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Weekly report on South Korea & Japan

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Wajid Hussain

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Summary of Report

Korea

Politico-Strategic Front:

Russia won't hand over Cheonan report to S Korea Russia will not hand over its findings on the Cheonan incident to South Korea, Yonhap News Agency reported Wednesday, citing a ranking Russian government official.

N. Korea to hold Workers' Party meeting Sept. 28 North Korea announced Tuesday it will hold a meeting of its ruling Workers' Party on Sept. 28, that is seen as linked to leader Kim Jong-il's plan to hand power over to his third son, Jong-un.

Kim Jong-Il's Son Kim Jong-Un Named Heir in Document, Tokyo Shimbun Says Kim Jong-Un, the son of North Korean leader Kim Jong-Il, has been named his heir in an official

document, the Tokyo Shimbun newspaper reported today, citing a photograph it obtained of the document.

Seoul not to describe Pyongyang as main enemy This year's defense white paper will not describe North Korea as the "main enemy" despite the sinking of the frigate Cheonan in March, an official at the Ministry of National Defense said Monday.

North Korea to Hold Party Congress to Choose Leaders North Korea will hold its first party congress in 30 years next week, setting the stage for a possible power transfer in the Stalinist state from Kim Jong Il to his youngest son. The Workers Party of Korea will meet Sept. 28 in the capital of Pyongyang to choose "its supreme leadership body," the official Korean Central News Agency reported today. Kim will attend the meeting as a delegate, KCNA said.

S. Korea, U.S. to Begin Five-Day Military Drills on Sept. 27 South Korea and the U.S. will hold anti-submarine drills off the Asian country's west coast between Sept. 27 and Oct. 1, the U.S. forces in South Korea said today in an e-mailed statement.

5 non-G-20 nations invited to global summit South Korea will invite five non-members of the Group of 20 to the upcoming G-20 summit as part of broad efforts to reflect more diverse economic perspectives, the local summit organizing committee said Friday.

Economic Front:

ANZ Bank Completes Due Diligence on Korea Exchange, Seoul Economic Says Australia & New Zealand Banking Group Ltd. finished due diligence of Korea Exchange Bank on Sept. 17 ahead of a possible bid for the Seoul-based bank, the Seoul Economic Daily reported, citing a unidentified financial industry official. ANZ will soon begin price talks with Lone Star Funds, which is selling its 51 percent stake in KEB, the report said. ANZ has offered about 3 trillion won for the stake while the seller is looking for more than 5 trillion won, the Korean-language newspaper said.

Underprivileged feel alienated further Soaring consumer prices and the sluggish domestic economy are reducing donations to the underprivileged, leaving them more alienated during the Chuseok holiday. For the elderly and children at welfare facilities or orphans are unlikely to have a happy Chuseok this year due to dwindling gifts from donors.

Korea National Oil Wins Acceptances From 64% of Dana Investors in Takeover Korea National Oil Corp., the state-owned energy company, said it has received acceptances for 64.26 percent of Dana Petroleum Plc shares in its hostile takeover battle for the U.K. explorer.

Japan Can't Curb Yen Acting Alone, Bank of Korea Governor Says Japan can't stem appreciation of the yen acting by itself because currency-market intervention by a single country has limited effect, according to Bank of Korea Governor Kim Choong Soo.

Imax to Open 15 Theaters in China With Partner CJ CGV of South Korea Imax Corp., the developer of technology for projecting movies onto giant screens, agreed to open 15 cinemas in China in its biggest deal to expand in Asia. Imax will partner with South Korea's CJ CGV Co., which operates five of its theater systems locally, the Mississauga, Ontario-based company said today in a statement. The Asian partner will install the first two theaters next year with the remaining 13 scheduled to be completed between 2012 and 2015, the company said, without identifying locations.

GDF Suez, Partners Obtain \$1.3 Billion Financing for Oman Power Projects GDF Suez SA and its partners including Shikoku Electric Power Co. and Sojitz Corp. completed \$1.3 billion in financing for the Barka 3 and Sohar 2 independent power projects in Oman.

Lotte Pakistan Plans to Spend \$500 Million to Increase Chemical Production Lotte Pakistan PTA Ltd., the nation's only producer of pure terephthalic acid, plans to spend \$500 million to increase output as demand rises for the chemical used in making polyester. The company is 75 percent owned by South Korea's Lotte Group which bought a majority stake in Pakistan PTA Ltd. in September 2009, according to the company's website.

Cargill Says South Korea, Colombia Trade Agreements Would Create U.S. Jobs The approval of pending free-trade accords with South Korea, Colombia and Panama would help create jobs in the U.S., said agricultural trader Cargill Inc., the largest closely held company in the U.S. Cargill employs about 61,000 employees in the U.S. and 131,000 employees in total in 66 countries.

Posco Said to Hire Five Banks for Investor Talks and Sale of Dollar Bonds Posco, the world's third-biggest steelmaker, hired five banks to sell bonds overseas, according to a company official. Bank of America Corp., BNP Paribas SA, Deutsche Bank AG, Goldman Sachs Group Inc. and Morgan Stanley will arrange the sale, said the official, who asked not to be identified before a public announcement. Posco plans to hold bond investor meetings in Asia and the U.S. next month, the official said.

Social Front:

Clinton wishes Koreans happy Chuseok holiday U.S. Secretary of State Hillary Clinton Sunday wished Koreans a happy harvest Chuseok holiday, the equivalent of Thanksgiving, this week, Yonhap News Agency reported in Washington. Clinton in February also extended warm wishes for the Lunar New Year as South Korea and other Asian nations celebrated their traditional holiday.

Korea vows \$1 million to fight child mortality Korea pledged Wednesday to provide an international publicprivate partnership organization with \$1 million for the global campaign to donate life-saving vaccines to children in the world's poorest countries. The commitment

signaled that Korea, the only aid recipient turned donor, joined the global effort to fight child mortality and poverty.

Unusual weather seen in September Korea has seen “unusual” weather, such as heat wave, record rainfall and early frost, in September. The first frost of the season was spotted on Mt. Seorak in the country's east on Friday, 11 days earlier than last year and amid a series of abnormal weather conditions this month, according to local forecasts.

Japan

Politico-Strategic Front:

Four Japanese Held in China as Fishing Boat Tensions Escalate Japan said four of its citizens are being held in China for allegedly videotaping military targets as tensions heightened over a territorial dispute that has damaged ties between Asia’s two biggest economies.

China Suspends Ministerial-Level Talks With Japan Over Boat Clash Diplomatic ties between the world’s second- and third-biggest economies soured as China escalated a dispute over Japan’s extended detention of a fishing boat captain for a collision in disputed waters. China yesterday severed senior-level government contacts with Japan, halting aviation talks and suspending a meeting on coal because of the incident. Foreign Ministry spokesman Ma Zhaoxu pledged “strong countermeasures” if Japan failed to release the captain. Japan’s government hasn’t been informed of the measures, a spokesman said today.

DPJ to put ex-ministers in key panels The Democratic Party of Japan plans to assign former Cabinet members to head key committees in the House of Representatives to secure the ruling party's leadership in the divided Diet, DPJ sources said. The DPJ is set to appoint Hiroshi Nakai, former chief of the National Commission on Public Safety as well as state minister in charge of the North Korean abduction issue, as chairman of the Lower House Budget Committee, the sources said. All three served in Prime Minister Naoto Kan's Cabinet before Friday's reshuffle

Japan to Release Captain of Chinese Fishing Boat, Asahi Says Japan will release the captain of a Chinese fishing boat who has been held since Sept. 7, the Asahi newspaper reported. An announcement will be made today, the report said.

Four Japanese Held in China for Videotaping Military Sites, Xinhua Reports Four Japanese people are being investigated in China for illegally videotaping military targets, the Xinhua news agency reported, without saying where it got the information.

Amid Tension, Japan to Release Chinese Captain Japanese prosecutors decided Friday to release a Chinese fishing boat captain involved in a collision near disputed islands, following

intense pressure from China in the worst spat between the Asian neighbors in years. The move will likely ease the escalating tensions sparked when Japan arrested the captain earlier this month after his trawler collided with two Japanese patrol boats near islands in the East China Sea claimed by both countries. Beijing suspended ministerial-level dialogue with Tokyo and postponed talks on developing disputed undersea gas fields. Chinese Premier Wen Jiabao earlier this week sternly threatened "further action" against Japan if it did not immediately release the captain.

China Sends Charter Flight to Get Boat Captain in Japan as Detention Ends China will send a chartered flight to collect the captain of a Chinese fishing boat who was detained in Japan, the Chinese foreign ministry said in a statement on its website today.

Japan Considers Boosting Ground Troops by 13,000 to 168,000, Kyodo Reports Japan's Defense Ministry is considering increasing the number of its ground forces by 13,000 to 168,000 soldiers, the first expansion in 38 years, to cope with challenges including the security situation in East Asia, Kyodo News reported.

Kan Approval Rises to 64 Percent After Cabinet Reshuffle, Sankei Reports Japanese voter approval for Prime Minister Naoto Kan's Cabinet rose 18 percentage points to 64 percent, according to a Sankei newspaper survey. The disapproval rating dropped 19 points to 21 percent from the last survey taken in August.

Kan, Obama Didn't Discuss Currency Intervention in New York, Kyodo Says Japanese Prime Minister Naoto Kan and U.S. President Barack Obama didn't discuss Japan's currency intervention at their meeting in New York, Kyodo News reported, citing, Tetsuro Fukuyama, Japan's deputy chief cabinet secretary.

Economic Front:

Cnooc Falls as China-Japan Dispute Threatens Undersea Oil, Gas Development Cnooc Ltd., China's biggest offshore energy producer, fell in Hong Kong trading as a growing territorial dispute between China and Japan in the East China Sea threatens to disrupt oil and gas development in the area. The shares dropped 0.4 percent to close at HK\$14.66, compared with the less than 0.1 percent gain in the benchmark Hang Seng index. China Oilfield Services Ltd., which counts Cnooc as its largest customer, declined 0.7 percent.

Yen Weakens on Speculation Japan Is Intervening to Curb Gains The yen dropped against most of its major counterparts as traders speculated that Japan sold the currency to protect exporters. The currency slid as much as 1.1 percent against the dollar in the biggest intraday decline since the Bank of Japan intervened on Sept. 15 before erasing most of the drop. The euro advanced against the dollar after reports showed German business confidence unexpectedly rose to the highest level in more than three years and U.S. durable goods orders fell in August.

EU, Japan meet as tensions over trawler spat rise Maehara interested in FTA talks with Europe, The European Union inquired Wednesday about recent developments between Japan and China as bilateral tensions continue to rise over the Sept. 7 ship collisions in the East China Sea, Japanese officials said. Catherine Ashton, EU high representative for foreign affairs and security policy, asked Foreign Minister Seiji Maehara about developments since the collisions, which allegedly took place near a set of disputed islands near Okinawa that are administered by Japan but claimed by China and Taiwan. The two met on the sidelines of U.N. meetings in New York.

Japan pledges \$8.5 billion in aid at U.N. summit Prime Minister Naoto Kan pledged Wednesday during a U.N. summit on eradicating poverty that Tokyo will offer \$8.5 billion over five years starting in 2011 to help improve the health of mothers and babies as well as education services in poor countries. In a speech at the summit on the U.N. Millennium Development Goals on poverty reduction, he unveiled the "Kan Commitment" in health and education, an area in which progress on the 2000 MDG goals for achievement in 2015 lags far behind that in other sectors.

