

TOP STORY

Kazakhstan Freezes Co-development Plan of Mine with Korea

Korea is a laggard in procuring raw materials for the nuclear energy development while Japan is planning to recycle nuclear waste and reuse it as raw materials from October, 2007.

Japan has also succeeded in gaining a massive volume of uranium from the Republic of Kazakhstan.

Despite Japan's outstanding performance in the industry, Korea has failed to take a first step to recycle nuclear waste due to a number of diplomatic fallouts.

Furthermore, Kazakhstan has frozen Korea's plan to import uranium.

The Asahi Newspaper has reported that Kazakhstan, the world's second largest nation to possess coal deposit, has frozen its co-development plan of mine with Korea.

Korea's President, Roh Moo-hyun, had visited Kazakhstan in 2004 to conclude an agreement with the President of Kazakhstan and carried on with the uranium mine development plan.

Since then, Korea has fleshed out the mine development plan with a Kazakhstan's state-run nuclear energy enterprise. However, the co-development plan has been frozen after both nations had failed to bridge the gap in opinion on the conditions and terms of the plan.

"Kazakhstan has clarified its stance on the plan via the embassy, and we have decided to drop out from the mine development plan after carefully considering the conditions and terms suggested by Kazakhstan," said an official from the Ministry of Commerce, Industry and Energy (MOCIE).

[Bo-yung Kim / KHS]

EDITORIAL

U.S. Enterprises Retrieve Reliability

The U.S. enterprises are redeeming reliability and respect from the public, according to Fortune Magazine.

On a survey responded by university graduates, about 57 percent of the respondents have stated that the U.S enterprises are carrying on positive business activities, and the customers' reliability on the enterprises has posted the highest record ever since the scandalous Enron crisis in 2001.

The energy giant, Enron Corp., has collapsed at the end of 2001 after the large-scaled accounting fraud worth \$100 billion had been disclosed, triggering the public to lose faith in the U.S. enterprises and enterprisers overall.

The anti-corporate sentiment has thwarted corporate activities.

Korean enterprisers have always complained that the anti-corporate sentiment impedes the corporate management.

Dispiriting business activities and haltering execution of management decisions will exacerbate the companies' employment rates and restrain the national economic growth.

Hanhwa Group Chairman's alleged assault on the bar employees in revenge for an attack on behalf of his son is also another frustrating case.

Similar to that of Enron crisis, a single incident of wrongdoing committed by the owner of the enterprise can do enormous damage to the enterprise and the enterpriser alike.

Enterprisers should really shape up, both professionally and personally, to gain respect from their society and management team.

[Translated by Bo-yung Kim / KHS]

ECONOMY

Establishing of “Asian IMF” Planned

To effectively support Asian nations suffering financial crises, foundation of an “Asian International Monetary Fund (IMF)” will be promoted with funds contributed by chief nations.

The Ministry of Finance and Economy (MOFE) disclosed on May 2 that MOFE Minister Kwon O-kyu will be partaking both in the 10th ASEAN + 3 (Korea, China and Japan) Minister Meeting and the Asian Development Bank’s (ADB) 40th Annual Meeting that are to be held in Kyoto, Japan from April 5 to 7. During the ASEAN + 3 Summit, which is to begin on May 5, measures will be discussed to create an Asian IMF by reinforcing the CMI (Chiang Mai Initiative).

CMI was adopted during the ASEAN + 3 Summit held in Chiang Mai, Thailand in May 2000, promising mutual support-making currency swap contracts for foreign exchange reserves--whenever financial crises assail member nations. However, the CMI backup system had only been practiced on a bilateral level and was criticized for its lack of effectiveness: failing to agree on the measures in a timely manner. Consequently, members agreed to intensify the multilateral support function of CMI last year.

If revised, member nations will contribute funds; either an organization or a conference group-of functions and structures similar to those of the IMF-will be formed to decide who will receive support and overlook general operations.

[Dong-eun Lee / KHS]

Korea’s Apartment Market to Undergo Prolonged Decline: Mirae Asset Chairman

Chairman of Mirae Asset Financial Group Park Hyeon-joo, who is a prominent investment specialist, has considered real estate properties as safe and promising investment contents while Korea is becoming an aging society.

However, the apartment market is likely to experience a downturn for years to come due to their highly-inflated prices; on the other hand, commercial real estate markets-office buildings and overseas real estate markets-are expected to boom, Park predicted.

