

Japan posts second-biggest trade deficit in May

AFP, Tokyo

Japan in May posted its second-worst trade deficit since records began as exports tumbled on the impact of the March earthquake and tsunami, data showed Monday.

Shipments of automobiles, a key sector for the world's third-biggest economy, plunged due to massive production disruption caused by the twin disasters that shattered supply chains and led to power shortages.

Japan logged a deficit of 853.7 billion yen (\$10.7 billion) in its trade with the rest of the world, the second biggest monthly deficit since comparable records began in 1979 and the biggest shortfall for two-and-a-half years.

The average market forecast was for a deficit of 744 billion yen.

Exports in May tumbled 10.3 percent from a year earlier to 4.76 trillion yen for the third straight month of declines, with shipments of automobiles plunging 38.9 percent and electronic components falling 18.5 percent.

Imports rose 12.3 percent to 5.61 trillion yen following the March 11 catastrophe to chalk up a year-on-year rise for the 17th consecutive month due to higher costs of oil and gas.

"Given the enormity of the disaster, the current situation is within the realm of expectations," Chief Cabinet Secretary Yukio Edano said at a news conference.



Containers are loaded onto a cargo ship at the port in Tokyo. Japan posted a bigger-than-expected trade deficit in May with exports hit, as the impact of the March earthquake and tsunami took its toll on the world's third-largest economy.

"Production is recovering faster than expected due to the efforts of individual companies, and I believe the situation will change in the not-so-distant future," Edano said.

While auto exports suffered a steep decline in May, the drop of nearly 40 percent was an improvement on April's fall of nearly 70 percent, said Daiwa Institute of Research economist Hiroshi Watanabe.

This illustrated the pace of

recovery after power shortages and supply woes forced the likes of Toyota and Honda to shutter factories, he said. "The deficit will shrink in the summer or later."

Credit Suisse economists said "auto exports will recover relatively quickly" while the high-tech industry remains a concern due to slow shipments of semiconductors.

"With the recovery in exports of high value-added products,

we expect that the trade deficit will start shrinking within a few months," it said.

The government on Monday upgraded its economic assessment for the first time in four months amid recoveries in earthquake-hit supply chains following the March 11 disasters.

But it cut its view on the global and US economies for the first time in 28 months in the view that a slowdown abroad could

pressure the Japanese economy. Overseas demand was expected to drive Japan's recovery before the disaster.

The nation's biggest recorded earthquake and the tsunami it generated left more than 23,000 dead or missing, wiped out entire towns along the northeast coast and crippled a nuclear power plant, leading to meltdowns and radiation leaks.

Subsequent power shortages and a supply crunch forced Japan's biggest companies to shut factories, leading to massive production disruption.

The economy was pushed back into recession, contracting an annualised 3.5 percent in the January-March quarter at its sharpest pace since a record 18.0 percent tumble in January-March 2009.

Economists expect it to return to growth in the second half of the year amid reconstruction spending but signs of overseas economic weakness and the ongoing nuclear crisis remain concerns, said Watanabe.

Japan's trade balance was negative for a second consecutive month with the May deficit, which reversed a year-before surplus of 309.1 billion yen.

With its biggest trade partner China, Japan ran a deficit of 214.7 billion yen, more than triple the year-before deficit of 60.5 billion yen.

Japan's trade surplus with the United States fell 56.0 percent, and that with the European Union dived 77.1 percent.

Paris airshow opens with promise of soaring sales

AFP, Paris

The world's planemakers set out their stalls alongside an airfield outside Paris on Monday hoping the biggest event in the aviation calendar will confirm their industry is again ready for takeoff.

Duelling giants Boeing and Airbus and around 2,000 smaller aerospace suppliers, came to the first Paris International Airshow since the end of the global financial crisis eyeing possible massive new airline orders.

French-based Airbus, the main subsidiary of European high-tech giant EADS, is on home turf and flying high on the back of Asian orders for its new fuel efficient A320 Neo worth more than \$10 billion.

But US behemoth Boeing struck first blood, announcing that Qatar Airways had ordered six additional Boeing 777-300 long-haul aircraft, worth \$1.7 billion at list prices.

Airbus had already suffered a setback on Sunday when one of the firm's flagship A380 superjumbos clipped a structure by the taxiway on arrival and lost a wing-tip, ruling it out of the thundering flight demonstrations that will split the suburban skies here all week.

Meanwhile, Airbus' long-troubled and much delayed A400M military transport was also grounded with engine problems and the company confirmed that delivery of two versions of its key A350 long-haul airliner would be delayed.

Boeing, by contrast, successfully brought along its 747-8 Intercontinental, allowing the longer, modernised version of its trademark jumbo jet to make its international debut in great style on its rival's doorstep.

In recent years, the fast-growing emerging economies of Asia have helped keep plane sales buoyant amid gloom in Western markets, but on the eve of the show Boeing admitted it expects China to become a rival as well as a client.

"They are improving all the time ... making huge investments," said Jim Albaugh, head of Boeing's commercial aircraft operations, saying Chinese aerospace firms would win sales "probably sooner than anyone thinks."

