissions. Especially, when one makes overseas transfers, Shinhan clients can get a discount of up to 50 percent.

Bank officials said that, with this new service, about 85 percent of all foreigners, their number estimated at 1.02 million as of June, will be able to access online services in their own language.

"We are trying to win a patent for our multilingual online service," a bank official said. "We are planning to update and improve our services for multicultural households and foreigners in a

sustained manner in order to strengthen our customer base for retail banking and future globalization."

Social Front:

Divorces on rise as marriages fall

The number of divorces increased 6 percent in 2009 from a year earlier, while those choosing to get married hit the lowest level in a decade.

The number of divorces had kept falling since 2001 but rebounded last year.

According to the Supreme Court, Sunday, 116,997 couples, an average of 341 per day, separated last year, while 312,093 couples, an average of 855 per day, got married.

This means nearly four in 10 couples ended their marriage last year.

The court said worse economic conditions helped boost divorces.

No-contest divorces had decreased 17.8 percent to 99,182 in 2009 from 120,648 in 2004, while couples who ended their marriages through lawsuits had increased 32 percent to 25,301 from 19,228 over the same period.

About 33 percent of lawsuits for divorce ended with a court decision, while 39 percent were adjusted and the rest were withdrawn before a hearing could take place.

It took some five months on average for the couples to settle their lawsuits for divorce.

The data also showed that most of the couples who divorced had lived together less than four years, accounting for 27.2 percent of the total — those who had lived together more than 20 years represented 22.8 percent of the total.

By occupation, 24 percent of the divorced husbands were jobless or students, while nearly 60 percent of the wives were the same.

Regarding reasons for the divorce, 47 percent cited differences in personality; 14.6 percent cited economic problems; 8.4 percent extra marital affairs; 7.5 percent conflicts with spouses' families; and 5 percent for other reasons.

Some 45 percent of the divorced couples had no children.

Out of the 6,323 foreigners who went to court due to domestic affairs, nearly 89 percent did so seeking a divorce.

In the meantime, one out of every eight Koreans filed a lawsuit last year, bringing the total number of litigations to 6,345,439.

Among them, 65 percent were civil cases, 31 percent were criminal cases and the rest were domestic affairs and administrative cases.

N. Korea unexpectedly releases water from border dam into the South

North Korea has unexpectedly opened one of its dams near the border with South Korea, releasing as much as nearly 900 tons of water per second downriver since earlier this weekend, officials in Seoul said Sunday.

A sudden discharge from another dam took the lives of six South Korean campers south of the border a year ago. Since the tragedy, for which the North expressed its regret, Pyongyang has promised to notify the South and did so on two known occasions in July.

An official at the South's Unification Ministry, which handles inter-Korean exchanges, said on the condition of anonymity the North did not give notice before the discharge this weekend.

South Korean rescue workers said they pulled out a camper sleeping on a riverbank early Sunday morning near a South Korean border dam that opened in response.

Gov't to pay full childrearing cost for multicultural families

President Lee Myung-bak said Thursday the government plans to cover the entire cost of childrearing for multicultural families from next year regardless of their income levels as part of efforts to enhance the country's welfare policy.

He also pledged to provide state subsidies to all small- and middle-income households so that they can cover childcare costs without spending their own money.

The government has already set aside some 3.7 trillion won to initiate such programs, officials said, adding that they will soon finalize next year's budget plan and submit it to the National Assembly for endorsement.

"The government should cover the entire childcare costs, if possible, except for high-income families," Lee said at an economic policy coordination meeting at the Ministry of Strategy and Finance. "We don't need to provide financial support even to the grandchildren of the heads of family-owned conglomerates."

Lee stressed the need to improve the environment for multicultural families, saying they will be among the beneficiaries of the new welfare program.

Lee's aides said the government will consult with religious bodies and civic groups so that such initiatives are implemented effectively.

“The low birthrate and the aging population are grave social concerns,” an aide said. “We’ve prepared such measures because society should pool our strengths and wisdom now to address the problems.”

The measures reflect concerns that the low birthrate will become one of the biggest factors that reduce Korea’s economic vitality and productivity in the near future.

“Our efforts will focus on raising social awareness of the falling birthrate and encouraging couples to have babies,” said a spokesperson from the Ministry for Health, Welfare and Family Affairs. “While encouraging marriages, we are holding campaigns to prevent abortions and protect maternity in workplaces.”

The planned financial support for multicultural families is based on the prediction that the number of children from multicultural families will rise sharply.

“Now, multicultural families have concretely become a common form of family in our society,” President Lee said. “Regrettably, however, there is a lack of maturity in our perception. We should be more open-minded toward multicultural families and immigrants.”

N. Korea proposes family reunions Oct. 21-27

North Korea has proposed resuming the reunion of families separated by the Korean War six decades ago, a South Korean official said Friday.

The proposal was made during Red Cross talks between the two Koreas.

Pyongyang suggested that the reunion of about 100 family members from both sides be held from Oct. 21 to 27 at the North's Mt. Geumgang resort, the official said. If held, it will be the first such event in a year between the two countries whose ties are showing signs of improvement after a months-long standoff following the March 26 sinking of South Korea’s warship Cheonan.

"We proposed the family reunions be regularized and that the new event involve a greater number of people than before," Unification Ministry spokesman Chun Hae-sung said.

Tens of thousands of people are waiting on both sides of the border for a chance to reunite with their family members left on the other side after the 1950-53 conflict ended in a truce.

Only 20,800 family members have enjoyed such chances since 2000 when the two Koreas held their first summit. About one-fifth of them have been reunited via video. The two governments strictly restrict contact between their citizens, citing their technical state of conflict.

Earlier Friday, a 14-member South Korean delegation crossed the heavily armed western border into North Korea for a meeting in the border town of Gaeseong.

“We can no longer procrastinate on the family reunion issue,” Kim Eyi-do, head of the South Korean Red Cross delegation, told reporters in Seoul before departing for the North. Kim also supervises unification policy coordination with the government.

South Korean officials have said their priority is to persuade the North to agree to regular family reunions, regardless of the political situation.

The exchange came amid a series of conciliatory overtures from North Korea since late last month when its leader traveled to China and promised to work for the resumption of the stalled multilateral denuclearization talks.

It also comes as Pyongyang is seeking outside aid to recover from floods that have devastated some parts of the country since early last month. These were made worse by Typhoon Kompasu in early September, which killed dozens of people and caused severe property damage.

Seoul, communicating through the Red Cross, has promised rice and cement for the North's recovery efforts, announcing 10 billion won ($8.6 million) in aid on Sept. 13, two days after the North offered talks on reuniting displaced families.

In addition, South Korea has approved civilian flood aid to North Korea, the first batch of which crossed the border Friday morning, containing 203 tons of rice, according to customs officials in the South Korean border town of Paju, northwest of Seoul.

South Korea’s rice aid to the North was suspended after the conservative Lee Myung-bak administration took power with a tougher stance on the North and its nuclear arms program in 2008.

The bilateral ties frayed to the worst level in years when South Korea blamed North Korea in May this year for the Yellow Sea sinking of the frigate Cheonan, which claimed the lives of 46 sailors, the biggest peacetime naval disaster in South Korea's history.

North Korea continues to deny its role in the sinking, calling it a fabrication by the conservative South Korean government and demanding its own onsite investigation as recently as Thursday, when its military held talks with the U.S.-led U.N. command.

Friday's Red Cross talks drew heightened attention because such meetings have a history of paving the ground for broader inter-Korean discussions. South Korea, however, has yet to decide whether to agree to the North's new proposal to hold military talks on cross-border disputes.

Korea shares 'green capital' with emerging nations

Korea, which has risen from being a recipient of aid to an emerging donor, prides itself on sharing its growth experience with the developing world. On a warm morning at the headquarters of the Korea International Cooperation Agency (KOICA) on the outskirts of Seoul, that act of sharing is being put into practice — with dynamic results.

Inside, 19 officials from countries around the world are actively engaged in a workshop on waste management, part of KOICA's Environmental Policy program that provides training based on Korea's experience in the field.

The participants, representatives of environment-related ministries in their 11 respective countries, said Wednesday that the program, which wraps up today, provided them with strategies to implement when they return, some to areas hit hard by environmental crises.

"It's been very useful," an Egyptian man Amr Abdellatif, a manager of environmental affairs in Cairo, told The Korea Times. "I've learned many things through this visit that I'll be able to bring back and propose when I return to Cairo."

Since its establishment in 1991, KOICA has been responsible for the country's grant aid programs and has led its Official Development Aid (ODA) efforts.

It developed the environmental protection program in 2004 to introduce the country's environmental protection policy and technology while supporting similar green strategies in participating states. The program is co-facilitated by the Korea Environment Corporation.

The group visited such sites as a resource recovery plant in Gyeonggi Province and the Korea Institute for Energy Resource to get a feel for how green policy is developing in Korea.

Rebecca Ssabaganzi, an officer of natural resources in Uganda, marveled at Korea's pan-government efforts to promote sustainability. "There's a high level of coordination between ministries here when it comes to the environment. We don't have that in Uganda so it's important for us to see," she said.

In addition to Egypt and Uganda, the officials came from Bangladesh, Ivory Coast, East Timor, Ecuador, Myanmar, Papua New Guinea, the Philippines, Tunisia and Vietnam, all locations where KOICA has branch offices.

Many of the countries have been hit hard by environmental factors, especially a crisis in water management that is affecting Africa and other parts of the world.

Risa Halaguena, who works for the Philippines Supreme Court, said water is a pressing environmental concern in her country. "For us to be able to observe Korea's real-time monitoring of water is crucial for us," she said.

For Martin Omono, a director of environmental affairs at Ivory Coast's sanitation ministry, travelling to Korea was an opportunity to let people know about the problems in his homeland. "We have major problems in water quality and need development aid badly. So it's important for us to be able to come and make connections in Korea," he said.

Many of the participants expressed hope that KOICA would continue to evolve its work in their homelands, and, for their part, were ready to engage further with their branch offices. The agency says it organizes “alumni events” at the country sites to allow further networking.

The officials said they would report to their departments back home on their experience and suggest policy directions based on the Korean model.

Halaguena from the Philippines expressed hope that her fellow participants would keep in touch after they disband today. Their challenges, she said, are similar despite their diverse geographic locations.

“The challenge for is how to push the government in the right direction, how to push the people in the right direction,” she said. “I hope that though this program we can build a network to have international cooperation and share best practices.”

Japan

Politico-strategic Front:

Kan ahead in final stage of DPJ leadership race

Poll shows prime minister is winning over local assembly members

Kyodo News

Prime Minister Naoto Kan is leading challenger Ichiro Ozawa as the Democratic Party of Japan's presidential election campaign heads into the home stretch, according to the latest Kyodo News poll.

As of Friday, Kan, the current party president, was leading Ozawa among DPJ local assembly members as well as general supporters, although the two are running neck and neck among Diet members.

Ozawa, a former DPJ chief who was the party's secretary general until June, will have to go all out to woo undecided Diet members and get those who are supporting Kan to defect.

Kyodo News compiled the results based on direct interviews with lawmakers and information from both camps.

Kan and Ozawa are fighting over 1,222 points divided between the DPJ's 411 Diet members, 2,382 local assembly members across the country and around 340,000 general party supporters.

The votes of Diet members, worth two points each, will account for around 70 percent of the total.

Kan is seen having secured 585 points, far more than Ozawa's 475.

Among Diet members, Kan appears set to secure 360 points, or 180 votes, slightly less than Ozawa's 380 points, or 190 votes.

Kan has gained more than half of the 300 points among party supporters, while Ozawa has so far racked up only around 60 points. Kan is also leading among local assembly members, obtaining around 65 of the 100 points in that category.

Most mail-in voting by local assembly members and supporters has already been completed. The election will be finalized Tuesday.

The DPJ leadership contest will effectively select the next prime minister because the DPJ holds a majority in the more power Lower House.

LDP cooperation

The Liberal Democratic Party could work with the Democratic Party of Japan under the leadership of Prime Minister Naoto Kan if they can agree on steps to restore the country's fiscal health, LDP Secretary General Nobuteru Ishihara said Friday.

Ishihara said the LDP's policies are closer to those of Kan than his challenger, Ichiro Ozawa, and if Kan is re-elected the LDP could collaborate with the DPJ if the two parties share an understanding on how to mend the country's finances.

Ishihara indicated he will ascertain Kan's position on the matter during an upcoming extraordinary Diet session, saying, "I would like to question whether he really intends to rebuild public finances."

Rokkasho nuke plant delayed two more years

AOMORI (Kyodo) The president of Japan Nuclear Fuel Ltd. on Friday notified authorities in Aomori Prefecture it plans to postpone by two years the completion of a spent nuclear fuel reprocessing plant in the village of Rokkasho.

Yoshihiko Kawai presented Aomori Gov. Shingo Mimura with the new plan to complete the plant, designed to extract uranium and plutonium from spent nuclear fuel from domestic power plants, in October 2012 in a move that could significantly affect the national nuclear energy program.

"We continue to make safety, not scheduling, the priority," Mimura said. "But the delay should not affect the nation's nuclear fuel cycle policy and therefore we would like to make sure that the central government will not change its basic policy in this field."

The postponement is the ninth and the longest since test operations began in March 2006 at the reprocessing plant. Japan Nuclear Fuel is planning to increase its capital by ¥400 billion, and will ask 10 of its stakeholder utility firms for financial assistance in connection with the latest delay.

Kan, Ozawa draw flak for fiddling while Rome burns

As Prime Minister Naoto Kan and Democratic Party of Japan kingpin Ichiro Ozawa battle toward their showdown Tuesday, observers are criticizing them for creating a political void in the ruling party at a time when Japan is struggling to rekindle the economy and address other pressing issues.

The DPJ will have difficulty passing legislation after being stripped of its Upper House majority two months ago, and the battle between the two heavyweights is likely to create serious rifts in the party.

