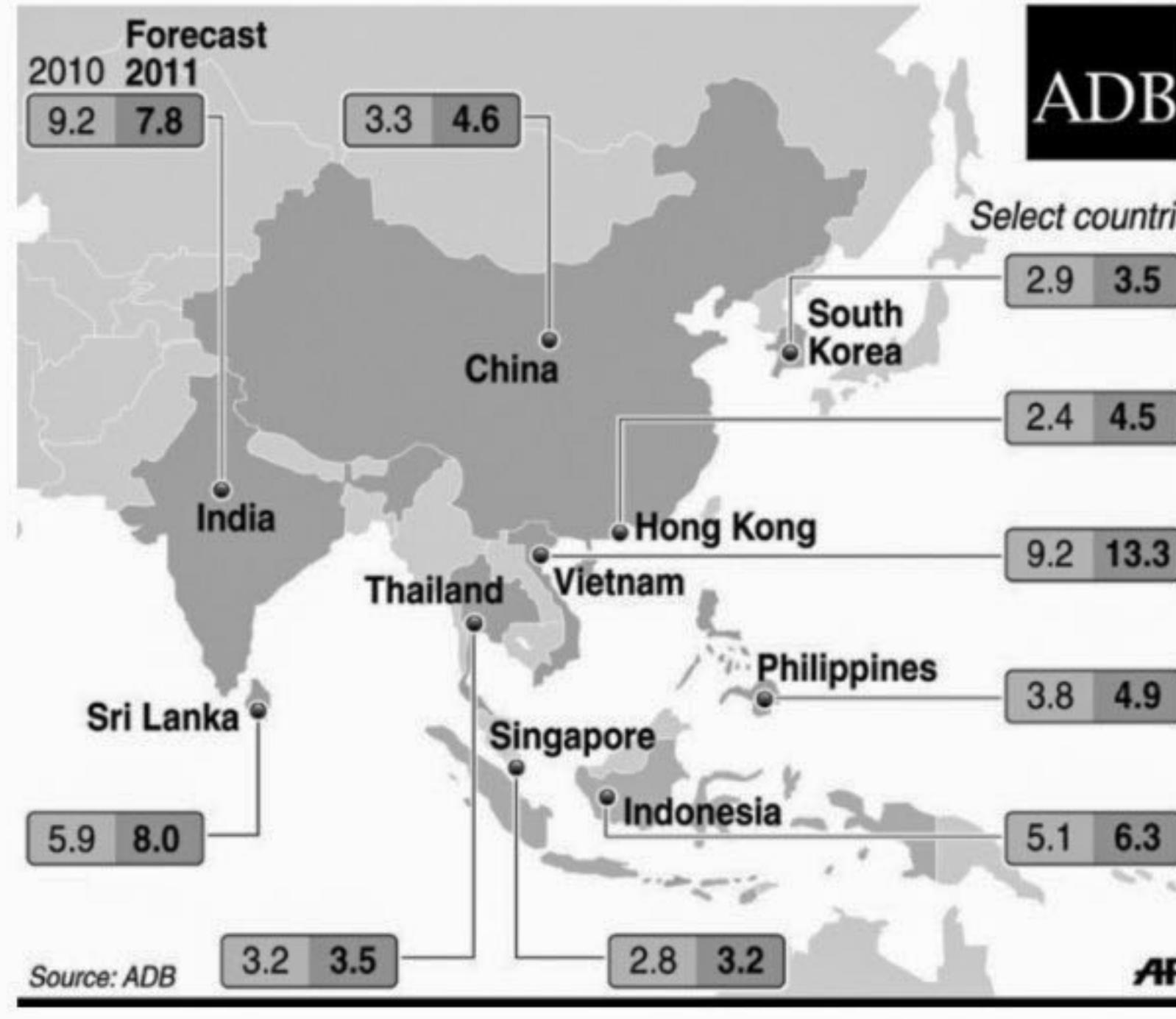


ADB says inflation 'top priority' for Asia

REUTERS, Manila/Hong Kong

Inflation in Asia

Asian Development Bank said Wednesday inflation in the region likely to hit 5.3 percent this year compared with 4.4 percent in 2010



Some of Asia's emerging economies are showing signs of overheating, underscoring the need for further policy tightening and more flexible foreign exchange rates to tackle growing inflationary pressures, the Asian Development Bank said on Wednesday.