Chairman Park participated in the Mirae Asset Forum, on the subject of asset allocation, held in the Seoul Westin Chosun hotel on May 2 and expressed his views on domestic real estate markets.

Park said, “Movements of the domestic real estate market deserve close attention, particularly this year. It is necessary to examine asset allocation strategies on a national level so as to focus on the real estate market, which is experiencing a much-awaited boom since interest rates worldwide are at their lows.

“However, the domestic apartment market has bubbles amid soaring apartment prices over recent years. It is time for Korea as a nation to correct the misguided ways of thinking-reckless speculation, rather than prudent investment.”

“From now on, investors would be recommended to shift their confined focus from the Seoul apartment market to a broader market that includes commercial real estate properties and overseas real estate markets,” he added.

Park exclaimed that there is a slew of investment opportunities in emerging markets abroad: for example, China’s Shanghai where multinational enterprises are competitively building skyscrapers and India’s Mumbai whose commercial real estate market valuations exceeded those in Seoul, during the rapid growth of Indian economy.

[Sun-young Park / KHS]

MARKET

Sales of RSP-type Funds Exceed 30 Trillion Won

Despite the recent escalation in repurchasing of regular savings plan-type (RSP) funds, capital entrusted in RSP funds has steadily increased, exceeding 30 trillion won for the first time.

In fact, RSP funds have seen a rapid growth over recent years, as sales of RSP funds have increased five-fold from 6.55 trillion won, recorded in March, 2005 when official data of performance by RSP funds was first released.

The Asset Management Association of Korea on May 2 unveiled RSP fund sales figure at the end of March: 30.41 trillion won, which rose by 1.17 trillion won from the previous month, equivalent to 15 percent of the domestic fund market valuation of 200 trillion won.

Other fund products constituting the overall fund market are: Money Market Funds (MMF) (worth 56 trillion won), equity-type funds (worth 51 trillion won), bond-type funds (worth 47 trillion won) and hybrid-type of the two and other funds.

The number of accounts established for RSP fund management totaled 8.28 million in March, which increased more than 250,000 month-on-month, accounting for 60.62 percent of the nation's total fund accounts (13.67 million).

Specifically, among RSP funds, equity funds were revealed to be of a significant portion (74.82 percent) whose balance reaches 22.75 trillion won.

The RSP equity fund balance of 22.75 trillion won is equivalent to 44.03 percent of the total amount of money entrusted in the domestic equity funds (51.67 trillion won); in other words, two in five equity fund investors are managing in RSP funds.

RSP equity funds are yielding handsome profits, as well.

According to a recent survey conducted by a fund rating firm Zeroin, rates of return on domestic equity funds with the fixed amount of over 200 billion won, averaged out to be 52.44 percent for the past three years, from April 2004 to April 2007.

[Sun-young Park / KHS]

COMPANIES

Hyundai Motor Sales Soars

Hyundai Motor disclosed on Wednesday that a total of 225,178 cars were sold last month, 51,305 domestically and 173,873 overseas. Compared to April 2006, domestic demands rose by 16.5 percent and exports by 8.7 percent.

Hyundai was able to sell over 50,000 cars for two consecutive months and maintained the 50 percent market share since March in the Korean market. Avante, Grandeur and Sonata seized the first, second and third best selling car brands in the passenger car category for four months in a row.

Meanwhile, Kia Motors' domestic sales dropped year-on-year by 1.5 percent (21,202 cars), but its export volume was stretched by 15.4 percent (97,328 units), attaining an overall sales growth of 11.9 percent.

April sales could have been much favorable but Hyundai Motor's Q1 achievement failed to evade the slump caused by the strong Korean won.

Hyundai Motor held its Q1 earnings conference at Korea Exchange in Yeoido, Seoul on Wednesday afternoon to announce Q1 business results: a 6.6841 trillion won increase in sales, a 291.4 billion won increase in operating profit and a 307.4 billion increase in net profit. In contrast to Q1, 2006, sales dropped by 2.6 percent, operating profit by 13.1 percent and net profit by 10.2 percent. Q1 results of Kia Motors, scheduled to be announced on May 4, are also expected to fall below expectations.

There are dissensions in the outlook on Hyundai-Kia Motors' future earnings estimates.

Some criticize that although April results could have averted favorably in yearly comparison, it is still dull in monthly comparison; and moreover, the affirmed increase might only be a reflexive action to last April's depressed performance.

