

# China trade swings to largest deficit in 7 years

REUTERS, Beijing

China swung to a surprise trade deficit in February of \$7.3 billion, its largest in seven years, as the Lunar New Year holiday dealt an unexpectedly sharp blow to exports.

It was China's first trade deficit since March last year and its biggest since February 2004. Economists, who had forecast a small surplus of \$4.95 billion, said the sudden drop was likely to prove temporary.

"We did expect exports to slow last month, but I think nobody had expected such a weak outcome," said Nie Wen, an analyst at Hwabao Trust in Shanghai.

"There is little chance that China will have a trade deficit again, and the monthly trade surplus may pick up in the second half of this year," he added.

Still, the extent of the slowdown in both exports and imports caught markets by surprise. Asian stocks tumbled on worries that monetary tightening in China and other emerging markets was taking a real chunk out of economic growth.

The deficit will at least be welcome news on two fronts for the Chinese government, helping it dampen inflationary pressure and deflect calls for faster yuan appreciation.

Cash inflows from the country's vast trade surplus over the past few years have been a root cause of China's recent run-up in prices. Inflation reached a 28-month high of 5.1 percent in the year to



A man stands in front of containers at Tianjin Port in Tianjin municipality, China.

REUTERS

November. Data due on Friday is expected to show it pulled back to 4.7 percent in February.

With tightening policies beginning to have an impact, China is confident that it can achieve its 2011 goal of holding inflation to an average of 4 percent this year, Ma Jiantang, the government's statistics chief, said on Thursday.

His comments followed a report in an official newspaper that bank lending in February was much less than expected, indicating that Beijing has scored some success in reining in credit issuance, a crucial

part of its campaign to control inflation.

Until that number is confirmed, though, attention will be squarely on China's precipitous drop in exports.

China exports grew 2.4 percent in February from a year earlier, the customs agency said on Thursday, well short of forecasts for a rise of 26.2 percent.

Imports increased 19.4 percent, missing market expectations of a 32.3 percent increase.

The data hit markets when investors are already worried that high oil prices will undermine global growth. Japan's

Nikkei stock average fell 1.5 percent and stocks elsewhere in Asia slid 1.4 percent.

"It's come on a day when commodity prices are off, and investors are worried about global growth and it's just accentuated the market pull-back," said Shane Oliver, head of investment strategy at AMP Capital Investors.

"The Lunar New Year does heavily distort Chinese trade data and I'll be inclined not to read too much into it. But the market is obviously feeling nervous and has probably read a bit more into it."

The government has in the past pointed to a narrower trade surplus as evidence that it is making headway in tilting China away from excessive reliance on exports, a shift that is seen as a crucial part of putting the global economy on firmer footing.

But many economists cautioned against reading too much into one month's trade data, especially in the first quarter.

Chinese exports typically slump at the start of the year, with the country's factories shut or running at half speed for weeks because of China's New Year holiday, which this year fell in the first week of February.

"We believe the trade deficit is likely to be a temporary phenomenon distorted by the Lunar New Year. During the several weeks following the Lunar New Year, the holiday distortions affect exports much more than imports because exporters have a much greater tendency to take extended holidays," Yu Song and Helen Qian, economists with Goldman Sachs, said in a note.

Yet the holiday effect had been expected to weigh on exports when analysts made their initial forecasts, so some said that the downside disappointment in the data was, in fact, a worry.

"Both imports and exports are lower than expected, and seasonal factors alone can't explain the sharp monthly drop," said Xu Biao, economist with China Merchants Bank in Shenzhen.

## Wall Street tycoon driven by greed

AFP, New York

US prosecutors opened Wall Street's biggest insider trader trial in a generation Wednesday saying that "greed" drove former hedge fund boss Raj Rajaratnam to create a corrupt network of informants and rack up millions of dollars in fraudulent profits.

US assistant attorney Jonathan Streeter said Rajaratnam "cheated" to benefit from illegal insider tips even as the US financial sector was in meltdown in 2008.

"He exploited a corrupt network of people to gain access to secret corporate information," Streeter told the New York jury at the opening of what is expected to be a 10-week trial.

But defense attorney John Dowd countered the Sri Lankan-born 53-year-old was nothing more than a brilliant entrepreneur whose Galleon hedge fund used legal, public information and "the best research in the business."

Dowd sought to shoot down the government case which rests largely on wire-tap conversations allegedly showing Rajaratnam cultivating illegal information, and the testimony of former associates and colleagues who have already been convicted and are cooperating with the government.

"The evidence will show the government has it wrong," Dowd said. "The government has focused on snippets of conversations taken out of context."

Associates now turning on Rajaratnam were doing so in hope of lenient sentences for their own crimes, Dowd said. They are "trying to save their skins."

Rajaratnam pleaded not guilty and is free on \$100 million bail. He is likely to face up to 25 years in prison if convicted on all 14 counts.

Media reports speculate that Rajaratnam, who allegedly made \$45 million in illegal trades, could take the highly unusual move of testifying in his own defense.