Customers pull ¥29 billion from Incubator Bank Departing customers have taken out ¥29.1 billion from bankrupt Incubator Bank of Japan since it partially reopened last Monday, the Deposit Insurance Corp. of Japan said. The troubled lender had ¥582 billion in deposits when it went under Sept. 10. The withdrawals account for around 5 percent of the total so far. The bank was ordered in May to suspend some operations after breaching banking rules

APEC participants put focus on women's role in corporate Asia The 15th APEC Women Leaders Network meeting kicked off Sunday in Tokyo with the theme of "Creation of new global economic activities by women." About 300 to 500 female business leaders from 21 Asia-Pacific Economic Cooperation economies gathered here for the three-day meeting through Tuesday, which has been held annually in countries that host the APEC forum.

Nissan Plans to Almost Double China Capacity by 2012, Ghosn Says Nissan Motor Co. will almost double its production capacity in China to 1.2 million cars by 2012, accelerating earlier plans as economic growth spurs demand, Chief Executive Officer Carlos Ghosn said. "The future of electric vehicles in China is very bright," he said.

Nike China Orders Rise 25% on Demand for Basketball Sportswear Nike Inc., the world's largest maker of athletic shoes, reported orders for China surged 25 percent, outpacing all other regions on demand for basketball-related sportswear. Total orders for athletic shoes and clothes for delivery between September and January grew 10 percent to \$7.1 billion, the Beaverton, Oregon-based company said in its earnings statement yesterday. The growth in China compares with 15 percent in North America and declines of 7 percent in Western Europe and 8 percent in Japan.

Sakakibara Says Yen to Hit Record Despite BOJ Sales Japan's intervention in currency markets won't stop the yen from reaching a record in 2010, and further attempts to stem gains against the dollar risk criticism from the U.S., said Eisuke Sakakibara, formerly Japan's top currency official. The yen appreciated to 82.88 to the dollar, the strongest since May 1995, on Sept. 15 before the Bank of Japan intervened to weaken the currency for the first time in six years.

Prudential Financial eyeing AIG Japan firms Prudential Financial Inc. is close to a deal to buy two Japanese life insurance companies for \$4 billion to \$5 billion from American International Group Inc., The Wall Street Journal reported. A sale of AIG Star Life Insurance Co. and AIG Edison Life Insurance Co. will help AIG repay the more than \$90 billion it owes to taxpayers, the report said, without saying where it got the information.

Japan Regulators May Permit More Acquisitions With Shares, Nikkei Says Japan's Ministry of Economy, Trade and Industry may permit companies to use their own shares more often in tender offers to allow reorganizations and acquisitions, Nikkei said, without saying where it obtained the information.

Social Front:

Photo exhibit to focus on Korea heritage A second-generation ethnic Korean is planning to hold a photo exhibition chronicling the lives of Korean residents in Japan to help mark the centennial this year of Japan's annexation of the Korean Peninsula. The exhibition is scheduled to open in November in Nagata Ward

Biodiversity confab to seek genetics pact An international conference on biodiversity set to take place in Japan in October will attempt to set new targets for protecting organisms and conclude a global pact stating how genetic resources are to be used in drug development and other fields. The new post-2010 targets for conserving organisms will be considered in two phases — short-term targets covering the period until 2020 and medium- to long-term targets through 2050.

Seniors 80 and over top 8 million for first time, ministry reports The number of elderly aged 80 or older topped 8 million for the first time, the internal affairs ministry said in a report released Sunday. The estimate, based on results of the 2005 census and births and deaths reported to municipalities, also found that a record-high 23.1 percent of the population was aged 65 or above as of Wednesday.

Deadlock Risk Significant at Cancun Climate Talks, Top UN Official Says Deadlock remains a "significant" risk at United Nations climate talks that start in November in Mexico, a year after a summit in Copenhagen failed to produce a binding global treaty, a top UN official said.

Entering Japan not so simple for Paris Hilton American model and actress Paris Hilton dropped her entry request and left Japan on a chartered flight Wednesday after being stopped and questioned at Narita International Airport the previous day about her conviction for cocaine possession, sources familiar with the matter said.

Typhoon Malakas Strengthens, Forecast to Brush Past East Coast of Japan Tropical Storm Malakas has strengthened as it tracks north over the Pacific Ocean on course to brush past the east coast of the main Japanese island of Honshu in two days, according to the Japan Meteorological Agency. Malakas means “strong” or “powerful” in the Philippines, according to the Hong Kong Observatory, which lists names assigned to storms in the northwest Pacific and South China Sea. Malakas is the 13th storm of the northwest Pacific season.

Scholar sees Russian-held isles slipping away An academic who recently completed a visit to Kunashiri Island, one of the Russian-held islands claimed by Japan, says the island's infrastructure development has convinced him Japan can no longer use its economic clout to settle the territorial dispute. His comment came after a visa-free visit to the island off Hokkaido by 46 Japanese, including government officials and academics, that started last Friday. The mission was the last planned for the current fiscal year through March.

Detailed News

Korea

Politico-Strategic Front:

Russia won't hand over Cheonan report to S Korea

Russia will not hand over its findings on the Cheonan incident to South Korea, Yonhap News Agency reported Wednesday, citing a ranking Russian government official.

“The report by Russian investigators on the sinking of the warship was prepared as a secret document for the Russian leadership. The government will not hand it over to South Korea or North Korea,” said Yonhap quoted Russia’s Deputy Minister of Foreign Affairs Alexei Borodavkin as saying at a Tuesday forum in Moscow.

“Right now is not a time to determine the cause of the incident, but it is a time to find a way to lessen the tension in the East Asian region,” he said. “For that to be possible, it’s imperative for the six-party talks to resume.”

In June, Russia dispatched four investigators to South Korea, who stayed in Seoul for a week, looking into what caused the warship to sink broken into two parts.

South Korea holds North Korea responsible for the attack. North Korea has denied its involvement.

N. Korea to hold Workers' Party meeting Sept. 28

North Korea announced Tuesday it will hold a meeting of its ruling Workers' Party on Sept. 28, that is seen as linked to leader Kim Jong-il's plan to hand power over to his third son, Jong-un.

The rare meeting, which would be the first of its kind in 44 years, had originally been scheduled for the first half this month, but was postponed without clear reasons, triggering speculations that ranged from a power struggle to problems with leader Kim's health.

The preparatory committee of the convention said the meeting of Workers' Party delegates will be held in Pyongyang on Sept. 28 to elect the party's top organization, according to the (North) Korean Central News Agency (KCNA).

The KCNA said party delegates, who held preparatory meetings across the country, and all political bureaus of provinces elected Kim Jong-il as chair of the upcoming conference.

But it didn't say why the meeting was postponed.

Kim Jong-II's Son Kim Jong-Un Named Heir in Document, Tokyo Shimbun Says

Kim Jong-Un, the son of North Korean leader Kim Jong-II, has been named his heir in an official document, the Tokyo Shimbun newspaper reported today, citing a photograph it obtained of the document.

Jong-Un has all necessary qualities for leadership, the report cited the Communist Party training document as saying.

Seoul not to describe Pyongyang as main enemy

By Jung Sung-ki

This year's defense white paper will not describe North Korea as the "main enemy" despite the sinking of the frigate Cheonan in March, an official at the Ministry of National Defense said Monday.

But the biennial defense report will depict the North as posing a grave threat to the security of the South, the official said.

The white paper, which is due out in October, would mark a contrast to last year's paper, in which North Korea was described as a "direct and serious threat."

A 1995 defense white paper had described the North as the main enemy for the first time after the communist state threatened to turn Seoul into a "sea of flames" in military talks.

But the description was deleted in 2004 when former President Roh Moo-hyun was trying to engage the North.

After the Cheonan was allegedly sunk by a torpedo fired from a North Korean submarine, calls have grown here that the North should be categorized as the main enemy in the paper.

North Korea to Hold Party Congress to Choose Leaders

North Korea will hold its first party congress in 30 years next week, setting the stage for a possible power transfer in the Stalinist state from Kim Jong Il to his youngest son.

The Workers Party of Korea will meet Sept. 28 in the capital of Pyongyang to choose “its supreme leadership body,” the official Korean Central News Agency reported today. Kim will attend the meeting as a delegate, KCNA said.

The party congress is significant because it’s taking place as Kim’s failing health forces him to pass on leadership responsibilities, U.S. and South Korean officials have said. The last such gathering in 1980 secured Kim’s position as heir to his father, North Korean founder Kim Il Sung.

“That succession was well planned and the son was groomed for a lengthy period, giving the regime time to shore up his legitimacy,” said Jeff Kingston, head of Asian Studies at Temple University’s Tokyo campus. “This succession has been poorly planned and hastily arranged.”

The regime may also use the congress to announce new policies to reinvigorate the country’s faltering economy, which was dealt a further blow this year after floods wiped out crops and damaged houses. The changes could include policies that signal an economic warming to South Korea.

“As North Korea’s economic situation is not good and they are having a food shortage amid a flood, there’s a possibility that new policies will be proposed as part of North Korea’s new line of policy for economic development,” said Kim Yong Hyun, professor of North Korean studies at Dongguk University in Seoul.

‘Open the Gate’

North Korea restored economic reformist Pak Pong Ju to its leadership in August, Yonhap News reported at the time. The government has focused recent propaganda around the target to “open the gate to a great, prosperous and powerful nation in 2012,” the centenary of Kim Il Sung’s birth.

North Korea said on June 26 it would hold the congress in early September. The missed deadline led to speculation of internal divisions over who should head the party, as well as reports that the two months of floods had prevented delegates from gathering.

Kim may not publicly declare his son Kim Jong Un as heir if it weakens his grip on power amid reports of his ailing health, said Yang Moo Jin, a professor at the University of North Korean Studies.

Kim, 68, has already named his youngest son as successor, the Tokyo Shimbun newspaper reported on Sept. 19, citing a photograph of an official ruling party document. Other media have carried similar reports.

International School

Little is known outside North Korea about 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.

The party congress was delayed because Kim hadn't fully recovered from his five-day trip to China last month, 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 the same day.

In a speech to Chinese leaders during his visit to northeast China last month, Kim praised the development of the region, saying that "all the changes the area has undergone go to show that the validity" of the Chinese Communist Party's policies. China's economic growth began to accelerate after the country experimented with market-oriented economic policies. North Korea, which until the 1970s was more developed than both China and South Korea, has stagnated.

Declining Health

Since Kim reportedly suffered a stroke in 2008, there have been varying reports of his declining health. 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.

Kim's efforts to prove his control of the government and ensure succession may have led to an increase in the country's bellicose behavior, according to a South Korean official who briefed reporters last year.

North Korea walked out of international talks aimed at dismantling its nuclear program in April 2009 and launched a ballistic missile technically capable of reaching Alaska before conducting a second nuclear test on May 25 the same year.

The North Korean leader signaled to Hu during his last trip to China in late August that he is willing to resume six-party talks to dismantle his country's nuclear weapons program, China's

state-run Xinhua News Agency reported Aug. 30. The forum, which also includes Japan, the U.S., Russia and South Korea, hasn't met since December 2008.

Kim's regime on Aug. 27 freed a U.S. citizen imprisoned for seven months for an illegal border crossing after former President Jimmy Carter flew to Pyongyang. South Korea's Red Cross on Aug. 31 offered North Korea 10 billion won (\$8.5 million) of food, medicine and other goods for flood victims.

S. Korea, U.S. to Begin Five-Day Military Drills on Sept. 27

Sept. 24 (Bloomberg) -- South Korea and the U.S. will hold anti-submarine drills off the Asian country's west coast between Sept. 27 and Oct. 1, the U.S. forces in South Korea said today in an e-mailed statement.

