

Deadly Japan earthquake risks fiscal crisis

AFP, London

The massive Japanese earthquake has raised the chances of a fiscal crisis in the world's third largest economy and could affect countries around the globe, analysts in Europe and the US said Friday.

"It may be several days before the costs of the disaster are clearer," British consultancy Capital Economics warned in a study, a view echoed by counterparts elsewhere.

"The greater the social and economic damage, the larger the threat to the government's ability and willingness to ward off a fiscal crisis," added the report written by economists Julian Jessop and David Rea.

ING economists underscored the fragile state of Tokyo's finances, while Carl Weinberg at High Frequency Economics in the United States said: "This is a sad day for Japan, and economic aftershocks could affect the whole world's economy."

Counterparts at the Japanese bank Nomura were less alarmed, noting that the huge Japanese quake that hit Kobe in 1995 had not seriously harmed the economy in the medium term.

More than 1,000 people probably died in the massive 8.9-magnitude earthquake that hit Japan on Friday, unleashing huge tsunamis along its Pacific coast, Kyodo News agency said.

"The impact on local people is of course foremost in everyone's minds," Capital Economics noted.

"But the financial markets also need to consider the economic costs and the implica-



AFP

White smokes rise from fishing boats at the port of Kesenuma, in Miyagi prefecture yesterday.

tions of the disaster for the public finances. These could be considerable."

Japan is burdened by the industrialised world's biggest debt, which runs close to 200 percent of gross domestic product (GDP).

Economists stressed however that the earthquake was not of the same impact as the devastating quake which ravaged Kobe.

"This disaster is probably not

the 'big one' that seismologists have long been fearing," Capital Economics said.

"Mercifully, the scale appears to be much less than that of the Great Hanshin-Awaji earthquake that hit Kobe on 17th January 1995.

"The Kobe earthquake left 6,434 dead and about 300,000 homeless, and caused damage estimated at 10 trillion yen (\$100 billion at the exchange

rates of the time)." That was equivalent to around 2.5 percent of Japan's 1995 GDP, Nomura senior economist Takuma Ikeda told a telephone news conference.

This time, the area hit hardest hosts industrial zones with chemical and electronics plants, an area that accounts for about 1.7 percent of Japan's total output," Nomura chief European economist Peter Westaway said.

"The impact on overall activity is not going to be that great," he estimated but it "might then have a knock-on effect on confidence in the JGB (Japanese government bond) market."

Ikeda stressed that in 1995, the economy bounced back within two quarters, but the latest earthquake could not have been timed much worse for Japan, according to Capital Economics.

The Japanese economy shrank by 1.3 percent in the three months to December, compared to a year earlier, official data had showed on Thursday. That was worse than the initial estimate of 1.1 percent.

"A large part of the reconstruction costs will probably have to be met by local authorities and ultimately by central government, which is already struggling to bring public debt under control," added the consultancy.

"Overall, it will be that much harder to deliver a credible long-term fiscal plan in the summer if the economy is stuck in recession, the public finances are in an even worse state, and many people are still suffering the after-effects of this disaster.

"At the very least, the scope for fiscal stimulus to mitigate the economic damage is much less than it was in 1995."

Weinberg at High Frequency Economics concluded that "anyone who tells you that they have a handle on the economic consequences of this event is wrong."

"There is no way to assess even the direct damage to Japan's economy or to the global economy," he said.

Obama vows to stabilise fuel prices

REUTERS, Washington

The United States cannot drill its way out of its energy problems and must begin reforms now to reduce oil dependence, President Barack Obama said on Friday, pledging to do all he could to stabilise fuel prices.

Obama, whose prospects for re-election in 2012 may hinge partly on gasoline prices and their effect on the economy, said the world could manage oil supply disruptions stemming from unrest in Libya and across the Middle East and North Africa.

In a White House news conference aimed at calming US consumers' fears of high gas prices, Obama stressed that he could tap US strategic oil reserves quickly if necessary. But he declined to say what price threshold would trigger such intervention.

Republicans, many of whom rallied around the call "drill, baby, drill" in the 2008 presidential election, accuse the administration of neglecting domestic oil production -- a theme that is likely to resurface in next year's election, too.

The average American household will spend about \$700 more for gasoline in 2011 than it spent last year, the Energy Department said this week.

Obama, a Democrat, acknowledged that consumer pain and said more had to be done to secure US energy needs long-term.

"Even if we tap every single reserve available to us, we can't escape the fact that we only control 2 percent of the world's oil, but we consume over a quarter of the world's oil," Obama told a news conference.

"T. Boone Pickens, who made his fortune in the oil business -- and I don't think anybody would consider him unfriendly to drilling -- was right when he said that 'this is one emergency we can't drill our way out of.'"

Eurozone leaders agree on euro coordination

AFP, Brussels

Eurozone leaders made modest progress Friday on bolstering the single currency's defences by agreeing on greater coordination of economic policy to remedy a persistent debt crisis.

"We have an agreement on the pact for the euro," said European Union President Herman Van Rompuy, who was tasked with piloting through proposals put to a summit to bolster the eurozone's defences against a persistent and damaging debt crisis.

His Twitter site was later amended to say it was "an agreement in principle" with "other elements of the package" still being discussed.

The special summit of the 17 euro nations was called with Portugal coming under intense pressure from markets as the government in Lisbon seeks to raise fresh cash to stabilise its public finances.

All aspects of economic policy are covered in the pact with the aim of ensuring greater policy coordination so that the eurozone economies prove more competitive and better able to manage their public finances.

