

Asia to see soaring prices in 2011

REUTERS, Singapore

Asia's rapid economic growth will moderate slightly in 2011 even as policymakers combat rising prices with higher interest rates and try to keep local currencies from appreciating too sharply, a Reuters quarterly poll showed.

Most of the 13 Asia-Pacific economies covered in a Reuters survey are expected to see growth cool in 2011 from 2010 as economic recoveries in the United States and Europe remain uneven and China steps up its efforts to fight inflation and asset bubbles.

At the same time, higher prices for food to fuel mean governments and central banks in the region will have to tighten monetary policy further or take other measures even if it risks curbing growth, economists said.

China's economy is expected to expand by 9.3 percent this year, throttling back from double-digit growth in 2010, but inflation is now tipped to quicken to 4.3 percent, a much faster build-up of price pressures than economists had expected in a similar Reuters poll in October.

Likewise, inflation in India is now seen at 8.8 percent, up from 8.3 percent expected in the October poll.

The prospect of further tightening is already spooking some foreign investors who flocked to the region last year, drawn by its robust growth and higher returns, Indonesian stocks.

"Later this year, Asian policymakers are going to have to be much more aggressive to get inflation under control and the consequence of that will be weaker growth," Nomura Chief



Indian worker M Naresh spreads out red chillies to dry at a wholesale market in Hyderabad. Soaring food prices in Asia are a deepening concern among governments fearful of a repeat of the 2008 food crisis that triggered riots across the region and beyond.

Economist Asia Robert Subbaraman said.

"For Asia, the challenging part is how to deal with inflation at the time when there is still capital inflows to the region. The risk in Asia is policy is either too slow to respond or the micro or piecemeal measures that have been introduced...are going to lose their effectiveness over time," he said.

China will likely record its slowest annual growth of the year in the first quarter of 2011, but it will still be a hearty 8.7 percent, giving the government more confidence to tighten policy further to rein in racing inflation, according to the Reuters poll.

The median forecast of 27 analysts is for China's gross domestic product to grow 9.3

percent in 2011, stronger than the 8.9 percent forecast in the previous poll published on Oct 14.

The world's second-largest economy is expected to have grown around 10 percent in 2010. The government is due to release fourth-quarter and full-year data on Jan 20.

India, Asia's third-biggest economy, is set to grow at the same robust pace seen over the last fiscal year, averaging at 8.7 percent in the year-ending March 2011, before slowing slightly to 8.5 percent in the following year, the poll showed.

These figures are markedly above October's consensus of 8.4 percent and 8.3 percent, respectively.

India's uncomfortably high inflation will subside only grad-

ually in the coming quarters, likely prompting the central bank to hike interest rates more aggressively than earlier thought, though the country will remain vulnerable to any food supply shortages which are far harder to fix.

The wholesale price index, India's main inflation gauge, is expected to rise by an average 8.8 percent for the fiscal year ending March 2011 before declining to 6.4 percent in the following year.

This is considerably higher than 8.3 and 5.7 percent forecast in the October survey.

Tapping on strong demand for resources, particularly from China, Australia will see its two-decade long economic expansion hit a speed bump this quarter as floods in Queensland curb

coal exports and consumer demand. However, a massive rebuilding effort should then add significantly to growth, and likely fuel price pressures, for months to come.

A Reuters poll of analysts found forecasts for gross domestic product (GDP) growth for the current quarter had been halved to around 0.4 percent, down from 0.8 percent in the prior poll conducted in October.

Tech heavyweight South Korea will sustain its solid economic growth this year after expanding at its fastest pace in eight years in 2010, which may stoke consumer inflation already building from soaring food prices, the Reuters poll showed.

Officials have recently pointed to inflationary pressures in China as also having a knock-on effect on South Korea's economy in the form of higher prices for imported Chinese goods and food.

Asia's fourth-largest economy is forecast to grow 4.3 percent in 2011, according to a median forecast of 15 analysts, unchanged from the earlier survey published on Oct 14 and slightly below the Bank of Korea's prediction in December of 4.5 percent.