5 non-G-20 nations invited to global summit

South Korea will invite five non-members of the Group of 20 to the upcoming G-20 summit as part of broad efforts to reflect more diverse economic perspectives, the local summit organizing committee said Friday.

The committee said Vietnam, Singapore, Malawi, Ethiopia and Spain have been invited to take part in the gathering of world leaders scheduled for Nov. 11-12 in Seoul.

It said the invitations have been issued in consultation with the Sherpa group that is tasked with setting agendas and making preparations for the summit.

In addition to the five countries, the United Nations, the International Monetary Fund, the Financial Stability Board and four other global organizations have been invited to take part in the talks.

Economic Front:

ANZ Bank Completes Due Diligence on Korea Exchange, Seoul Economic Says

By Seonjin Cha -

Australia & New Zealand Banking Group Ltd. finished due diligence of Korea Exchange Bank on Sept. 17 ahead of a possible bid for the Seoul-based bank, the Seoul Economic Daily reported, citing a unidentified financial industry official. ANZ will soon begin price talks with Lone Star Funds, which is selling its 51 percent stake in KEB, the report said. ANZ has offered about 3 trillion won for the stake while the seller is looking for more than 5 trillion won, the Korean-language newspaper said.

Underprivileged feel alienated further

By Kang Shin-who

Soaring consumer prices and the sluggish domestic economy are reducing donations to the underprivileged, leaving them more alienated during the Chuseok holiday.

For the elderly and children at welfare facilities or orphans are unlikely to have a happy Chuseok this year due to dwindling gifts from donors.

According to welfare-related agencies, foods and gift donations decreased compared to previous years. Recent sharp rises in the prices of fruit and other consumer goods are believed to be a main reason for people being unable to give as much.

In case of the Seolwon Welfare Foundation, an orphanage in Anyang, Gyeonggi Province, gifts of fruit were half of the amount it received last year.

“The price of fruit jumped, we’ve received a lot less fruit, though the number of donors is somewhat the same,” an official of the foundation told The Korea Times, Monday.

The situation is similar at facilities taking care of the elderly. According to the Chungwoon Organization in Seoul, the amount of donations fell sharply this year.

“I don’t think inflation is a key reason behind the drop in donations. They can donate cheaper goods. We hope more people pay attention to us,” said an official.

Welfare facilities in other provinces and cities as well saw an overall reduction of financial aid and Chuseok gifts. Moreover, they have difficulties in finding volunteers who could spend the holidays with the underprivileged children and elderly, according to the facilities.

However, the conditions for welfare agencies affiliated with religious organizations are faring better.

Lim Joong-min, director of the Gibbun Woori Rehabilitation Center in Seoul, said, “There hasn’t been much of a difference in donations compared to previous years as we have a larger number of donators offering smaller amounts of money and congregants continually provide us with financial aid.” The center is backed by a Catholic church.

Korea National Oil Wins Acceptances From 64% of Dana Investors in Takeover

By Stephen Cunningham -

Korea National Oil Corp., the state-owned energy company, said it has received acceptances for 64.26 percent of Dana Petroleum Plc shares in its hostile takeover battle for the U.K. explorer.

Japan Can't Curb Yen Acting Alone, Bank of Korea Governor Says

By Eunkyung Seo -

Japan can't stem appreciation of the yen acting by itself because currency-market intervention by a single country has limited effect, according to Bank of Korea Governor Kim Choong Soo.

"Japan, alone, cannot resolve the problem of the strong yen," Kim said at a media seminar in Incheon, southeast of Seoul, three days ago. "Japan will need policy coordination with others, including the U.S. and China. The effect is limited when one country tries to handle the issue by market intervention."

Japan intervened on Sept. 15 for the first time since 2004 to protect its exporters, after the yen rose to a 15-year high against the dollar. The action stoked speculation that South Korea will move to counter a recent rise in the won, in an economy where overseas shipments are equivalent to about half of gross domestic product.

International trade has "significant impact on our relationship with other nations as we're heavily dependent" on it, Kim said. His comments at the seminar were released yesterday.

The won has risen 4.5 percent over the past three months and closed 0.3 percent higher at 1,160.7 per dollar on Sept. 17. Further increases may hurt export competitiveness at firms such as Samsung Electronics Co., Asia's biggest maker of semiconductors, flat screens and mobile phones, and Hyundai Motor Co., the country's largest automaker.

Asked about international policy coordination on currencies, Kim said South Korea "is not in a situation to say something on the issue now and we need to see more how it affects our economy." The yen has lost more than 3 percent of its value since Japan's Finance Ministry sold the currency.

Interest Rate Policy

The Bank of Korea unexpectedly left its benchmark interest rate unchanged on Sept. 9, joining counterparts in Australia, Malaysia and New Zealand in pausing rate increases to assess the strength of the global recovery. A possible U.S. slowdown and persistent European fiscal problems are risks to growth, the central bank said after its decision.

Ten of 14 economists in a Bloomberg News survey projected a quarter-point increase to 2.5 percent, after Kim signaled on Aug. 25 that South Korea was alert to the risk of intensifying inflation expectations. The governor raised the benchmark by 0.25 percentage point in July from a record-low 2 percent.

The current rate of 2.25 percent "is not the most desirable," though it will take some time to normalize as the bank must be certain of the world economic recovery, Kim said after leaving borrowing costs unchanged this month.

Asked about the central bank's interest rate policy signals at the media seminar, Kim said "when we say we will take a right turn, then we will turn to the right -- the only matter is whether we will do it this time or next time. You should not believe that we're not changing the direction."

Exports fuelled a 7.6 percent expansion in South Korea in the first half, the fastest pace in a decade, and the economy will grow 5.9 percent this year, according to the central bank's figures. The trade surplus will reach \$32 billion in 2010, up from a previous forecast of \$20 billion, the economy ministry said on Sept. 1.

Imax to Open 15 Theaters in China With Partner CJ CGV of South Korea

By Anand Krishnamoorthy -

Imax Corp., the developer of technology for projecting movies onto giant screens, agreed to open 15 cinemas in China in its biggest deal to expand in Asia.

Imax will partner with South Korea's CJ CGV Co., which operates five of its theater systems locally, the Mississauga, Ontario-based company said today in a statement. The Asian partner will install the first two theaters next year with the remaining 13 scheduled to be completed between 2012 and 2015, the company said, without identifying locations.

Today's announcement brings to 96 the total number of [Imax](#) systems scheduled for Greater China, the company's second- largest market, according to the statement. In July the company signed agreements to install its technology in at least 10 additional locations in Russia as the growth of middle-class populations in emerging markets boosts spending.

Imax rose 5.5 percent to close at \$15.96 in Nasdaq Stock Market trading today. The shares have gained 20 percent this year.

Imax in July agreed with Guangzhou Jinyi Film & Television Group co. to open eight theaters in China, and signed a deal for three cinemas with Kazakhstan's Kinopark earlier this month. On Sept. 17, Imax announced a joint venture with Rave Motion Pictures for 13 theater installations in the U.S.

The Canadian company signed agreements to install its technology in 168 theaters worldwide so far this year, compared with 35 cinemas in 2009, according to the statement.

GDF Suez, Partners Obtain \$1.3 Billion Financing for Oman Power Projects

GDF Suez SA and its partners including Shikoku Electric Power Co. and Sojitz Corp. completed \$1.3 billion in financing for the Barka 3 and Sohar 2 independent power projects in Oman.

The plants each will have a capacity of 744 megawatts when operational by April 2013, the companies said in a joint e- mailed statement today. Total investment costs are \$1.7 billion, according to the statement.

Natixis, KFW IPEX-Bank GmbH, Credit Agricole SA, HSBC Holdings Plc, Bayerische Landesbank, Europe Arab Bank Plc, CIC and Standard Chartered Bank, and export credit providers Euler Hermes SA and KEXIM, arranged the facility.

Lotte Pakistan Plans to Spend \$500 Million to Increase Chemical Production

By Khurram Anis -

Lotte Pakistan PTA Ltd., the nation's only producer of pure terephthalic acid, plans to spend \$500 million to increase output as demand rises for the chemical used in making polyester.

"The investment may be in another plant producing the same product in Pakistan," Asif Saad, chief executive officer of the company, said in an interview in Karachi yesterday, without giving details. Lotte Pakistan is yet to decide a timeframe for the investment, Zain Talpur, a company spokesman, said today.

Demand for pure terephthalic acid may increase as textile makers use more polyester after the nation's worst-ever floods destroyed cotton standing in fields, according to Syed Abid Ali, a research analyst at Arif Habib Securities Ltd. in Karachi. A jump in cotton prices to a 15-year high this month may also boost polyester demand.

Pakistan, the world's third-largest cotton user, may import as much as 50 percent more of the fiber this year after floods damaged crops, Muhammad Arshad, a vice president at the Pakistan Central Cotton committee, said this month. The South Asian nation is the world's fourth-largest cotton producer and textiles account for two-thirds of its overseas shipments.

Flooding since July 22 caused \$7 billion of damage across the nation and 20 million people were displaced, according to Prime Minister Yousuf Raza Gilani.

Lotte Pakistan's shares, which have climbed 7.9 percent this year, rose 0.6 percent to 8.45 rupees at 9:21 a.m. on the Karachi Stock Exchange. The company doubled its profit in the quarter ended June 30 to 1.26 billion rupees (\$14.6 million).

The company is 75 percent owned by South Korea's Lotte Group which bought a majority stake in Pakistan PTA Ltd. in September 2009, according to the company's website.

argill Says South Korea, Colombia Trade Agreements Would Create U.S. Jobs

By Shruti Date Singh -

The approval of pending free-trade accords with South Korea, Colombia and Panama would help create jobs in the U.S., said agricultural trader Cargill Inc., the largest closely held company in the U.S.

“Cargill absolutely supports the free-trade agreements,” Devry Boughner, director of international business relations for Cargill, said today in a telephone interview. “The sense of urgency comes around the state of the economy. Trade is about creating American jobs.”

President Barack Obama’s export advisory group recommended on Sept. 16 that the government complete work on pending accords with South Korea, Colombia and Panama. Obama has laid out a goal of doubling U.S. exports to about \$3.1 trillion by 2015, supporting 2 million additional jobs. The U.S. unemployment rate rose to 9.6 percent last month.

The U.S. Trade Representative’s office signed agreements with South Korea and Panama in June 2007 and with Colombia in November 2006. The accords must be sent to Congress and then to the President for approval.

“We’ve had three trade agreements that have been languishing,” Boughner said. “If we sit back while other countries are gaining access to these markets, we are tying our hands behind our back.”

Boughner said an approved agreement with South Korea would be the “most commercially meaningful” since the North American Free Trade Agreement.

“Korea is a big opportunity on the food and agriculture side,” she said.

Cargill employs about 61,000 employees in the U.S. and 131,000 employees in total in 66 countries.

Posco Said to Hire Five Banks for Investor Talks and Sale of Dollar Bonds

By Jungmin Hong -

Posco, the world’s third-biggest steelmaker, hired five banks to sell bonds overseas, according to a company official.

Bank of America Corp., BNP Paribas SA, Deutsche Bank AG, Goldman Sachs Group Inc. and Morgan Stanley will arrange the sale, said the official, who asked not to be identified before a public announcement.

Posco plans to hold bond investor meetings in Asia and the U.S. next month, the official said.