Regardless of who wins the presidential election, analysts say the outlook for the DPJ is grim because the party will need to form alliances with opposition parties and govern under increasing pressure from a public tired of power games and hungry for solutions to the nation's troubles.

Koichi Nakano, a political science professor at Sophia University, described the DPJ's internal bickering as "a tempest in a teapot" and said that unless its public support soars and the next leader finds a way to break the gridlock, the DPJ will be in a tight spot.

"Even after the storm subsides, the harsh climate outside the pot will remain," he said.

Kan still has a slight lead on Ozawa, according to public surveys, but the race will be an internal battle to win 1,222 points. Each of the DPJ's 411 Diet members get a vote worth two points, giving them 822 points, with 100 coming from the 2,382 local assembly members, and another 300 from its 342,493 general members.

Ozawa is seen as having a slight advantage among national lawmakers, but because Kan apparently trumps him everywhere else, he is seen as the front-runner.

Even if Kan emerges as the victor, however, analysts say it will take more than calls for "clean politics" to eradicate Ozawa from the party, considering the veteran power broker's large following and influence.

Nicknamed the "destroyer" for making and breaking parties during his four-decade career, some suspect Ozawa might try to persuade his allies to ditch the party if he loses. But pundits agree that such a scenario is unlikely for now.

Satoru Matsubara, a political science professor at Toyo University, said Ozawa would probably stay in the party whether Kan wins big or small because there aren't any clear prospects for political realignment in sight.

"Besides, leaving because he lost the race is too childish a reason," Matsubara said.

What Kan is likely to do if he wins is grant important Cabinet or party posts to close Ozawa allies so he can diffuse the situation and appeal for party unity, Matsubara said.

While Ozawa may stay quiet for now, analysts say he may flex his political muscle if the Cabinet's support rate sags and he fails to get the opposition to cooperate on debating and enacting legislation.

Matsubara predicted that at that point, Ozawa may take the initiative and attempt a political realignment, possibly teaming up with the DPJ's nemesis, the Liberal Democratic Party.

On the other hand, Ozawa promised at a news conference Wednesday that if he is elected DPJ president and thus prime minister, he will grant Kan, as well as former Prime Minister Yukio Hatoyama and DPJ Upper House caucus Chairman Azuma Koshiishi, important Cabinet and party posts.

Kan made a similar statement earlier in the week. But despite Ozawa's appeal for unity, Sophia University's Nakano said Kan's camp will be bitterly disappointed if Ozawa wins, although it is unlikely any of them will leave the party.

"Compared with Ozawa, those in Kan's camp are inept at making bold moves in times of political turmoil, and without clear prospects of what to do, leaving the ruling party would be highly risky," he said.

Matsubara of Toyo University said that if Ozawa becomes prime minister, he would expect him to approach an opposition party with a large presence, possibly New Komeito, to restore the DPJ's majority in the Upper House.

Victory or no, Ozawa will still faces distractions if an independent judicial panel reviewing his political funding troubles concludes there are good reasons to believe a conspiracy existed between Ozawa and his aides and thus merits indictment.

While the Constitution stipulates that a Cabinet member can't be indicted without the consent of the prime minister, Ozawa has so far said he would agree to face trial if is indicted.

Despite those head winds, Jun Saito, a former DPJ lawmaker who said he was part of Kan's group but now is an associate professor of political science at Yale University, said many in the DPJ will be tempted to vote for Ozawa.

Saito said he doesn't think Ozawa violated campaign regulations or misuse campaign funds for private gains, and that the way both prosecutors and the media handled his case has been distasteful.

"I am, at least in part, sympathetic to Mr. Ozawa for this reason," Saito said.

Saito also said that if he were in the position to do so, he would be tempted to cast a protest vote against Kan for his mishandling of the economy.

"I had admired Mr. Kan's capability as a lawmaker and as a former minister of welfare, who led the bureaucracy to admit its mistakes regarding the mishandling of HIV-virus infected drugs," Saito said.

"But this time, he seems to have been brainwashed by the wrong economic policy team, which is obsessed with the wrong economic ideology . . . I am afraid that his policy team might be killing the vitality of the Japanese economy," he said.

Futenma's future may ride on DPJ leadership battle

Experts doubt Ozawa would stay in lockstep with U.S. policies

Political analysts in Japan and the U.S. agree that the heated battle between Prime Minister Naoto Kan and Ichiro Ozawa for control of the ruling Democratic Party of Japan could have a huge impact on the relocation of the U.S. Futenma air base.

Experts in Tokyo and Okinawa say that if Kan is re-elected, the Futenma base will go as planned to Henoko in the northern part of Okinawa. But if Ozawa wins and becomes prime minister, all bets are off the table regarding what direction he would take, they say.

Meanwhile, Japan hands in the U.S. believe that Kan would be more welcome in Washington than Ozawa and have praised his acceptance of the May 28 accord to relocate Futenma to Henoko. But they also believe that whoever is prime minister, he needs to be more forceful with the U.S. about the future of not only Futenma but the bilateral relationship as a whole.

So far, Kan has expressed his intention to follow through with establishing the relocation site in Henoko. Ozawa, on the other hand, has been unclear, saying he believes a solution can be found that would be acceptable to both the U.S. and Okinawa, even as he admits that he has no specific solution in mind.

"Okinawans see an Ozawa victory as at least creating the possibility of having the relocation site moved out of Okinawa, as opposed to the re-election of Kan, who will most likely go along with the current plan," said Manabu Sato, a professor at Okinawa International University.

Sato said that after a year of being disappointed by the DPJ, Okinawans see little to be hopeful about in the DPJ presidential election. Yukio Hatoyama originally promised that as prime

minister he would move the Futenma base outside of Okinawa but failed to do so and the base plan ended up where it all began — putting Futenma in Henoko.

"People are losing their trust in democracy, especially in Okinawa," Sato said. "Okinawans have expressed their will (against military bases), but no one is listening. Their distrust in politics and the government is growing."

Japan's relationship with the U.S. has been strained ever since Hatoyama tried and failed to move Futenma out of Okinawa. Some critics express concern that Japan is becoming more vulnerable as other countries watch tensions between the two countries mushroom over the issue.

Tsuneo Watanabe, a senior fellow at the Tokyo Foundation think tank and an expert on Japan-U.S. relations, says ties are at a crucial moment given China's increased military spending and tension on the Korean Peninsula.

"This is not the time to be weakening bilateral ties over the base issue," Watanabe said. "Trust between Japan and the U.S. is more necessary than ever."

Recent public opinion polls show Ozawa is less popular than Kan among voters. But he is arguably even more disliked among some Washington-based Japan analysts and government officials. Both groups fear his vision of the bilateral military alliance is for a reduced role by U.S. forces and a foreign policy much less in lockstep with Washington.

U.S. military and State Department officials are said to be in general agreement that, while Kan may not be No. 1 on their list of Japanese politicians most likely to improve ties, he is far preferable to Ozawa.

So sensitive is Washington about the DPJ election and Ozawa that senior State and Pentagon officials have declared a moratorium on comments by U.S. officials, either on or off the record, about Ozawa, his statements, positions or prospects for his election.

Asked Tuesday about Ozawa's desire to restart the Futenma talks, Philip Crowley, a State Department spokesman, sidestepped the question.

"I think there is an ongoing political process within Japan. Let's see how that process unfolds first," he said.

But since Kan became prime minister in June, independent commercial U.S.-Japan analysts who wield influence behind the scenes over official U.S. policy toward Japan believe that if the choice is between Kan and Ozawa, Washington prefers the former.

Writing in the July issue of Comparative Connections, a quarterly journal on East Asian relations, Michael Green, of the Center for Strategic and International Studies and a National Security Council director for Asian affairs under President George W. Bush, and Nicholas

Szenchenyi, also at CSIS, praised Kan's handling of the May 28 agreement, which called for Futenma to be relocated within Okinawa.

That agreement came despite the verbal promise by Hatoyama, strongly backed by Ozawa, to get the base out of the prefecture.

"During his first address to the Diet (in June), Kan took a subtle jab at Hatoyama by stating that his approach to diplomacy would be guided by realism and not ideology. Kan also set a positive tone for the U.S.-Japan relationship by repeatedly referring to the U.S.-Japan alliance as the cornerstone of Japanese diplomacy. This rhetorical shift signaled a fresh start for Tokyo and Washington," Green and Szenchenyi wrote.

Asked about Kan's reputation in Washington, Sheila Smith, senior fellow for Japan Studies at the Washington-based Council on Foreign Relations, said in early June that those who follow Japan saw a politician who fought the bureaucracy on behalf of HIV patients in the 1990s evolve into a expert on complex financial issues.

"Kan is known (in Washington) for his role at the health and welfare ministry, when he was outing bureaucrats for protecting pharmaceutical companies and not protecting HIV patients. He is a fighter," Smith said right after Kan became prime minister. "But his recent role inside the Finance Ministry, his articulation of Japan's policy agenda, both the short and longer-term task of fiscal reform, has been very impressive to watch."

As for the DPJ presidential election, Smith said that with Ozawa it's not clear to many in Washington what would happen to Japanese politics if he wins. Or if he loses.

"If he wins, nobody knows what an Ozawa government would look like. But whoever wins, the larger question is, do you have a divided DPJ that can even survive?" she asked.

Tobias Harris of the political blog Observing Japan says that, to the extent personal relations between leaders matters, Kan is preferable to Ozawa, although he added that the Futenma issue is so complex that it is unlikely a solution to the opposition in Okinawa will be forthcoming anytime soon, regardless of who is in power.

"However, on the personal level, when it comes to meetings between the U.S. president and Japanese prime minister, Kan would be easier for the U.S. to deal with," he wrote, the implication being that Kan is more willing to bend to U.S. desires than Ozawa.
Ironically, many of the same sentiments now expressed about Kan are similar to what was said in the early 1990s about Ozawa.

In 1990 and early 1991, the U.S. was building international support for the first Persian Gulf War, and pressure was on Japan to contribute troops to the international coalition that would fight Iraq after it invaded Kuwait in August 1990.

Ozawa, then secretary general of the ruling LDP, supported sending troops if there was a United Nations mandate and found himself more welcomed in Washington, where he was feted by Japan hands in and out of government, than in Tokyo, where he was opposed by many members of his own party.

Ultimately, Japan sent no troops to Kuwait but provided $9 billion in financial assistance after Kuwait was liberated in early 1991.

In 1993, Ozawa's book, "Blueprint for a New Japan," called on Japan to be a "normal" nation by participating in overseas military operations sanctioned by the United Nations. His position earned him American praise as a principled, decisive leader. But by the end of the decade, his star had fallen as his political power appeared to wane.

His opposition to sending troops to Iraq after the U.S. invasion in 2003 and his position on relocating Futenma outside Okinawa angered the U.S., making the man who was once a Washington insider an outsider.

Whether Kan or Ozawa wins the DPJ presidency, analysts agree that what the next prime minister must do to improve ties is set out clearly what, exactly, Japan's future vision of the alliance with the U.S. will become.

For 14 years the Futenma relocation issue has remained unresolved while Japanese politicians in both the ruling and opposition parties have been too vague about where, exactly, they see the military alliance and the larger bilateral relationship in the 21st century, and what role they want for Japan in both.

"Futenma is like a bone stuck in the throat of the alliance, and what's really needed from Japan at this point is forthrightness about the alliance and where it should be going," Harris said.

China delays gas talks over collision

Dispute sets back treaty on field development

China said Saturday it has decided to postpone talks with Japan aimed at signing a treaty over joint gas field development in the East China Sea in protest over Tokyo's handling of a Chinese fishing boat that hit two Japan Coast Guard patrol ships near the disputed Senkaku Islands.

The two governments had planned to hold the second round of negotiations on a gas exploration treaty in mid-September in Beijing. The first round of talks was held in late July in Tokyo.

"The Japanese side has ignored China's repeated solemn representations and firm opposition, and obstinately decided to put the Chinese captain under the so-called judiciary procedures," Chinese Foreign Ministry spokeswoman Jiang Yu was quoted as saying by the official Xinhua news agency.

"China expresses strong discontent and grave protest," Jiang said, adding, "Japan will reap as it has sown, if it continues to act recklessly."

China has said the confrontation could damage its relations with Japan, showing the sensitivity of the territorial dispute, one of several that trouble China's ties with its Asian neighbors. As the robust Chinese economy's demand for resources grows, Beijing's commercial ships are venturing farther from shore and its more powerful navy is enforcing claims in disputed waters.

Japanese officials voiced regret at the Chinese announcement, and plan to call on China to remain calm in responding to the incident.

"It is regrettable that China unilaterally announced the postponement (of the talks)," a source at the prime minister's office said. A senior Foreign Ministry official said Tokyo "cannot accept (China's move) to link the incident to the gas field issue."

On Friday, a court in Okinawa Prefecture granted a prosecutors' request for a 10-day detention for the Chinese fishing boat's captain.

Prosecutors alleged that the skipper, Zhan Qixiong, 41, deliberately hit a patrol boat near the islands Tuesday and obstructed public officers performing their duties. The crew is also suspected of unlawful fishing operations in Japanese territorial waters.

The Senkaku Islands are part of the city of Ishigaki in Okinawa Prefecture. The islands are claimed by China and Taiwan, known in China as Diaoyu and in Taiwan as Tiaoyutai.

"The Diaoyu Islands and its adjacent islets have been Chinese territory since ancient times," Xinhua quoted Jiang as saying. "Japan's acts have violated the law of nations and basic international common sense, and are ridiculous, illegal and invalid."

No injuries were reported in the incident, but the Chinese boat was seized.

During a meeting on Aug. 28 in Beijing, Yang and Foreign Minister Katsuya Okada agreed the two countries will try to conclude negotiations on the gas exploration treaty soon.

