Japan trade surplus dives after quake and tsunami

AFP, *Tokyo*

Japan's exports fell for the first time in 16 months and its trade surplus plunged after a record earthquake and tsunami hit production, the finance ministry said Wednesday.

The country may fall into a trade deficit in the near term amid rising oil and raw material prices, which inflated the value of March imports and ate into the trade balance, analysts said.

The latest data further illustrate the emerging impact of the March 11 disasters, in which a 9.0-magnitude earthquake and the tsunami it unleashed devastated swathes of the northeast coast and triggered an atomic emergency.

Economists see Japan sliding into a temporary recession after the devastation to infrastructure and manufacturing facilities in the northeast, amid the nation's worst crisis since World War II.

"If Japan posts a trade deficit in April and May, GDP is also likely to contract in the April-June period," said Akiyoshi Takumori, chief economist at Sumitomo Mitsui Asset Management.

Japan's trade surplus in March stood at 196.5 billion yen ($2.37 billion), down 78.9 percent but still managing to stay in the black for the second successive month, the finance ministry said.

Exports in March dropped 2.2 percent to 5.87 trillion yen, falling for the first time in 16 months due to reduced shipments of automobiles, it said.

Expectations in a joint poll by Dow Jones and the Nikkei financial daily had been of a 2.0 percent decline.

The fall was led by vehicle exports, which contracted 27.8 percent, the ministry said, after Japan's leading automakers were forced to halt production amid broken supply chains and power shortages.

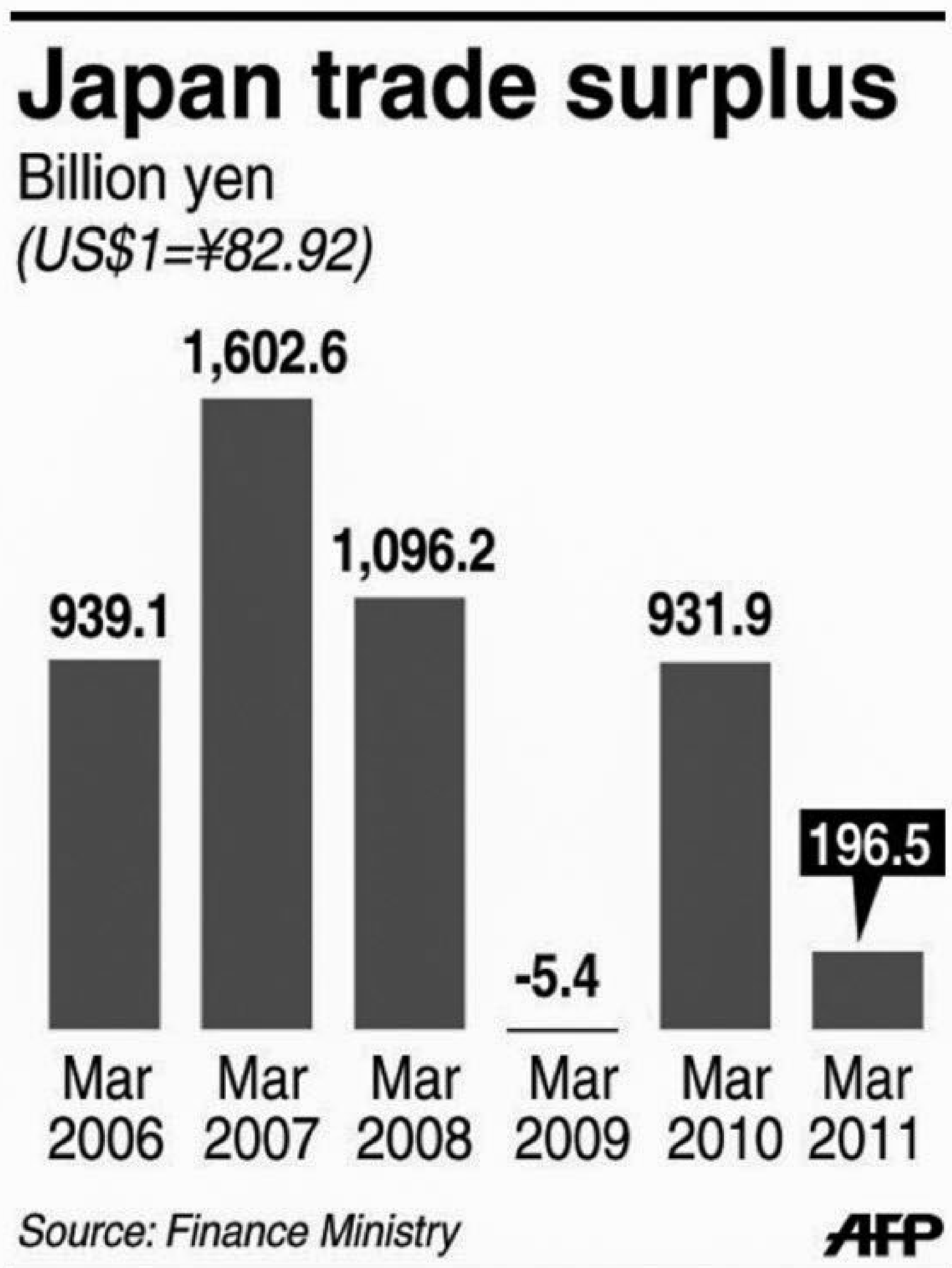
The export fall is likely to continue, said Japan Foreign Trade Council chairman Shoei Utsuda.