Posco plans to raise 2 trillion won (\$1.7 billion) to help fund acquisitions and investments after second-quarter profit almost tripled on demand from car and appliance makers, the Pohang-based company said in July.

Social Front:

Clinton wishes Koreans happy Chuseok holiday

U.S. Secretary of State Hillary Clinton Sunday wished Koreans a happy harvest Chuseok holiday, the equivalent of Thanksgiving, this week, Yonhap News Agency reported in Washington.

On Chuseok, one of the two biggest holidays in South Korea along with the Lunar New Year's Day, tens of millions of people travel to their hometowns to mingle with their families and relatives, and pay respects to their ancestors.

Clinton in February also extended warm wishes for the Lunar New Year as South Korea and other Asian nations celebrated their traditional holiday.

"On behalf of President Obama and the people of the United States, I wish all the people of the Republic of Korea a wonderful holiday and a joyful Chuseok festival this Sept. 22," Clinton said in a statement. "This is an opportunity for families to gather together in their ancestral homes, share traditional food and drink, and honor their history."

"Americans share the same values of family and tradition, similarly gathering each year to celebrate our harvest holiday of Thanksgiving and spending time with our loved ones," she said.

"In this spirit of honoring our shared blessings, I wish all Koreans and their families a safe and happy Chuseok."

Korea vows \$1 million to fight child mortality

Korea pledged Wednesday to provide an international publicprivate partnership organization with \$1 million for the global campaign to donate life-saving vaccines to children in the world's poorest countries.

The commitment signaled that Korea, the only aid recipientturned- donor, joined the global effort to fight child mortality and poverty.

Sul Kyung-hoon, director-general for development cooperation at the Ministry of Foreign Affairs and Trade, signed a two-page contribution arrangement with Lob-Levyt, chief executive officer of the Global Alliance for Vaccination and Immunisation (GAVI alliance), on the sidelines of the U.N. summit.

Under the plan, the government will offer \$1 million to the organization over the next three years for immunization.

By signing the arrangement, Korea became the first Asian donor to support the Geneva-based organization aimed at improving the health conditions of the under-developed nations around the world.

So far, the organization has vaccinated 250 million children in less developed nations since 2000.

In a statement, the foreign ministry said Korea will continue to work closely together with the GAVI alliance to fight child mortality and reduce poverty in underdeveloped countries.

Park Jung-sook, the chief advocate for the GAVI alliance in Korea, welcomed the government's commitment.

"This contribution marks a historic milestone for Korea as it transitions from a recipient to a donor country. It shows the maturity of this nation as an important global player willing to do its part."

Unusual weather seen in September

Korea has seen "unusual" weather, such as heat wave, record rainfall and early frost, in September.

The first frost of the season was spotted on Mt. Seorak in the country's east on Friday, 11 days earlier than last year and amid a series of abnormal weather conditions this month, according to local forecasts.

Temperatures in the eastern province of Gangwon, where Mt. Seorak stands, fell to as low as 3.1 degrees Celsius in some areas and hovered below 10 degrees in other regions early Friday morning, the Gangwon Regional Meteorological Administration said. Marking the coldest weather this fall, the temperature fell 2 to 4 degrees from Thursday.

The temperature drop comes after heavy rains pounded the capital area earlier this week, leaving two people dead and forcing nearly 12,000 people out of their homes.

Seoul was pummeled with 259.5 millimeters of rain on Tuesday, as much as 289 mm in some parts, marking the heaviest downpour in the city for September since recordkeeping began in 1908, according to the Korea Meteorological Administration (KMA). It was the second highest September record for the capital since it was hit with 268.2 mm of rain on Sept. 1, 1984.

Tuesday's downpour was also the second heaviest rainfall per hour, reaching 75 mm at its peak, compared with 116 mm on Sept. 13, 1964.

"We couldn't imagine so much rain late in September," said a KMA official. "The heavy downpour will have to be seen as another case of exceptional weather."

The weather has been out of the normal range throughout the year, from the cool spring to the scorching hot, rainy summer across the country.

The average temperature in April was around 9.9 degrees -- the lowest ever for the month, according to records available from 1973. Summer temperatures, meanwhile, rose above the yearly average by 1.3 degrees to reach 24.8 degrees, while August rains were the most frequent in Seoul since 1908, with 24 days of rainfall.

The heat wave continued through mid-September, with the average temperature nationwide reaching 28.4 degrees from Sept. 1-22, or 2 degrees above the average in previous years. Seoul's daytime temperature topped 30 degrees during nine of those 22 days.

"Last year, daytime temperatures in Seoul never rose above 30 degrees throughout the month of September," a KMA official said. "This year, high pressure from the North Pacific persisted over a long period and caused the temperature to rise across the country."

Japan

Politico-Strategic Front:

Four Japanese Held in China as Fishing Boat Tensions Escalate

Japan said four of its citizens are being held in China for allegedly videotaping military targets as tensions heightened over a territorial dispute that has damaged ties between Asia's two biggest economies.

The four are employees of Fujita Corp., Chief Cabinet Secretary Yoshito Sengoku said today in Tokyo. They were visiting Hebei, China on company business unrelated to military issues, Fujita spokesman Yoshiaki Onodera said.

The detention comes as China ratchets up pressure on Japan to release a fishing boat captain who collided with Japanese Coast Guard vessels near islets claimed by both countries. The islands, known as Diaoyu in Chinese and Senkaku in Japanese, are in the East China Sea near natural gas fields. The two countries signed an agreement in 2008 to jointly develop the fields that has yet to be implemented.

"We're confirming details, but China informed us that the four Japanese are under investigation related to military facility laws," Sengoku told reporters today in Tokyo. "We don't think this has a link to the Senkaku issue raised by China."

He couldn't confirm reports that China has cut off exports of rare earths -- materials used in hybrid vehicles and laptop computers -- to Japan. A Chinese government official denied the report yesterday.

"Once we confirm the facts, we'll respond appropriately," Sengoku said.

'Immediately and Unconditionally'

Chinese Premier Wen Jiabao this week called on Japan to "immediately and unconditionally" release the captain, saying failure to do so would result in "further measures" being taken. He didn't elaborate.

Japan is China's second-biggest trading partner after the U.S., with two-way commerce in the first seven months of the year rising 25 percent from the same period in 2009 to \$65.2 billion, Chinese customs data show. China is Japan's largest trading partner, buying 10.2 trillion yen (\$121 billion) of the nation's goods and services last year.

China surpassed Japan as the world's second-largest economy last quarter. The Japanese nominal gross domestic product for the second quarter totaled \$1.288 trillion, less than China's \$1.337 trillion, according to Japanese government statistics. Sony Corp. and Panasonic Corp., the world's two largest consumer electronics makers, are cutting television prices in China in a push to expand market share in the world's second-largest market for flat-panel TVs.

'Negative for China, Japan'

"It will be negative for Japan, China and the global economy if ties between the countries with the No. 2 and No. 3 GDPs deteriorate," Japanese Finance Minister Yoshihiko Noda said today. "It's desirable for both nations to address this calmly."

Sengoku two days ago proposed "high level" talks between the two countries to ease the conflict. China rejected the suggestion, with Foreign Ministry spokeswoman Jiang Yu saying that "playing tricks to deceive the world and international public opinion is not a way out."

U.S. Secretary of State Hillary Clinton urged Japan and China to resolve the issue through dialogue, as American officials declined to step into a broader territorial dispute.

The U.S. encourages "both sides to work aggressively to resolve" their differences "as quickly as possible," State Department spokesman Philip J. Crowley said yesterday in New York, where Clinton met with Japanese Foreign Minister Seiji Maehara on the sidelines of the United Nations General Assembly's annual meeting. "We don't take a position on the sovereignty of the Senkakus," Crowley said.

Obama Meeting

U.S. President Barack Obama met separately with Japanese Prime Minister Naoto Kan and Wen yesterday. He didn't raise the dispute in his meeting with the Chinese premier, said Jeff Bader, Obama's director of Asian affairs.

The diplomatic row is the most serious since 2005, when thousands of Chinese protested Japanese textbooks that downplayed wartime atrocities. The captain's detention sparked a Sept. 18 protest at Japan's embassy in Beijing that was more tightly controlled by police than those five years ago, when demonstrators threw rocks at the consulate in Shanghai.

China Suspends Ministerial-Level Talks With Japan Over Boat Clash

Diplomatic ties between the world's second- and third-biggest economies soured as China escalated a dispute over Japan's extended detention of a fishing boat captain for a collision in disputed waters.

China yesterday severed senior-level government contacts with Japan, halting aviation talks and suspending a meeting on coal because of the incident. Foreign Ministry spokesman Ma Zhaoxu pledged "strong countermeasures" if Japan failed to release the captain. Japan's government hasn't been informed of the measures, a spokesman said today.

"Any so-called judicial proceedings the Japanese side takes against the Chinese captain are illegal and invalid," Ma said in yesterday's statement. "Japan will have to bear all of the consequences."

The dispute, at a time when economic ties are deepening, has made relations their worst since 2005, when thousands of Chinese protested Japanese textbooks that downplayed wartime atrocities. Economic interdependence and a desire to solve the dispute peacefully will probably keep the issue from a dangerous escalation, said Zhu Feng, a professor of international relations at Peking University.

Economic Interdependence

China's 90-fold economic expansion of the last three decades was underpinned by a peaceful international environment and booming trade ties with its Asian neighbors. Japan is China's second-biggest trading partner after the U.S., with two-way commerce in the first seven months of the year rising 24.7 percent from the same period in 2009 to \$65.2 billion, according to Chinese customs statistics.

China is Japan's biggest trading partner, and Japanese companies are increasingly dependent on China's market for future growth. Nissan Motor Co. Chief Executive Officer Carlos Ghosn, speaking at a plant opening in central China today, said that the country now accounts for 23 percent of sales for the Japanese automaker.

Zhu said that while the quarrel is “very serious,” both governments will keep it from escalating into a conflict involving military force or economic sanctions.

“Politically and diplomatically I see the standoff enduring for some time but it will calm down after a while,” Zhu said.

At the same time, domestic pressures may make it hard for either side to back down immediately out lest they be perceived as weak by the public. Japan has repeatedly expressed concern about China’s growing military budget and influence, while Chinese anger lingers over the Japanese occupation of large parts of the country between 1937 and 1945.

‘Some Posturing’

“They are just waiting for a while; they have to engage in some posturing,” Joseph Cheng, a political science professor at the City University of Hong Kong, told Bloomberg Television. “Both governments also understand that it is important not to allow the bilateral relationship to sharply deteriorate.”

Japanese Foreign Ministry spokesman Hidenobu Sobashima said the government “hasn’t confirmed the specific details that have been reported” regarding the breaking off of talks.

Japan “has been responding calmly and cautiously so as not to escalate the situation,” he said today in Tokyo. “We are calling on China to respond calmly as well.”

China’s warning yesterday came a day after 40 demonstrators were seen protesting outside Japan’s embassy in Beijing, and were kept away from the entrance by police. Other reports said as many as 100 protesters had gathered near the embassy.

Captain Detained

Japan has repeatedly refused to release the captain, Zhan Qixiong, saying he is being investigated for a Sept. 7 collision with two of its Coast Guard vessels near a group of disputed islands in the East China Sea. The government yesterday extended his detention until Sept. 29.

Markets in Japan were closed today for a holiday. The Shanghai Composite Index fell 9.98, or 0.4 percent, to 2,588.71, the lowest close since Aug. 12. The gauge declined 2.4 percent last week, the most in more than two months, amid concern government measures to curb lending and energy consumption will slow economic and earnings growth.