The bilateral gas dispute stems from the unsettled demarcation of the East China Sea where the exclusive economic zones claimed by the two countries overlap.

In May, Chinese Premier Wen Jiabao and then Prime Minister Yukio Hatoyama agreed at a meeting in Tokyo to soon launch negotiations.

Earlier, China had remained cautious about starting the gas treaty talks following an outcry against what is viewed as a concession to Japan under a June 2008 accord meant to address the row.

On Friday, Chinese Foreign Minister Yang Jiechi summoned Japanese Ambassador to China Uichiro Niwa and demanded that Japan immediately and unconditionally release the Chinese boat and all crew members.

Kan still top pick for DPJ leader: poll

Kyodo News

Prime Minister Naoto Kan continued to enjoy the support of a majority of voters as the preferred leader of the ruling Democratic Party of Japan ahead of Tuesday's presidential election against party kingpin Ichiro Ozawa, an opinion poll showed Saturday.

The telephone survey conducted Thursday and Friday showed 67.3 percent of those polled backed Kan to 22.8 percent for Ozawa, a former DPJ secretary general. This compared with the previous survey held two weeks ago, when Kan had the backing of 69.9 percent and Ozawa 15.6 percent.

Public support for Kan's Cabinet rose to 54.7 percent from 48.1 percent, while the disapproval rate dropped 4.7 percentage points to 31.5 percent.

The latest survey, carried out on 1,454 randomly selected voters nationwide, of whom 1,010 gave valid answers, clearly showed dissatisfaction among the public with the explanations Ozawa has given about a political funds scandal in which he has been embroiled.

As many as 84.6 percent of the respondents said they were not convinced by what Ozawa has said regarding the scandal, a result that political observers say could influence swing voters among DPJ lawmakers.

On Tuesday, judicial sources said an independent judicial panel had recently begun its second review of decisions by prosecutors not to indict Ozawa over false financial reporting by his political fund management body.

Ozawa has made it clear that even if he becomes prime minister after winning the DPJ leadership election and faces mandatory indictment after the panel's latest review, he would step forward and stand trial to prove his innocence. He could avoid being prosecuted on the basis of a constitutional interpretation that the prime minister should not be prosecuted without his own consent.

Asked which of the candidates would perform better in helping to improve economic and employment issues, 50.5 percent picked Kan, while 31.0 percent named Ozawa. As for handling the divided Diet, where a DPJ-led coalition controls the Lower House but lacks a majority in the upper chamber, 36.7 percent thought Kan would do better coping with the situation, marginally higher than the 36.6 percent Ozawa received.

In relation to Cabinet support, topping the list of reasons for backing Kan's Cabinet with 46.5 percent was the lack of suitable alternatives for the prime minister's post. The main reason cited for disapproval was low expectations of its economic policies, at 36.2 percent.

Ozawa, however, is believed to wield his clout more powerfully than Kan, as 44.8 percent said the DPJ will be able to achieve its goal of reducing the power of bureaucrats if Ozawa becomes prime minister. Kan got support from 42.6 percent on the matter.

When it comes to the entire set of pledges the DPJ delivered before last year's general election, which brought the party into power, 66.9 percent backed Kan, who has expressed his intention to revise the manifesto, while 24.4 percent favored Ozawa, who aims to stick to the campaign pledges.

Among other items that featured in the survey, higher support for Ozawa over Kan came on their respective policies over tax and U.S. military base issues. Ozawa is critical of Kan's proposal to push ahead with discussion of a consumption tax hike, and is calling for renegotiating a Japan-U.S. agreement reached in May to move U.S. Marine Corps Air Station Futenma within Okinawa Prefecture.

Support for major political parties stood at 38.2 percent for the DPJ, up 5.6 points, and 23.7 percent for the Liberal Democratic Party, down 1 point.

They are followed by 10.5 percent for Your Party, 4.1 percent for New Komeito, 3 percent for the Japanese Communist Party, 1.3 percent for the Social Democratic Party, and 0.8 percent each for Kokumin Shinto (People's New Party) and Tachiagare Nippon (Sunrise Party of Japan). The survey also found 14.3 percent support no particular party.

Chinese vessel asks survey ship to stop

A Chinese government vessel on Saturday asked a coast guard survey ship operating in Japan's exclusive economic zone to stop its activities, coast guard officials said.

The survey ship was located about 280 km north-northwest off Okinawa Island when the request was made at 7:40 a.m. The ship notified the Chinese vessel of the purpose of its activities and continued surveying operations for nearly two more hours, according to the coast guard.

Japan later lodged a protest to China over the incident through diplomatic channels, it said.

The incident occurred at a time when diplomatic tensions between the two countries are rising after collisions between a Chinese trawler and two Japan Coast Guard patrol boats near the disputed Senkaku Islands in the East China Sea, which led Japan to arrest the Chinese ship's captain.

On Friday, an Okinawa Prefecture court granted a prosecutors' request for a 10-day detention for the skipper.

Kan stresses need for party unity

Prime Minister Naoto Kan called anew Saturday for unity within his Democratic Party of Japan ahead of next Tuesday's party leadership election against rival Ichiro Ozawa.

Kan said on a street in Tokyo's Yurakucho district that the DPJ needs to "work together as a team" because party leadership "cannot be created and asserted by just one politician," alluding to Ozawa's wheeling-and-dealing style.

"Let me continue as the front-runner until the time I pass the baton to the next generation of leaders," Kan said in the stump speech, joined by his supporters including government revitalization minister Renho and welfare minister Akira Nagatsuma.

Kan reiterated that a serious division within the DPJ will not follow whoever wins the upcoming election, which effectively decides the country's prime minister because of the party's control of the Diet's Lower House.

"Our party will naturally unite and I'll prepare to put the right people in the right places," Kan said as he referred to his readiness to reshuffle his Cabinet and the top posts of the DPJ if he wins the election.

Meanwhile, former DPJ Secretary General Ozawa spent Saturday afternoon visiting the Tsukiji fish market and local shopping districts in Tokyo.

China increases pressure on Japan over ship collision

BEIJING (Kyodo) China took an unusual step on Sunday to increase pressure on Japan over a ship collision near the disputed Senkaku Islands, urging Tokyo to make a "wise political resolution," and demanding the immediate release of the Chinese fishermen and fishing boat seized by the Japan Coast Guard.

State Councilor Dai Bingguo lodged the demand when he summoned Japanese Ambassador to China Uichiro Niwa to the Chinese Foreign Ministry in the early hours of Sunday. It is the fourth time that Chinese diplomatic authorities have summoned him since the incident occurred last Tuesday. The meeting between Dai and Niwa began Saturday midnight and lasted for 45 minutes, according to the Japanese Embassy in Beijing.

Dai is the highest-ranking Chinese official to comment on the case. It is extremely rare for a senior Chinese official to summon a foreign ambassador in the wee hours on a holiday.

Foreign Minister Yang Jiechi summoned Niwa on Friday to protest Japan's handling of the case, the same day a Japanese court granted the prosecutors' request for a 10-day detention of the captain of the Chinese ship.

Dai warned Japan not to make a wrong judgment on the situation and urged it to make a "wise political resolution," the official Xinhua News Agency quoted a Chinese Foreign Ministry statement as saying.

"Dai expressed solemnly the Chinese government's grave concerns and its serious and just position," the statement said.

According to the Japanese Embassy in Beijing, Niwa repeated Japan's position that the Chinese fishing boat obstructed the official duties of the Coast Guard while illegally fishing in Japanese territorial waters.

"We have maintained the position that we will solemnly handle the case in strict accordance with domestic law," the ambassador was quoted as saying.

Niwa called on China to respond to the matter "calmly and carefully" so as not to affect overall bilateral relations, citing the principle of maintaining "strategic relations of mutual benefit," the embassy said.

Japanese prosecutors alleged that the skipper, Zhan Qixiong, 41, deliberately hit a Japanese patrol boat near the islands Tuesday and obstructed public officers from performing their duties. The crew is also suspected of unlawfully fishing in Japanese territorial waters.

The Senkaku Islands are part of the city of Ishigaki in Okinawa Prefecture. But the islands are claimed by China and Taiwan, known in China as Diaoyu and in Taiwan as Tiaoyutai.

The move on Sunday came a day after China unilaterally postponed talks with Japan aimed at signing a treaty on a joint gas field development in the East China Sea in protest against Tokyo's handling of the ship collision incident.

The two governments had planned to hold the second round of negotiations on a gas exploration treaty in mid-September in Beijing. The first round of talks was held in late July in Tokyo.

Japanese officials said they do not wish to see the latest row escalate, hoping that it will not affect otherwise improving ties.

In a separate report, Xinhua said Japanese authorities towed the Chinese ship Sunday morning to waters near Ishigaki Island in Okinawa Prefecture to recapture the situation when it collided with two Japanese patrol ships last Tuesday.

All the 14 Chinese fishermen were on board, Xinhua said in a dispatch from Tokyo.

Opponents of base relocation win majority in Nago assembly election

NAHA (Kyodo) Candidates opposed to a Japan-U.S. plan to relocate a major U.S. Marine base to the city of Nago, Okinawa Prefecture, have secured a majority in Sunday's municipal

assembly election, according to Kyodo News projections, boosting Mayor Susumu Inamine, who was elected in January on a platform opposing the plan.

The result is likely to hamper the efforts of Prime Minister Naoto Kan's government to win local understanding following its acceptance of the bilateral accord signed by the previous administration in May.

The result could also affect the upcoming Okinawa gubernatorial election on Nov. 28.

According to Kyodo News projections, at least 15 candidates supportive of Inamine have secured seats in the 27-member assembly.

All of the candidates supporting Inamine have said they are opposed to hosting a replacement facility for the U.S. Marine Corps' Futenma Air Station, located in the Okinawa city of Ginowan.

China fishing crew, boat are released

Captain remains in custody over alleged ramming

Kyodo News

Fourteen crew members and the Chinese fishing vessel involved in a collision last week with Japan Coast Guard patrol boats near the disputed Senkaku Islands were released by Japanese authorities Monday, and the crew reportedly arrived in Fujian Province on an airplane chartered by the Chinese government.

Chief Cabinet Secretary Yoshito Sengoku said the captain, who was arrested following the incident last Tuesday, will remain in Japan.

The 14 mainland Chinese fishermen left Ishigaki Island in Okinawa Prefecture on an early afternoon flight "after China's repeated solemn representations," the official Xinhua news agency said, adding that the plane carrying the fishermen that were "illegally seized by Japanese authorities" landed in the southeastern port city of Fuzhou later in the day.

Meanwhile in Taiwan, a small number of activists claiming Chinese sovereignty over the Senkaku Islands set out for the disputed area in a fishing boat from the northern Taiwan port of Yeliu shortly before 4 p.m.

Huang Hsi-lin, chief executive of the Taiwan-based Chinese Tiaoyutai Defense Association, said they were aiming to arrive at the islands between 7 and 8 a.m. Tuesday.

But the planned symbolism of a joint protest involving activists from Taiwan, Hong Kong, Macau and China fizzled when Taiwan immigration officials intervened at the port and demanded all non-Taiwanese to leave the boat.

Only two Taiwanese protesters and three crew members remained on the vessel as it left for the disputed islands.

The release of the ship's crew came a day after China took an unusual step to increase pressure on Japan, urging Tokyo to make a "wise political resolution," and demanding the immediate release of the fishermen and the fishing boat.

State Councilor Dai Bingguo lodged the demand when he summoned Niwa in the early hours of Sunday. It was the fourth time Chinese diplomatic authorities had summoned him since the incident occurred last Tuesday. The meeting between Dai and Niwa began Sunday at midnight and lasted 45 minutes, according to the Japanese Embassy.

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Foreign Minister Yang Jiechi summoned Niwa on Friday to protest Japan's handling of the case, the same day a Japanese court granted a request by prosecutors to detain the Chinese captain for 10 days.

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Nago election puts Futenma move in doubt

OSAKA — The outcome of Sunday's key election for the municipal assembly in Nago, Okinawa Prefecture, may create further doubts that the agreement between Japan and the United States to move the Futenma base to the city's Henoko district will be carried out.

Opponents of relocating the Futenma base achieved a major victory, winning a majority in the assembly.

The results announced early Monday showed 16 seats were won by candidates supported by Mayor Susumu Inamine, who strongly opposes relocation of Futenma to Henoko. Another two winners unaffiliated with Inamine have also indicated they are opposed.

The remaining winners were critical of Inamine and loyal to former probase Nago Mayor Yoshikazu Shimabukuro, although many never made their own position on the Futenma relocation clear.

Thus at least 16, and probably 18, of the 27 assembly members are now opposed to moving the base to Henoko.

"The election clearly showed the will of the people," Inamine said.

In Tokyo, Chief Cabinet Secretary Yoshito Sengoku told reporters that despite the election results, there will be no change in the plan to relocate Futenma as stipulated in a May 28 agreement between Japan and the U.S.

"I want to accept the result as one indication of the will of Nago's citizens. But as to specifics regarding the relocation plan and reducing the burden of the bases, the central government will continue to listen to local residents and seek their understanding for the agreement," Sengoku said.

However, that is now much harder to do.

Sunday's results came despite intense lobbying by the central government before the election, especially by Seiji Maehara, minister in charge of Okinawa affairs, of candidates loyal to the nominally probase Shimabukuro, who was defeated by Inamine this past January.

Maehara's courting of Shimabukuro in particular angered many Okinawa residents, who wondered if Tokyo thought Nago had two mayors.

Sunday's victory has given antibase activists a boost, and attention will now turn toward the Nov. 28 gubernatorial election.

On one side will be Ginowan Mayor Yoichi Iha, a friend of Inamine and a strong opponent of relocating Futenma, which currently lies in Ginowan, to anywhere within Okinawa. On the other will be incumbent Hirokazu Nakaima.

Prior to Inamine's election, the governor indicated he might accept the Henoko relocation plan but now says he opposes it.