The prosecution outlined several cases of what it says was blatant insider trading, followed by attempts to cover up the trail.

## German exports, trade surplus higher

AFP, Frankfurt

German exports in January rose 24.2 percent from a year earlier, pushing the country's trade surplus higher, official figures showed Thursday.

Compared with December, however, exports fell 1.0 percent although analysts said the drop was likely to be temporary and noted a landmark shift in shipments to China.

"This setback at the start of the year is unlikely to change the fact that exports will remain the major driver of the German upswing this year," Commerzbank analyst Ulrike Rondorf said.

Imports in January compared with December meanwhile were up 2.3 percent.

On an annual basis to January, German

exports totalled 78.5 billion euros (\$108.7 billion), with imports up 24.1 percent on the year to 68.4 billion euros, producing a trade surplus of 10.1 billion euros, up from 8.1 billion euros in January 2010, the Destatis statistics office said.

The trade surplus was below an average analyst forecast of 12 billion euros compiled by Dow Jones Newswires

Analysts said the month-on-month decline in exports should not mark the start of a trend unless a freight train drivers strike becomes entrenched and a stronger euro weighs on the competitive position of German goods.

Meanwhile, "for the first time ever, German companies shipped more goods to China (including Hong Kong) than to the US," UniCredit chief German economist Andreas Rees noted.

## IMF analysts see lingering risk of financial crises

AFP, Washington

Economists from the International Monetary Fund (IMF) fear that many of the structural causes of the 2007-2009 financial crisis still exist, including banks too big to fail.

The seven economists expressed their concerns in a paper published Wednesday that does not represent the official view of the organization but is intended to stimulate debate among its members.

"Many of the structural characteristics that contributed to the buildup of systemic risks in financial sectors are still in place today, and moral hazard has increased," they wrote.

"In most countries, the structure of the financial system has changed little. In fact, as large banks acquired failing institutions, concentration has increased on average."

It said that in 12 countries that had suffered recent crises the assets of the five largest banks have risen from 307 percent of GDP before the crisis to 335 percent in 2009, complicating recovery efforts.

Governments need to rethink how to reduce the threat posed by large financial institutions, "including through reduced complexity, better capital structures, and possibly restrictions on their scope and activities," it said.

The study compares the political and monetary response to the 2007-2009 financial crisis in 11 European countries and the United States with the response to crises from 1991 to 2002, which affected 17 countries.

## Slim ranks as world's richest person for 2nd year

REUTERS, Mexico City

At an age when most people enjoy retirement, Mexican tycoon Carlos Slim grew his personal fortune by some \$20 billion in one year through gains in his telecommunications and mining businesses.

The value of the 71-year-old's companies as measured by Forbes, around \$74 billion, is nearly twice the projected 2011 gross domestic product of Lebanon, from where Slim's father fled to Mexico in 1902 to escape Ottoman rule.

Slim, who tops the list of Forbes' richest people for the second year in a row, increased the gap between his nearest rivals Bill Gates and Warren Buffett, both of whom have vowed to give up much of their money to charity.

Though Slim has also channeled billions of dollars into philanthropic causes, he has kept a tighter rein on his fortune, most of which is controlled by his family.

Businessmen do more good by creating jobs and wealth via investment "not by being Santa Claus," Slim likes to say.

"One should not seek exposure or applause for the things one does, but simply do them well for one's own sense of accomplishment," he once said about his social work.

The biggest boost to Slim's wealth in 2010 came when he realized big savings and wrongfooted competitors by carrying out a \$21 billion tie-up between his telecom companies to create a sectoral conglomerate under America Movil.

Cash continued to flood in after Slim made an aggressive bet on the price of raw materials through mining investments within his Grupo Carso holding.

While business success dominates media coverage of Slim, his predecessors at the top of the list have made headlines in recent years as celebrated philanthropists.

Microsoft co-founder Gates has given away more than a third of his wealth to the Bill and Melinda Gates foundation. Buffett said in 2006 he planned to give up around 85 percent of his wealth to charitable causes.

Slim has two major foundations worth around \$10 billion in total, according to his spokesman Arturo Elias Ayub.

Much of Slim's charitable work is overseen by his three daughters. Management of his most important companies has passed to his three sons, nephews and sons-in-law.

From a savvy kid who bought his first government savings bond at age 11 to becoming the world's richest man, Slim is one of the most influential entrepreneurs in Latin America. But it has not all been smooth sailing.

No stranger to controversy at home, where detractors accuse him of using political connections to kick-start his rise two decades ago, Slim is now embroiled in a competi-



Carlos Slim Helu of Mexico, Chairman of Fundacion Telmex and the richest man in the world - who Forbes says is worth \$53.5 billion, smiles during a press conference at the Forbes Global CEO Conference in Sydney.

tion row over his dominant position in the telecommunications industry.

A fan of bull-fighting and baseball, Slim bought fixed line phone company Telefonos de Mexico in 1990, and competitors have joined forces to try to weaken the hold the company has given him on the domestic market.