Foreign Minister Seiji Maehara yesterday said on NHK television that the dispute over the fishing boat captain was being handled according to Japanese law. He called on China to handle the issue calmly and expressed appreciation for the way the demonstrations were handled.

‘Making Efforts’

“China is making efforts for us,” Maehara said. He reiterated that the islands, known as Diaoyu in Chinese and Senkaku in Japanese, are “an integral part of Japanese territory.”

China has summoned Japan’s ambassador several times to lodge formal protests over the incident, most recently yesterday. Both countries claim the islands, which are administered by Japan. Sovereignty over the area would give the holder rights to undersea gas and oil reserves. China is moving drilling equipment to a disputed gas field in the area, Agence France-Presse said Sept. 17, citing Japan’s Foreign Ministry.

Cnooc Ltd., China’s biggest offshore energy producer, fell in Hong Kong trading, dropping 0.4 percent at HK\$14.66. The benchmark Hang Seng index gained less than 0.1 percent. China Oilfield Services Ltd., which counts Cnooc as its largest customer, declined 0.7 percent to HK\$11.18.

Natural Gas

Cnooc is already producing oil and gas to the west of the disputed area. China and Japan have failed to implement an agreement signed in June 2008 to develop a natural gas field together and Japan has objected to Chinese drilling near a contested border.

“This could dampen sentiment toward any prior rhetoric of joint oil and gas development in the region and trigger kneejerk profit-taking in Cnooc,” Gordon Kwan, head of regional energy research at Mirae Asset Securities in Hong Kong, said in e- mailed comments.

China’s state-owned Xinhua News Agency reported earlier today that “an outraged Chinese public” is screaming for the release of the captain. One note on the Chinese-language Web site of the state-owned Global Times blamed the U.S. for stoking the issue, another pledged to use not “one hair” of goods from Japan, and instead use “ten-thousand German goods.”

Some Chinese companies are taking actions against Japan. Pro-Health, a Beijing-based health product manufacturing and sales company, canceled a trip to Japan involving about 10,000 employees, the company said in a Sept. 17 statement posted on its website. The trip was canceled to protest the boat captain’s arrest, it said.

Japan’s foreign ministry today said China had revoked an invitation for 1,000 youths to attend the Shanghai World Expo because of rising tensions.

“The youth exchange program contributes to establishing a base for a stable bilateral relationship, and it is very inappropriate and regrettable for the Chinese side to make this decision,” the ministry said in its statement.

DPJ to put ex-ministers in key panels

Kyodo News

The Democratic Party of Japan plans to assign former Cabinet members to head key committees in the House of Representatives to secure the ruling party's leadership in the divided Diet, DPJ sources said.

The DPJ is set to appoint Hiroshi Nakai, former chief of the National Commission on Public Safety as well as state minister in charge of the North Korean abduction issue, as chairman of the Lower House Budget Committee, the sources said.

It has also decided to name former Environment Minister Sakihito Ozawa as chairman of the Environment Committee, the sources said.

In addition, former Education, Culture, Sports, Science and Technology Minister Tatsuo Kawabata has been selected to lead the Lower House steering committee, they said.

All three served in Prime Minister Naoto Kan's Cabinet before Friday's reshuffle

Japan to Release Captain of Chinese Fishing Boat, Asahi Says

Sept. 24 (Bloomberg) -- Japan will release the captain of a Chinese fishing boat who has been held since Sept. 7, the Asahi newspaper reported. An announcement will be made today, the report said.

Japan detained the captain after his boat collided with two Japanese Coast Guard vessels near an uninhabited island group -- known as Diaoyu in Chinese and Senkaku in Japanese -- that is claimed by both countries.

Four Japanese Held in China for Videotaping Military Sites, Xinhua Reports

Four Japanese people are being investigated in China for illegally videotaping military targets, the Xinhua news agency reported, without saying where it got the information.

Amid Tension, Japan to Release Chinese Captain

By THE ASSOCIATED PRESS

TOKYO (AP) — Japanese prosecutors decided Friday to release a Chinese fishing boat captain involved in a collision near disputed islands, following intense pressure from China in the worst spat between the Asian neighbors in years.

The move will likely ease the escalating tensions sparked when Japan arrested the captain earlier this month after his trawler collided with two Japanese patrol boats near islands in the East China Sea claimed by both countries.

Beijing suspended ministerial-level dialogue with Tokyo and postponed talks on developing disputed undersea gas fields. Chinese Premier Wen Jiabao earlier this week sternly threatened "further action" against Japan if it did not immediately release the captain.

On Thursday, Beijing said it was investigating four Japanese suspected of illegally filming military targets and entering a military zone without authorization. Also, there were reports China had suspended Japan-bound shipments of rare earth metals critical in advanced manufacturing.

The captain's arrest, and the territorial dispute behind it, stirred nationalistic sentiment in China and Japan and threatened to undermine business ties between their intertwined economies — the world's second- and third-largest.

It is also one of several territorial spats straining China's ties with its Asian neighbors while its increasingly powerful navy enforces claims in disputed waters. Washington has signaled its intention to protect its interests in those waters and to keep them open for commerce, drawing China's irritation by urging it to resolve the disputes.

Prosecutors in Okinawa, southern Japan, where the 41-year-old captain, Zhan Qixiong, has been in custody for more than two weeks, said they would let him go partly because they did not perceive any premeditated intent to damage the Japanese coast guard boats — but also for diplomatic reasons.

"We have decided that further investigation while keeping the captain in custody would not be appropriate, considering the impact on the people of our country, as well as the Japan-China relations in the future," said Toru Suzuki of the Naha, Okinawa, prosecutors office.

Authorities in Okinawa also said they wouldn't officially close the case — leaving room for some ambiguity that would allow both countries to save face.

"The Japanese government had to balance the Japanese people's feelings about the territorial issue and those of China and Taiwan and seek a win-win scenario which is to be ambiguous," said Takehiko Yamamoto, an international politics professor at Waseda University in Tokyo.

But others, including Tokyo's outspoken governor, Shintaro Ishihara, said Japan had caved in to Chinese pressure. "The government made an incredibly wrong decision in this case," he said.

Comments left on popular Japanese online communities were largely critical of the move. One Tweet said it was like "admitting Japan is wrong!"

Japanese news reports said Zhan would likely be released later Friday. Chinese Foreign Ministry spokeswoman Jiang Yu said China would send a charter flight back to bring him home.

"I reiterate that what Japan did to the Chinese boat captain in its so-called judicial proceedings were illegal and invalid," Jiang said in a statement posted on the ministry's website.

Zhan was arrested on Sept. 8 after the collision off the uninhabited chain of islands call Diaoyu or Diaoyutai in Chinese and Senkaku in Japanese. Located 120 miles (190 kilometers) east of Taiwan, the islands are controlled by Japan, but also claimed by Taiwan and China.

Prosecutors had detained and questioned the captain while they decided whether to press charges. His 14-member crew and ship were returned to China.

At a regular press conference, Chief Cabinet Secretary Yoshito Sengoku said that Tokyo had no input on the prosecutors' decision, and that they respected it as such.

But he also said he hoped that the two countries could quickly put the incident behind them and work at repairing relations.

"It is a fact that Japan-China relations had the potential, and were showing indications, of worsening over this issue," he said.

Washington has urged China to resolve separate, long-running territorial disputes with its Southeast Asian neighbors involving the Spratleys and other islands in the South China Sea. President Barack Obama was expected to sign a communique on the issue with Southeast Asian leaders later Friday in New York. Beijing has accused Washington of interfering in an Asian issue.

Liu Jiangyong, a professor with Institute of International Studies at Tsinghua University in Beijing, called the release a "wise decision" by the Japanese government that could even lead to stronger ties.

"The decision may become a turning point for the improvement of relations between the countries, and both sides should grasp the opportunity to get relations back to the correct track," Liu said.

But new wrinkles this week could complicate matters.

Fujita Corp., a Japanese construction company, confirmed Friday that four of its Japanese employees were being questioned by Chinese authorities. The company said the men traveled to Hebei province on Sept. 20 to gather information about the area, and were working to prepare a bid for a project to dispose of chemical weapons abandoned in China by the Japanese military during World War II.

Chinese authorities accuse the men of entering a military zone without authorization.

Meanwhile, Japanese trading company officials said that starting Tuesday, China had halted exports to Japan of rare earth elements, which are essential for making superconductors, computers, hybrid electric cars and other high-tech products. Japan imports 50 percent of China's rare earth shipments.

China's Trade Ministry denied reports that Beijing is tightening curbs on exports of rare earths to Japan, but Japan's trade minister, Akihiro Ohata, said he has "information" that China's exports to some Japanese trading houses have been stopped. He said China's government has not informed Tokyo of such a move.

China Sends Charter Flight to Get Boat Captain in Japan as Detention Ends

China will send a chartered flight to collect the captain of a Chinese fishing boat who was detained in Japan, the Chinese foreign ministry said in a statement on its website today.

Jiang Yu, a spokeswoman for the ministry, reiterated China's view that Japan's "so-called judicial proceedings" in the case were illegal and invalid. Japan announced today the release of the captain, Zhan Qixiong.

Japan Considers Boosting Ground Troops by 13,000 to 168,000, Kyodo Reports

By Masumi Suga - Sep 19, 2010 9:14 PM PT

Japan's Defense Ministry is considering increasing the number of its ground forces by 13,000 to 168,000 soldiers, the first expansion in 38 years, to cope with challenges including the security situation in East Asia, Kyodo News reported.

The plan may be incorporated in a new national defense program to be implemented in the fiscal year ending March 2012, Kyodo said, citing unnamed people in the ministry and the Self-Defense Forces.

The troop expansion is aimed at coping with the fluid security situation in East Asia, international terrorism and natural disasters, according to the report.

Kan Approval Rises to 64 Percent After Cabinet Reshuffle, Sankei Reports

By Kazuyo Sawa - Sep 20, 2010 4:24 PM PT

Japanese voter approval for Prime Minister Naoto Kan's Cabinet rose 18 percentage points to 64 percent, according to a Sankei newspaper survey.

The disapproval rating dropped 19 points to 21 percent from the last survey taken in August.

The ruling Democratic Party of Japan had popular support of 35 percent, up 6 points. Support for the opposition Liberal Democratic Party dropped 1 point to 19 percent, the newspaper said.

The telephone survey of 1,000 people was taken Sept. 18-19. No margin of error was provided.

Kan, Obama Didn't Discuss Currency Intervention in New York, Kyodo Says

Japanese Prime Minister Naoto Kan and U.S. President Barack Obama didn't discuss Japan's currency intervention at their meeting in New York, Kyodo News reported, citing, Tetsuro Fukuyama, Japan's deputy chief cabinet secretary.

Economic Front:

Cnooc Falls as China-Japan Dispute Threatens Undersea Oil, Gas Development

Cnooc Ltd., China's biggest offshore energy producer, fell in Hong Kong trading as a growing territorial dispute between China and Japan in the East China Sea threatens to disrupt oil and gas development in the area.

The shares dropped 0.4 percent to close at HK\$14.66, compared with the less than 0.1 percent gain in the benchmark Hang Seng index. China Oilfield Services Ltd., which counts Cnooc as its largest customer, declined 0.7 percent.

China severed senior-level government ties with Japan over the detention of a Chinese fishing boat captain after a collision with two Japanese coast guard vessels near a group of disputed islands in the East China Sea. Sovereignty would give the holder rights to undersea petroleum reserves and Cnooc is already producing oil and gas to the west of the disputed area.