"I've said before that relocating to Henoko would be extremely difficult, and (because of the Nago assembly election results) things have moved in that direction," Nakaima told Okinawan media. A victory by Nakaima, Tokyo and Washington hope, would at least keep the possibility of relocation to Henoko alive, assuming the necessary central government incentives and assurances are provided to the prefecture.

A victory by antibase Iha, on the other hand, would make the May agreement all but impossible to carry out, because it would likely force Tokyo to consider going over the head of the governor and enacting a special law to appropriate the land around Henoko, an action that would create a political nightmare for the central government and enrage Okinawans of all political stripes.

Kan cruises to victory in DPJ election

Ozawa comes up short but top post may still await party bigwig

After a fierce two-week campaign, Prime Minister Naoto Kan on Tuesday defeated Democratic Party of Japan bigwig Ichiro Ozawa in the ruling party's presidential election, securing his post and avoiding yet another leadership change.

Kan and Ozawa basically split the votes cast by DPJ lawmakers, but Kan pulled away with overwhelming support from general party members and regional assembly members. He received 721 points to Ozawa's 491 in the party's voting system.

Kan campaigned on greater fiscal austerity, job creation and a possible consumption tax hike, while Ozawa called for aggressive government spending. Attention is now focused on whether Kan can hold the party together and preserve his political clout to implement his election pledges.

Many party members still fear Ozawa and his followers could split the party and destabilize the government.

"As my senior, Mr. Ozawa has taught me many things. Now that the election is over, there will be no sides, as I have promised," Kan said after the election in a call for party unity.

"I am ready to do my best to build a united party where all DPJ members can work up to their full potential."

Later in the day, Kan praised Ozawa for his knowledge of policy affairs but stressed that he has not made any personnel decisions.

"I have no preconceived ideas for now" on who he will tap for key party or Cabinet posts, Kan said. "I would like to think about it after I meet with former party leaders as early as tomorrow."

Under party regulations, Kan is to serve as DPJ president, and effectively prime minister, until September 2012 when he will face another presidential election.

Kan won the race with strong support from rank-and-file party members, who didn't want to see yet another new national leader, but 200 of the DPJ's 411 Diet members still voted for Ozawa, apparently believing he be a stronger leader.

The disparity was most evident in the votes allocated to general party supporters, with 249 of 300 points in this bloc going to Kan.

Ozawa also failed to win the support of regional assembly members, who awarded 60 out of a total of 100 points to Kan.

Ozawa again lost out to Kan in the area where the DPJ kingpin expected to overshadow the prime minister — among Diet lawmakers, who with two points each accounted for the majority of points in the contest.

Of the 406 valid votes and 812 points allocated to this bloc, Kan won the support of 206 lawmakers, good for 412 points, while Ozawa received votes from 200 lawmakers.

With the election over, focus now shifts to how Kan will reshuffle the Cabinet and party leadership — and to whether he will give Ozawa an important government or party role.

Kan hinted during the campaign he might grant Ozawa a key party post related to election affairs.

Speaking to reporters following the election, former Prime Minister Yukio Hatoyama, who supported Ozawa, said he was willing to cooperate to achieve party unity and hinted that he expected Kan to grant Ozawa an important post.

"The two shook hands firmly, and I'd like to interpret the meaning of that handshake in my own terms," he said.

Veteran lawmaker Kozo Watanabe also stressed party unity, saying it is important to "forget who won and concentrate on placing the right people in the right jobs."

But former Foreign Minister Makiko Tanaka warned that Kan has a difficult job ahead.

"I have a feeling Japan will continue sinking unless Mr. Kan is firm in steering the nation to avoid mistakes," she said.

Kan remains in charge of a nation suffering from a sagging economy and numerous other worrisome issues, including a high yen.

During the campaign, Kan emphasized the need to create more jobs to revive the economy. He has also called for further debate on tax reforms, including a potential consumption tax hike to cover ballooning social security costs.

His platform also stressed the need to pursue clean and open politics by banning corporate donations and cutting the number of Diet lawmakers.

But with the DPJ lacking a majority in the Upper House and facing a divided Diet, passing legislation will be difficult without cooperation from the opposition.

The election took place at a large hall in the Prince Park Tower Tokyo Hotel in Minato Ward.

Before lawmakers began casting their votes, Kan and Ozawa each delivered a final 15-minute speech.

"I wanted to inform the public that I believe it will be too late if we don't change our political system right now," Ozawa said.

China cancels politician's visit after ship incident

Fallout from collision between vessels near Senkakus leads to decision

Kyodo News

China has postponed a senior legislator's visit to Japan amid the renewed territorial dispute sparked by ship collisions last week off the Senkaku Islands in the East China Sea, Japanese officials said Tuesday.

"It is very regrettable" that Li Jianguo, vice chairman of the Standing Committee of the National People's Congress, will not visit Wednesday as planned, Chief Cabinet Secretary Yoshito Sengoku said.

The Chinese Embassy told the secretariat of the Lower House on Monday that Li's five-day visit under a regular exchange program for parliamentarians will be put off, citing "various reasons" and without elaborating, secretariat officials said.

Sengoku said that in light of the tension between Japan and China, "All the more, the two countries' legislators should meet and engage in frank discussions away from the level of the central government."

By doing so, there would be more significance in carrying out exchanges between lawmakers, he added.

The dispute stems from collisions Sept. 7 between a Chinese fishing boat and two Japan Coast Guard ships near the Senkaku Islands, which are controlled by Japan but claimed by China and Taiwan.

Japan released 14 crew members of the Chinese trawler Monday, but the captain remains detained. Authorities suspect him of deliberately causing his vessel to collide with one of the patrol boats.

On the arrest of the captain, Sengoku reiterated Tokyo's stance that it is dealing with the incident in line with domestic law.

The Chinese diplomatic mission in Tokyo informed Japan of Li's postponement around 11 a.m. Monday by telephone. His visit had been planned as the sixth under an exchange program launched in 2005 between the Lower House and China's legislature.

Li was to have met with such veteran lawmakers as Lower House Speaker Takahiro Yokomichi, his predecessor Yohei Kono, and Upper House President Takeo Nishioka.

The sea incident has also led China to postpone talks with Japan on signing a treaty over joint gas field development in the East China Sea.

Meanwhile, Taiwanese activists headed home after sailing near the disputed islands for several hours in a voyage to promote Taiwan's claim to the disputed territory.

A fishing boat with two Taiwanese activists and three crew members came close to Uotsuri Island, one of the islets, in Japan's exclusive economic zone early Tuesday, according to the Japan Coast Guard, whose vessels closely followed the boat.

Over the line

State minister Renho said Tuesday the dispute between Japan and China over the Senkaku Islands is a territorial issue, contradicting the government's position paper issued in June that denied the existence of any territorial dispute in the East China Sea.

"Anyway, since it is a territorial issue, Japan should express its resolute stance calmly," Renho, minister of state for government revitalization, told a news conference.

The position paper adopted by the Cabinet says there is no territorial dispute in the East China Sea that needs to be settled.

Later in the day, Renho told reporters her remark included "some misleading expressions" in an apparent effort to defuse any controversy.

"The Senkaku Islands are inherently (part of) the territories of our country both in terms of history and international law," Renho said.

Kan shifts focus to Cabinet picks

Fresh off election victory, prime minister urged to hand some posts to Ozawa supporters

A day after his re-election as president of the Democratic Party of Japan, Prime Minister Naoto Kan got busy Wednesday choosing new lineups for his Cabinet and the DPJ leadership.

Attention is focused on whether Kan will grant his sole opponent in Tuesday's election, Ichiro Ozawa, or any of the power broker's allies important government or party posts.

As early as Wednesday night, Kan was trying to decide the new DPJ executive lineup, party sources said, adding he hopes to reshuffle his Cabinet on Friday.

Kan was expected to replace DPJ Secretary General Yukio Edano to take responsibility for the DPJ's losses in the July Upper House election, with education minister Tatsuo Kawabata floated as his most likely successor.

Chief Cabinet Secretary Yoshito Sengoku is likely to retain his post, as are government revitalization minister Renho, DPJ Policy Research Committee Chairman Koichiro Gemba and Finance Minister Yoshihiko Noda.

After consulting with lawmakers from both Ozawa's and his own camp, Kan met with Ozawa in the afternoon to discuss personnel issues and how to maintain party unity.

Because Kan's margin of victory was narrow among the party's Diet members, there is speculation that Ozawa and his followers could destabilize the administration unless Kan compromises on personnel choices.

With Kan scheduled to fly to the U.S. on Tuesday to attend a United Nations conference, Chief Cabinet Secretary Yoshito Sengoku said during a morning news conference that the lineups for both the Cabinet and party leadership were likely to be finalized by the end of the week.

"Based on common sense, it will be sometime within the week," he said.

Following morning talks with Foreign Minister Katsuya Okada, transport minister Seiji Maehara and Lower House Speaker Takahiro Yokomichi, Kan met with Ozawa's close ally, DPJ Upper House caucus leader Azuma Koshiishi, as well as former Prime Minister Yukio Hatoyama and Upper House President Takeo Nishioka.

Emerging from a meeting at party headquarters, DPJ veteran lawmaker Kozo Watanabe told reporters that he advised Kan to strive for party unity through personnel selections.

"I told him to forget about who was on who's side" during the election, he said.

DPJ Vice President Hajime Ishii said he told Kan to "also pick from the other side."

China media calls on Kan to end isles row

BEIJING (Kyodo) Prime Minister Naoto Kan should be firm in ending the diplomatic dispute over the Senkaku Islands and stabilize China-Japan relations now that he has retained control of the Democratic Party of Japan, Chinese state media said Wednesday.

Chinese media outlets had been regarding Japan's detention of a Chinese fishing boat captain partly as taking a tough line to win votes before Tuesday's DPJ election.

Now that the "previous pressures to woo voters" is gone, the English-language Global Times said in an editorial, "it will be wise for Kan to become resolute in a swift decision to release the captain of a Chinese fishing boat and end the latest diplomatic crisis over the Diaoyu Islands," as the islands are called in China.

The incident started Sept. 7 after the fishing boat collided with two Japan Coast Guard vessels near the disputed islands.

The paper, published by the Communist Party's People's Daily, went on to say the lack of a stable administration as a result of Japanese leadership changes over the past three years had led to inconsistency in dealing with domestic and international issues.

"Each time Japan changes its leader, China has to figure out whether the country's China policy will change . . . whether his attitude toward Taiwan or the East China Sea issues will be different," it said.

Japanese politicians will have to end their "dizzying political reshuffles and show a consistent framework of foreign policies," the Global Times said.

In a commentary in the China Daily, Feng Zhaokui, a researcher with the Japanese Studies Institute of the Chinese Academy of Social Sciences, said an escalation of tensions over the islands would foil Japan's efforts to construct an East Asian community, an initiative proposed by Kan's predecessor, Yukio Hatoyama.

"Japanese politicians should not place personal or partisan interests over the larger interest of peace and stability in East Asia," Feng wrote. "It is particularly unwise to pursue political capital by taking advantage of territorial disputes with China and fueling national confrontation between the two neighbors."

The territorial spat shows no signs of cooling as it enters a second week.

A senior Chinese official Tuesday lodged China's fifth protest with Japanese Ambassador Uichiro Niwa since the ship collisions took place, with Assistant Foreign Minister Liu Zhenmin reiterating Beijing's demand that skipper Zhan Qixiong be released immediately.

In response, Niwa was quoted as telling Liu that China has taken "unilateral action by deliberately linking the case with several unrelated issues" and Japan requests that China implement appropriate measures to avoid escalation of the situation.

On Wednesday, a spokeswoman for the Taiwan Affairs Office of the State Council told a news conference that protecting the sovereignty of the islands is in the common interest of both China and Taiwan, the Xinhua News Agency reported.

Two activists claiming Chinese sovereignty over the Japanese-controlled islands sailed a boat Tuesday from a northern Taiwan port close to one of the islands in protest.

The voyage led to a faceoff between Taiwanese and Japanese patrol vessels. Taiwan dispatched 12 vessels to protect the fishing boat while the Japan Coast Guard sent seven vessels to intercept the group, according to Taiwan Coast Guard officials.

The disputed islands are also claimed by Taiwan, where they are called Tiaoyutai.

Beijing testing Japan-U.S. relationship, Armitage warns

Former U.S. Deputy Secretary of State Richard Armitage said Wednesday in Tokyo that China is testing Japan over the "chill" in its ties with the U.S. by creating mischief in the East China Sea, particularly last week's collisions between a Chinese trawler and Japan Coast Guard vessels.

"My view is what China senses is a distracted United States who has a chilled relationship with Tokyo," Armitage said. "So they are testing what they can get away with."

During a speech at the Japan National Press Club in Tokyo, Armitage warned China that the U.S. military, based on the Japan-U.S. security treaty, would be obligated to take action if China begins engaging in more serious activities around the Senkaku islets.

"We don't take a position on the ultimate ownership of the Senkakus, but because of our defense treaty with Japan the administrative territories under the administration of Japan are involved in our defense treaty," Armitage said. "And I think and hope that China will take that into full consideration."

Japan-U.S. ties have become strained in the past year over the contentious relocation of U.S. Marine Corps Air Station Futenma in Okinawa. Armitage said relations have become stagnant between the two countries and pointed out there are numerous other key issues that need to be addressed.

"For a year, Futenma has sucked the oxygen out of every room in which the word is uttered," Armitage said. "It has gotten in the way of much more important issues (between) the United States and Japan. It has prevented other discussions of a more meaningful nature."

Having served under U.S. President George Bush from 2001 to 2005, Armitage said it was a mistake for the Bush administration to remove North Korea from its terrorist blacklist in 2008.

"I would never have removed North Korea from the terrorist list until there was more transparency on the question of (Japanese) abductees," Armitage said. "I personally think we were rewarding North Korea for bad behavior."