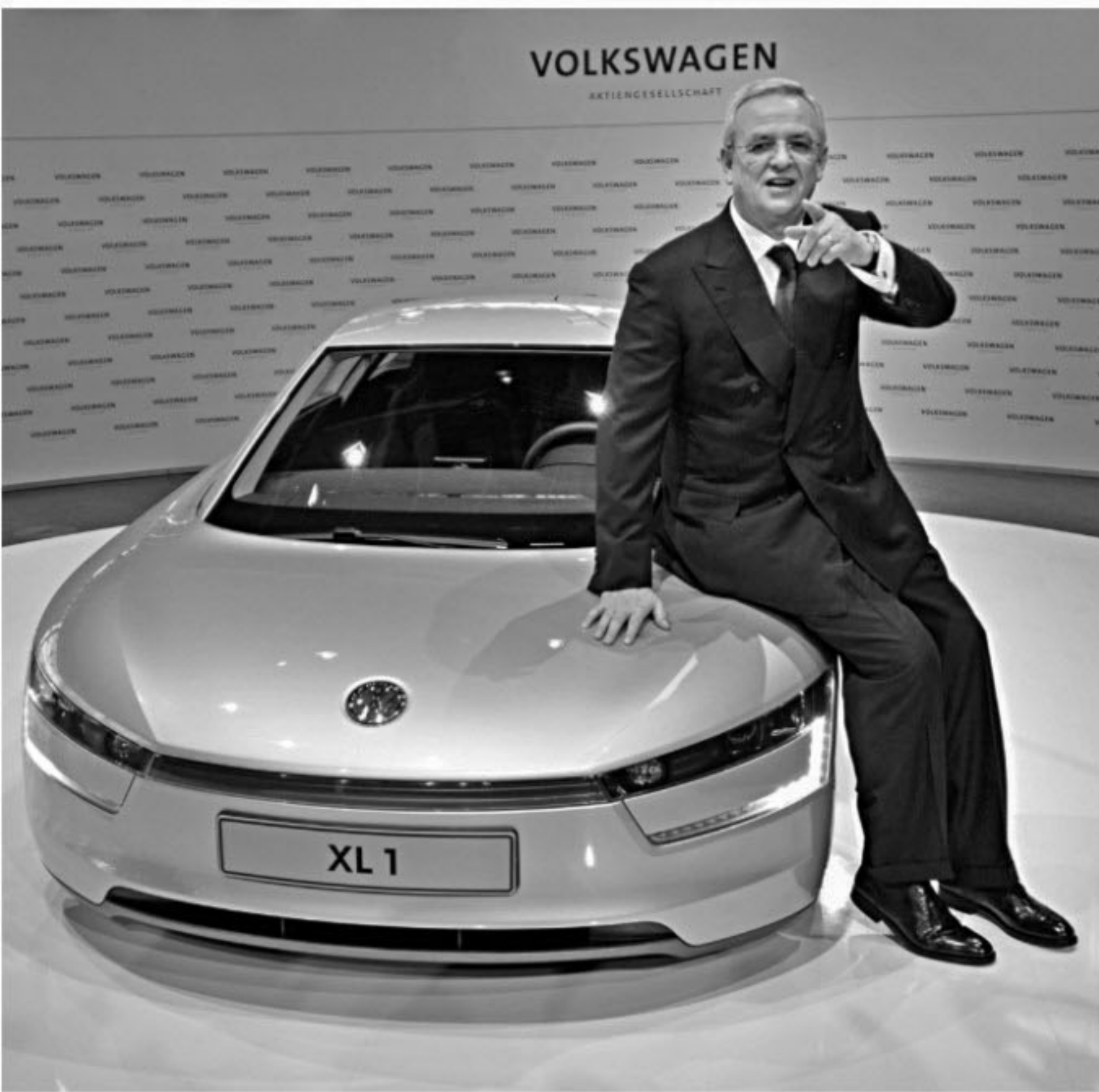
While no longer directly in charge of everyday operations of companies that range from coffee shops to hotels, Slim is actively involved in key decisions within his empire and shows no sign of losing his appetite for the business.

True to his "Midas" nickname, Slim in January spun off his gold, copper and silver mines business, Frisco and bought a controlling stake in an oil company last month.

The trained engineer is also exploring taking iconic Mexican restaurant and retail store Sanborns to Manhattan.

Slim's holdings reach into US territory. He holds stakes in department store operator Saks Inc, publisher New York Times Co, oil services company Bronco Drilling and money manager BlackRock Inc.

And lately he has turned his hand to cultural projects. A noted art collector, last week Slim opened a museum in the heart of Mexico City, surrounded by friends including Colombian Nobel laureate Gabriel Garcia Marquez and US television host Larry King.



AFP

Chairman of German carmaker Volkswagen (VW) Martin Winterkorn poses next to a Hybrid concept Car XL1 before his company's annual press conference to present the company's business report yesterday in Wolfsburg, central Germany.