"This could dampen sentiment toward any prior rhetoric of joint oil and gas development in the region and trigger kneejerk profit-taking in Cnooc," Gordon Kwan, head of regional energy research at Mirae Asset Securities in Hong Kong, said in e-mailed comments.

A prolonged dispute in the East China Sea would have a limited impact on Cnooc, according to Kwan. Less than 1 percent of the company's oil production and about 6 percent of its gas output comes from the area, he said. One percent of Cnooc's proven oil reserves are in the East China Sea, according to Kwan.

Japan said earlier this year it may take a dispute with China over developing the Chunxiao natural gas field in the East China Sea to an international maritime tribunal.

Asia's two biggest economies have failed to implement an agreement signed in June 2008 to develop the field together and Japan has objected to Chinese drilling near a contested border, former Chief Cabinet Secretary Hirofumi Hirano said on Feb. 22.

Yen Weakens on Speculation Japan Is Intervening to Curb Gains

The yen dropped against most of its major counterparts as traders speculated that Japan sold the currency to protect exporters.

The currency slid as much as 1.1 percent against the dollar in the biggest intraday decline since the Bank of Japan intervened on Sept. 15 before erasing most of the drop. The euro advanced against the dollar after reports showed German business confidence unexpectedly rose to the highest level in more than three years and U.S. durable goods orders fell in August.

"Although the BOJ did not confirm it, it really did feel like there was a second intervention today, in dollar yen and that seems to have completely unwound," said Boris Schlossberg, director of research at online currency trader GFT Forex in New York. "The problem with the BOJ is they're very dependent on U.S. data. Their task is going to get harder and harder unless U.S. data improves."

The yen slid 1 percent to 113.42 per euro at 8:41 a.m. in New York, from 112.35 yesterday. Japan's currency traded at 84.32 per dollar, compared with 84.38, after sliding to 85.40. The euro rose 1 percent to \$1.3445, from \$1.3314.

Japanese government officials declined to comment on whether Prime Minister Naoto Kan's administration had intervened in the currency market today after the yen slid against the dollar in Tokyo trading.

"I won't comment" on intervention, Finance Minister Yoshihiko Noda told reporters in Tokyo. Vice Finance Minister Fumihiko Igarashi earlier said that he hadn't heard of any intervention, and a separate government official, speaking on condition of anonymity, declined to comment to reporters when asked whether Japan had sold yen.

Yen Reports

Nikkei Quick reported that some market sources, whom it declined to identify, denied that intervention occurred today. Kyodo News reported earlier today that Japan had likely sold yen and bought dollars, citing an unidentified market source.

Noda publicly confirmed the Sept. 15 move within minutes of the start of the yen sales, which are ordered by his ministry and conducted by the Bank of Japan. Noda earlier today reiterated the government's pledge to take "bold" action if needed.

"We can imagine that the Bank of Japan will intervene again in more depth, so traders should be very cautious," said Roberto Mialich, a senior currency strategist at UniCredit SpA in Milan.

Europe's common currency appreciated as the Munich-based Ifo institute said its business climate index, based on a survey of 7,000 executives, increased this month to 106.8, the highest since June 2007, from 106.7 in August. The median forecast of 36 analysts in Bloomberg News survey was for a drop to 106.4.

The Swiss franc gained as much as 0.7 percent to 97.86 centimes per dollar, matching the strongest since the beginning of data in 1971. The Swiss currency was later at 98.83 centimes.

Orders for U.S. capital equipment rebounded in August, signaling a slowdown in business investment may be less severe than some economists projected. Bookings for goods like computers and communications gear climbed 4.1 percent after a 5.3 percent decline in July that was smaller than previously estimated, figures from the Commerce Department showed today. Total orders dropped 1.3 percent, in line with the median forecast of economists surveyed by Bloomberg News.

EU, Japan meet as tensions over trawler spat rise

Maehara interested in FTA talks with Europe

NEW YORK (Kyodo) The European Union inquired Wednesday about recent developments between Japan and China as bilateral tensions continue to rise over the Sept. 7 ship collisions in the East China Sea, Japanese officials said.

Catherine Ashton, EU high representative for foreign affairs and security policy, asked Foreign Minister Seiji Maehara about developments since the collisions, which allegedly took place near a set of disputed islands near Okinawa that are administered by Japan but claimed by China and Taiwan. The two met on the sidelines of U.N. meetings in New York.

Maehara, who last week inspected the two Japan Coast Guard patrol boats involved in the collisions with a Chinese trawler, explained Japan's position to Ashton, the officials said.

The Japan Coast Guard arrested the captain of the Chinese fishing boat Sept. 8 on a charge of obstructing the official duties of coast guard personnel. The Japanese authorities allege the skipper deliberately rammed one of the coast guard boats.

The arrest sparked protests from China, which has repeatedly called for the captain's immediate release, and led to cancellations of travel, concerts and other cultural and governmental exchanges between the two countries.

Maehara has said Japan will continue to deal with the incident according to domestic law and seek a "calm" response from China.

Maehara, who assumed his post Sept. 17, also expressed eagerness to launch negotiations aimed at signing a free-trade agreement between Japan and the 27-nation European bloc, according to the officials.

He also met Wednesday with his counterparts from Mexico, Pakistan, South Africa and Turkey.

Maehara agreed with Mexican Foreign Secretary Patricia Espinosa that their countries will cooperate with each other for success at upcoming U.N. conferences on preserving biological diversity in Japan and tackling climate change in Mexico, the Japanese officials said.

Espinosa, who will chair the key U.N. climate talks in November and December in Cancun, pointed to the importance of deepening discussions on a specific scheme for each country to reduce greenhouse gas emissions, the officials said.

Maehara said Japan aims to agree on a fair and effective new international framework for curbing global warming that all the major emitters will participate in, and to adopt a legal document on that framework as soon as possible.

Japan will host a U.N. conference on biodiversity next month in Nagoya.

They also discussed reform of the U.N. Security Council and agreed that the current membership doesn't reflect the realities of the international community.

Espinosa asked Maehara to visit Mexico at an early date to further deepen the bilateral relationship, according to the officials.

Maehara agreed with Pakistani Foreign Minister Shah Mahmood Qureshi that Japan and Pakistan will continue to work together closely on counterterrorism measures.

The Pakistani minister expressed gratitude for Japan's assistance to flood victims in his country, including the dispatch of a Self-Defense Forces helicopter unit and medical workers.

In talks with South African International Relations and Cooperation Minister Maite Nkoana-Mashabane, Maehara said Japan is ready to offer technical cooperation on projects to build basic infrastructure in the African nation, such as a high-speed railway and nuclear power plant.

They agreed to promote exchanges of visits by high-level officials and to bolster efforts to enhance bilateral trade and investment, according to the officials.

Maehara and Turkish Foreign Minister Ahmet Davutoglu agreed the two countries will cooperate over support for Afghanistan, as Japan plans to help Turkey train Afghan police by providing financial aid and dispatching experts.

Japan pledges \$8.5 billion in aid at U.N. summit

Money earmarked for health, education services

NEW YORK (Kyodo) Prime Minister Naoto Kan pledged Wednesday during a U.N. summit on eradicating poverty that Tokyo will offer \$8.5 billion over five years starting in 2011 to help improve the health of mothers and babies as well as education services in poor countries.

In a speech at the summit on the U.N. Millennium Development Goals on poverty reduction, he unveiled the "Kan Commitment" in health and education, an area in which progress on the 2000 MDG goals for achievement in 2015 lags far behind that in other sectors.

Kan said Tokyo will implement policies to achieve the health-related MDGs in line with his goal of realizing "a society in which human suffering is reduced to a minimum" through efforts to minimize "sources of misery such as disease, poverty and conflicts." He has advocated the slogan domestically.

Japan will offer \$5 billion over the five years to improve maternal and pediatric health services and to combat HIV, tuberculosis and malaria as well as international health threats such as the spread of new types of influenza.

"We make this contribution in order to save the lives of 680,000 mothers and 11.3 million children in cooperation with other partners," Kan said.

As part of the \$5 billion aid, Tokyo will contribute \$800 million to the Global Fund to Fight AIDS, Tuberculosis and Malaria, which Japan helped to found in 2002, at a conference on replenishing the fund next month, Kan said.

The fund is a global public-private partnership dedicated to attracting and disbursing additional resources to prevent and treat the three major infectious diseases.

Referring to his experience of tackling a scandal involving HIV-tainted blood products in Japan, in which an estimated 2,000 hemophiliacs were infected with the virus that causes AIDS, Kan said he has been "strongly interested" in the fight against various infectious diseases.

Kan shot to fame in 1996 when he was health minister for battling with bureaucrats to uncover hidden documents and pinning the blame for the scandal on the government.

He also proposed a new assistance model in maternal and child health called EMBRACE, an acronym for "ensure mothers and babies regular access to care," and called on developing countries to adopt it.

The model is aimed at providing seamless and continued services to pregnant mothers and newborns with quality equipment and human resources by conducting regular checkups, improving access to hospitals and offering vaccinations.

The \$5 billion aid includes Japan's commitment during the Group of Eight summit in the Muskoka region of Canada in June to providing up to approximately \$ 500 million from 2011 through 2015 to help improve maternal and newborn health in poor countries, according to a Japanese official.

In the area of education, Japan will offer \$ 3.5 billion in aid to back comprehensive efforts to improve the educational environment for children under the "School for All" initiative. Tokyo aims at the provision of an education for all children, including those who have been marginalized and those living in conflict areas, Kan said.

"This assistance will provide a quality educational environment for at least 7 million children. Japan will also pay careful attention to postprimary education," he said, adding that assistance for education "leads to the creation of jobs and social vitality."

Under the initiative, Japan proposes a basic education assistance model that encourages "coordinated efforts among schools, communities and governments" to improve the learning environment.

The model covers improvement in the quality of teachers, school management, treatment of girls and disabled students, nutrition, sanitation and child physical fitness.

Kan also said Japan will host an international conference next year to strengthen coordination among such stakeholders as governments, international organizations and aid groups in offering

educational assistance, as a followup of the U.N. summit on MDGs.

Following the speech, Kan told reporters that his message was well received by many participants at the summit and that their reaction reminded him of the fact that Japan's assistance in the fields of health and education has been appreciated in the international community.

The eight-point MDGs include halving abject poverty by 2015 from 1990 levels, reducing the number of children who die before reaching their fifth birthday by two-thirds, improving maternal health and ensuring that primary education is made universal to all, halting the spread of HIV and promoting gender equality.

Earlier in the day, Foreign Minister Seiji Maehara told a round-table session of the three-day MDGs summit through Wednesday that Tokyo is promoting the concept of "human security," which focuses on the protection and capacity building of each individual, to meet the needs of the most vulnerable people in poor countries.

Customers pull ¥29 billion from Incubator Bank

Kyodo News

Departing customers have taken out ¥29.1 billion from bankrupt Incubator Bank of Japan since it partially reopened last Monday, the Deposit Insurance Corp. of Japan said.

The troubled lender had ¥582 billion in deposits when it went under Sept. 10. The withdrawals account for around 5 percent of the total so far.

The bank received 7,883 account-closure applications at the 16 branches open through Thursday, the state-backed administrator said. The bank has 114 branches nationwide.

The bank is obligated to pay each depositor up to ¥10 million plus interest in accordance with the deposit protection scheme. But many customers who invested in time deposits at the bank have apparently decided to stay put to avoid losing interest as a penalty for withdrawing before the deposits reach maturity.

The bank said Friday that another 25 branches will resume business from Tuesday.