Kan replaces over half of his Cabinet

Transport chief Maehara now foreign minister

Compiled from Kyodo, Staff report

Fresh off his re-election as president of the Democratic Party of Japan, Prime Minister Naoto Kan reshuffled his 3-month-old Cabinet on Friday, replacing 10 of the 17 Cabinet posts and naming few people loyal to party bigwig Ichiro Ozawa.

Before Tuesday's DPJ presidential race in which Ozawa, a former party secretary general, lost to Kan, the two had agreed to foster party unity regardless of the outcome, but many of the key roles in the government and the DPJ executive lineup went to people known to be critical of Ozawa.

Highlights of the lineup are the move for Seiji Maehara from transport minister to foreign minister and the naming of non-Diet member Yoshihiro Katayama, former Tottori governor and currently a Keio University professor, as internal affairs minister.

Maehara's appointment hit a snag because he is viewed as a "China hawk," party sources said, adding that some members were concerned it could further aggravate Tokyo's ties with Beijing.

As transport minister, who oversees the Japan Coast Guard, Maehara was responsible for the recent arrest of the skipper of a Chinese fishing boat that collided with coast guard patrol vessels near the disputed Senkaku Islands in the East China Sea.

Other new faces include Sumio Mabuchi as transport minister, Ritsuo Hosokawa as health minister; Michihiko Kano as agriculture minister and Ryu Matsumoto as environment minister. They are all DPJ Lower House members.

From the party's Upper House caucus, Minoru Yanagida was named justice minister and Tomiko Okazaki was made chairman of the National Public Safety Commission.

Meanwhile, Kan retained his right-hand man, Yoshito Sengoku, as chief Cabinet secretary; Toshimi Kitazawa as defense minister; Renho as government revitalization minister; Yoshihiko Noda as finance minister; and Shozaburo Jimi as financial services minister. Renho now doubles as minister in charge of civil service reform.

Although many in the new lineup have distanced themselves from the Ozawa camp, Banri Kaieda, who was named economic and fiscal policy minister, has good ties with Ozawa. So do Akihiro Ohata, a Lower House member who was appointed trade minister, and Yoshiaki Takaki, another Lower House member who was named education minister.

Kan's reshuffled Cabinet was formally launched later in the day following an attestation ceremony at the Imperial Palace.

Before reshuffling his Cabinet, Kan in the morning named new DPJ executives, giving the post of secretary general — the DPJ's No. 2 position — to Katsuya Okada, who previously held the post of foreign minister.

The appointment of Okada, who sports a "clean image" and has been critical of Ozawa over his political funds scandal, is thought to signal Kan's desire to put his own stamp on the politic landscape and reduce the influence of Ozawa, who leads the biggest intraparty group.

Ozawa fought a fierce battle against Kan as his sole challenger in the party presidential race, raising fears of an internal split.

The focus of the personnel reshuffle, therefore, was on how Kan would treat Ozawa and people loyal to him to achieve party unity.

In fact, Kan on Thursday night offered posts as deputy party president — a largely nominal post — to two people in the Ozawa camp — Ozawa himself and Azuma Koshiishi, the leader of the DPJ's Upper House caucus. But both declined Kan's offer, party sources said.

It remains to be seen if Kan's new picks will manage to mend ties with the Ozawa camp. Political observers say, in the worst case, there is still the threat of an internal split.

As for other senior DPJ posts, Koichiro Genba retained his post as policy chief. Yoshio Hachiro, who was a key member of Kan's election campaign in Tuesday's presidential race, was appointed Diet affairs chief.

"With the presidential election over, I promise to create a Cabinet of all 412 (DPJ) lawmakers of the Lower and Upper houses as well as coalition partner Kokumin Shinto (People's New Party)," Kan said during a gathering of party Diet members.

Okada, meanwhile, said he will aim for fair and transparent management of the party.

"I would like to manage the party so that individual lawmakers can freely demonstrate their ability," he said. "I would like to run the party based on fairness and transparency."

Despite widespread rumors that the Ozawa camp was critical of Okada's appointment, no opposition was voiced Friday.

"I would like to support the prime minister and the new administration with everyone else," said Mieko Tanaka, a rookie DPJ lawmaker dubbed one of the "Ozawa girls" handpicked by the power broker to run for the Diet.

"I hope Mr. Okada will make the best of his experience and lead the party," she said.

Criticism appeared to have shifted to the appointment of Okada's predecessor, Yukio Edano, who was rapped for staying on as deputy secretary general after the party suffered a major defeat in the July Upper House election.

"Some may feel uncomfortable" about Edano's appointment, said DPJ senior lawmaker Hajime Ishii, although he added it is up to Okada to pick who he wants to work with.

Okinawa U.S. Military Base Move Issue Needs Local Agreement, Maehara Says

Local opinion in Okinawa is the key to ending controversy over a U.S. military base, Japanese Foreign Minister Seiji Maehara said, adding there will be no rushed solution ahead of President Barrack Obama's visit to Japan in November.

"There can be no agreement without the understanding of the people in Okinawa," Maehara said today in Tokyo on public broadcaster NHK Television. "My stance isn't to make a decision just because President Obama is coming to Japan."

Maehara's comments indicate there's little chance Japan will set a deadline for ending disputes over relocation of the U.S. Marine Futenma base.

Obama's administration has pushed Japan to uphold a 2006 agreement to move the helicopters out of densely populated Ginowan city to elsewhere on the island, as part of a $10.3 billion plan that would also transfer 8,000 Marines to Guam.

Former Prime Minster Yukio Hatoyama, who pledged to scrap the 2006 agreement, resigned in June after less than nine months in office, citing his failure to broker a new solution.

Opponents of the base want it moved out of Okinawa, an island 950 miles (1,530 kilometers) south of Tokyo which hosts 75 percent of U.S. bases in Japan, citing increased crime, pollution and noise.

Separately, Maehara today expressed appreciation for China's efforts to calm demonstrations at the Japanese embassy in Beijing yesterday. Protesters were demanding the release of a Chinese fishing captain detained after his boat collided with two Japanese coast guard vessels near a group of disputed islands.

"China is making efforts for us," Maehara said. "We will continue to discuss to strengthen our economic ties" by addressing this issue calmly, he said.

Kan's Approval Ratings Rise After Reshuffle of Cabinet Posts, Polls Show

Prime Minister Naoto Kan won higher approval ratings after a Cabinet reshuffle that gave no key appointments to supporters of Ichiro Ozawa, Kan's rival for party leadership, Japanese newspapers reported.

Support for Kan's Cabinet rose to 66 percent, the highest since he took office in June, the Yomiuri Newspaper reported in Tokyo today. The Mainichi newspaper said approval climbed to 64 percent from 48 percent.

The surveys reflect voter relief that Kan defeated Ozawa in last week's party contest, as well as support for the Cabinet changes, both newspapers said today. Kirby Daley, a Hong Kong- based senior strategist with Newedge Group's prime brokerage business, last week called Kan's win "a victory for the voters in Japan."

"Even though this prime minister has a lot on his plate, this continuity at this stage is far better than upheaval an Ozawa victory would have caused," Daley said.

Katsuya Okada, who replaced Ozawa in the No. 2 post in the ruling Democratic Party of Japan, has criticized his predecessor over alleged campaign financing irregularities.

The newspapers conducted their polls on Sept. 17-18. Yomiuri reported questioning of 1,799 households and Mainichi 1,701 households, and neither provided a margin of error.

-- With reporting by Tomoko Yamazaki in Tokyo. Editors: Jim McDonald

New safety rules OK'd for Shimane nuke plant

Kyodo News

The Nuclear and Industrial Safety Agency approved a new set of safety regulations Monday for a nuclear power plant in Shimane Prefecture where numerous inspection failures were discovered earlier this year.

The step sets the stage for reactivating two reactors at the plant nearly three months after the Ministry of Economy, Trade and Industry issued a stern warning to Chugoku Electric Power Co. and ordered the utility to improve its safety rules to prevent a recurrence of the inspection problems.

The new guidelines lay out inspection and maintenance processes in more detail while clarifying who is responsible for each process, and cite a plan to form a third-party oversight committee to monitor the quality of future inspections.

Chugoku Electric suspended the plant's No. 1 reactor for further inspections after disclosing in late March that improper checks had been conducted at about 120 locations.

It also examined the No. 2 reactor, which had been powered down for a regular inspection.

The power supplier submitted a report in early June to the central and local governments admitting it had neglected to perform regular inspections or replace components at a total of 511 locations in the two reactors.

Chugoku Electric has yet to decide when it will restart the reactors, saying it needs to receive the nod first from local residents.

Economic Front:

Surging yen having a negative impact on sales at 37% of nation's companies

Kyodo News

A total of 36.7 percent of companies say a strong yen will negatively affect their sales, while only 6.9 percent say the yen's appreciation will have positive effects, according to a survey by Teikoku Databank Ltd.

But asked about the effects of the yen's surge on the economy, 65.5 percent said the trend is not desirable, while 9.9 percent thought favorably of it, according to the private research agency.

Because exporters continue to be a major driving force behind the economic recovery, "excessive fluctuations of currency rates will pose risk not only to corporate earnings but also to the Japanese economy as a whole," Teikoku Databank said in a report on its findings.

The survey was conducted on a wide variety of companies, including manufacturers, wholesalers, retailers and contractors.

Of the total, 34.9 percent said their sales have not been affected by the strong yen.

Among specific sectors, however, more than 60 percent of makers of electronics and other machinery, as well as transportation machinery and equipment manufacturers, believe the rising yen will have negative effects on their sales.

Asked what they are doing to deal with the yen's appreciation, 19.2 percent of firms engaged in overseas transactions said they are increasing procurement abroad, while 18.9 percent said they are raising their product prices in foreign currency terms so their sales value will remain the same on a yen basis.

The percentage of those combating the strong yen by restructuring their domestic manufacturing operations came to 14.0 percent, while 9.3 percent are boosting overseas production and 7.7 percent are setting up or expanding production bases abroad.

The Teikoku Databank survey was conducted between Aug. 19 and Aug. 31 and received valid responses from 11,578 companies.

¥1.8 trillion was poured into forex market

Kyodo News

The government used some ¥1.8 trillion for Wednesday's currency market intervention to prevent the yen from rising further, according to the Bank of Japan's transaction data.

According to the BOJ data on its current account deposit balances, the size of the intervention is estimated at somewhere between ¥1.7 trillion and ¥1.8 trillion — the biggest yen-selling, dollar-buying operation for a day.

The government is even considering increasing funds for foreign exchange market intervention in anticipation of a prolonged intervention to sell the yen for dollars, financial sources said Thursday.

The increase is expected to demonstrate the government's determination to prevent the yen from rising further, after the government conducted its first yen-selling, dollar-buying intervention in6 1/2 years, they said.

After Wednesday's move, the government appeared poised to intervene in the market further.

Prime Minister Naoto Kan reiterated Thursday that Japan will continue to sell yen when necessary, saying his administration will take "decisive steps" to stem the currency's surge, which threatens the nation's export-oriented economy.

The government usually issues foreign exchange fund bills to raise funds for currency market intervention. Under the fiscal 2010 budget that caps outstanding foreign exchange fund bills at ¥145 trillion, the government may be able to issue up to ¥35 trillion more in such bills in addition to about ¥110 trillion outstanding at the end of June for refinancing.

The sum for fiscal 2010 ending next March indicates the government will be able to conduct interventions close to an annual record of ¥32.9 trillion reached in fiscal 2003.

If the daily pace of nearly ¥2 trillion as seen Wednesday continues for some time, however, intervention funds may be depleted.

The government is considering raising the cap on outstanding foreign exchange fund bills under an extra budget for fiscal 2010 or a principal budget for fiscal 2011.

In another way to raise funds for currency market intervention, the government could effectively borrow funds from the Bank of Japan through sales of U.S. Treasury securities holdings to the central bank under repurchase agreements.

The government adopted the measure to secure currency market intervention funds before an extra budget was approved to raise the cap on outstanding foreign exchange fund bills in 2004.

Mizuho Securities to set up Asia bases

Mizuho Securities Co. plans to set up business bases in Taiwan and South Korea by the end of fiscal 2011 to improve client services in the fast-growing Asian markets, company officials said.

In a tieup with Mizuho Corporate Bank, its parent firm that already has branches in Taiwan and South Korea, the brokerage house aims to provide a rapid-response service for clients while strengthening fundraising and other financial services there.

Mizuho Securities, which has five bases in the Asian and Middle Eastern regions, has boosted capitalization at subsidiaries in Hong Kong and Singapore, and upgraded its office in India last month.

Among major Japanese brokerages, Nomura Securities Co. and Daiwa Securities Co. are operating in South Korea and Taiwan. Nomura has upgraded its South Korea branch to a subsidiary and Daiwa increased personnel at its Taiwan office.

SBI plans fund with Abu Dhabi firm

SBI Holdings Inc. said Monday it will establish an investment fund with Abu Dhabi financial services firm Invest AD to invest in African companies.

The new $ 100 million fund, to be owned equally by SBI and Invest AD, will invest in banking, mining, manufacturing and other sectors in Egypt, Ghana, Kenya, Morocco, Nigeria and Tunisia.

The Tokyo-based investment and financial services firm and Invest AD will also set up a joint company to manage the fund.

Invest AD, a subsidiary of the Abu Dhabi Investment Council of the United Arab Emirates government, was founded in 1977 to invest in growth markets in the Middle East and Africa.

Tobacco may face further tax hikes

A group of lawmakers is seeking to increase tobacco taxes for a second straight year to curb rising health care costs.

"We should aim to boost the tax again next fiscal year," Yoko Komiyama, a member of the ruling Democratic Party of Japan and a leader of a group of about 70 lawmakers seeking higher

cigarette levies, said in a recent interview. "The planned increase next month is just the first step and isn't nearly enough."