"I cannot help but think the fall in April might be even sharper," he told Japanese reporters, calling the rate of the drop in March "unprecedented".

The yen came under pressure in Asia on Wednesday after the trade data, weakening to 82.90 against the dollar from 82.57 yen in New York late Tuesday.

"As the data showed a clear picture of sluggish exports, the market moved to dollar buying against the yen," said Sumino Kamei, senior analyst at the Bank of Tokyo-Mitsubishi UFJ.

"The data revealed a steep decline in automobile exports. As the supply chain damaged by the quake has not been restored yet, it is seen to take time until automobile exports will recover."



Many key component manufacturers are based in the worst-hit regions of Japan, their facilities damaged by the earthquake or inundated by the giant wave that followed. Shortages are expected to last for months.

The parts shortage has hit companies and production worldwide.

After stopping domestic production on March 11, Toyota Motor gradually reopened factories and is now operating at 50 percent capacity as it struggles to secure necessary parts.

Toyota also suffered production disruptions in the United States, European Union and Australia, and said on Wednesday it will reduce auto production at its Chinese plants by 50-70 percent until June 3.

Toyota president and chief executive officer Akio Toyoda said at the Shanghai auto show that "due to the situation in Japan, I hesitated to come to China right up until the last minute".

March Japanese imports rose for the 15th straight month, increasing 11.9 percent to 5.67 trillion yen, on surging prices of oil and iron ore, the ministry said.

The value of oil imports rose 14.8 percent, while the value of iron ore imports soared 74.9 percent and coal imports also rose 39.4 percent.

Procurement of manufacturing parts from overseas also boosted imports, analysts said.

The disaster has depressed Japan's business and consumer confidence, as Tokyo Electric Power Co, which operates the stricken Fukushima nuclear plant, makes slow progress to stop the world's worst atomic disaster since the 1986 Chernobyl explosion.

The ministry said Japanese exports for the year to March rose 14.9 percent to 67.8 trillion yen, while imports were up 15.9 percent to 62.4 trillion, putting the annual trade surplus at 5.4 trillion yen, a 3.9 percent rise.

Apple to ship new iPhone in September

REUTERS, *Hong Kong*

Apple's next-generation iPhone will have a faster processor and will begin shipping in September, three people with direct knowledge of the company's supply chain said.

The production of the new iPhone will start in July/August and the smartphone will look largely similar to the iPhone 4, one of the people said on Wednesday.

The iPhone -- introduced in 2007 with the touchscreen, on-demand application template now adopted by its rivals -- remains the gold standard in the booming smartphone market.

Reports on the timeline of the new iPhone launch vary, though it is largely expected that Apple will likely refresh its iPhone 4 later this year.

The sources declined to be identified because the plans for the new iPhone were not yet public. An Apple spokeswoman in Hong Kong was not available for comment.

The iPhone is one of Apple's most successful products, with more than 16 million sold in the last quarter of 2010 and the product accounted for more than a third of the company's sales in the quarter.

The current iPhone 4 was launched by Apple Chief Executive Steve Jobs in June last year and began shipping the same month in 2010.

Apple sources many of its components from Taiwan-based suppliers, many of whom are expected to benefit from an uptick in sales as some of them rely on the US company for about 20-40 percent of their business, said Vincent Chen, an analyst at Yuanta Securities.

"For some suppliers, Apple is their cash cow, or their bread and butter," Chen said.

"With all these versions being launched so frequently, it will be the so-called low-margin suppliers, such as those that assemble the phones, who will benefit the most."

China shields $1 trillion market

AP, *Beijing*

Opaque bidding laws, outright favoritism and other practices by China effectively bar foreign companies from winning public procurement contracts, a market equal to a fifth of the Chinese economy, a European business group said Wednesday.

A study by the European Union Chamber of Commerce in China adds to rising complaints from major trading partners that foreign companies are being treated unfairly in the huge and rapidly growing Chinese market. Public procurement is particularly important because government agencies play a major role in the economy, both as funders and arbiters of bids, the EU Chamber said.

In bidding on public contracts, "at every step of the process, you have flaws and difficulties and room for a non-equal playing field," chamber president Jacques de Boisseson said at a news conference. A European information technology executive cited in the study said the bidding process "can seem like pure protectionism and it's really frustrating."

Even after three decades of free-market reforms, the government and state-owned companies dominate vital parts of China's economy. The EU Chamber's study takes an expansive view of the state involvement, defining public procurement as encapsulating everything from infrastructure projects to some purchases by state companies and public institutions.

By that measure, the study estimates that China's public procurement totals $1 trillion, or 6.8 trillion yuan, a year - about 20 percent of the total economy.