The bank was ordered in May to suspend some operations after breaching banking rules.

APEC participants put focus on women's role in corporate Asia

Staff writer

The 15th APEC Women Leaders Network meeting kicked off Sunday in Tokyo with the theme of "Creation of new global economic activities by women."

About 300 to 500 female business leaders from 21 Asia-Pacific Economic Cooperation economies gathered here for the three-day meeting through Tuesday, which has been held annually in countries that host the APEC forum.

In her opening address, Tomiko Okazaki, newly appointed Cabinet minister in charge of gender equality, cited surveys that reflect women's contribution to the economy. Companies with more female executives are performing better, she quoted one of the surveys as saying.

She also said that Japan still has a great deal of work to do on improving the working environment for women — especially those who get married and have children — since the national birthrate is declining.

The APEC WLN meeting started in 1996 in Manila to promote women's economic activities as a means to bring about gender equality.

"I believe that women's active contribution is becoming more and more important in each economy," said Yukako Uchinaga, who chairs the 2010 APEC WLN Steering Committee.

She said she hopes the meeting will hold constructive discussions on such topics as women's future economic activities and the roles women need to play for sustainable economic development.

Nissan Plans to Almost Double China Capacity by 2012, Ghosn Says

Nissan Motor Co. will almost double its production capacity in China to 1.2 million cars by 2012, accelerating earlier plans as economic growth spurs demand, Chief Executive Officer Carlos Ghosn said.

"China is now the second-largest economy in the world, and our ambitions and actions are aligned with the current reality," Ghosn said today in Zhengzhou city, central China. Nissan plans to open another factory in the southern city of Guangzhou's Huadu district in 2012, he said.

Nissan, Japan's third-largest automaker, will build more factories and expand its facilities to meet a goal of increasing its China market share to 10 percent from 6 percent, Ghosn said, without giving a timeframe. Volkswagen AG and Yokohama, Japan-based Nissan are among companies expanding in China, whose economy grew 10.3 percent in the quarter to June, helping boost car purchases in the world's biggest auto market.

"We are systematically increasing our capacity in order to make sure we are not only keeping our market share but also trying to grow our market share," Ghosn said at a media briefing after the opening ceremony of its second Zhengzhou factory.

The new Zhengzhou plant cost 1 billion yuan (\$149 million) to build and has an annual capacity of 180,000 cars, Ghosn said. It will create 1,400 jobs by year-end, he said.

Nissan makes the Teana and Sylphy sedans with Wuhan, Hubei- based Dongfeng Motor Group Co. in mainland China, where it already has three car factories and one producing engines. Mainland China doesn't include Hong Kong, Macau and Taiwan.

Renault Plans

Renault SA plans to expand in China in future and will do so in partnership with Dongfeng Motor Group, said Ghosn, also the chief executive of the Boulogne-Billancourt, France-based company, which owns 43 percent of Nissan. Renault, France's second-largest carmaker, currently exports to China and doesn't have any production facilities in the country, he said.

Renault rose 0.3 percent to 36.22 euros as of 11:25 a.m. in Paris trading. Dongfeng Motor climbed 5.3 percent to HK\$14.60 at the 4 p.m. close in Hong Kong, the highest since it was listed in December 2005. Nissan rose 0.6 percent to 718 yen in Tokyo trading on Sept. 17. Japanese markets are shut today for a public holiday.

Ghosn said in April that Nissan, which currently has an annual production capacity of 670,000 cars in China, aims to increase that ability to 900,000 by 2012.

NV200 Production

Nissan said it plans to move production of its X-trail sport-utility vehicle and Qashqai crossover from another factory in Guangzhou to the Zhengzhou plant to help ease capacity constraints. The NV200 light-commercial vehicle may be made at the new Zhengzhou factory from next year, said Kimiyasu Nakamura, president of Dongfeng Motor Co., the companies' joint venture.

Nissan makes passenger vehicles with Dongfeng Motor Group, according to its website. Commercial vehicles are built through Dongfeng Automobile Co. and Zhengzhou Nissan Automobile Co., both of which Nissan controls with Dongfeng Motor Group.

China surpassed Japan as the world's second-largest economy in the three months ended June. Passenger-car deliveries in China accelerated in August, and its automobile sales are on course to outpace the U.S. for a second year.

Nissan is in talks with Dongfeng Motor Group about the "best way" to introduce electric cars in China, which will help meet demand for vehicles in the nation while limiting pollution, Ghosn said.

"The future of electric vehicles in China is very bright," he said.

Nike China Orders Rise 25% on Demand for Basketball Sportswear

Nike Inc., the world's largest maker of athletic shoes, reported orders for China surged 25 percent, outpacing all other regions on demand for basketball- related sportswear.

Total orders for athletic shoes and clothes for delivery between September and January grew 10 percent to \$7.1 billion, the Beaverton, Oregon-based company said in its earnings statement yesterday. The growth in China compares with 15 percent in North America and declines of 7 percent in Western Europe and 8 percent in Japan.

Chief Executive Officer Mark Parker is counting on China and emerging markets to provide the most growth over the next five years as Nike gets 65 percent of sales outside North America. The company has widened its lead in China over Adidas AG by expanding in cities beyond Beijing and Shanghai, said analyst Shaun Rein.

“As consumers are getting wealthier here they are buying special items for the gym, for the weekend, for going out,” Rein, managing director of China Market Research Group in Shanghai, said in a phone interview today. “Nike are doing the best because they have the best brand loyalty.”

China accounted for \$460 million of the Nike brand’s sales in the company’s fiscal first quarter, or about 9 percent of total revenue.

‘Big Story’

“The big story there continues to be basketball, which shows no sign of slowing down,” Charlie Denson, president of the Nike brand, said on a conference call yesterday.

Nike rose as much as 5.4 percent to \$81.88 in after-hours trading in New York. Yue Yuen Industrial (Holdings) Ltd., which makes shoes for Nike and Adidas, gained 1.6 percent to close at HK\$28.80 in Hong Kong trading, the highest since Feb. 16, 2007.

Nike reported first-quarter profit that surpassed some analyst estimates as sales in North America continued to rebound on a growing apparel business. Nike sales in North America contributed \$1.9 billion to the total in the three months through August.

Net income rose 8.9 percent to \$559 million, or \$1.14 a share, in the quarter, the company said. Profit per share was expected to be \$1, according to the average of 16 analyst estimates compiled by Bloomberg.

Nike’s per-share profit from continuing operations has beaten the average analyst estimate for 17 straight quarters, according to Bloomberg data. Sales in North America are recovering from a decline during the recession.

World Cup

“Their product is performing really well in North America,” said Chris Svezia, an analyst for Susquehanna Financial Group in New York, who has a neutral rating on Nike shares. “I can’t remember the last time they grew North America at those levels. That’s pretty stellar.”

Revenue from the Nike brand in North America, the company's largest market, increased 8 percent to \$1.9 billion as apparel sales rose 16 percent to \$515 million.

Nike increased spending on marketing ahead of the FIFA World Cup, contributing to a 7.8 percent gain in first-quarter revenue to \$5.18 billion. Analysts predicted \$5.21 billion on average.

The company sold the official uniform shirts of 10 teams in the tournament held in June and July in South Africa. Sales in soccer-centric western Europe rallied 6 percent in the quarter to \$1.06 billion, excluding currency effects.

Sales of the Nike brand in China, the second-largest market, rose 11 percent. Revenue from emerging markets, including countries in Asia, Africa and South America, advanced 30 percent to \$591 million.

Sakakibara Says Yen to Hit Record Despite BOJ Sales (Update1)

Sept. 21 (Bloomberg) -- Japan's intervention in currency markets won't stop the yen from reaching a record in 2010, and further attempts to stem gains against the dollar risk criticism from the U.S., said Eisuke Sakakibara, formerly Japan's top currency official.

The yen appreciated to 82.88 to the dollar, the strongest since May 1995, on Sept. 15 before the Bank of Japan intervened to weaken the currency for the first time in six years.

"The latest intervention won't change the market trend," Sakakibara said in an interview in Tokyo today. The currency's climb to a record is "just a matter of time."

Global risk aversion this year has driven gains in the yen, which tends to strengthen during economic turmoil as Japan's trade surplus makes it less reliant on foreign capital. A stronger domestic currency hurts the competitiveness of Japanese exporters.

The yen traded at 85.47 per dollar as of 11:14 a.m. in Tokyo. It reached a postwar record of 79.75 in April 1995.

The yen plunged more than 3 percent on the day the Bank of Japan unilaterally intervened. The move came as the U.S. tries to persuade China to let its currency trade more freely, saying that the yuan's below-market value is hurting the U.S. economy.

"Of course there's a short-term effect," Sakakibara said, referring to Japan's efforts to weaken its currency alone. "For it to really work over the long-term, the U.S. has to be involved. The U.S. has the yuan revaluation problem, so it's not happy about Japan's intervention."

'Deeply Disturbing'

U.S. House Ways and Means Committee Chairman Sander Levin called Japan's intervention "deeply disturbing," and Senate Banking Committee Chairman Christopher Dodd said it broke international accords.

Deposits at the Bank of Japan climbed by 2 trillion yen (\$23.4 billion) to 17.1 trillion yen, the central bank said on Sept 17. The figures suggest that Japan sold up to 1.8 trillion yen on Sept. 15, according to Junko Nishioka, chief at RBS Securities Japan Ltd. in Tokyo. Central banks conduct bill auctions to drain excess currency stemming from foreign purchases, a process called sterilization.

Chief Cabinet Secretary Yoshito Sengoku told reporters on Sept. 15 the finance ministry “seems to think” 82 yen per dollar to be the line of defense. A day earlier, Prime Minister Naoto Kan won re-election as head of the ruling party, beating a challenger who had insisted intervention was necessary.

‘Gentle Appreciation’

Intervention in currency markets should be avoided as a rule, and a strong currency can be beneficial to the economy, Sakakibara said.

“A gentle appreciation of the yen is in the country’s interest,” said Sakakibara, who is a professor at Aoyama Gakuin University in Tokyo. “That’s the stance Japan should take.”

Japan hadn’t intervened in the currency market since March 2004, when the yen traded at about 109 per dollar. The Bank of Japan, acting on behest of the Ministry of Finance, sold 14.8 trillion yen in the first three months of 2004 following record sales of 20.4 trillion yen in 2003.

The action failed to keep the currency from rising to 102.63 to the dollar by the end of that year.

Sakakibara became known as “Mr. Yen” during his 1997-1999 tenure at the Ministry of Finance for his efforts to influence the yen rate through verbal and actual intervention in the currency markets.

Prudential Financial eyeing AIG Japan firms

Bloomberg

Prudential Financial Inc. is close to a deal to buy two Japanese life insurance companies for \$4 billion to \$5 billion from American International Group Inc., The Wall Street Journal reported.

A sale of AIG Star Life Insurance Co. and AIG Edison Life Insurance Co. will help AIG repay the more than \$90 billion it owes to taxpayers, the report said, without saying where it got the information.

Mark Herr, an AIG spokesman in New York, and Bob DeFillippo, New York-based spokesman for Prudential, the second-biggest U.S. life insurer, declined to comment.

Prudential Chief Executive Officer John Strangfeld has said the Newark, N.J.-based firm is a "buyer."

The company may add to businesses outside the U.S., according to its annual report. Prudential acquired bankrupt Yamato Life Insurance Co. last year, adding to operations in Japan, where the company has done business for more than two decades.