Cigarettes sell here for less than half the price they do in New York City.

Efforts to raise taxes have been complicated by the government's ownership of a controlling stake in Japan Tobacco Inc., the world's third-biggest publicly traded cigarette maker. More than a third of Japanese men smoke, about double the rate of the U.S. and Britain. Smoking kills an estimated 100,000 people a year in Japan.

An average pack of 20 cigarettes will go up by 33 percent to ¥400 on Oct 1.

Komiyama said the aim should be a price of ¥1,000 a pack, which would bring Japan in line with some European countries. New York City raised taxes in July, pushing the average price to $10.80, or about ¥909.

The government could raise the price by about ¥100 every year to allow the nation's tobacco leaf farmers enough time to switch to other crops, Komiyama said.

"A consensus is growing in the government that we have to do more to discourage things like smoking that are harmful to health," she said in an interview last Thursday.

Japan Tobacco, which controls 65 percent of the domestic market, "strongly opposes" a further tax increase until the affect of the October increase is assessed, the company said Aug. 31.

JT stock has dropped 10 percent this year compared with the 7.7 percent decline in the benchmark Topix index.

The Tokyo-based company's domestic tobacco sales slid 5.1 percent to ¥615.9 billion excluding tax in the 12 months through March. JT's brands include Camel, Benson & Hedges, Mild Seven and Winston cigarettes.

Central and local governments raise about ¥2 trillion in tax revenue each year from tobacco, according to Finance Ministry figures. The current ¥300 price for a pack includes ¥174.9 in tax.

Health and other costs related to smoking may be triple what the government gains in tax revenue, Komiyama said.

JT has forecast its net income will fall 3.9 percent this fiscal year due to an expect fall in demand resulting from the Oct. 1 tax increase.

Nearly 40 percent of Japanese men smoke, compared with 22.3 percent in the U.S. and 22 percent in the U.K., according to a World Health Organization report last year. JT said last month the percentage of Japanese men who smoke fell to 36.6 percent this year from 38.9 percent last year.

"The price increase will prompt more people to give up smoking," said Hiroyasu Muramatsu, a doctor at the Tokyo-based Chuo Naika Clinic.

Kan's victory seen moving yen higher

Bloomberg

The yen is poised to rise as high as 78 per dollar as the victory of Prime Minister Naoto Kan in the ruling party election Tuesday will dampen the likelihood of intervention, Bank of America Merrill Lynch said.

The currency climbed to its strongest level against the dollar in 15 years after Kan beat rival Ichiro Ozawa in the Democratic Party of Japan faceoff, ensuring he will remain the nation's leader.

Ozawa said last week Japan may need to step in to curb the yen's gains even without coordinated action from other countries. The yen will also rally on the likelihood of further monetary easing from the U.S. Federal Reserve, said Tomoko Fujii, a senior foreign exchange strategist at Bank of America Merrill Lynch.

"The yen's rising trend will continue on speculation that Prime Minister Kan will stay behind the curve in halting the currency's advance," Fujii said.

The yen climbed as high as 83.09 per dollar after Kan's victory was announced in the afternoon, the highest since May 1995.

The yen may strengthen to 79 per dollar by yearend and rise to 78 by the end of March, Fujii said.

Any failure by Kan to ensure members of Ozawa's faction receive "good treatment" in a reshuffle of Cabinet and executive posts will likely spur "large-scale yen buying," Fujii said.

The yen has advanced more than 10 percent from this year's low of 94.99 in May and remained near a 15-year high even after the Bank of Japan expanded a credit program Aug. 30.

Large manufacturers had forecast the yen would average 90.18 per dollar in the financial year ending March 2011, according to the BOJ's "tankan" survey released July 1.

Japan hasn't intervened in the currency market since March 2004 when the yen was at about 109 per dollar.

The BOJ sold ¥14.8 trillion in the first three months of 2004, after record sales of ¥20.4 trillion in 2003.

Kan said last Friday that getting international cooperation to halt the yen's gain is "difficult," and the government is negotiating with other countries to ensure they won't say "negative" things when Japan acts.

The government will likely refrain from intervening to sell yen unless the currency climbs at the pace of "several yen a day," according to Daisuke Uno, chief strategist at Sumitomo Mitsui Banking Corp.

Meanwhile, Andrew Colquhoun, head of Asia-Pacific sovereign debt at Fitch Ratings, said a split within the DPJ would be negative for the country's credit rating.

Hong Kong-based Colquhoun added that Japan's credit grade remains at AA- with a stable outlook.

Standard & Poor's said Kan's victory "is not necessarily good" for the nation's credit rating, Takahira Ogawa, director of sovereign ratings in Singapore, said.

Toyota Plans to Recall as Many as 116,507 Hilux Vehicles on Safety Concern

Toyota Motor Corp. recalled 116,507 four-wheel-drive gasoline and turbo-diesel HiLux vehicles produced between January 2005 and February 2010 in Australia.

Harsh acceleration or deceleration may lead to the vehicles' rear tailshaft center bearing support brackets giving way, Toyota said in an e-mailed statement. One incident with no resulting injuries was reported, the company said.

Toyota, the world's largest carmaker, fell 2.4 percent in Tokyo to 2,867 yen as of the 11 a.m. trading break.

Tokio Marine to invest ¥50 billion in apartments

Bloomberg

Tokio Marine Property Investment Management Inc. plans to raise ¥50 billion to invest in apartments in Tokyo as it bets that land prices are bottoming.

Tokio Marine Property, with ¥209 billion in assets, plans to start a fund and begin buying properties as early as the end of the year, said Takashi Uematsu, president of the Tokyo-based company.

Its first fund in two years will have a target return of about 10 percent, he said.

Residential land prices in greater Tokyo fell for the first time in three years in 2009 after the global credit crisis deepened with the collapse of Lehman Brothers Holdings Inc., a former lender and buyer of real estate in Japan.

"Land prices in greater Tokyo probably won't decline further," Uematsu said in an interview Wednesday.

"While the population in Japan is declining, the population in Tokyo is growing."

Investors in the fund may include Japanese institutions and pension funds, Uematsu said.

The asset manager may also approach foreign investors, he said.

The company is a unit of Tokio Marine Holdings Inc., Japan's biggest casualty insurer.

Housing rents in Tokyo's 23 wards rose or fell as much as 5 percentage points in the past decade, less than the 10 percentage points fluctuation of office rent in Tokyo's five central wards in the same period, according to data compiled by Tokio Marine.

"Residential is one of the most stable and easy to make investments in as long as you choose the right locations," Uematsu said.

A rising number of property loans that are coming due as prices decline also may create opportunities to buy real estate, he said.

"Property loans that were taken out to fund acquisitions in 2007, 2008 will reach maturity soon," Uematsu said. "Some properties may be put up for sale as some loans are being disposed."

The number of commercial mortgage-backed securities that are due will peak this year at ¥1.23 trillion, according to an estimate by Credit Suisse Securities (Japan) Ltd.

Kan's strong fiscal pledge in doubt

A narrow victory among Diet lawmakers endangers prime minister's plan to reduce budget

Bloomberg

Prime Minister Naoto Kan's narrow win in the Democratic Party of Japan leadership race may make it tougher for him to implement the deficit-reduction measures that he promised.

Kan defeated challenger Ichiro Ozawa by a margin of six votes in Tuesday's ballot of DPJ lawmakers. Regional party and local assembly members helped him win by a wider total margin of 721 points to 491 under the party's internal voting system.

Kan, 63, said after the win he will decide on DPJ executive posts following talks with "senior party members including former presidents," suggesting Ozawa may be consulted.

The challenge to Kan, who has pledged to cap bond sales and spending to rein in the world's largest public debt, followed a July election loss in the Upper House driven in part by plans to

raise the consumption tax. A failure to follow through on cutting the budget deficit risks hurting support among investors who sparked a rally in Japan's debt Tuesday.

"The key thing is the government's fiscal-policy strategy," Andrew Colquhoun, head of Asia-Pacific sovereign debt at Fitch Ratings, said Tuesday. "If we see a split in the DPJ and increased political volatility, it would make the chances of such a credible plan being drawn up somewhat lower."

The yield on benchmark 10-year government bonds slid 4 basis points to 1.105 percent Tuesday, the biggest drop in a week. Yields jumped almost a third of a percentage point to as high as 1.195 percent in the weeks following Ozawa's Aug. 26 announcement that he would challenge Kan.

Ozawa's influence in policymaking will increase as Kan tries to maintain party unity, increasing pressure for more spending, said Junko Nishioka, chief economist at RBS Securities Japan Ltd.

Ozawa, 68, who heads the DPJ's largest faction, has said the government may have to issue more bonds for spending measures to boost the economy. He also called for increased outlays to bolster the economy during his campaign and criticized Kan for ordering budget cuts.

Kan so far has been able to address reducing public debt while also stimulating demand, Nishioka said. The ¥915 billion stimulus plan he announced last week tapped unused funds that were set aside in the existing budget to avoid exacerbating a debt burden that is approaching 200 percent of gross domestic product.

Speaking at a news conference Tuesday, he said he will consider forming a supplementary budget to support the package.

As finance minister, Kan participated in meetings and conference calls among counterparts in the Group of Seven earlier this year that were dominated by talks on the debt crisis sparked by Greece.

He then unveiled plans to address Japan's own debt, pledging to balance the budget in 10 years.

In July, the DPJ lost seats in the Upper House election after Kan said he would consider doubling the consumption tax.

"Kan will face difficulty passing budget-related legislation" without a majority in the Upper House, said Takehiro Sato, Japan chief economist at Morgan Stanley MUFG Securities Co. That may prompt "him to step down and dissolve the government early next year."

Business leaders called on the party to set its differences aside and focus on measures that can spur growth.

"I hope that the DPJ truly comes together and moves forward," Tadashi Okamura, chairman of the Japan Chamber of Commerce and Industry, said in a statement Tuesday. "I'd like the DPJ and the government to prioritize speediness and implement policy seamlessly."

Government acts to drive down yen

Currency falls from 15-year high after first intervention in 6 1/2 years

Compiled from Kyodo, Bloomberg

Japan's monetary authorities intervened in the foreign exchange market Wednesday for the first time in 6 1/2 years to stem the yen's appreciation against the dollar and save the export-driven economy, Finance Minister Yoshihiko Noda said.

After Noda confirmed the move, the yen fell from a 15-year high versus the dollar, tumbling the most in four months.

The yen fell past 85 per dollar for the first time in almost two weeks, trading at 85.39 at 5:32 p.m. in Tokyo. The currency had risen more than 11 percent from mid-May through Tuesday. Against the euro, the yen fell 2.6 percent to 110.78.

The yen was as strong as 82.88 to the dollar earlier, the highest level since May 1995. It fell to 109.69 per euro from 107.92. The euro was at $1.2963 from $1.2998.

Later in the day, Japan intervened in the European foreign exchange market as well, a Finance Ministry official said.

The intervention came a day after Prime Minister Naoto Kan won re-election as the head of the Democratic Party of Japan by beating Ichiro Ozawa, who had specifically called for intervention to help shelter the nation's exporters from currency appreciation.

Noda said he contacted other nations about the step and that the action was taken unilaterally.

Japan could take further action, including additional intervention, when necessary, he also said.

"With today's action, the Japanese government has shown its resolve to halt a hazardous rise in the value of the yen," said Daisaku Ueno, Tokyo-based president at Gaitame.com Research Institute Ltd., a unit of Japan's largest currency margin company. "The action was too late but better than nothing."

Chief Cabinet Secretary Yoshito Sengoku said he believes the Finance Ministry considers ¥82 per dollar to be the line of defense to keep the strong currency from harming the economy. Sengoku also said the government is seeking to gain the understanding of the U.S. and Europe for the intervention.

Bank of Japan Gov. Masaaki Shirakawa released a statement Wednesday saying he hopes currency intervention will stabilize the foreign exchange market. BOJ Policy Board member Tadao Noda said the central bank must take swift, decisive policy action should downside risks for the economy materialize.

U.S. Treasury spokeswoman Natalie Wyeth declined to comment on Japan's announcement.

"It's very difficult to see this succeed unless it's going to be supported by the Federal Reserve or the European Central Bank," said Mitul Kotecha, Hong Kong-based global head of foreign exchange strategy at Credit Agricole CIB.

"The causes of dollar-yen moving lower haven't changed. Fundamentally, it's not due to events in Japan, but due to events in the U.S. and elsewhere."

The Swiss National Bank earlier this year abandoned efforts to weaken its currency, which reached a record high against the euro this month. The franc and the yen tend to strengthen during periods of financial stress because their export-reliant economies don't need foreign capital to balance current accounts — the broadest measure of trade.

Exports accounted for more than half of Switzerland's gross domestic product in the second quarter, while the figure was 16 percent in Japan and 13 percent in the U.S.

The last time Japan intervened in the currency markets was March 16, 2004, when the yen was around 109 per dollar. The BOJ sold ¥14.8 trillion in the first three months of 2004, after record sales of ¥20.4 trillion in 2003.

Japan last bought the currency in 1998, purchasing ¥3.05 trillion as the exchange rate weakened to 147.66.

The yen climbed this year on speculation Europe's sovereign debt crisis will worsen.

Toyota Australia to make green engines

SYDNEY (Kyodo) Toyota Motor Corp. Australia Ltd. announced plans Friday to invest 300 million Australian dollars (about ¥23 billion) to produce a new generation of environmentally friendly engines for its Camry and Hybrid Camry sedans.

"The new leading-edge and more environmentally sustainable engine will deliver reduced carbon emissions and improved fuel consumption," Toyota Australia said in a statement.

The company says it plans to produce 100,000 green engines a year at its plant in Melbourne starting from the end of 2012. Toyota plans to export the engine to Toyota plants in Southeast Asia that build Camry and Hybrid Camry models.