[Dong-eun Lee / KHS]

Dongbu Group Forays into Semiconductor Business

Dongbu Group is striding into the semiconductor industry, as the group recently completed a merger of Dongbu Hannong Chemicals and Dongbu Electronics and brought in Chin Dae-je, the former information and communication minister, to the newly-established company.

Dongbu HiTek, which stemmed from the merger of the two companies, held an

inauguration ceremony on May 2 and officially started its business operations.

Cha Dong-cheon, CEO of Dongbu HiTek stated, “The recent merger promised Dongbu HiTek two advantages: a promising profit structure and a growth engine for the future, simultaneously. Furthermore, this synergic fusion has set a foothold for Dongbu Hitek to leap into a global bio and semiconductor company.”

Meanwhile, the newly-established company also disclosed that it had appointed the former information and communication minister Chin Dae-je to its semiconductor business counselor.

Chin will oversee Dongbu HiTek’s overall businesses, particularly the semiconductor division, as he is expected to serve as a business counselor, to give active support to unearth large customer bases abroad and to participate in formulating the company’s mid- and long-term business plans, Dongbu HiTek explained.

A Dongbu HiTek official said, “Chin’s participation in our company, who is an internationally-known semiconductor expert, is likely to create a turning point for Dongbu to enhance its semiconductor business to a global level. Chin will provide great guidance to Dongbu HiTek in improving its profit structure, as he is to be actively engaged in devising mid- and long-term business plans and will attract a significant number of customers from overseas.”

[Sun-young Park / KHS]

KDB Launches 30 Billion Won Venture M&A Fund

Korea Development Bank (KDB) disclosed on May 2 its official introduction of the 30 billion won private equity fund (PEF), exclusive for M&As of venture firms.

KDB is to invest 15 billion won in the fund, together with participants from insurance companies, securities firms, local banks and four to five domestic chief institutes. This fund will be a specialized PEF that will aid venture companies, in M&A activities, to grow into medium-sized corporations.

Governor Kim Chang-lok of KDB had stated in January, “There have been many incidents where prospective technologies of venture firms failed to be commercialized after being buried down under with the bankrupt venture. To end such misfortunes, M&As among venture companies are mandatory.”

Kim Won-geun, the head of the venture M&A PEF said, “Investments in one to two ventures are being examined currently. When nurturing two venture firms of related or same business fields into a SME equipped with technological expertise and competitiveness via M&A, the new enterprise can be an incredibly enduring growth engine for the nation.”

KDB plans to seek investment subjects by utilizing know-how's in precedent venture investments and restructuring, assessment of technological value, M&A experiences and corporate network.

[Dong-eun Lee / KHS]

NTS Tax Investigates Goldman Sachs

It was confirmed on Wednesday that the National Tax Service (NTS) is conducting a tax investigation on local branch of the U.S. investment bank (IB), Goldman Sachs.

Although it is most likely to be a routine tax audit on the branch since last November, it is perceived that the recent inspection is mainly to focus on possible tax evasions, which could have taken place while collecting a trading profit of approximately 1 trillion won made from the investment in Jinro's bonds in 2005.

Goldman Sachs asserted that the investment in Jinro's bonds should be treated with tax treaty since it was conducted by Sena Investment, an offshore fund in Ireland established by Goldman Sachs. However, given that Goldman Sachs Seoul branch confirmed to have led the investments and sales of the bonds, large taxation would be inevitable.

Executive Director Jeon Seong-min of Goldman Sachs Seoul branch elucidated the recent inspection as a routine procedure by saying, "This investigation is a regular tax audit and Goldman Sachs is amicably cooperating in the NTS' proceedings, under the principle to abide by local laws and global ethical standards."

Prior to this, NTS held a tax investigation and recently taxed 30 billion won by exempting the application of tax treaty to Sunsage, an offshore fund in Holland established by CCMP and Affinity Capital, claiming that the actual recipient of the dividend income paid out by Mando is different.

[Dong-eun Lee / KHS]

GENERAL

KERI Suggests ways to Improve Industrial Negotiation

The Korea Economic Research Institute (KERI), under the banner of the Federation of Korean Industries (FKI), has pinpointed that the formation of industrial union and industrial-level negotiation promoted by the labor union industry only spawns side effects, increases negotiation costs, and elongates negotiation periods.