Developing Asia, a diverse group of economies including China, India, Azerbaijan, Thailand and Fiji, is expected to grow 7.8 percent in 2011 and 7.7 percent in 2012, robust rates albeit slower than the 9 percent seen in 2010, the ADB said in its latest Asian Development Outlook report.

At the same time, inflation is expected to quicken to an average 5.3 percent this year from 4.4 percent in 2010, before easing to 4.6 percent in 2012, the ADB said. Some countries such as Vietnam and Pakistan could see inflation rates climb well into the double digits.

"There is some sign of overheating, some need for more policy tightening in future," ADB chief economist Chang-yong Rhee said at a media briefing in Hong Kong, speaking generally of Asian inflation.

"Developing Asia is home to two-thirds of the world's poor and it is they who are most vulnerable to the effects of price increases," he said. "Policymakers must therefore consider preemptive action to control inflation before it accelerates."

Higher interest rates alone may not be enough to tamp down price pressures, Rhee added, urging policymakers to use a variety of measures to curb inflation, including allowing greater flexibility in their currencies and capital controls.

"The region's outlook is for continued strong growth in 2011-2012, but with the threat of

inflation looming closer," the ADB said in its report.

"When weighing their macroeconomic policy choices, many of developing Asia's policy makers see that the balance has tipped toward avoiding overheating."

Besides rising food and fuel prices, other risks to regional growth included soft job and housing markets in the United States, Europe's debt problems, and the economic impact of last month's massive earthquake in Japan and nuclear crisis, the ADB said.

The ADB, which said its report was generally based on data available up to March 16, said the impact of Japan's disaster was hard to quantify, but was likely to impact negatively on the country's economic growth for the next two quarters, with

minimal spillover disruptions to other Asian economies.

"The impact on Japan in the short run will be large in the next two quarters for example, but I think the long run economic prospects will be less dire and the impact on other regions will be contained. I don't think there will be a very significant threat to other regions at this moment," said Rhee.

China, in particular, could do more to tighten monetary policy, the ADB said, even after Beijing raised interest rates on Tuesday for the fourth time since October. Inflation in China is running at around 5 percent and could accelerate further in coming months.

"Unless the Chinese government sees the stabilisation of inflation in a short period of time, I think they may have to consider

more tightening," Rhee said.

A surge in inflation, particularly food price inflation, could pull down those who are currently just above the poverty line, making it a social as well as economic concern, the ADB said.

The report said recent estimates showed a 10 percent rise in domestic food prices would raise the number of poor in developing Asia by about 64 million, or more than 7 percent.

"High inflation is a direct threat to stable and inclusive growth since rising domestic prices can lead to social tensions," the ADB said, singling out Vietnam as among the most at risk from rising prices.

Inflation in Vietnam could reach 13.3 percent this year, the second highest in the region after Pakistan, which could see infla-

tion of 16 percent, the ADB said.

But tackling inflation driven by global and supply-side factors can put policymakers in a difficult position.

Steps such as tariff cuts and export bans have varying success, and there could also be problems with local infrastructure or domestic supply chains that exacerbate price pressures.

Raising interest rates can also attract more foreign inflows, which adds to pressure from currencies to appreciate and creates greater liquidity in domestic money supply, compounding problems for policymakers.

Allowing currencies to appreciate was effective when dealing with a sustained surge of inflows, but could cause problems if the inflows are temporary, the ADB said.