Southeast Asia, Hong Kong and Taiwan share similar stories of rising prices, risks of assets bubbles and moderating growth, highlighting the need for policymakers to act sooner rather than later.

"The message is clear: Asia needs to tighten monetary policy rapidly. If it fails at this, it had better brace for a harsh landing," HSBC economists said in their Asian Economics First Quarter 2011 released this month.

JAL in turbulence also after a year of bankruptcy filing

AFP, Tokyo

Japan Airlines, one year after its spectacular bankruptcy filing, on Wednesday faced a lawsuit from 146 former pilots and cabin attendants calling for their jobs back after being made redundant.

The case, filed with the Tokyo District Court, claims that the JAL management did not do enough to avoid the layoffs. The company's court-approved rehabilitation plan calls for cutting around 16,000 jobs.

The plaintiffs and their supporters marched to the court carrying a banner saying: "Japan Airlines must withdraw dismissals for the purposes of reorganization."

"The company has discarded people, especially those who have long ensured the safety of its flight operations," plaintiffs told local media, Kyodo News reported.

"Through court hearings, we want to question the company, which belittles operational safety and lacks concerns for the good of society."

The lawsuit is believed to be one of the largest of its kind, according to the plaintiffs' lawyer.

JAL declared bankruptcy in January 2010, owing \$26 billion in one of Japan's biggest-ever corporate failures, but has continued flying while it goes through a rehabilitation process under court protection.

Since then, it has delisted from the Tokyo Stock Exchange and submitted to the Tokyo court its rehabilitation plan, including a debt waiver worth more than 6.3 billion dollars and the loss of around 16,000 jobs.

The lawsuit is only the latest challenge to confront the fallen flagship carrier, as a charismatic, government-appointed chairman cuts costs and presses remaining staff to reboot the company.

Chairman Kazuo Inamori, highly respected founder of technology firm Kyocera, said in interviews published Wednesday that JAL's reform was only a "fourth or fifth of the way to completion".

Inamori, who had no experience in the aviation business but was asked by the government to help JAL's reform, once lamented JAL officers' lack of business sense, complaining they were unfit to run even a grocery store.

Obama, Hu to confront economic strains, North Korea

REUTERS, Washington

US President Barack Obama and his Chinese counterpart Hu Jintao confront stubborn rifts over North Korea and bilateral economic imbalances on Wednesday when they meet amid the pomp of a formal state visit.

Both presidents have vowed stronger cooperation between the world's two largest economies in an effort to bridge the strains of the past year over human rights, Taiwan, Tibet and the gaping US trade deficit with China.

Taking major strides toward narrowing these disagreements, however, will test the depth of their partnership.