AFP

EU commissioner for Financial Programming and Budget Janusz Lewandowski speaks at a press conference in Brussels yesterday.

In trying to win public contracts, foreign companies often have difficulty getting information on bid requirements, the study said, while practices outlined in laws and regulations are implemented unevenly, often to the favor of local firms.

Public procurement has become one of several prominent irritants in China's relations with trading partners in recent years as the size of the Chinese market soared while developed economies tottered. The authoritarian government has used potential access to the growing market as leverage, crafting policies to persuade multinational companies to turn over technology and open up more factories and research facilities.

Preferences given to domestic companies through government procurement and policies have drawn complaints from major multinationals and the U.S., Japanese and European governments.

Washington filed a case in the World Trade Organization last year challenging subsidies China gives clean-energy makers that the complaint says allows them to sell solar and wind power equipment at unfairly low prices.

In an example cited by the EU Chamber study, wind turbine manufacturers face rules requiring that 70 percent of wind farm equipment had to be made locally - a requirement some local governments interpreted so strictly that Chinese manufacturers from other provinces were sometimes excluded.

Thailand lifts rates again to curb inflation

AFP, *Bangkok*

Thailand's central bank raised its official interest rate Wednesday for the sixth time in less than a year in an attempt to contain inflation.

The Monetary Policy Committee (MPC) voted six to one to increase the official cost of borrowing to 2.75 percent, up from 2.50 percent previously, and said in a statement it was ready to take further action if needed.

The central Bank of Thailand has lifted its key rate by a total of 150 basis points since July 2010.

The latest move came just hours after official figures showed exports jumped almost 31 percent in March from a year earlier, hitting an all-time high in a boost to the economy's recovery from a soft patch in mid-2010.

"The Thai economy continued to expand well in the first quarter, supported by internal and external demand," the bank's assistant governor Paiboon Kittisrikangwan said in a statement.

A slowdown in the production and export of automobiles and electronics was expected as a result of Japan's devastating earthquake and tsunami, but at the same time the impact of the flood in southern Thailand was limited, he said.

"Going forward, the Thai economy is expected to maintain its growth momentum," Paiboon predicted.

Stubbornly high oil and commodity prices, coupled with the gradual end of official measures to control prices, would add to inflationary pressures, he said.

Gold ends at record high above $1,500

AFP, *Hong Kong*

Gold hit a fresh record above $1,500 in Hong Kong on Wednesday as traders sought out the safe haven amid concerns over the global economy.

The precious metal closed at $1,500.00-$1,501.00 an ounce, days after Standard & Poor's downgraded its US sovereign debt outlook to "negative" from "stable".

It had opened at $1,495.80-$1,496.80.

Analysts said that against the background of rising prices, ongoing tensions in the Middle East and North Africa, and eurozone and US debt concerns, the metal could go even higher.

Darren Heathcote, head of trading at Investec in Sydney, told Dow Jones Newswires: "It doesn't take much in this geopolitical and economic environment to push more safe-haven buying, so you have to accept the trend is intact."

The ratings agency's move Monday challenged Washington's gold-star "AAA"-rated standard as it warned that politicians seemed unable to agree a plan to reduce a huge budget deficit, which is running at around 10 percent of gross domestic product.

S&P said it could not foresee a deal between Democrats and Republicans on cutting the fiscal deficit until after the November 2012 presidential and congressional polls, and that without one, the problem would only worsen.

The budget gap is expected to be almost 11 percent of gross domestic product by the end of the year.

"Because... the path to addressing these (problems) is not clear to us, we have revised our outlook on the long-term rating to negative from stable," S&P said.

The move sent global shares tumbling and it also comes as concerns grow over global inflation, with China and India struggling to control prices and the European Central Bank also being forced to hike rates to ease costs.

Gold is considered a safe haven bet against high inflation.

A shop assistant sorts gold jewellery in Hong Kong. Gold hit a fresh record above $1,500 in Hong Kong yesterday as traders sought out the safe haven amid concerns over the global economy.

AFP

Cambodia eyes 6pc growth in 2011

AFP, *Phnom Penh*

Cambodia's economy is expected to grow by more than six percent this year, the government told international donors on Wednesday.

"Cambodia is very well positioned" for robust growth, Economy and Finance Minister Keat Chhon told delegates at a meeting in Phnom Penh to discuss aid programmes.

He said the economy was recovering well from the global financial crisis and would expand by "more than six percent in 2011", without giving further details.

The government's projection is in line with recent predictions from the World Bank and the International Monetary Fund, which each expect Cambodia's gross domestic product (GDP) to grow by 6.5 percent this year driven by garment exports, agriculture and tourism.

Written off as a failed state after the devastating 1975-79 Khmer Rouge regime and several decades of civil war, Cambodia used garment exports and tourism to help improve its economy.

The country enjoyed several years of double-digit economic growth before being hit hard by the global financial crisis which began in 2007.

But like much of Asia, Cambodia has bounced back and achieved 5.9 percent growth in 2010, Prime Minister Hun Sen said in a speech last month.

Cambodia still remains one of the world's poorest countries, with around 30 percent of its 14 million people living on less than a dollar a day.