Bourse veto will not hurt investment

AFP, Sydney

Australia denied Wednesday that its appeal to foreign investors had been dented by the effective blocking of a politically toxic merger between the Australian and Singaporean stock exchanges.

Treasurer Wayne Swan said Tuesday he had "serious concerns" about the deal on national interest grounds, and intended to accept the unanimous advice of the Foreign Investment Review Board (FIRB) that the takeover would not work.

The Singapore exchange has been asked to provide further comments, but has made clear it does not intend to alter its proposed Aus\$8.4 billion (\$8.7 billion) bid for the ASX.

Swan took to the airwaves Wednesday after fund managers and business leaders said his decision sent a negative signal to foreign investors.

"No, I don't believe so," he told ABC radio, when asked if Australia's international standing had been harmed.

"I know that there are some who will bang a drum with their own particular view and their own particular commercial interest, but I have consulted widely, particularly in the financial sector here and abroad."

"There are some very clear views coming forward to me through that consultation. But I will deal with all of those issues when I publish all of the reasons in full, after I've taken my final decision."

Australian media suggested Swan's decision was made more on political grounds than in the national interest, with several key politicians vowing to block any tie-up once it came before parliament for final approval.

The opponents include MPs whom the government relies on to sustain its wafer-thin parliamentary majority.

Swan denied he was playing politics.

"Absolutely nothing could be further from the truth," he said, adding that Australia welcomed foreign investment.

"We've got an open and transparent process and I've acted in accordance with well-established guidelines and legal advice."

Taiwan to impose tax to curb home prices

AFP, Taipei

A planned "luxury tax" that aims to rein in property speculation in Taiwan came a step nearer on Wednesday when it breezed through its first reading.

The Finance Committee gave the go-ahead to the first draft of the bill after President Ma Ying-jeou ordered legislators in his Kuomintang party, which holds a majority on the committee, to help push it through.

The move comes as house prices in Taiwan have soared, leading to tensions over the widening gap between the island's rich and poor that has seen Taipei become one of Asia's most expensive cities.

"The approval of the bill today marks a triumph of social justice ... hopefully it will help crack down on short-term speculation," Kuomintang legislator Fei Hung-tai, a committee convenor, told reporters.

Fei expected the committee to pass the second and third and final reading of the bill before it is voted on by parliament towards the end of the month.

Under the provisions of the bill anyone who sells non-residential properties and vacant land within two years of buying it will face a levy of up to 15 percent.

It also includes plans for a 10 percent special sales tax on luxury goods such as yachts, private jets, furs and high-end furniture.

The bill was introduced as data indicate Taiwan is gradually seeing a more unequal distribution of wealth, with property prices emerging as a key public bugbear.

LG claims biggest electric car battery plant

AFP, Seoul

South Korea's LG Chem on Wednesday completed what it described as the world's largest battery plant for electric cars and vowed to become a major producer by 2015.

The company said the factory in Ochang, south of Seoul, has enough capacity to produce lithium-ion batteries for 100,000 of the green autos a year.

And LG Chem, part of the LG group, said it would spend two trillion won (\$1.84 billion) on building one more plant in South Korea and another in the United States over the next two years.

When completed, LG Chem will be able to make batteries for 350,000 vehicles a year, and the firm said it was aiming to increase its share of the global electric-car battery market to more than 25 percent by 2015.

The company has secured deals to provide batteries for US giant General Motors as well as Hyundai of South Korea and eight other automakers.

President Lee Myung-Bak said at a

ceremony in Ochang that South Korea's future depended on its performance in green technologies, adding that growth in that sector was an "unavoidable choice" in the times of climate change.

The battery plant is a key plank of Lee's drive to develop renewable and substitute energy sources as new growth engines for South Korea's economy, the president's office said.

It predicts the global market for electric car batteries will grow rapidly to 16 trillion won in 2015 from the current 1.5 trillion won amid soaring oil prices and tougher environmental rules on emissions.