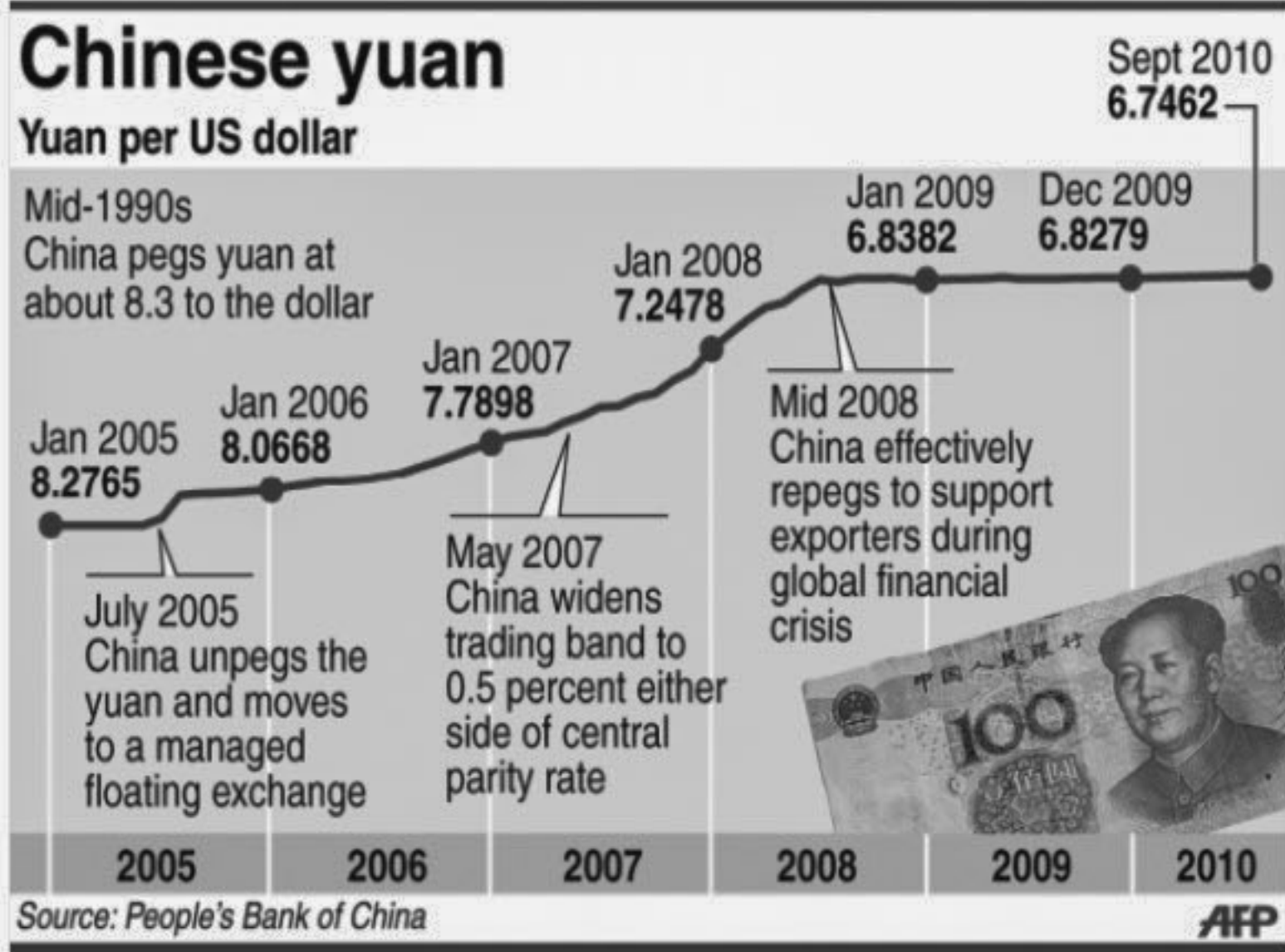
Some in Washington and Beijing are treating the summit as a test of how well the two powers can work in concert as China's ambitions expand in line with its rapid economic growth.

"We bear special responsibilities as the first and second biggest economies. We bear special responsibilities because of the threat to world stability posed by the nuclear programs in North Korea and Iran," US Secretary of State Hillary Clinton told Chinese television, according to a transcript issued by the State Department.

"So this is a critical juncture to determine how good the cooperative relationship between our two countries can be going forward."

Hu has been reluctant to give ground to US demands to intensify pressure on China's ally, North Korea, to abandon its nuclear ambitions, after the North alarmed the region by shelling a South Korean island and claiming advances in uranium enrichment, which could give it a second means to make nuclear weapons.

Beijing has also bristled at U.S.



demands for faster appreciation of the yuan currency, which would make Chinese goods relatively more expensive and possibly help lower China's trade surplus with the United States, which Washington puts at \$270 billion.

US lawmakers are impatient for results and a meagre outcome could increase congressional pressure on China over the trade deficit and to punish China for managing its currency.

"It is critical that Congress, and the rest of the world, sees results during the summit between Chinese President Hu Jintao and President Obama, particularly regarding North Korea and economic issues," Rick Larsen, co-chair of the House of Representative's bipartisan US-China Working Group, said in an e-mailed statement.

A survey by the American Chamber of Commerce in Shanghai, published hours ahead of the summit in Washington, showed a growing number of US companies say the enforcement of intellectual property rights has deteriorated in the last year and that the regulatory environment is the biggest hurdle to doing business there.