GDP growth for April-June revised to 1.5%

Kyodo News

The economy expanded an annualized real 1.5 percent in the April-June quarter, better than the initially reported 0.4 percent thanks to a boost in corporate capital investment, government data showed Friday.

Despite the improvement, the economy still grew at a slower pace than in the previous quarter amid the diminishing effects of fiscal stimulus, and government officials expressed caution about the future outlook.

"The direction that the economy is picking up has not changed," Satoshi Arai, state minister for economic and fiscal policy, told a news conference. Finance Minister Yoshihiko Noda made similar remarks.

The growth in gross domestic product corresponds to an expansion of 0.4 percent from the previous quarter through March, revised upward from the earlier announced 0.1 percent rise, according to revised data from the Cabinet Office.

As for the outlook, however, Cabinet Office Parliamentary Secretary Keisuke Tsumura warned of risks such as the yen's rise and the slowdown in the global economy.

"The prospects do not allow optimism," Tsumura said.

Capital spending was revised upward to 1.5 percent growth from the originally estimated 0.5 percent expansion. Private inventory, which pushed down the GDP by 0.2 percentage point in the initial estimate, was also revised upward to a negative contribution of 0.1 point.

Tsumura said he can evaluate the expansion of capital spending that continued for three straight quarters as a "move toward a self-sustaining recovery."

Some economists predicted that GDP for three months through September will maintain positive growth partly because consumer spending is likely to get a boost toward the end of this month from last-minute demand for a government subsidy program to encourage purchases of environmentally friendly vehicles.

But with car sales expected to drop once the surge ends and with exports likely to grow at a sluggish pace amid the expected slowdown of the U.S., Chinese and other economies, Yasuo Yamamoto, an economist at the Mizuho Research Institute, said October-December GDP will likely turn into negative growth.

According to the Cabinet Office, external demand contributed 0.3 percentage point to GDP growth, unchanged from the initial report, while the contribution of domestic demand came in at 0.04 percent, up from the 0.2 percent negative contribution.

¥915 billion stimulus package unveiled

Kyodo News

The government said Friday it will spend ¥915 billion on its fresh stimulus package to grapple with the recent upsurge of the yen and downside risks to economic growth by creating 200,000 jobs and encouraging consumer and business spending.

The package, expected to boost gross domestic product by about 0.3 percent in inflation-adjusted terms, was approved by the Cabinet of Prime Minister Naoto Kan earlier in the day.

The government said it "will take decisive actions, including (market) intervention, when necessary" to stem the yen's rise against other major currencies while expressing hope that the Bank of Japan will take "additional necessary policy responses to beat deflation in close collaboration with the government."

The yen has risen to levels unseen in 15 years against the dollar, which fell to the ¥83 level this week, causing a negative impact on business sentiment, especially among exporters.

Without newly issuing government bonds, Kan will tap some ¥920 billion in reserve funds for the current fiscal 2010 budget to finance the emergency policies. The Cabinet Office said that whether the government drafts a supplementary budget will depend on future developments of the economy.

Kan has said he will make maximum efforts to improve employment conditions, with the package specifying that the government help young people find jobs by giving financial incentives to companies that could offer employment.

The package aims to encourage job creation in sectors with growth potential, such as nursing and medical care as well as the environment, energy and tourism.

30% in metropolitan regions use e-money

Kyodo News

The share of electronic money users in two major metropolitan regions has more than doubled from four years ago to 30 percent, a think tank said Tuesday.

A rising number of people view quick settlements without small change as attractive, the Hakuhodo Institute of Life and Living said.

"Smart shopping is becoming deep-rooted in Japan," it said in a report based on a survey of consumers in the Tokyo and Osaka metropolitan regions it conducts every two years. The latest survey was carried out in May and covered 3,389 people.

The rate of people using e-money rose from 12.1 percent in 2006 to 22.0 percent in 2008 and to 30 percent in 2010, it said.

The poll also found that the share of respondents who shopped via the Internet in the past year came to 38.3 percent, up 8.1 points from 2008.

Sales of imported autos jump 75%

Kyodo News

Sales of new imported vehicles jumped 74.9 percent in August to 19,718 units, climbing for the 10th consecutive month, the Japan Automobile Importers Association said Monday.

Of the total, sales of Japanese cars, trucks and buses made overseas surged to 5,690 units from 1,105 the previous year, while sales of imported foreign vehicles rose 38 percent to 14,028 units, the association said.

By brand, Nissan topped the rankings with sales of 4,729 vehicles, up sharply from a mere 21 vehicles the year before.

Volkswagen ranked second with sales of 3,899 vehicles, up 69.2 percent, followed by BMW with 2,424 vehicles, up 35.2 percent.

Japan's 10-Year Bonds Rise as Moody's Says Kan Win `Dispels Uncertainty'

Japan’s bonds rose after Moody’s Investors Service said “the re-election of Prime Minister Kan dispels uncertainty.” Ten-year yields fell six basis points to 1.045 percent as of 9:28 a.m. in Tokyo.

Japan Stance `Unchanged' on U.S. Beef Imports for Talks, Ministry Says

Japan will maintain its stance on restricting some U.S. beef when officials from the two countries hold talks next week, the agriculture ministry said today.

Officials from Japan’s agriculture and health ministries will meet their U.S. counterparts on Sept. 14 and 15 in San Francisco to exchange opinions on U.S. beef, the two ministries said in a joint statement today. Japan doesn’t allow imports of U.S. beef from animals older than 20 months, as the youngest case of mad-cow disease was found in a 21-month-old animal.

“Our stance is unchanged,” Farm Minister Masahiko Yamada was cited as saying to reporters earlier today by ministry spokesman Kenji Nakagawa. “We would like to hold talks based on scientific knowledge as we consider food safety as a very important issue.”

U.S. Agriculture Secretary Tom Vilsack agreed with then- farm minister Hirotaka Akamatsu to resume bilateral talks on normalizing beef trade, stalled since August 2007, when he visited Tokyo in April.

Companies including Tyson Foods Inc. and Cargill Inc. are losing sales of about $1 billion a year because of Japan's refusal to allow imports of beef from older animals, according to the National Cattlemen's Beef Association.

The World Organization for Animal Health, or OIE, voted in May 2007 to give the U.S. its "controlled-risk" rating for mad-cow disease, indicating controls are effective and meat from U.S. cattle of any age can be safely traded. The OIE standards are used to settle trade disputes at the World Trade Organization.

Japan was the largest foreign buyer of U.S. beef before banning all imports after the first case of the disease was discovered in the U.S. in December 2003. The Asian nation eased the ban in December 2005 to allow meat to be imported from cattle aged 20 months or younger.

Social Front:

Talks start on Pacific bluefin catch cutbacks

Kyodo News

An international fisheries management panel began discussions Tuesday on reducing bluefin tuna catches in the Pacific Ocean amid concerns over decimation of young tuna in the region, particularly by Japanese and South Korean fishermen.

The meeting of the Northern Committee of the Western and Central Pacific Fisheries Commission is scheduled to run through Friday in Fukuoka, focusing on whether South Korea will agree to reduce its Pacific bluefin tuna catches.

At last year's session of the full commission, member states including Japan agreed not to increase catches from the 2002-2004 levels and to reduce catches of tuna aged up to 3 years old.

South Korea, however, refused to accept the provisions, leaving the country's exclusive economic zone outside the agreement's coverage.

In the leadup to the Northern Committee meeting, the commission's scientific committee advised countries to reduce their catches of Pacific bluefin tuna, saying catches have been up, mainly of immature fish, in recent years.

The full commission, which has 25 members including Japan, China, Samoa, South Korea and the United States, decides on international resource management measures on fish such as tuna, bonito and swordfish in the Central and Western Pacific.

The Northern Committee covers fishery resources to the north of 20 degrees north latitude.

Whale-watching tax?

SYDNEY (Kyodo) An Australian academic proposes that whale-watching tourists be taxed five Australian dollars (about ¥384) to help compensate Japan for the loss of its whaling industry, a local newspaper reported Tuesday.

Clevo Wilson, an economics professor at the Queensland University of Technology, told The Courier-Mail that paying whalers to stop their annual hunt would be more effective than legal action.

Japan confirms first new-type superbug

Carrier of NDM-1 gene had traveled to South Asia

Kyodo News

In the first such case in Japan, a man who was a patient at a university hospital in Tochigi Prefecture was carrying a new type of superbug with the NDM-1 gene, which is resistant to most antibiotics, health officials confirmed Monday.

The NDM-1 gene has been detected in intestinal bacteria
such as E. coli and a bug that can invade the lungs called
Klebsiella pneumonia, which without the gene are mostly harmless to the human body.

Health authorities are on the alert because the superbug can spread easily from one kind of intestinal bacterium to another even among healthy people, causing pneumonia and other diseases if it spreads to more highly pathogenic bacteria.

According to Tochigi's Dokkyo Medical University Hospital, the case involves a Japanese man in his 50s who traveled to South Asia. In May 2009 he was diagnosed with E. coli and the NDM-1 gene was also suspected.

The patient left the hospital and no in-hospital infections were observed, according to the hospital.

At a hastily arranged news conference Monday evening, the hospital said it confirmed the NDM-1 gene in a test last month on a preserved sample of the suspected superbug taken from the patient. The test was prompted by a British medical report on the gene.

It wasn't clear if the hospital had conducted thorough checks on the man when he was in the hospital. He was hospitalized some time after he returned from India, officials said.

There has been a growing number of infections with other antibiotics-resistant bacteria in Japan, including Acinetobacter. Authorities are particularly concerned about the NDM-1 carrying bacteria because the other bugs rarely spread outside of a hospital.

Bacteria with the NDM-1 gene are spreading in Britain, France, Belgium and other European nations, as well as the U.S., Canada and Australia.

Many of those patients underwent cosmetic surgery in India and Pakistan, where medical costs are low, according to some scientific reports and local media.

Yamanaka awarded Balzan Prize for breakthrough on stem cells

MILAN, Italy (AP) A Japanese researcher who found a way to give adult cells certain characteristics of embryonic stem cells, a process scientists say could eventually lead to cures for spinal cord injuries and other ailments, has been awarded
the Balzan Prize for biology.

Shinya Yamanaka's prize is one of four — two for
sciences, two in the humanities — awarded this year by the foundation, with the goal of highlighting new or emerging areas of research and to sustain fields of study that may have been overlooked elsewhere.

Also winning awards were Brazilian mathematician Jacob Palis, who was cited for his contributions to the theory of dynamical systems, which draws from chaos theory and the butterfly effect, or the idea that small differences can create huge changes.

The humanities prizes went to Italian historian Carlo Ginzburg, the father of microhistory, the study of the past based on a focus on the small scale, for his contributions to the study of ordinary people in Europe, and to German Manfred Bauneck for his history of the European theater.

Yamanaka used his findings to treat spinal chord lesions in mice, though the process has not so far been applied to humans, said Nicole Le Douarin, an honorary professor at the College de France who has written a book on stem cells, and who presented the citation.

The process allows adult cells that have already been differentiated into, say, kidney cells or neural cells, to be transformed back into cells with the characteristics of embryonic cells — a breakthrough that could provide an alternative to the controversial use of human embryos in stem cell research.

Medical researchers value such cells because they are master cells that can turn into any tissue of the body, and they expect the research to eventually lead to cures for spinal cord injuries, Parkinson's disease and other ailments.

Yamanaka works at the Institute for Integrated Cell-Material Sciences at Kyoto University, as well as the Gladstone Laboratory at the University of California, San Francisco.

Ginzburg, an Italian who teaches at the Scuola Normale Superior of Pisa University, is best known for his book, "The Cheese and the Worms: The Cosmos of a Sixteenth Century Miller," based on Inquisition documents, about a heretic named Menocchio.

Bauneck, of the University of Hamburg, was awarded the prize for his history of the European theater spanning 2,500 years and his research on trends in world theater.

Each winner receives 750,000 Swiss francs (¥62 million).

House, elementary school win prizes

LONDON (Kyodo) A house and an elementary school have won awards for outstanding designs that serve as next-generation standards in the world of architecture, organizers of the Leaf Awards said Friday.

Designed by Mount Fuji Architects Studio, the house in Atami, Shizuoka Prefecture, was given the single-occupancy Residential Building of the Year award, while the private Nanasawa Kibo no Oka Elementary School in Atsugi, Kanagawa Prefecture, designed by Ben Nakamura, earned the Best Sustainable Development prize.

It is the first time that multiple divisions of the awards, organized by a forum of European architects, have gone to buildings in Japan.

Toyota Tsusho eyes tuna farming

Kyodo News

Toyota Tsusho Corp. said Friday it will jointly start business with Kinki University to farm fully cultured juveniles of bluefin tuna and supply them to farmers.

Toyota Tsusho, the trading arm of Toyota Motor Corp., will use the knowhow of the university that succeeded in fully culturing juveniles in 2002, a world first at the time. It will supply the grown juveniles to tuna farmers.

The company will raise 6-cm juveniles provided by the university to up to 30 cm at a subsidiary in the city of Goto, Nagasaki Prefecture.

The company plans to ship the juveniles to domestic tuna farmers for the time being. It can farm about 10,000 juveniles under the initial capacity, according to the company.

Kinki University has decided on the cooperation to expand its tuna farming by using the firm's larger facilities.

Motion sensors, 3-D games grab limelight at Tokyo Game Show

Japan's biggest video game show kicked off Thursday at the Makuhari Messe convention center in Chiba, with motion-sensor game systems and three-dimensional display images drawing the most attention.

At the four-day Tokyo Game Show, Sony Computer Entertainment Inc. and Microsoft Corp. presented game systems that let users control the action with their entire bodies, in an apparent response to Nintendo's Wii hand-held motion-sensor controller.

At the Sony booth, many tried out a wireless remote controller, PlayStation Move, that detects the user's movements via both a hand-held sensor and a camera.