LG Chem targets sales of four trillion won from its battery business by 2015 and chief executive Kim Bahn-Suk said the company expects to win more orders from Japanese automakers.

Analysts say South Korean firms are well placed to earn new orders for rechargeable batteries as Japan's devastating March 11 earthquake and tsunami created disruptions for many of that country's manufacturers.



Managing Director of Maserati cars, Simone Nicolai (L) and Chairman of Shreyans Group, Ashish Chordia pose during the unveiling of the Italian Maserati motor-car during the launch in New Delhi yesterday. Maserati cars launched their luxury and sports cars in the Indian market at the cost of \$323,141.

First ban on all Japanese food over nuclear crisis

AFP, Tokyo

India banned all food imports from Japan Tuesday, the first country to impose a blanket block over radiation from a stricken nuclear plant, as shares in its operator plunged to an all-time low.

With workers pumping toxic water from the Fukushima atomic plant into the Pacific Ocean for a second day Japan imposed a legal limit for radioactive iodine in fish, adding it would look at widening tests to cover a larger area.

Raised levels of radioactive iodine had been discovered in a fish caught off Ibaraki prefecture, south of the crippled plant.

Shares in Tokyo Electric Power Co. (TEPCO) plunged to a new low of 362 yen - their lowest ever level -- amid concerns the firm, which operates the power station, will face huge compensation bills.

The embattled company has lost more than 80 percent of its value since the March 11 quake and tsunami knocked out reactor cooling systems at the Fukushima nuclear plant, triggering explosions and releasing radiation.

An Indian government statement said all food imports from Japan "stand suspended with immediate effect" for three months, or until "credible information is available that the radiation hazard has subsided to acceptable limits".

The move by India, which imports small amounts of fruits, vegetables and processed food, is the first nationwide ban, while several countries including China, Singapore and the United States have blocked food from some Japanese prefectures.

On Monday, TEPCO operators began releasing low-level radioactive water into the sea to free up urgently needed safe storage space for water so toxic that it is halting crucial repair work.

The company has said it needs to dump 11,500 tonnes, or more than



A supermarket worker places sushi in a shop in Hsintien, New Taipei City. Japanese restaurants in India scrambled yesterday to find replacement ingredients after the government imposed a blanket ban on food imports from Japan over radiation fears.

four Olympic pools' worth, of the radioactive liquid, raising concerns about marine life in the island nation, where seafood is a key source of protein.

Some radioactive runoff has already leaked into the Pacific Ocean, raising levels of iodine-131 to over 4,000 times the legal limit in one measurement.

On Tuesday, government chief spokesman Yukio Edano announced a legal limit of 2,000 becquerels per kilogram for radioactive iodine in seafood, the first time such restriction for fish.

"The government has decided to temporarily adopt the same limit as for vegetables," he told a press conference.

The move came after radioactive iodine of more than double that concentration was detected in a variety of small fish known as konago, or sand lance, caught off Ibaraki, south of the plant.

Fishing of the species was stopped locally, reports said.

Radioactive iodine above legal limits has been detected in vegetables, dairy products and mushrooms.

rooms, triggering shipping bans, but officials had said seafood was less at risk as ocean currents and tides dilute dangerous isotopes.

Fishermen in the area expressed outrage over the decision to dump radioactive water into the ocean.

"We heard radioactive material was leaking into the sea," said Yoshihiro Niizuma of the Fukushima Fisheries cooperative.

"Now they are dumping contaminated water on purpose."

Seoul also questioned the decision, saying the proximity of the two neighbours made Japan's action "a pressing issue" for South Korea.

Fishing has been banned within 20 kilometres (12 miles) of the stricken plant, matching the radius of the evacuation zone on land, where tens of thousands of residents have been moved out.

The dumping of radioactive water into the sea has also cast concerns on the earnings of the fishery industry, and some analysts estimate TEPCO could face compensation claims of more than 10 trillion yen (\$120 billion).