Though more US companies in China expect higher revenue in 2011, nearly two-thirds of the respondents said the regulatory environment had either remained stable or deteriorated over the past year.

"IPR (intellectual property rights) remains a top concern because US companies perceive a lack of IPR protection and enforcement to be a blow to their competitive advantage and is costing US companies billions of dollars in lost revenue each year," the survey said.

Hu is likely to raise his own worries about US economic and security policy, including arms sales to Taiwan, the self-ruled island that China deems an illegitimate breakaway province.

The arms sales to Taiwan, even at the time when cross-Strait relations are improving, is the single most important factor jeopardizing Sino-US military ties, Major-General Yao Yunzhu, a senior military researcher, wrote in the official China Daily on Wednesday.

Beijing also wants the Obama administration to reassure it that China's big holdings of US treasury assets are not threatened

because of what some critics might describe as loose US fiscal policies.

SWADDLED IN CEREMONY

The talks between Obama and Hu will come swaddled in ceremony, including a 21-gun salute and a grand dinner. They are unlikely to trade sharp public jabs that could upset the carefully choreographed stagecraft.

The images from the White House will be a valuable diplomatic laurel for Hu as he enters into his final stretch as China's leader before leaving office in late 2012.

Wang Lili, a research fellow at Beijing's Renmin University, said both needed to work much harder at their relationship.

"The sad fact is, there is still a lack of strategic mutual trust between the two nations, as their military ties lag far behind their economic and political relations, and each portrays the other with a certain degree of distortion," Wang wrote in the China Daily.

China has sought to soothe US ire about job losses and the trade deficit by sprinkling business deals that could be worth over \$8.5 billion in the run-up to Hu's visit.

Raising hopes for more possible deals to come, several US and Chinese business leaders are to meet on Wednesday at the White House. Obama and Hu are scheduled to drop by that meeting.

US executives due to attend the meeting include Microsoft Corp. chief executive Steve Ballmer, Goldman Sachs chief executive Lloyd Blankfein, General Electric chief executive Jeff Immelt and Boeing chief executive Jim McNerney.

Hu arrived on Tuesday and will also visit Chicago before returning to China on Friday.

Apple posts record \$6b quarterly profit

AFP, San Francisco

Apple reported a record quarterly net profit of \$6 billion on Tuesday as revenue soared to an unprecedented \$26.74 billion during the year-end holiday shopping season.

The Cupertino, California-based company said it sold 7.33 million iPad tablet computers and 16.24 million iPhones in the final three months of 2010.

The blockbuster earnings report came a day after Apple's iconic chief executive Steve Jobs announced he is taking medical leave for an indefinite period, ceding day-to-day operations to chief operating officer Timothy Cook.

"We had a phenomenal holiday quarter with record Mac, iPhone and iPad sales," Jobs said in a release that accompanied the earnings report.

"We are firing on all cylinders and we've got some exciting things in the pipeline for this year including iPhone 4 on Verizon which customers can't wait to get their hands on," he said.

Apple sold 4.13 million Macintosh computers in the quarter, while the number of iPods sold slipped seven percent to 19.45 million.

Net profit in the quarter was nearly double the \$3.38 billion posted in the same period a year earlier.

"We couldn't be happier with the performance of our business, generating \$9.8 billion in cash flow from operations during the December quarter," said Apple chief financial officer Peter Oppenheimer.

He forecast that Apple revenue in the current quarter would be about \$22 billion and that earnings for this quarter would be about \$4.90 per share.

Apple has sold approximately 14.79 million iPads since the tablet computers hit the market in April, according to a tally of figures made public in earnings releases.

"We are already up to 80 percent of the largest companies deploying or piloting the product," Cook said of the iPad during an earnings call with analysts who asked no questions about Jobs.



An elderly vendor cleans her wooden fish chopping board at a central vegetable market in down town Kuala Lumpur on Tuesday. According to the central bank, Malaysian economy is expected to register a 7 percent growth in the region this year.