The report on “problems and improvement plans for industrial union and negotiation” released by the KERI has stated that the formation of industrial union and movements to execute industrial-level negotiation are limited to the external changes since they lack capacity for internal harmonization and abide by the labor’s customs.

Rather than creating constructive impact on industrial-level negotiation and formation of industrial union, the report has stated that industrial-level negotiation has only focused on irrelevant topics as it wasn’t able to deviate from the form of multi-level negotiation and has requested for second round of negotiation due to the unsatisfactory results made in the central-level negotiation.

As the labor union industry will spur the formation of industrial union in every type of enterprises and instigate industrial central negotiation, the report has forecasted that anxiety over the labor-management relationship will aggravate further in the future.

The Korean Confederation of Trade Union has decided to request the government to spearhead the legislative efforts to execute industrial negotiation in order to fixate industrial union and industrial-level negotiation.

[Bo-yung Kim / KHS]

Government to Establish International Oil Market in Korea

The “oil hub” business in the Northeast region, combining a petroleum production base and an international logistics base, is expected to commence in the first half of 2008.

The government will execute its first stage of oil business by establishing a joint corporate of domestic and international oil refineries this year and constructing a 4.6 million barrel commercial storage facility in 2008.

Upon the completion of the first stage, it will continue on to building a 230 million barrel facility.

Under the presupposition that the oil market in Northeast Asia will outperform the

business results tallied in North America in next five years, the government and the oil refinery industry have decided to create Korea as the “oil hub” in the Northeast region while carrying on with the construction of the core infrastructure line, according to Ministry of Commerce, Industry and Energy (MOCIE) and Korea National Oil Corporation (KNOC) on May 2.

“Oil hub” is not only limited to the countries located within the Northeast area but also to the surrounding countries.

It is the core base for oil logistics activities to implement production, distribution, storage, intermediation and transaction of oil products.

At present, Singapore is referred to as the oil hub.

The government will be able to secure a large size of oil inventory in the domestic oil industry once the “oil hub” is created, strengthening the ability to deal with possible energy crisis and deliver positive results to the marine and logistics business.

“After forming the joint corporate for the commercial storage facility with the foreign companies, oil corporations and domestic oil refineries by November, 2007, we will begin construction from early next year and commence the commercial transaction from end of 2009,” said an official from the MOCIE.

[Bo-yung Kim / KHS]

KCCI Proposes Plans for Job Creation in Manufacturing Industry

The Korea Chamber of Commerce & Industry (KCCI) has proposed the “Four Plans” to create jobs in the manufacturing industry via a report on “Plans to increase a number of jobs in the manufacturing industry,” after pinpointing that the employment rate in the manufacturing industry has showed a sharp decline.

“The employment rate in the manufacturing industry has nosedived at a fast pace. We must make all-out effort at least to prevent further decline or create jobs in related fields,” said an official from the KCCI.

The employment rate in the domestic manufacturing industry has peaked at 27.8 percent in 1989 but constantly decreased by 0.58 basis points a year since then, posting the second fastest reduction rate among 15 Organizations for Economic Cooperation and Development (OECD) nations, following England.

The annual average employment reduction rate of the main OECD nations has ranged between 0.2 and 0.4 basis points.

The nations that have overstepped the average range were England (0.61 basis points), Korea and Italy (0.53 basis points) and Germany (0.52 basis points).

The employment absorption, which refers to the speed of increase rate in the number of jobs in accordance with the economic growth, has maintained constant reduction in the manufacturing industry compared to that of the service industry.

Korea's annual average employment absorption rate of change has posted -4.8 percent in the 1980s and -9.3 percent in the 1990s, while England (-4.5 percent in the 1980s and -3.5 percent in the 1990s), the U.S. (-3.1 percent in the 1980s and -4 percent in the 1990s), France (-3.1 percent in the 1980s and -3.6 percent in the 1990s) and Japan (-3.6 percent in the 1980s and -2.9 percent in the 1990s) have followed the list.

[Bo-yung Kim / KHS]

South Korea to Cooperate with Middle East Countries in Reserving Petroleum for Emergency

South Korea and major oil-producing countries in the Middle East have agreed to collaborate in reserving petroleum for emergency.

The Ministry of Commerce, Industry and Energy (MOCIE) revealed that Vice-minister for Energy Lee Jae-hoon, who participated in the Asian energy ministerial meeting held in Saudi Arabia on May 2, has successively encountered the oil ministers from the major oil-producing countries including Kuwait, Qatar and the United Arab Emirates, reaching the agreement stated above.