If that is achieved, then the debt crisis can be controlled and resolved, avoiding the need for further costly bailouts after Greece and Ireland had to



REUTERS

A sculpture showing the Euro currency sign is seen in front of the European Central Bank headquarters in Frankfurt, Germany.

be rescued last year.

A diplomatic source said separately that Van Rompuy's announcement will need to be endorsed at a March 24-25 summit of all 27 EU states.

Eurozone leaders were meeting after an full EU summit earlier in the day on the Libyan crisis which is roiling the markets, making life even more difficult for the weaker eurozone states struggling to put their finances in order.

The problem was starkly highlighted when Portugal, widely tipped to be the

next eurozone member to need a bailout after Greece and Ireland, adopted more austerity measures to ensure its public deficit meets EU norms by 2012.

Savage spending cuts have already proved unpopular and EU Economic and Monetary Affairs Commissioner Olli Rehn called Lisbon's latest efforts "significant new commitments" to ensure stability in the Portuguese economy.

"I welcome and support this package of far-reaching and concrete measures," he said, aimed at getting Portu-

gal's public deficit down to 4.6 percent this year and to 3.0 percent -- the EU limit -- in 2012.

Rehn said the new package should now be matched by commitments to bolster the bloc's stability mechanisms.

The 17 heads of state or government of the eurozone nations were joined by the head of the European Central Bank Jean-Claude Trichet to run over the 'Pact for the Euro.'

The document, seen by AFP, sets out four areas for closer cooperation -- competitiveness, employment, sustainable public finances and reinforcing financial stability.

Individual states will be responsible for specific measures -- an important caveat for smaller members jealous of their independence -- but they are all supposed to work towards these same goals.

The objective is "to achieve a new quality of economic policy coordination in the euro area, improve competitiveness, thereby leading to a higher degree of convergence," the document states.

The logic is that if eurozone states have the same goals and obey the same rules, then the huge debt burdens and public deficits straining public finances and threatening the euro will ultimately be brought under control.

Apple fans snap up the new iPad

AFP, New York

The new iPad went on sale on Friday as Apple fans lined up outside stores around the United States to be the first to snap up the sleek touchscreen tablet computer.

Apple began selling the iPad 2, which was unveiled by chief executive Steve Jobs last week, online overnight and in its 236 US stores starting at 5:00 pm (2200 GMT).

The queues did not appear to be as long as those for the iPhone 4 released in June but thousands of people lined up outside Apple stores in San Francisco, New York, Washington and other cities to get their hands on the device, which is one-third thinner, 15 percent lighter and faster than the previous model.

Hundreds of people formed a line around the block outside Apple's flagship 5th Avenue store in New York, including some who camped out overnight swathed in rain gear and equipped with chairs and big umbrellas.

First in line was Hazem Sayed, an applications developer who bought his coveted spot from Amanda Foote, an entrepreneurial 20-year-old from Florida who staked her claim on Wednesday then auctioned the place on Craigslist.

"It went from \$150 to \$600 in about 10 minutes," she said. Finally Sayed came in with the winning bid: \$900.

Sayed said he'd be immediately taking his new iPad 2 to a business meeting in Dubai. "I'm going to buy two iPads. If I could I'd buy four," he said.

Many others in the crowd were foreigners seeking to take advantage of an opportunity they won't have in their own country for a while. The iPad 2 will go on sale in around two dozen other countries in late March.

Mingda Zhong, 18, a student from Nanjing, said that even the original iPad is rare at home. "You cannot buy the iPad 1 very easily," he said. "Most Chinese do not have it."

Some 300 people formed a line outside the Apple store in the Georgetown neighborhood of Washington, many of them killing time by playing with their iPads.

In San Francisco, a queue of about 150 people wrapped around the block housing the Apple store in Union Square.

Many were holding places in line to buy iPads for others. Joshua Leavitt, the first in line, said he was with an online service called TaskRabbit, where people perform services for others for a fee. He said he was buying an iPad for someone who is flying home to Singapore later Friday.

"He's probably going to have the first iPad 2 in Singapore," Leavitt said.

James Almeida, 24, a product design student at San Jose State University, was next, waiting to buy an iPad for himself. "Josh was next to me in line so I asked about TaskRabbit," Almeida said. "So now I'm getting one for a guy in Malaysia."

Besides the size and weight, the other major improvement to the touchscreen tablet computer is the addition of front- and rear-facing cameras that allow users to take still pictures and video and hold video conversations.

Apple sold 15 million iPads last year, bringing in \$10 billion in new revenue and creating an entirely new category of consumer electronics devices.

Dozens of other companies have been scrambling since then to bring their own tablets to market, most of them relying on Google's Android software, and Apple is hoping the iPad 2 will keep it a step ahead of its rivals.

Google rewards top executives \$9m

AFP, Washington

Google has awarded nearly \$9 million in bonuses and another \$50 million in equity to four top executives of the Internet giant, according to a filing with the US Securities and Exchange Commission.

Patrick Pichette, Google's chief financial officer, received a \$2.7 million bonus and \$15 million in equity while chief business officer Nikesh Arora received a \$2.7 million bonus and \$20 million in equity.

Google's senior vice president for engineering and research Alan Eustace was awarded a \$1.8 million bonus and another \$10 million in equity, according to the SEC filing.

Senior vice president for product management Jonathan Rosenberg received a \$1.7 million bonus and \$5 million in equity.

Google's outgoing chief executive Eric Schmidt and co-founders Larry Page and Sergey Brin did not receive any additional compensation.

Page is to replace Schmidt as Google's CEO in April. Google announced plans in January to give Schmidt \$100 million in stock and stock options.



AFP

Russian national Alex Shumilov celebrates after being the first customer to buy the latest iPad 2 at the Apple store on Fifth Avenue in New York on Friday.