PS Move, which is played on the PlayStation 3, enables users to "get in the space of the video game and play intuitively," said Hiroshi Kawano, SCE Japan president, who added that Sony aims to attract novice gamers. The controller goes on sale in October.
Microsoft Corp. is also stealing the limelight with its newest motion control system, called Kinect, for the firm's Xbox 360 game console. The system goes on sale in November.

Unlike Wii and PS Move, the Kinect sensor system for the Xbox 360 machine doesn't require a hand-held controller. A camera, depth sensor and multiarray microphone set up in front of the users detect the movements and location of the players, and match the characters' actions in the video game.

Many trying out the system moved their bodies up and down and even jumped to test the results.

Some thought the system left room for improvement.

"I enjoyed playing, but I think the Wii is better" at detecting movements, said Yusuke, a 23-year-old man from Tokyo who only gave his given name.

He said the Kinect seemed to have trouble keeping up with fast movements.

Game makers are also trying to take advantage of the growing popularity of 3-D TVs.

Sony, tapping the powerful graphic performance of its PlayStation 3 and technologies for 3-D televisions, is an industry leader in developing the 3-D video game market. Sony is showing off several 3-D titles for visitors to try.

"It was very fun to play, but it could make you dizzy if you play for a long time," said a woman who tried out "Ridgeracer 7" wearing 3-D glasses.

"Unlike 2-D, it makes the scene really come alive, and I felt like I was driving a real car," she said, adding that she thinks 3-D gaming will take off.

Other popular attractions included video games for Apple's iPad tablet computer and iPhone, as well as those for conventional cell phones.

The trade show, which runs until Sunday, is open to the general public on Saturday and Sunday.

Five more superbug cases found

Teikyo University Hospital said Saturday it had confirmed another five cases of infection with Acinetobacter, an antibiotic-resistant bacteria, bringing to 58 the total number of people infected in-hospital with the superbug.

Of the five newly uncovered cases, a woman in her 70s died this June and experts are currently studying whether her death was caused by the infection, said the hospital in Itabashi Ward, Tokyo.

Of the 58 people who have been infected with the bacteria since last year, 32 have died, including nine whose deaths were likely caused directly by the infection.

The experts are studying whether five more deaths, including the death of the woman, can be attributed to the infection, the hospital said.

Former U.S. POWs arrive in Japan on government invitation

Six former U.S. prisoners of war arrived in Japan on Sunday for an eight-day visit at the invitation of the Japanese government, marking the first government-sponsored trip by American POWs for reconciliation and mutual understanding between the two countries.

The former U.S. soldiers in their 80s and 90s, who were held captive by the Imperial Japanese Army during World War II, include Lester Tenney, 90, a survivor of the 1942 Bataan Death March and a professor emeritus at Arizona State University. The men are being accompanied by eight members of their families.

It is the first time the Japanese government has extended invitations to former U.S. POWs. The Japanese government previously hosted former POWs from other Allied countries including Britain and the Netherlands.

Tenney is scheduled to meet with U.S. Ambassador to Japan John Roos and Foreign Minister Katsuya Okada on Monday. He will visit Matsuyama, Ehime Prefecture, on Tuesday and Kyoto on Thursday and Friday.

The United States surrendered on the Bataan Peninsula on Luzon Island in the Philippines in 1942 and thousands died walking for days in tropical heat to a prison camp about 100 km away.

After being captured in the Philippines, Tenney was forced to work at the Mitsui Miike Coal Mine in Omuta, Fukui Prefecture, from 1943 to the end of World War II.

In May last year, Japanese Ambassador to the United States Ichiro Fujisaki directly apologized to a group of former American POWs captured in the Philippines, including Tenney, who were calling for an apology from Japan.

At the time, Fujisaki also expressed hope that the Japanese government would facilitate plans for the former prisoners and their relatives to visit Japan.

Heavy rains pelt Sea of Japan coast, northeastern Japan

Heavy rains hit the Hokuriku region on the Sea of Japan coast and the Tohoku region in northeastern Japan on Sunday, with record rainfall for September logged in Niigata, Toyama and other prefectures, disrupting some train services, the Japan Meteorological Agency said.

By contrast, the weather was sunny on the Pacific coast from western to eastern Japan with temperatures topping 37 C in Yamanashi and Aichi prefectures, and hitting a record high for September of 37.4 C in Shingu, Wakayama Prefecture, the agency said.

Rainfall of 47.0 ml per hour was logged in Sanjo, Niigata Prefecture, and 44.0 mm in Uozu, Toyama Prefecture, both record highs for September, the agency said.

On the JR Shinetsu Line, services of an express train with sleeping berths were suspended for the day.

The agency warned of possible landslides and flooding, predicting that local thunderstorms with precipitation of 50-60 mm per hour could hit areas in Hokuriku from Sunday night to Monday morning and Tohoku from Monday morning to the evening.

Heavy rain of 30-40 mm per hour may also fall in a broad area from western to eastern Japan through Monday, it said.

Strong quake jolts northeast Japan

An earthquake with a preliminary magnitude of 5.7 jolted northeastern Japan on Monday afternoon, the Meteorological Agency said.

The 2:48 p.m. quake measured 4 on the Japanese seismic scale of 7 in Hachinohe, Aomori Prefecture, and Hakodate, Hokkaido, as well as in other areas.

No tsunami warning was issued, and there were no immediate reports of injury.

Heatstroke figures still growing in September

A total of 54,386 people suffering heatstroke have been taken in ambulances to hospitals across the nation since May 31, the Fire and Disaster Management Agency said Tuesday.

Of the total, including 2,227 who were rushed to hospitals during the week through Sunday alone, 170 people were confirmed dead shortly after arriving at hospitals, the agency said in a preliminary report on this summer's scorching heat.

An agency official referred to the latest weekly figure as "unusually high for September" and urged people to take care to prevent heatstroke, especially during school outdoor activities.

According to the report, people diagnosed with mild symptoms made up the largest proportion of those taken to hospitals at 58 percent, while those with moderate symptoms made up 35.2 and those with severe symptoms 3.4 percent. By age bracket, people aged 65 or above accounted for 46.5 percent, the agency said.

Violence in schools hits new high

Violent incidents at elementary, junior high and high schools nationwide increased for the fourth straight year to hit a record 60,913 in the 2009 academic year, according to an education ministry report released Tuesday.

Incidents at junior high schools accounted for 72 percent of the total, the ministry said.

The number of students who committed suicide stood at 165, up 29 from a year earlier. Two of the suicides were found to be linked with bullying, the report says.

Cases of bullying came to 72,778, down 11,870, reflecting efforts by schools to prevent the problem through interviews with individual students.

Violent incidents between students numbered 34,277, property destruction accounted for 16,604 cases, and teachers were the targets in 8,304 incidents. Elementary schools had 7,115 incidents, up 631, junior high schools had 43,715, an increase of 961, and high schools saw 10,083 cases.

Farm labs moving crops north due to warming

YAMAGATA (Kyodo) In response to climate change, agricultural laboratories nationwide are conducting research to see whether crops can be cultivated farther north than their usual growing regions.

Experimental farms in 11 prefectures have been conducting the studies, including Yamagata, which is trying to cultivate "yuzu" (citron), a fruit commonly grown in warmer areas to the south.

Saitama Prefecture is meanwhile attempting to grow mango, a tropical fruit domestically grown mainly in the southwest.

The Environment Ministry predicts the nation's average temperature could rise by 2.1 to 4.0 degrees by around 2100 if climate change continues at the current pace.

Some experts also say the Kanto region could become a suitable production area for tropical crops.

The Yamagata Integrated Agricultural Research Center, one of the farm stations, began this year to cultivate yuzu and "sudachi," a small, sour, green citrus also currently produced mainly in the western part of the country.

The Saitama Prefectural Agriculture and Forestry Research Center has cultivated mango and sugar cane on a test basis since fiscal 2008.

Chiba Prefecture has been successful in cultivating passion fruit, while Shizuoka is trying to produce dragon fruit.

Miyazaki, known for mangoes, aims to adopt star fruit and litchi as specialty products.

Other prefectures conducting similar research are Miyagi, Gunma, Mie, Shiga, Hyogo and Ehime.

Farm stations in several more prefectures, including Iwate and Shimane, are considering similar moves.

No antibiotic candidates emerge to stem superbugs

Japan's pharmaceutical industry doesn't have even a single candidate for new antibiotics to counter multidrug-resistant superbugs such as some types of Acinetobacter and E. coli bacteria, according to an expert reporting the situation to the government.

Shuhei Fujimoto, a professor at Tokai University's Department of Bacteriology and Bacterial Infection, said he alerted the Health, Labor and Welfare Ministry's study group on superbugs to the lack of new antibiotics indispensable to treat people infected with such bacteria.

"Although the battle with multidrug-resistant bacteria has long been buttressed by developments of new antibiotics, we are in a critical situation at present," he said.

Low profitability of antibiotics appears to be a factor behind pharmaceutical manufacturers' reluctance to make developmental efforts for new antibiotics, he said.

A total of 58 people have been infected with multidrug-resistant Acinetobacter in Teikyo University Hospital since last year, including some who have died. E. coli with the gene to produce the NDM-1 enzyme that makes bacteria resistant to most antibiotics was reported for the first time in Japan last week.

Fujimoto said he has told the ministry's study group that low profitability stems from the fact that a bacterium capable of resisting a new antibiotic is detected and reported in only four years on average after the antibiotic debuts, although new antibiotics development requires huge costs.

The medical community overseas faces a similar situation under which the number of newly developed antibiotics in the 2000s has plunged to less than one-fourth the corresponding number in the 1980s, he said.

In Japan, there were some years during the 1980s when the annual number of newly released antibiotics exceeded five. But no antibiotic promising enough to lead a drugmaker to release it on the market has been found since 2000.

Tips on illegal Net info set new high

Kyodo News

An Internet hot line seeking tips on sites offering illegal information experienced a 75.3 percent surge in submissions in the first six months of the year, the National Police Agency said Thursday.

During the January-June period, the Internet Hotline Center received 18,542 reports of illegal information on websites, including child pornography and ads for banned drugs, the highest since it was set up in 2006, the NPA said.

The center received 5,441 reports about harmful information, including suicide pleas and offers to commit paid murder, up 53.9 percent, the NPA said.

The Tokyo-based center asked website operators to delete illegal information in 9,602 of the cases but was ignored in 2,014 of them, including 239 containing child porn, because it has no authority to enforce its requests, which are nonbinding.

According to reports from the center, police charged people in 226 cases, up 174 from the same period the previous year, including 117 cases that pertained to child porn.

Authorities fear repeated duplication of indecent images may inflict much more serious damage on children if left online for a long period of time.

The government has been preparing to have Internet service providers block access to child pornography based on tips to the center and other reports.

Nurse acquitted of tormenting elderly patients

FUKUOKA (Kyodo) A high court acquitted a nurse in Fukuoka Prefecture on Thursday of injuring two elderly patients with dementia whose nails were removed while she cut them in 2007, recognizing her act as "necessary and proper" nursing care.

In scrapping a lower court decision that found Satomi Ueda, 44, guilty and gave her a suspended prison term, the Fukuoka High Court also raised doubts about the credibility of her confessions to investigators in which she said she intentionally removed the nails of the female patients, aged 89 and 70.

"Some suspicions remain that the confessions could have been either forced or led" by the investigators, presiding Judge Hiroo Suyama said in handing down the ruling.

Ueda said she was happy with the decision and that she can now "continue to serve as a nurse with a sense of relief."

The high court said bleeding resulting from cutting too deeply may indicate a certain degree of inappropriateness but as "as an act of nursing care, the means and method she took did not go beyond the reasonable range."

The prosecutors had accused her of injuring the patients by removing their nails. They called the high-court decision regrettable and said they will review the ruling to decide their next move.

The Kokura branch of the Fukuoka District Court in March last year sentenced Ueda to six months in prison, suspended for three years, saying she took pleasure in making the patients bleed by cutting their nails.

The high court ruling said in June 2007, she clipped the toenails of the two patients with dedicated clippers at a hospital in Kitakyushu. Both bled slightly.

The right middle fingernail of the 70-year-old patient came off when Ueda removed a bandage that was covering the nail to see its condition and she did not intentionally remove the nail, according to the ruling.

The court said Ueda could be blamed for clipping the right thumbnails of the two patients too deep, but that act was intended for nursing care and was necessary, the decision said.

Japan falls in global university rankings

LONDON (Kyodo) Japan has slipped in an annual evaluation of universities around the world, overtaken by China for the first time.

The number of Japanese institutions among the world's top 200 universities has fallen from 11 to five, according to rankings released Thursday by the Times Higher Education magazine.

The British magazine teamed up with Thomson Reuters to assess universities largely based on their teaching and research capacity. The teams also judged institutions' international mix of staff and students, and each university's ability to transfer research into commercial gains.

The only Japanese institution to make the top 50 was the University of Tokyo, which ranked 26th. The other four among the top 200 were Kyoto University at 57th, Tokyo Institute of Technology at 112th, Osaka University at 130th and Tohoku University at 132nd.

By contrast, China had six universities in the top 200 — more than any country in Asia — "in what many of Japan's institutions will see as very disappointing results," according to a statement from the magazine. Peking University was the highest-ranked Chinese institution at 37th.

"Recent cuts in higher education funding, and a new more detailed methodology for the rankings, have exposed serious weaknesses in the performance of Japan's leading institutions on a global stage," says the commentary.

In a change of methodology this year, assessors placed less importance on reputation and heritage and more emphasis on teaching, research and knowledge transfer.

U.S. universities dominated the top of the rankings, with Harvard in first place. Oxford and Cambridge universities took joint sixth position.

Among countries, the United States was in first place, with China at eighth and Japan 10th.

Ann Mroz, editor of the Times Higher Education, said the rankings "clearly show that investment in higher education does produce world-class universities, and those institutions that have performed well should be congratulated."