Europe presses Greece to live up to its word

AFP, Luxembourg

The European Union piled pressure on Greece on Monday to deliver deep new austerity cuts, citing past failures for a refusal to extend fresh loans immediately despite mounting fears of contagion.

On the eve of a parliamentary confidence vote in Prime Minister George Papandreou's government reshuffle -- itself a late throw of the dice forced by widespread unrest -- eurozone finance ministers delayed emergency cashflow aid.

They took a gamble by putting off until mid-July the approval of a 12-billion-euro loan from last year's 110-billion-euro (\$156 billion) bailout which Athens needs to avoid default.

Asian markets took a dim view of that initially.

First, the ministers said, Athens must sign off on budget cuts and a vast programme to privatise public assets.

The ministers did sketch out the contours of a second, 100-billion-euro bailout, which would involve taxpayers' money but also a "substantial" contribution via the "informal and voluntary rollovers of existing Greek debt at maturity" by private banks, pension funds and insurers.

But they insisted the stick came before the carrot, Belgium's Didier Reynders spelling out on Monday: "We are putting on the pressure, but because there is previous history."

"We have seen false statistics sent up by Athens, we have seen much hesitation, I believe we have to be certain that everybody in Greece will stick to the plan," he said on arrival for a second day of talks on Europe's debt crisis, this time bringing in non-eurozone EU governments as well.

European Union Economic Affairs Commissioner Olli Rehn, who had suggested last week that the slice of 12 billion euros would be released at the Luxembourg talks, adopted a more positive view ahead of Greek moves to get 28.4 billion euros of fiscal belt-tightening past lawmakers.

"I am certain that Greece will be able to take the decisions needed because the alternative is so much



Greek 'Indignants' protest for the fourth consecutive week against new austerity measures in front of the Greek parliament, in the central Syntagma square of Athens on Sunday. Greek Prime Minister George Papandreou urged political parties to forge a "national accord" and back him in a confidence vote in order to overcome the economic crisis amid social unrest.

worse," he said.

"Default is so much worse for Greece and therefore it is in the interest of Greece to now work in favour of the package and thus avoid default."

Following protests over the unpopular austerity measures, the Greek finance ministry said on Monday it was confident that the parliament, where the Socialist government holds 155 of 300 seats, would approve them on June 28. The new Greek finance minister, Evangelos Venizelos, vowed: "We can achieve our targets."

Luxembourg Prime Minister Jean-Claude Juncker, the head of the group of eurozone finance ministers, said it was "obvious" that commitments to hand over more money could not be given prior to a Greek parliament vote.

Alongside the controversial budget plan is a Greek vow to make 50 billion from privatisations by 2015.

Eurozone partners are due to cough up 8.7 billion euros and the IMF 3.3 billion, and several sources in Luxembourg said the International Monetary Fund lay behind the demand for extra guarantees.

Ministers also stressed the need thereafter for "rigorous and expedi-

tious implementation" of Greek promises.

Showing the extent of international fears over renewed financial contagion, G7 finance ministers from Britain, Canada, France, Germany, Italy, Japan and the United States had broken away for a telephone huddle during the discussions. On the second bailout, banks, pension funds and insurers will be invited to agree to "informal and voluntary rollovers" of existing debts years after their original redemption dates.

The litmus test was that the private sector contribution would be one "avoiding a selective default," meaning different ranking for different creditors, public and private.

"On these conditions, ministers decided to define by early July the main parameters of a clear new financial strategy."

The euro fell against the dollar in a trend that dealers said reflected the continuing uncertainty surrounding the bailout.

The euro fell to \$1.4235 in Tokyo afternoon trading from \$1.4301 in New York late Friday. The European single currency also sagged to 114.11 yen from 114.46 yen.

Thailand trade returns to surplus

AFP, Bangkok

Thailand's trade balance returned to surplus in May after a deficit the previous month, despite a slowdown in exports in following Japan's March 11 quake-tsunami, government data showed on Monday.

Exports grew 17.6 percent from a year earlier to \$19.46 billion, after a 24.6 percent rise in April, as the auto sector felt the squeeze from reduced parts from Japan following the twin disaster, the com-

pany said.

French Finance Minister Christine Lagarde (L) sits next to German Finance Minister Wolfgang Schaeuble yesterday before a meeting of eurozone finance ministers at EU headquarters in Luxembourg. Europe promised to unlock existing bailout loans for Greece and draw up a second financial rescue as long as its parliament approves fierce new budget cuts and a raft of asset sales.

Buffett-backed carmaker lowers China IPO to \$219m

AFP, Shanghai

Chinese carmaker BYD, backed by US billionaire Warren Buffett, has said it will seek to raise a smaller-than-expected 1.4 billion yuan (\$219.4 million) in its initial public offering (IPO).

The company had indicated earlier that the IPO was originally expected to raise 2.19 billion yuan.

It said the proceeds were to be invested in a lithium-ion battery project, a research and development centre and an expansion of its product line, which require total investments of around 5.4 billion yuan.

BYD, already listed in Hong Kong, will start taking subscriptions for the offering from Tuesday.

The IPO comes at an uncertain time for China's auto market.



AFP