AIG Chief Executive Officer Robert Benmosche is selling assets to help repay a \$182.3 billion government bailout. AIA Group Ltd., the bailed-out insurer's main Asia unit, received preliminary approval for a Hong Kong initial public offering that may raise \$10 million to \$15 million, two people with knowledge of the matter said Tuesday.

Prudential resumed talks with AIG over the purchase of the two Japanese insurance units after discussions stalled earlier in the year, two people briefed on the situation said last year.

Japan Regulators May Permit More Acquisitions With Shares, Nikkei Says

Japan's Ministry of Economy, Trade and Industry may permit companies to use their own shares more often in tender offers to allow reorganizations and acquisitions, Nikkei said, without saying where it obtained the information.

Many tender offers in Japan currently require large sums of funds rather than shares, Nikkei said.

Social Front:

Photo exhibit to focus on Korea heritage

KOBE (Kyodo) A second-generation ethnic Korean is planning to hold a photo exhibition chronicling the lives of Korean residents in Japan to help mark the centennial this year of Japan's annexation of the Korean Peninsula.

Kim Sin Yong, 57, of Nagata Ward, Kobe, has been collecting photos of Korean residents — ranging from ceremonial occasions such as weddings and funerals to scenes of everyday life — to keep the minority group's heritage alive.

Nagata Ward is home to numerous ethnic Koreans, but many of them lost pictures in the fires that followed the Great Hanshin Earthquake on Jan. 17, 1995.

"It's not about country-to-country relations. I want to convey how each person lived in those 100 years in the land of Japan," Kim said.

He is calling on his fellow Koreans to search for any old pictures that may have been forgotten in storage, and loan them for the exhibit.

Kim has been teaching Korean culture at Kobe elementary schools and also has been running Korean-language classes for ethnic Korean students.

He came up with the idea for the exhibition after coming to realize that many third- and fourth-generation Koreans in Japan aren't familiar with the history of Korean residents, known as "zainichi," or how their ancestors once lived.

The exhibition is scheduled to open in November in Nagata Ward.

Biodiversity confab to seek genetics pact

Kyodo News

An international conference on biodiversity set to take place in Japan in October will attempt to set new targets for protecting organisms and conclude a global pact stating how genetic resources are to be used in drug development and other fields.

The talks are likely to be tough, however, because member countries are split on many issues, such as how people should conserve and use biodiversity in a sustainable way, as well as the use of a variety of living things that exist in an environment, according to people close to the negotiations.

The 10th meeting of the Conference of the Parties to the Convention on Biological Diversity, or COP10, will be held from Oct. 18 to 29 in Nagoya. The last three days are scheduled for ministerial-level discussions, which are expected to culminate in agreements on the two major topics.

The new post-2010 targets for conserving organisms will be considered in two phases — short-term targets covering the period until 2020 and medium- to long-term targets through 2050.

Member states are divided on many specific conservation issues, including the proportions of the protective zones to be set aside at sea and on land, where development activities are to be restricted.

There are also conflicts of interests regarding the use of genetic resources between the industrialized and developing nations. Such resources often exist in less-developed countries and can bring wealth to companies in advanced nations. But the profits from those resources rarely benefit the country of origin.

Resource-rich African countries are calling for benefit-sharing, not only for materials found on their land but also for the components processed from such resources. But industrialized nations are reluctant to expand profit allocations to such countries.

Bringing about benefit-sharing in countries of origin has been one of the aims of the Convention on Biological Diversity, which was adopted in 1992 to promote the conservation of biodiversity.

The convention has more than 190 members, including Japan, but the United States is not a party to the pact.

Seniors 80 and over top 8 million for first time, ministry reports

Kyodo News

The number of elderly aged 80 or older topped 8 million for the first time, the internal affairs ministry said in a report released Sunday.

The estimate, based on results of the 2005 census and births and deaths reported to municipalities, also found that a record-high 23.1 percent of the population was aged 65 or above as of Wednesday.

The tallies are probably accurate despite the Justice Ministry's admission earlier this month that 234,354 registered centenarians can't be found, because the estimates aren't based on the unreliable resident registry system, a ministry official claimed.

The number of elderly people 65 or older came to a record high 29.44 million, up 460,000 from the previous year, the Internal Affairs and Communications Ministry said, bumping its ratio to the total population of 127 million up by about 0.4 point. The estimate was released before Respect-for-the-Aged Day holiday on Monday.

Of all elderly, defined as those aged 65 or over, 12.58 million were men, accounting for 20.3 percent of the male population and topping 20 percent for the first time, and 16.85 million were women, accounting for 25.8 percent of the female population, the ministry said.

Those aged 80 or above have grown about 22 times in number over the past six decades, compared with 370,000 in 1950, it said.

The ratio of people aged 65 or older who still work is also rising, with 5.65 million employed as of last year. Of those, 3.19 million were employees, including 1.58 million part-timers and other nonregular workers, up 620,000 from 2004.

Deadlock Risk Significant at Cancun Climate Talks, Top UN Official Says

Deadlock remains a "significant" risk at United Nations climate talks that start in November in Mexico, a year after a summit in Copenhagen failed to produce a binding global treaty, a top UN official said.

Proponents of a deal "seem to have accepted" that no treaty will be written during two weeks of talks in the Mexican resort, and that bodes well for the prospects of taking smaller steps, said Halldor Thorgeirsson, a director at the UN Framework Convention on Climate Change, which organizes the talks.

“The obstacles to a significant outcome in Cancun remain formidable, and the likelihood of a continued deadlock remains significant,” Thorgeirsson said today in a speech at the political analyst Chatham House in London. Still, “a new treaty is by no means the only measure of success,” he said.

UN and national envoys have been saying chances are slim for agreeing on a treaty to reduce global warming gas emissions this year after the Copenhagen summit in 2009 produced only a non-binding pact even after more than 100 world leaders including U.S. President Barack Obama flew in to hammer out a deal.

Christiana Figueres, who took the post of UNFCCC executive secretary in July, has already called on nations to take smaller steps rather than strive for an all-encompassing deal, while Japanese and European Union envoys in March ruled out the chances of a treaty in Cancun.

Thorgeirsson said the Cancun conference could be deemed a success if it delivers seven key goals. Those include formalizing pledges to cut greenhouse gases that were made in Copenhagen, without being accepted unanimously, starting rewards for countries that avoid deforestation, and agreeing on a global emissions reduction target.

Paradigm Shift

Other areas of progress including developing a system to measure report and verify emissions cuts, setting up a framework to help countries affected by climate change adapt to its effects, establishing a fund to channel climate aid and forming a registry to match funding with projects that need the aid, the official said.

Countries need to “shift from the paradigm of looking at the task ahead as a single undertaking, where nothing is agreed until everything is agreed, to a paradigm of incremental progress, where decisions are taken when and where possible and work continues on unresolved issues -- a ‘nothing is agreed until enough is agreed’ paradigm,” Thorgeirsson said.

Entering Japan not so simple for Paris Hilton

Compiled from Kyodo, AP

NARITA, Chiba Pref. — American model and actress Paris Hilton dropped her entry request and left Japan on a chartered flight Wednesday after being stopped and questioned at Narita International Airport the previous day about her conviction for cocaine possession, sources familiar with the matter said.

The 29-year-old star of "The Simple Life" was stopped by immigration upon arrival Tuesday, just a day after pleading guilty to a drug charge in Las Vegas, according to an e-mailed statement by Hilton's representative, Dawn Miller.

Hilton spent the night at an airport hotel after being questioned by officials. She was scheduled to promote her fashion and fragrance lines at a news conference in Tokyo on Wednesday, but the appearance was canceled.

"We met her this morning. The process of determining whether she can enter Japan or not is still ongoing," Kazuo Kashihara, an immigration official at Narita, said earlier in the day.

Under Japanese law, immigration authorities are empowered to deny entry to anyone convicted of drug-related offenses.

Tokyo was the first stop on Hilton's Asia tour, which was to take her to Kuala Lumpur and Jakarta, where she intends to open a new store.

Both countries have strict drug laws, though an official in Indonesia, which does not bar foreigners convicted of crimes in other countries, said she was unlikely to be denied entry.

Miller's statement said Hilton was disappointed with all the scrutiny in Japan.

"Paris was contractually bound to her business trip and didn't want to let down her brands and many Asian fans," the statement said. "She intended on fulfilling her contract and is trying hard to do the responsible thing, but this is beyond her control. She is very disappointed by tonight's events."

The Asia trip had been planned before Hilton's arrest last month in Las Vegas, when an officer found a small amount of cocaine in her purse. She pleaded guilty Monday to possessing drugs and obstructing an officer and was placed on informal probation for one year.

Typhoon Malakas Strengthens, Forecast to Brush Past East Coast of Japan

By Mariko Yasu - Sep 22, 2010 11:53 PM PT

Tropical Storm Malakas has strengthened as it tracks north over the Pacific Ocean on course to brush past the east coast of the main Japanese island of Honshu in two days, according to the Japan Meteorological Agency.

The agency's forecast shows the typhoon churning toward the islands of Iwo Jima and Chichi Jima before turning north-northeast, indicating it won't make landfall on Japan's main islands. The storm is estimated to make its closest approach about 390 kilometers (242 miles) off Hachijojima island, south of Tokyo, at around 9 a.m. on Sept. 25, the agency said on its website.

Malakas is expected to gain strength in the coming two days to maximum winds of 55 meters per second (123 miles per hour) from 40 meters per second, with a storm warning area extending about 440 kilometers, the Japanese weather service said. The storm's intensity will probably weaken to an extra-tropical cyclone by 9 a.m. on Sept. 26, it said.

Malakas was 500 kilometers south of Iwo Jima moving slowly north-northwest at noon Japan time today, the agency said.

Malakas means “strong” or “powerful” in the Philippines, according to the Hong Kong Observatory, which lists names assigned to storms in the northwest Pacific and South China Sea. Malakas is the 13th storm of the northwest Pacific season.

Scholar sees Russian-held isles slipping away

KUSHIRO, Hokkaido (Kyodo) An academic who recently completed a visit to Kunashiri Island, one of the Russian-held islands claimed by Japan, says the island's infrastructure development has convinced him Japan can no longer use its economic clout to settle the territorial dispute.

His comment came after a visa-free visit to the island off Hokkaido by 46 Japanese, including government officials and academics, that started last Friday. The mission was the last planned for the current fiscal year through March.

"With infrastructure development making progress, I realized that Japan can no longer use its economic and technological power as a diplomatic card," Masao Shimojo, a history professor at Takushoku University, said at a news conference upon his return to Nemuro, Hokkaido.

"Construction companies in the state of Sakhalin were doing all the road and port construction projects," he said, adding that three new heavy machines from a South Korean conglomerate had also been brought in.

Kenta Izumi, parliamentary secretary of the Cabinet Office, said the visit, which included field surveys and sessions with local residents, has made him think about how best to lay out future developments as bilateral exchanges continue to expand.

Japanese researchers acting separately from the no-visa exchange mission also returned on the same chartered vessel Monday. They succeeded in photographing three rare brown bears that are white in color on Kunashiri, and were analyzing the images, they said. These bears are only found on Kunashiri and Etorofu islands.

About 580 people have visited the Russian-controlled area comprising Kunashiri, Etorofu, Shikotan and the Habomai islets since April as part of an exchange program that exempts the Japanese from obtaining Russian visas for entry.

The Japanese government takes the position that the islands are illegally occupied by Russia. Based on a 1989 statement by the chief Cabinet secretary at the time, Tokyo has called on Japanese citizens not to enter the territories through Russian immigration procedures, such as by obtaining a Russian visa, until the dispute is resolved.