First of all, Korea and Kuwait have agreed to launch a joint international project-which is to be embarked rapidly-of building an emergency petroleum reserve.

The United Arab Emirates also plans to promote an identical project with Korea when the feasibility study is completed, while governments of Korea and Qatar are expected to support both countries' state-run oil companies in their joint scheme.

The concrete element of the joint international project of constructing an emergency petroleum reserve is to have the oil-producing nations' crude oil stored in facilities in Korea, which enables the oil-producing countries to gain a foothold in global markets and Korea to secure a stable supply level of energy and rental profits, respectively.

A MOCIE official said, "Once the joint project with the oil-producing countries in the Middle East is up and running, we will be able to acquire the first claim to purchase oil, in case of emergency, as well as make profits from hiring out the oil-storing facilities. This is expected to strengthen Korea's ability to manage crisis in the uncertain current environment that is prone to the lurching of international oil market."

Meanwhile, oil-producing countries in the Middle East were said to be in affirmative of Korea's request for an oil supply preference in case of an oil shock.

[Sun-young Park / KHS]

Higher Banknotes to be Issued in 2009

Large denomination banknotes including 50,000-won bills and 100,000-won bills are to be issued in the first half of 2009.

Bank of Korea (BOK) held a press conference on May 2 and revealed its plan to issue higher banknotes that, “The 10,000-won bill, which is currently the highest banknote, does not correspond to the present economic latitude, reflected in the present national income and prices, causing huge economic costs and inconvenience to the public.”

Domestic economic standing have greatly changed since 1973, the year when the 10,000-won bill was introduced, as prices and the national income rose over 12-fold and 150-fold, respectively, while the 10,000-won bill has withstood as the highest banknote for the past 34 years, BOK explained.

Consequently, more cashier’s checks have been used instead of a bundle of bills and circulated widely, causing enormous expenses for issuance, distribution, exchange, computation and storage of those checks, as well as inconvenience to people with no choice but to carry a bundle of bills, almost always, the central bank stated.

To respond to such predicament, BOK has decided to constitute both the 100,000-won bill and the 50,000-won bill, scheduled to be issued and launched in the first half of 2009.

The central bank forecast that the launch of 100,000-won bills and 50,000-won bills will cut down manufacturing and handling costs of 100,000-won-note cashier’s checks, expected to be 280 billion won annually, and general expenses for banknotes-manufacturing, transporting and storing-expected to be 40 billion won annually, as a large portion of demands for the 10,000-won bills are expected to transfer to the higher banknotes.

[Sun-young Park / KHS]

Logistics Facilities Overly Huddled in Metropolis

Commercial logistics facilities were found to be overly clustered in the urban area, with 7 out of 10 nationwide facilities situated in the metropolis, on Wednesday.

Having surveyed 706 commercial logistics establishments located in 16 cities and provinces nationwide from October 2006 to this February, the Ministry of Commerce, Industry and Energy and Korea International Trade Association (KITA) found that logistics facilities located in the city exceeded two-thirds of the total, reaching 67.3

percent.

Moreover, based on the analysis of the years, in which the facilities started operation, the number of commercial logistics facilities jumped by 511 percent countrywide on average, from 1990 to 2005. However, during the same period in the metropolitan area, the figure soared by 730 percent.

67.3 percent of Korea's logistics facilities were sited in the metropolitan city, followed by 12.3 percent in Busan district, 7.4 percent in Ulsan and Southern Kyeongsang province, 5.5 percent in Chungcheon province, 3.1 percent in Daegu and Northern Kyeongsang province, 3.0 percent in Jeolla province and 1.4 percent in Gangwon province and Jeju region.

Meanwhile, 75.1 percent of the logistics facilities in the metropolitan area were in the Gyeonggi region, 15.2 percent in Incheon and 9.7 percent in Seoul. Such outcome was made by the accessibility to the city and land price premium, analyzed KITA.

49.6 percent of the facilities have capital of under 500 million won; 28.0 percent are mid-sized companies, with capital of between 1 billion and 10 billion won; and 5.3 percent have of over 10 billion won. By revenue, 41.8 percent generated from 1 billion to 5 billion won, while 20.6 percent generated over 10 billion won.

[Dong-eun Lee / KHS]

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